51JOB, INC.
Form 20-F
March 31, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2014

OR

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

For the transition period from to

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report . . . . . .

Commission file number: 000-50841

51job, Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant s name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

Building 3

No. 1387, Zhang Dong Road

Shanghai 201203

People s Republic of China

(Address of principal executive offices)

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Shanghai 201203

People s Republic of China

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

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

Title of each class	Name of each exchange on which registered
Common shares, par value US$0.0001 per share*	**The NASDAQ Stock Market LLC**
	(The NASDAQ Global Select Market)

* Not for trading but only in connection with the listing of American depositary shares, or ADSs, on the NASDAQ Stock Market LLC. The ADSs are registered under the Securities Act of 1933, as amended, pursuant to a registration statement on Form F-6. Accordingly, the ADSs are exempt from registration under Section 12(b) of the Securities Exchange Act of 1934, as amended, pursuant to Rule 12a-8 thereunder. Each ADS represents the right to receive one common share of the Registrant.

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None.**

Table of Contents

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None.**

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report: 59,004,772 common shares, par value US$0.0001 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

o Yes x No

If this is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

o Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

x Yes o No

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

Large accelerated filer o Accelerated filer x Non-accelerated filer o

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

U.S. GAAP x	International Financial Reporting Standards as issued by the International Accounting Standards Board o	Other o

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

o Item 17 o Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes x No

Table of Contents

TABLE OF CONTENTS

		Page
INTRODUCTION		ii
FORWARD-LOOKING STATEMENTS		iii
PART I		
Item 1.	Identity of Directors, Senior Management and Advisers	1
Item 2.	Offer Statistics and Expected Timetable	1
Item 3.	Key Information	1
Item 4.	Information on the Company	24
Item 4A.	Unresolved Staff Comments	38
Item 5.	Operating and Financial Review and Prospects	38
Item 6.	Directors, Senior Management and Employees	54
Item 7.	Major Shareholders and Related Party Transactions	61
Item 8.	Financial Information	64
Item 9.	The Offer and Listing	65
Item 10.	Additional Information	66
Item 11.	Quantitative and Qualitative Disclosures About Market Risk	72
Item 12.	Description of Securities Other than Equity Securities	73
PART II		
Item 13.	Defaults, Dividend Arrearages and Delinquencies	75
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	75
Item 15.	Controls and Procedures	75
Item 16A.	Audit Committee Financial Expert	75
Item 16B.	Code of Ethics	76
Item 16C.	Principal Accountant Fees and Services	76
Item 16D.	Exemptions from the Listing Standards for Audit Committees	76
Item 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	76
Item 16F.	Change in Registrant s Certifying Accountant	77
Item 16G.	Corporate Governance	77
Item 16H.	Mine Safety Disclosure	77
PART III		
Item 17.	Financial Statements	78
Item 18.	Financial Statements	78
Item 19.	Exhibits	78

Table of Contents

INTRODUCTION

Unless otherwise indicated, references in this annual report to:

- ADRs are to the American depositary receipts that evidence our ADSs;
- ADSs are to our American depositary shares, each of which represents one common share;
- China or the PRC are to the People s Republic of China, excluding for the purpose of this annual report Hong Kong, Macau and Taiwan;
- RMB are to Renminbi, the legal currency of the PRC;
- shares or common shares are to our common shares, with par value US$0.0001 per share;
- U.S. GAAP are to the generally accepted accounting principles in the United States of America; and
- US$ are to U.S. dollars, the legal currency of the United States of America.

Unless the context indicates otherwise, we, us, our company, our and 51job refer to 51job, Inc., its predecessor entities and subsidiaries, and the context of describing our operations, also include our affiliated entities.

In addition, unless otherwise indicated, references in this annual report to:

- 51net are to 51net.com Inc.;
- AdCo are to Shanghai Qianjin Advertising Co., Ltd.;
- Qian Cheng are to Beijing Qian Cheng Si Jin Advertising Co., Ltd.;
- Run An are to Beijing Run An Information Consultancy Co., Ltd.;
- Tech JV are to Qianjin Network Information Technology (Shanghai) Co., Ltd.;
- Wang Cai AdCo are to Shanghai Wang Cai Advertising Co., Ltd.;
- Wang Ju are to Shanghai Wang Ju Human Resource Consulting Co., Ltd.;

- WFOE are to Qian Cheng Wu You Network Information Technology (Beijing) Co., Ltd.; and
- Wuhan AdCo are to Wuhan Mei Hao Qian Cheng Advertising Co., Ltd.

Any discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

This annual report contains translations of certain Renminbi amounts into U.S. dollar amounts at specified rates solely for your convenience. All translations from Renminbi to U.S. dollars were made at the noon buying rate in New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Board, which was RMB6.2046 to US$1.00 on December 31, 2014. For further information on exchange rates, see Item 3. Key Information Selected Financial Data Exchange Rate Information.

This annual report on Form 20-F includes our audited consolidated statement of operations and comprehensive income data for the years ended December 31, 2012, 2013 and 2014, and audited consolidated balance sheet data as of December 31, 2013 and 2014.

Table of Contents

FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains statements of a forward-looking nature. These statements are made within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and as defined in the Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as may, will, should, is/are likely to, expect, intend, aim, anticipate, believe, estimate, predict, potential, continue or the negative of these terms or other comparable terminology. The accuracy of statements may be impacted by a number of business risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including the following risks:

- market acceptance of our services;
- our ability to expand into other recruitment and human resource services such as business process outsourcing;
- our ability to control our operating costs and expenses;
- our potential need for additional capital and the availability of such capital;
- behavioral and operational changes of our customers in meeting their human resource needs as they respond to evolving social, economic, regulatory and political changes in China as well as stock market volatilities;
- changes in our management team and other key personnel;
- introduction by our competitors of new or enhanced products and services;
- price competition in the market for the various human resource services that we provide in China;
- seasonality of our business;
- fluctuations in the value of the Renminbi against the U.S. dollar and other currencies;
- our ability to develop or introduce new products and services outside of the human resources industry;
- acquisitions or investments we have made or will make in the future;
- fluctuations in general economic conditions; and
- other risks outlined in our filings with the Securities and Exchange Commission, or the SEC, including this annual report on Form 20-F and any amendments thereto.

These risks are not exhaustive. You should read these statements in conjunction with the risks disclosed in Item 3. Key Information Risk Factors of this annual report and other risks outlined in our other filings with the SEC. Moreover, we operate in an emerging and evolving environment. New risks may emerge from time to time, and it is not possible for our management to predict all risks, nor can we assess the impact of such risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ materially from

those contained in any forward-looking statements. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following tables present the selected consolidated financial information for our company. The selected consolidated statement of operations and comprehensive income data for the years ended December 31, 2012, 2013 and 2014, and the selected consolidated balance sheet data as of December 31, 2013 and 2014, are derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated statement of operations and comprehensive income data for the years ended December 31, 2010 and 2011, and the selected consolidated balance sheet data as of December 31, 2010, 2011 and 2012 have been derived from our audited consolidated financial statements, which are not included in this annual report. You should read the following information in conjunction with the consolidated financial statements and the related notes included elsewhere in this annual report and Item 5. Operating and Financial Review and Prospects. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The historical results presented below do not necessarily indicate results expected for any future period.

	For the year ended December 31,					
	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2014 RMB	2014 US$
	(in thousands, except share, per share and per ADS data)					
Selected Consolidated Statement of Operations and Comprehensive Income Data:						
Revenues:						
Online recruitment services	543,045	803,004	943,432	1,084,448	1,248,101	201,157
Print advertising	277,645	208,365	105,309	51,023	14,247	2,296
	269,305	358,730	463,508	541,270	634,945	102,335

Other human resource related revenues						
Total revenues	1,089,995	1,370,099	1,512,249	1,676,741	1,897,293	305,788
Net revenues	1,032,219	1,299,678	1,447,338	1,608,668	1,832,453	295,338
Cost of services(1)	(345,865)	(370,661)	(405,233)	(442,454)	(496,000)	(79,941)
Gross profit	686,354	929,017	1,042,105	1,166,214	1,336,453	215,397
Operating expenses(1):						
Sales and marketing	(277,543)	(329,466)	(370,100)	(459,802)	(563,565)	(90,830)
General and administrative	(136,647)	(158,355)	(186,460)	(217,765)	(249,275)	(40,176)
Total operating expenses	(414,190)	(487,821)	(556,560)	(677,567)	(812,840)	(131,006)
Income from operations	272,164	441,196	485,545	488,647	523,613	84,391
Income before income tax expense	291,742	467,564	565,685	600,948	551,945	88,957
Income tax expense	(57,081)	(81,056)	(95,579)	(100,308)	(113,035)	(18,218)
Net income	234,661	386,508	470,106	500,640	438,910	70,739
Earnings per share:						
Basic	4.23	6.81	8.17	8.55	7.51	1.21
Diluted	4.13	6.54	7.92	8.33	7.35	1.18
Weighted average number of common shares outstanding:						
Basic	55,485,256	56,754,240	57,510,591	58,551,925	58,475,397	58,475,397
Diluted	56,814,503	59,067,424	59,375,123	60,069,197	59,691,993	59,691,993

Table of Contents

	As of December 31,					
	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2014 RMB	2014 US$
	(in thousands)					
Selected Consolidated Balance Sheet Data:						
Assets:						
Cash	1,192,888	783,699	1,122,557	1,065,543	1,074,096	173,113
Short-term investments	406,943	1,270,343	1,408,845	2,081,964	3,420,650	551,309
Total current assets	1,760,110	2,312,891	2,887,443	3,580,622	5,045,764	813,230
Total non-current assets	227,900	245,145	353,919	542,369	535,956	86,380
Total assets	1,988,010	2,558,036	3,241,362	4,122,991	5,581,720	899,610
Liabilities:						
Total current liabilities	331,571	450,489	573,349	785,889	963,974	155,365
Convertible senior notes					1,111,207	179,094
Other non-current liabilities	1,583	1,972	1,985	5,983	12,593	2,030
Total liabilities	333,154	452,461	575,334	791,872	2,087,774	336,489
Shareholders equity:						
Common shares	47	47	48	48	48	8
Additional paid-in capital	997,933	1,061,819	1,152,174	1,316,713	1,040,639	167,720
Total shareholders equity	1,654,856	2,105,575	2,666,028	3,331,119	3,493,946	563,121
Total liabilities and shareholders equity	1,988,010	2,558,036	3,241,362	4,122,991	5,581,720	899,610

(1) Share-based compensation was included in the consolidated statement of operations and comprehensive income data as follows:

	For the year ended December 31,					
	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2014 RMB	2014 US$
	(in thousands)					
Cost of services	(4,082)	(6,084)	(7,870)	(10,391)	(12,997)	(2,095)
Operating expenses:						
Sales and marketing	(3,509)	(5,230)	(6,766)	(8,933)	(11,173)	(1,800)
General and administrative	(16,371)	(26,660)	(35,902)	(45,534)	(57,210)	(9,221)

Exchange Rate Information

We publish our financial statements in Renminbi. This annual report contains translations of certain Renminbi amounts into U.S. dollars at specified rates solely for your convenience. All translations from Renminbi to U.S. dollars were made at the noon buying rate in New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Board, which was RMB6.2046 to US$1.00 on December 31, 2014. The noon buying rate on March 27, 2015 was RMB6.2145 to US$1.00. We make no representation that the Renminbi or U.S. dollar amounts referred to in this annual report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. See Item 3. Key Information Risk Factors Risks Related to Doing Business in China Governmental control of currency conversion may affect the value of your investment and The fluctuation of the Renminbi may materially and adversely affect your investment as well as Item 11. Quantitative and Qualitative Disclosures about Market Risk Foreign Exchange Risk for discussions on our foreign exchange risk and the effects of currency control and fluctuating exchange rates on the value of our ADSs.

Table of Contents

The following table sets forth information regarding the noon buying rates for the periods indicated. The source of these rates is the Federal Reserve Statistical Release.

	Noon buying rate of Renminbi per U.S. dollar			
Period	**Period-end**	**Average(1)**	**Low**	**High**
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
September	6.1380	6.1382	6.1495	6.1266
October	6.1124	6.1251	6.1385	6.1107
November	6.1429	6.1249	6.1429	6.1117
December	6.2046	6.1886	6.2256	6.1490
2015				
January	6.2495	6.2181	6.2535	6.1870
February	6.2695	6.2518	6.2695	6.2399
March (through March 27)	6.2145	6.2422	6.2741	6.1955

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

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business

Because we face significant competition in all of our businesses, we may lose market share and our results of operations may be materially and adversely affected.

We face significant competition in our online recruitment services and our other human resource related services businesses. Our online recruitment services, conducted through *www.51job.com*, face intense competition from other dedicated job search websites such as *Zhaopin.com*, *ChinaHR.com* and *Cjol.com*, as well as from local job search websites. In addition, local job fair organizers have developed or acquired online capabilities.

Our other human resource related services face significant competition from a variety of Chinese and foreign firms in all of our markets, including certain firms that compete with us in the market for online recruitment. In addition, some of the competitors we encounter in our business process outsourcing business are affiliated with local government agencies and have licenses to provide a wider range of services than we do. The competition in the training services market is currently highly fragmented and primarily made up of small, local training firms, but we could face increased competition should there be a consolidation of these training firms.

Many of our competitors or potential competitors have long operating histories, have international strategic partners, have local government sponsorship, may have greater financial, management, technological development, sales, marketing and other resources than we do, and may be able to adopt our business model. As a result of competition, we may experience reduced margins, loss of market share or less use of our services by job seekers and employers. We cannot assure you that existing or future competitors will not develop or offer services and products which provide significant performance, price, creative or other advantages over our services. If we are unable to compete effectively with current or future competitors as a result of these or other factors, our market share and our results of operations may be materially and adversely affected.

Table of Contents

New competitors face low entry barriers to our industries, and successful entry by new competitors may cause us to lose market share and materially and adversely affect our results of operations.

In the future, we may face competition from new entrants in the recruitment advertising industry and other human resource industries in which we operate. We may face greater competition from Internet portals and search engines, dedicated recruitment advertising websites, professional and social networking platforms, online classified websites and other human resource services providers who may enter the market for any or all of our services. For example, LinkedIn, a leading professional network, introduced a Chinese language version of their website in China in February 2014. Our businesses are characterized by relatively low start-up and fixed costs, modest capital requirements, short start-up lead times and an absence of significant proprietary technology that would prevent or significantly inhibit new competitors. As a result, potential market entrants, both in China and from abroad, face relatively low barriers to entry to all of our businesses and in all of our markets. In addition, we believe that our markets are underpenetrated, and that competitors could acquire significant numbers of corporate customers and individual users within a relatively short period of time. Increased competition could result in a loss of market share and revenues, and have a material adverse effect on our business, financial condition and results of operations.

A slowdown or adverse development in the PRC economy may have a material and adverse impact on our customers, demand for our services and our business.

Substantially all of our operations are conducted in China and a significant majority of our revenues are generated from providing recruitment advertising services for PRC businesses or affiliates of foreign firms operating in China. In an environment of slower economic growth or recession, employers may take actions such as hiring fewer permanent employees, engaging in hiring freezes, reducing the number of employees and curtailing spending on online recruitment services and other human resource related services. If there are slowdowns or other adverse developments in China s economic growth, our business, financial condition, results of operations and cash flow may be materially and adversely affected.

If the use of online advertising to conduct recruitment does not achieve broader acceptance in China, we may be unable to expand our online recruitment business.

We generate a majority of our revenues from online recruitment services, which are targeted toward employers and job seekers who use the Internet. We believe that the use of online advertising services by employers for recruitment remains relatively low in China, particularly for small and medium sized enterprises. Other informal recruitment channels, such as job fairs, personal referrals and professional networks, are also commonly utilized by the private sector in China. We face challenges in promoting greater use of online advertising, which involves, among other things, significant changes in the way that employers disseminate information about jobs, the way that prospective employees search and apply for jobs, and the way in which hiring decisions are made. In addition, while China is acknowledged to possess the largest online population in the world, the use of the Internet as a commercial medium has a short history, and China s Internet penetration rate is low relative to most developed countries. Moreover, telecommunication capacity constraints, unless they are resolved, may impede further development of the Internet to the extent that users experience delays, transmission errors and other difficulties. Any negative perceptions as to the effectiveness of online recruitment services, or online advertising in general, or any significant failure of the Internet to gain acceptance as a medium for recruitment, may adversely affect our online recruitment services business. We cannot assure you that online recruitment advertising will achieve broader acceptance in China. Any significant failure of advertising to gain acceptance among employers and job seekers may adversely affect our ability to expand our online recruitment business.

The market for other human resource related services, including business process outsourcing, remains in the early development stage in China, and we may be unable to expand such existing services or successfully develop new services in this area.

We believe the market for other human resource related services, including business process outsourcing, is at an early stage of development in China. Many employers are unfamiliar with these services and may not accept the value proposition of these service offerings. Processing, tracking, collecting and remitting funds to the applicable regulatory agencies, employees and other third parties are complex operations, and many employers may not trust us with employee data or to make representations and cash payments on their behalf. As such, companies may not be willing to use our services for significant administrative functions and may instead choose to continue to perform such operations in-house.

Table of Contents

If we are unable to extend our nationwide capability, effectively monitor ongoing changes in PRC laws and regulations, acquire, develop and use up-to-date business and management technology and software, including advanced computer and technology systems that could require significant capital expenditures, and maintain the integrity and security of our systems and process flow, we may be unable to expand our business process outsourcing operations or gain wider customer acceptance for these services. In addition, we rely on a number of third party service providers, including couriers, agents and banks. Failure by these providers, for any reason, to deliver their services in a timely and accurate manner could result in significant disruptions to our business process outsourcing operations, impact our client relationships, harm our brand and result in significant penalties or liabilities to us.

In addition, as part of our strategy to be a one-stop human resource services provider, we cross-promote our other human resource related services among our online recruitment services customers from time to time. However, we cannot assure you that such cross-promotion strategy will be effective or generate revenues as we expect. Furthermore, we may decide to develop new services in the area of other human resource related services. We cannot assure you that we will be able to deliver new products or services on a commercially viable basis or in a timely manner, or at all. If any of our efforts to cross-promote, develop or operate new human resource related services are unsuccessful, our financial condition and results of operations may be materially and adversely affected.

Our business process outsourcing services may be adversely impacted by changes in PRC regulations and policies. In addition, new and future government regulations may significantly increase the number of labor disputes, which may result in higher operating costs.

The PRC Labor Contract Law, which became effective on January 1, 2008 and its amendment which became effective on July 1, 2013, establishes restrictions and increases costs for employers, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labor union and employee assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. In addition, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from five to fifteen days, depending on their length of service. On October 28, 2010, the National People s Congress of China promulgated the PRC Social Insurance Law, which became effective on July 1, 2011. The PRC Social Insurance Law specifies that the PRC establishes a social insurance system including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

We provide business process outsourcing services for human resource administrative functions, in particular social insurance and benefits services, for employers. Our business process outsourcing services are designed to assist employers to be compliant with PRC regulations and policies that continually change. Changes in regulations could affect the extent and type of benefits employers are required to provide employees and the procedures, processes and documentation required by local government authorities to administer these benefits. Such changes could reduce or eliminate the need for some of our services. New or additional requirements could also increase our cost to provide our services. For example, effective March 1, 2014, the Interim Provisions on Labor Dispatch, which was promulgated by the PRC Ministry of Human Resources and Social Security, or the MHRSS, clarified the use of the labor dispatch employment model, required revisions to the content in labor dispatch contracts and instituted a 10% maximum limit of labor dispatch employees to total workforce for companies in China. As a result of this new regulation, we undertook adjustments to our business process outsourcing systems, processes and procedures, and the greater staff resources directed to these efforts slowed new customer rollout of our business process outsourcing services in 2014. Any failure by us to be updated and knowledgeable on regulatory changes and to inform, educate and assist our clients regarding new or revised regulations that impact them could materially damage our brand and reputation. In addition, any failure by us to modify our business process outsourcing services in a timely fashion in response to regulatory changes could materially and adversely affect our results of operations.

In addition, since the PRC Labor Contract Law became effective, we have observed an increase in the number of labor disputes between employers and workers relating to its interpretation and application. The resolution of such labor disputes may require significant costs and

resources, including the time our personnel spend dealing with increased human resource administration and legal issues for which we may not be compensated. If we incur higher operating costs for our business process outsourcing business, our results of operations could be materially and adversely affected.

We may face greater risks of doubtful receivables as our business process outsourcing operations grow.

In providing our business process outsourcing services to enterprises, due to the difference in timing between cash receipts and remittances, we may receive from time to time short-term deposits and advances in client funds and/or make short-term prepayments on behalf of our customers to be reimbursed to us. As our business process outsourcing operations have grown, our receivables have increased. We cannot assure you that we will be able to collect payment or reimbursement fully, or in a timely manner, on receivables from our business processing outsourcing services customers. As a result, we may face a greater risk of non-payment of these receivables, and as our business process outsourcing operations increase in scale, we may need to make increased provisions for doubtful accounts. If we are unable to successfully manage our receivables, our results of operations and financial condition may be materially and adversely affected.

Table of Contents

We are subject to potential legal liability from both employers and job seekers with respect to our other human resource related services, in particular our executive search and business process outsourcing businesses.

We are exposed to potential claims associated with the recruitment process, including claims by clients seeking to hold us liable for recommending a candidate who subsequently proves to be unsuitable for the position filled, claims by current or previous employers of our candidates alleging interference with employment contracts, claims by candidates against us alleging our failure to maintain the confidentiality of their employment search or alleging discrimination or other violations of employment law or other laws or regulations by our clients, and claims by either employers or their workers alleging the failure of our business process outsourcing services to comply with laws or regulations relating to employment, employee s insurance or benefits, individual income taxes or other matters. Any such claims, regardless of merit, may force us to participate in time-consuming, costly litigation or investigation, divert significant management and staff attention, and damage our reputation and brand names. We do not maintain insurance coverage for liabilities arising from claims by employers, employees, candidates or third parties.

If we are not able to respond successfully to technological or industry developments, our business may be materially and adversely affected.

The market for online products and services is characterized by rapid technological developments, frequent launches of new products and services, introductions of new business models, changes in customer needs and behavior, and evolving industry standards. If we fail to adapt our products to these developments, our existing online recruitment services may become less competitive or obsolete. For example, the number of people accessing the Internet through mobile devices, including smartphones, tablets and other hand-held devices, has increased in recent years, and we expect this trend to continue as more advanced mobile communications technologies are broadly implemented. In order to respond to new developments, we may be required to undertake substantial efforts and incur significant costs. In the event that we do not successfully respond to such developments in a timely and cost-effective manner, our business may be materially and adversely affected.

Due to seasonal variations in demand for human resource services, we experience material fluctuations in our revenue streams which affect our ability to predict our quarterly results and which may also cause quarterly results to vary from period to period.

We experience material fluctuations in our revenue streams which affect our ability to predict quarterly results. For example, in the periods following the Chinese New Year holiday in the first quarter and the National Day holiday in October, we historically experience an increase in recruitment activity. During these peak periods, demand for recruitment advertising and other human resource related services may or may not rise significantly depending on the needs of employers as well as their perceptions of the job market. In addition, the Chinese New Year holiday is based on the lunar calendar, which varies from year to year and affects our first quarter results and their comparability to financial results of the same quarter in prior years. We have usually observed seasonal campus recruitment activity by employers in the fourth quarter of each year but also a general slowdown in overall recruitment activity at calendar year end. Due to these factors, our revenues may vary materially from quarter to quarter and quarterly results may not be comparable to the corresponding periods of prior years. Such uncertainty makes it difficult for us to predict revenues for a particular quarter. Therefore, actual results may differ significantly from our targets or estimated quarterly results, which could cause the price of our ADSs to fall.

We are dependent on our Internet service providers, and we are vulnerable to failures of the Internet, fixed line telecommunications networks in China and our technology platform.

Our online businesses are heavily dependent on the performance and reliability of China s Internet infrastructure, the continual accessibility of bandwidth and servers to our service providers networks, and the continuing performance, reliability and availability of our technology platform.

We rely on China Telecommunications Corporation, or China Telecom, and China United Network Communications Group Company Limited, or China Unicom, to provide us with bandwidth and server custody service for our services. We are unlikely to have any access to alternative networks or services in the event of disruptions, failures or other problems with China s Internet infrastructure or the fixed telecommunications networks of China Telecom or China Unicom, or if China Telecom or China Unicom otherwise fail to provide such services. In addition, we have no control over the costs of the services provided by China Telecom or China Unicom. If China Telecom or China Unicom fails to provide these services, we would be required to seek other providers, and there is no assurance that we will be able to find alternative providers willing or able to provide high quality services and there is no assurance that such providers will not charge us higher prices for their services. If the prices that we are required to pay for Internet services rise significantly, our results of operations could be adversely affected.

Table of Contents

If we are unable to protect or promote our brand names and reputation, our business may be materially and adversely affected.

If we fail to generate a high volume of recruitment advertisements, successfully promote and develop the perception of *www.51job.com* as a destination site, undertake effective marketing and promotional activities, and generally provide high quality services, we may not be successful in protecting or promoting our brand names and reputation in a cost-effective manner or at all. In addition, if job seeker profiles or recruitment advertisements on *www.51job.com* are found to contain inaccurate or false information, the value proposition of *www.51job.com* as a leading online recruitment platform may be weakened. Furthermore, we may be subject to claims by individuals and customers seeking to hold us liable for such inaccurate or false information. Any claims, regardless of merit, may force us to participate in time-consuming, costly litigation or investigation, divert significant management and staff attention, and damage our reputation and brand names. We may dedicate significantly greater resources in the future to advertising, marketing and other promotional efforts aimed at building awareness of our brands. Any significant damage to our reputation, the perceived quality or awareness of our brand names or services, or any significant failure on our part to promote and protect our brand names and reputation could make it more difficult for us to successfully attract job seekers, compete for customers or retain qualified personnel, which may have a material adverse effect on our business.

If we are unable to prevent others from using our intellectual property, our business may be materially and adversely affected.

Our intellectual property has been, and will continue to be, subject to various forms of theft and misappropriation. Competitors copy and distribute content from our *www.51job.com* website and from the training materials that we use, and utilize misleadingly similar Internet domain names and URLs in an effort to divert Internet traffic away from our website. We are also susceptible to others copying our business model and methods. The legal protection of trademarks, trade names, copyrighted material, domain names, trade secrets, know-how and other forms of intellectual property in the PRC is significantly more limited than in the United States and many other countries and may afford us little or no effective protection. Preventing unauthorized use of our intellectual property is difficult, time consuming and expensive. Misappropriation of our content, trademarks and other intellectual property could divert significant business to our competitors, damage our brand name and reputation, and require us to initiate litigation that could be expensive and divert management resources from the operation of our businesses.

We rely heavily on our senior management team and key personnel, and the loss of any of their services could severely disrupt our business.

Our future success is highly dependent on the ongoing efforts of the members of our senior management and key personnel, in particular on Rick Yan, our chief executive officer. We rely heavily on his management skills and his expertise in consumer products, marketing and technology. We do not maintain key man life insurance on any of our senior management or key personnel. The loss of the services of one or more of our senior executives or key personnel, Mr. Yan in particular, may have a material adverse effect on our business, financial condition and results of operations. Competition for senior management and key personnel is intense, and the pool of suitable candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or attract and retain senior executives or key personnel in the future.

In addition, if Mr. Yan, any other members of our senior management or any of our other key personnel joins a competitor or forms a competing company, we may not be able to replace them easily and we may lose customers, business partners, key professionals and staff members. Each of our senior executives has entered into an employment agreement with us, which contains confidentiality and non-competition provisions. In the event of a dispute between any of our senior executives and us, we cannot assure you as to the extent, if any, that these provisions may be enforceable in the PRC due to uncertainties involving the PRC legal system.

If we are unable to attract and retain qualified personnel, our business process outsourcing, training and executive search businesses may be materially and adversely affected.

The success of our business process outsourcing, training and executive search services depends heavily on our ability to attract and retain skilled personnel. Our business of performing traditional human resource department functions such as payroll, benefits and compliance management and related services for customers on an outsourced basis depends on having personnel with expertise in local and national PRC government employment regulations, payroll management and other human resource department functions. The success of our training business depends on personnel with the necessary skills to conduct and support our training seminars and other activities and services in this business. Similarly, our ability to provide high quality executive search services depends on a dedicated team of consultants with expertise and relationships in the geographic markets and industries in which our clients seek candidates. If we are unable to attract and retain critical skilled personnel, our business process outsourcing, training and executive search businesses may be materially and adversely affected.

Table of Contents

If we are unable to successfully detect and prevent criminal actions or fraud perpetrated on us, we may be subject to liability and financial loss.

The management of our business process outsourcing services involves the collection of payments from our customers and the disbursement of funds on their behalf by our employees and agents. As a result, we are exposed to theft, embezzlement and other criminal and fraudulent activity by our employees, our agents and third parties. If we are unable to successfully detect and prevent criminal or fraudulent activity, our results of operations and financial condition may be materially and adversely affected.

Our business may suffer if we do not successfully manage our current and potential future growth.

We have grown significantly since we commenced operations in 1998, and we intend to continue to expand in size and increase the number of services we provide. Our anticipated future growth will place demands on our management and operations. Our success in managing this growth will depend to a significant degree on the ability of our executive officers and other members of senior management to operate effectively both independently and as a group, and on our ability to improve and develop our financial and management information systems, controls and procedures. In addition, we will have to successfully adapt our existing systems and introduce new systems, expand, train and manage our workforce, and improve and expand our sales and marketing capabilities. If we are unable to properly manage our operations or our services in existing markets, or the quality of our services deteriorates due to mismanagement, we could significantly damage our brand name and reputation, which would adversely affect our ability to expand our customer base.

Because we operate in a new and evolving market, our operating history may not serve as an adequate basis to judge our future prospects and results of operations.

As we operate in a new and rapidly evolving market, we cannot assure you that we will maintain our profitability or that we will not incur net losses in the future. We expect that our operating expenses will increase as we expand in size and increase the scope of services we provide. Any significant delay or failure to realize anticipated revenue growth could result in significant operating losses. We may encounter risks and difficulties including our potential failure to:

- implement our business model and strategy and adapt and modify them as needed;
- increase awareness of our brands, protect our reputation and develop customer loyalty;
- anticipate with any degree of certainty the behavioral and operational changes of our customers that have a significant impact on our business from time to time as they respond to evolving social, economic, regulatory and political and regulatory changes in China;
- manage our expanding operations and service offerings, including the integration of any future acquisitions;
- maintain adequate control of our expenses;

- adequately and efficiently operate, maintain, upgrade and develop our website and the other systems and equipment we utilize in providing our services;

- attract, retain and motivate qualified personnel; and

- anticipate and adapt to changing conditions in the human resource, online and other markets in which we operate as well as the impact of any changes in government regulation, mergers and acquisitions involving our competitors, technological developments and other significant competitive and market dynamics.

If we are not successful in addressing any or all of these risks, our business may be materially and adversely affected.

Table of Contents

We may not be able to successfully execute future acquisitions or efficiently manage any acquired business.

As part of our business expansion strategy, we may pursue acquisitions or investments in certain complementary or new businesses. The success of any material acquisition will depend upon several factors, including:

- our ability to identify and acquire businesses on a cost-effective basis;
- our ability to integrate acquired personnel, operations, products and technologies into our organization effectively; and
- our ability to retain and motivate key personnel and to retain the clients of acquired firms.

Any such acquisition may require a significant commitment of management time, capital investment and other resources. If we are unable to effectively integrate an acquired business or are required to incur restructuring and other charges to complete an acquisition, our business, financial condition and results of operations may be materially and adversely affected. In addition, if we use our equity securities as consideration for acquisitions, we may dilute the value of your ADSs.

If we choose to develop or introduce new products and services outside of the human resource services industry in China, these efforts may not be successful, which could materially and adversely affect our financial condition and results of operations.

To leverage our large sales force and corporate customer base, we may expand the scope of services we provide and develop or introduce new products outside of the human resource services industry to increase our revenues. For example, in 2007, we entered into an agreement with our shareholder, Recruit Holdings Co., Ltd., or Recruit, a leading human resource and information services company in Japan listed on the Tokyo Stock Exchange, to form and invest in a new company to provide coupon advertising services in China. However, in 2011, due to changing market conditions and operational developments, we recognized a loss from impairment of RMB15.1 million, the total amount of our investment, and the coupon advertising company was sold in 2012. In the future, if we again choose to pursue products and services outside of the human resource services industry in China, we cannot assure you that we will be able to do so on a commercially viable basis or in a timely manner, or at all. Any of our efforts to begin or operate a business outside of the human resource services industry that are not successful may materially and adversely affect our financial condition and results of operations.

We may be subject to liability for placing advertisements with content that is deemed inappropriate.

PRC laws and regulations prohibit advertising companies from producing, distributing or publishing any advertisement that contains any content that violates laws and regulations, impairs the national dignity of the PRC, involves designs of the national flag, national emblem or national anthem or the music of the national anthem of the PRC, is reactionary, obscene, superstitious or absurd, is fraudulent, or disparages similar products. If we are deemed to be in violation of such regulations, we may be subject to penalties including confiscation of the illegal revenues, levying of fines and suspension or revocation of our business license or advertising license, any of which may materially and adversely affect 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.

Third parties may bring claims against us alleging patent, trademark or copyright infringement, or misappropriation of their creative ideas or formats, or other infringement of their proprietary intellectual property rights. Any such claims, regardless of merit, may involve us in time-consuming, costly litigation or investigation, divert significant management and staff attention, require us to enter into expensive royalty or licensing arrangements, prevent us from using important technologies, business methods, content or other intellectual property, result in monetary liability, or otherwise disrupt our operations.

We rely heavily on our information systems, and if our access to technology supporting our information systems is impaired or interrupted, or if we fail to further develop our technology, our operations may be seriously disrupted.

Our ability to store, retrieve, process and manage substantial amounts of information, including our client and candidate databases, is an important part of our operations and a critical component of our success. Our online systems, including the *www.51job.com* website, and our other applications, products and systems may, from time to time, contain undetected errors or bugs that could adversely affect their performance. To achieve our strategic objectives and to remain competitive, we must further develop and enhance our information systems. This may require the acquisition of equipment and software and the development, either internally or through independent consultants, of new proprietary software. Our inability to design, develop, implement and utilize, in a cost-effective manner, information systems that provide the capabilities necessary for us to compete effectively, or any interruption or loss of our information processing capabilities, for any reason, could materially disrupt our operations.

Table of Contents

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

Hacking and computer viruses may cause delays or other service interruptions on our systems. Hacking involves efforts to gain unauthorized access to information or systems or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment. In addition, the inadvertent transmission of computer viruses could expose us to a material risk of loss or litigation and possible liability. Hacking and computer viruses could result in significant damage to our hardware and software systems and databases, disruptions to our business activities, including to our e-mail and other communications systems, breaches of security and the inadvertent disclosure of confidential or sensitive information, interruptions in access to our website through the use of denial of service or similar attacks, and other material adverse effects on our operations. Although to date we have not been subject to significant targeted disruptions or hacking, and our website has not gone off-line or been shut down for any significant period of time, we may incur significant costs to continue to protect our systems and equipment against the threat of, and to repair any damage caused by, hacking and computer viruses. Moreover, if hacking or a computer virus affects our systems and is highly publicized, our reputation and brand names could be materially damaged and use of our services may decrease.

There are significant uncertainties under the tax law in China and our results of operations could be materially and adversely affected if we are unable to maintain certain tax statuses. In addition, dividends we receive from our subsidiaries located in the PRC are subject to PRC withholding tax.

The Enterprise Income Tax Law of the PRC, or the EIT Law, which became effective January 1, 2008, applies a uniform 25% enterprise income tax, or EIT, rate to both foreign-invested enterprises and domestic enterprises. In December 2009, our subsidiary, Tech JV, was designated by relevant local authorities in Shanghai as a High and New Technology Enterprise under the EIT Law and became subject to a preferential tax rate of 15%. In 2012, its preferential tax status was renewed by local tax authorities through 2014. Tech JV is entitled to this preferential 15% tax rate as long as it maintains the required qualifications, which is subject to review every three years. We cannot assure you that Tech JV will continue to qualify as a High and New Technology Enterprise when it is subject to reevaluation in 2015 or any time in the future. In addition, there are uncertainties on how the EIT Law and its implementation rules will be enforced, and whether its future implementation may be consistent with its current interpretation. If the EIT rates of some of our PRC subsidiaries increase, our financial condition and results of operations could be materially and adversely affected.

Under the EIT Law and related regulations, dividends, interests, rent or royalties 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, and proceeds from the disposition of assets (after deducting the net value of such assets as determined under PRC tax laws) by such foreign enterprise investor shall be subject to a 10% tax, unless such foreign enterprise investor s jurisdiction of incorporation has a tax treaty with China that provides for a reduced rate of tax. We are incorporated in the Cayman Islands which does not have such a tax treaty with China. Undistributed profits earned by foreign-invested enterprises prior to January 1, 2008 are exempted from any withholding tax.

In addition, pursuant to the PRC Provisional Regulations on Business Tax, taxpayers providing taxable services falling under the category of service industry in China were required to pay a business tax at a normal tax rate of 5% of their revenues. In 2012, China implemented a pilot program replacing business tax with value-added tax, or VAT, in Shanghai. Effective January 1, 2012, companies providing services in the transportation industry or in modern services selected for the pilot program in Shanghai are subject to and pay VAT rather than business tax. As a result, some of our subsidiaries became subject to VAT at a rate of 6% while being permitted to offset input VAT supported by valid VAT invoices received from vendors against our VAT liability. The pilot program has been implemented nationwide since August 1, 2013. Moreover, the scope of services subject to the VAT pilot program has been expanding. Pursuant to Circular Cai Shui [2013] No. 106 jointly issued by the PRC Ministry of Finance, or the MOF, and the PRC State Administration of Taxation, or the SAT, on December 12, 2013, as from January 1,

2014, the VAT pilot program is applicable to transportation service, postal service and certain modern services including research, development and technical service, IT service, cultural and creational service, logistics and ancillary service, leasing of tangible assets, authentication and consultancy service, broadcasting, movie and TV service. Pursuant to Circular Cai Shui [2014] No. 43 jointly issued by the MOF and the SAT on April 29, 2014, as from June 1, 2014, telecommunication service is covered by the VAT pilot program. Provision of certain services under the VAT pilot program is subject to zero VAT or VAT exemption. Revenues in most of our PRC subsidiaries were subject to VAT as of December 31, 2014, and the payment of additional taxes by us under the VAT regime than under the business tax regime has reduced the amount of revenues in our results of operations. If further changes to PRC tax laws and regulations result in increased taxation, our financial condition and results of operations could be negatively impacted.

Table of Contents

We may be deemed a PRC resident enterprise under the EIT Law, which could subject us to PRC taxation on our global income and may have a material adverse effect on our results of operations.

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 PRC State Council, or 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. The Circular on Identification of China-Controlled Overseas-Registered Enterprises as Resident Enterprises on the Basis of Actual Management Organization, or Circular 82, further provides certain specific criteria for determining whether the de facto management body of a PRC-controlled offshore incorporated enterprise is located in the PRC. For more details about these criteria, please refer to Item 10. Additional Information Taxation People s Republic of China Taxation. Although the Circular 82 only applies to offshore enterprises controlled by enterprises or an enterprise group located within the PRC, the determining criteria set forth in the Circular 82 may reflect the tax authorities general position on how the de facto management body test may be applied in determining the tax resident status of offshore enterprises. We are a Cayman Islands holding company and substantially all of our operational management is based in China. As the tax resident status of an enterprise is subject to the determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term de facto management body as applicable to our offshore entities, we cannot assure you that we will not be considered as a PRC tax resident enterprise. If we are considered to be an enterprise established outside China with de facto management bodies located in China and thus a resident enterprise, we may be subject to the uniform 25% EIT rate as to our global income, which could have a material adverse effect on our results of operations.

We face uncertainty from the PRC s Circular on Strengthening the Management of Enterprise Income Tax Collection of Income Derived by Non-Resident Enterprises from Equity Transfers.

The SAT issued the Circular on Strengthening the Management of Enterprise Income Tax Collection of Income Derived by Non-Resident Enterprises from Equity Transfers, or Circular 698, on December 10, 2009, that addresses the transfer of equity by non-PRC tax resident enterprises. Under Circular 698, the overseas controlling party that effectively controls a PRC resident enterprise through an overseas intermediate holding company, and indirectly transfers the equity interests in such PRC resident enterprise by selling all shares of the intermediate holding company, is required to report such transfer to the PRC tax authority if the intermediate holding company is located in a foreign jurisdiction that has an effective tax rate of less than 12.5% or does not levy tax on such foreign-sourced capital gains of its residents. If the intermediate holding company mainly serves as tax avoidance vehicle and does not have any reasonable business purpose, the PRC in-charge tax authority may, upon verification of the SAT, disregard the intermediate holding company and re-characterize the equity transfer by referring to its economic essence, and as a result, the overseas controlling party may be subject to a 10% PRC tax for the capital gains realized from the equity transfer.

Table of Contents

On February 3, 2015, the SAT issued the Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-Resident Enterprises (SAT Bulletin [2015] No. 7), or Bulletin 7, which took effect on the date of issuance and is retroactively applicable to indirect transfers that occurred before the date of issuance and have not been subject to tax treatment. Bulletin 7 provides detailed rules and guidance on the tax treatment of non-resident enterprises indirect transfer of: (i) the property of an establishment or place situated in China; (ii) real property situated in China; and (iii) equity interest in PRC resident enterprises, collectively, China Taxable Property. Bulletin 7 repealed the relevant provisions of Circular 698 regarding indirect transfers. Pursuant to Bulletin 7, an indirect transfer of China Taxable Property shall be re-characterized as direct transfer of China Taxable Property and subject to Chinese EIT if a non-resident enterprise transfers, through an arrangement that does not have a reasonable commercial purpose, equity interest or other similar interests in an intermediate offshore holding company that directly or indirectly holds China Taxable Property, and the result of such indirect transfer is in substance the same or similar to the direct transfer of China Taxable Property, thereby avoiding payment of EIT. Bulletin 7 specifies a list of factors to determine whether the indirect transfer has a reasonable commercial purpose, such as whether all or most of the value of the offshore holding company s equity is directly or indirectly derived from China Taxable Property, whether all or most of the properties of the offshore holding company comprise of direct or indirect equity investments in China, whether all or most of the revenue of the offshore holding company is sourced from Chinese companies, the functions performed and risks assumed by the offshore holding company, and the substitutability of indirect transfer and direct transfer. Indirect transfers shall be deemed to lack a reasonable commercial purpose if all of the following conditions are met: (i) 75% or more of the value of the offshore companies equity is derived from China Taxable Property; (ii) 90% or more of the total assets (excluding cash) of the offshore holding company are direct or indirect investments located in China, or 90% or more of the revenue of the offshore holding company is sourced from China in the year prior to the indirect transfer; (iii) the offshore holding companies perform limited functions and assume limited risks that are insufficient to prove their economic substance; and (iv) the foreign income tax payable on the indirect transfer is lower than the possible China tax payable on the direct transfer. Under Bulletin 7, if an indirect transfer is re-characterized as direct transfer of China Taxable Property, the overseas seller will be subject to (i) 25% EIT on the gains derived from the indirect transfer of the property of an establishment or place situated in China, or (ii) 10% EIT on the gains derived from the indirect transfer of real property situated in China or equity interests in Chinese resident enterprises, unless the applicable tax treaty provides otherwise. Moreover, Bulletin 7 provides safe harbor to exempt a qualified intra-group reorganization as defined under Bulletin 7 from EIT, and clarifies that Bulletin 7 is not applicable to an indirect transfer if (i) the income from the indirect transfer would have been exempt from EIT in China in accordance with applicable tax treaties if the indirect transfer had been conducted as a direct transfer, or (ii) the non-resident enterprise buys and then sells, in the public securities market, the equity interests in the same overseas listed company. Pursuant to Bulletin 7, the parties to the indirect transfer and the PRC resident enterprise whose equity interest is transferred may report the indirect transfer to the PRC tax authorities on a voluntary basis, different from the reporting obligation imposed on the overseas seller under Circular 698. Bulletin 7 also provides clarification on other issues relating to indirect transfers of China Taxable Property, such as the withholding obligation of the buyer in the indirect transfer of real property situated in China or equity interest in PRC resident enterprises, the documentation requirements for voluntary reporting to the tax authorities, additional documents that the tax authorities are empowered to request, timeframe of making tax payments under Bulletin 7 and the legal consequence for failure to pay or withhold EIT in respect of the indirect transfers.

We do not believe that the transfer of our common shares or ADSs by our non-PRC shareholders would be treated as an indirect transfer of equity interests in our PRC subsidiaries subject to Circular 698 or Bulletin 7, as the share transfer is not carried out for the main purposes of avoiding PRC taxes. However, there is uncertainty as to the interpretation and application of Circular 698 and Bulletin 7 by the PRC tax authorities in practice. If you are required to pay PRC tax on the transfer of our common shares or ADSs, your investment in us may be materially and adversely affected. In addition, we cannot predict how Circular 698 or Bulletin 7 will affect our financial condition or results of operations. For example, we may be required to expend valuable resources to comply with Circular 698 or Bulletin 7, or to establish that we should not be taxed under Circular 698 or Bulletin 7, any of which could have an adverse effect on our financial condition and results of operations.

If we do not appropriately maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, our business, results of operations and the market price of our ADSs may be materially and adversely affected.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company s internal control over financial reporting in its annual report, which contains management s assessment of the effectiveness of the company s internal control over financial reporting. In

addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company s internal control over financial reporting. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2014. See Item 15. Controls and Procedures.

However, if we fail to maintain effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. This could in turn result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ADSs. Furthermore, we have incurred and may need to incur additional costs and use additional management and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements going forward.

Table of Contents

If the chops of our PRC subsidiaries and affiliated entities are not kept safely, are stolen, or are misused or misappropriated by unauthorized persons, our business and operations could be materially and adversely affected.

In the PRC, a company chop or seal serves as the legal representation of the company to third parties even when unaccompanied by a signature. Each legally registered company in the PRC is required to have a company chop, which must be registered with the local public security bureau and the local administration for industry and commerce. In addition to this mandatory chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries and affiliated entities are held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent these chops are not kept safely, are stolen, or are misused or misappropriated by unauthorized persons, the corporate governance of these entities could be severely and adversely compromised. As a result, these corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so, which may require us to take legal action, divert resources and management attention, and could materially and adversely affect our business and operations.

We have no business insurance coverage.

Other than insurance for some of our properties, we do not maintain any insurance. We do not have any business liability insurance coverage for our operations. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources.

We face risks related to health epidemics and other natural disasters.

Our business could be adversely affected by the effects of avian flu, H1N1 flu, Severe Acute Respiratory Syndrome, or SARS, or another epidemic or outbreak. Health or other government regulations adopted in response to an epidemic or other outbreaks may require temporary closure of our offices or institute restrictions on travel which could adversely affect our ability to provide services to our customers throughout China. In addition, our results of operations could be adversely affected to the extent that an epidemic or outbreak harms the Chinese economy in general. We have not adopted any written preventive measures or contingency plans to combat any future epidemic.

We are also vulnerable to natural disasters and other calamities. Our servers are hosted in Shanghai and Tianjin. We have backup systems, but we cannot assure you that such backup systems will be adequate if there are problems, or that they will adequately protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist acts or similar events. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology platform failures and Internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide our services to users.

Risks Related to Our Corporate Structure

We are controlled by a small number of our existing shareholders, whose interests may differ from those of other shareholders, and our board of directors has the power to discourage a change of control.

As of February 28, 2015, the following shareholders beneficially owned 36.3 million common shares:

- Recruit, which beneficially owned 23.4 million common shares, or approximately 39.6% of our outstanding common shares, and which is affiliated with Kazumasa Watanabe, one of our directors; and

- Rick Yan, our chief executive officer and a director, who beneficially owned 12.9 million common shares, or approximately 21.8% of our outstanding common shares.

These shareholders, together with our other executive officers and directors, beneficially owned approximately 38.8 million common shares. Accordingly, Recruit or Mr. Yan individually could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. In cases where their interests are aligned and they vote together, these shareholders will also have the power to prevent or cause a change in control. Without the consent of some or all of these shareholders, we may be prevented from entering into transactions that could be beneficial to us. In addition, these parties could violate their director or employment agreements with us or otherwise violate their fiduciary duties by diverting business opportunities from us to themselves or others. The interests of our largest shareholders may differ from the interests of our other shareholders.

Table of Contents

If the PRC authorities determine that our past ownership structure was inconsistent with the requirements for operating certain of our businesses, we could be subject to sanctions.

The PRC government has regulated foreign ownership in entities providing advertising and human resource related services. Prior to March 2004, PRC laws and regulations prohibited foreign persons from owning a controlling interest in advertising entities. This foreign ownership restriction was subsequently relaxed and foreign persons are now permitted to wholly own advertising entities in China. Foreign ownership in entities providing human resource related services was limited to 49% beginning in November 2003 and this ownership limitation has been increased to 70% since August 2006.

Prior to our restructuring in May 2004, 51net.com Inc., or 51net, our British Virgin Islands subsidiary and a foreign entity, owned 99% of Tech JV, which in turn owned, and continues to own, 80% of Shanghai Qianjin Advertising Co., Ltd., or AdCo. AdCo owned 90% of its principal subsidiaries. In May 2004, we restructured our operations to comply with then existing PRC laws and regulations governing foreign ownership in entities conducting advertising and human resource related services. We have not received any waiver from the PRC government with respect to this past non-compliance. In addition, it is uncertain whether special governmental approval, which we did not obtain, was necessary for the establishment by AdCo of its subsidiaries.

The PRC government may determine that our ownership structure is or was inconsistent with or insufficient for the proper operation of our businesses, or that our business licenses or other approvals are or were not properly issued or not sufficient. For a discussion of the limitations on foreign ownership governing our businesses, see Item 4. Information on the Company Business Overview Regulation Limitations on Foreign Ownership of Our Businesses.

If we or any of our subsidiaries or affiliated entities were found to be or to have been in violation of PRC laws or regulations governing foreign ownership of advertising or human resource services businesses, the relevant regulatory authorities would likely have broad discretion in dealing with such violation, including but not limited to:

- levying fines;
- revoking business licenses;
- restricting or prohibiting our use of proceeds from any capital raisings to finance our business and operations in China;
- requiring us to restructure the ownership structure or operations of our subsidiaries or affiliated entities; and/or
- requiring us to discontinue all or a portion of our business.

Any of these or similar actions could cause significant disruption to our business operations or render us unable to conduct a substantial portion of our business operations and may materially and adversely affect our business, financial condition and results of operations.

We rely on agreements with Qian Cheng, Run An and their respective shareholders to receive all of the beneficial interest of these entities. These contractual arrangements may not be as effective as direct ownership.

PRC laws and regulations currently limit foreign investment in entities providing human resource related services and in entities operating as Internet content providers. Tech JV and its subsidiaries recognize substantially all of our revenues. 50% of our equity interest in Tech JV is held by Beijing Qian Cheng Si Jin Advertising Co., Ltd., or Qian Cheng, which is wholly owned by Beijing Run An Information Consultancy Co., Ltd., or Run An. Run An is jointly owned by David Weimin Jin and Tao Wang, two executive officers of our company. Through agreements with Qian Cheng, Run An and their respective shareholders, we have the substantial ability to control, bear all the economic risks of, and receive all the economic rewards from, Qian Cheng and Run An. As a result, we consolidate all of these interests for U.S. GAAP reporting purposes. For a description of these contractual arrangements, see Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Contractual Arrangements Among Our Group Entities.

Although we have been advised by our PRC legal counsel, Jun He Law Offices, that the contractual arrangements as described in this annual report are valid, binding and enforceable under current PRC laws, these arrangements may not be as effective as direct ownership of these businesses. For example, Qian Cheng, Run An and their respective shareholders could violate their contractual arrangements with us by refusing to make payments or otherwise refusing to perform their obligations necessary for us to realize the economic rewards from Qian Cheng and Run An. In any such event, we will have to rely on the PRC legal system to enforce our rights, which could have uncertain results. Any legal proceeding may disrupt our business, damage our reputation, divert our resources and incur substantial costs. See Risks Related to Doing Business in China The PRC legal system has inherent uncertainties that could materially and adversely affect us.

Table of Contents

If we are unable to enforce our rights, or if we suffer any significant delays or other obstacles in the process of enforcing these contractual arrangements, we may be unable to receive all of the economic rewards from Qian Cheng and Run An. If we are unable to consolidate Qian Cheng and Run An, and their equity interest in Tech JV, our results of operations would be materially reduced. In addition, a significant disruption in these contractual relationships as a result of governmental sanction or otherwise could result in our being required to restructure our operations which could require a significant expenditure of resources.

The shareholders of our affiliated Chinese entities may have potential conflicts of interest with us, which may adversely affect our business.

The principal shareholders of our affiliated entity, Run An, are David Weimin Jin and Tao Wang, both of whom are long-time executive officers of our company, and our other affiliated entity, Qian Cheng, is wholly owned by Run An. Although Messrs. Jin and Wang are contractually obligated, or obligated as a result of their fiduciary duty to our company, to act in good faith and in our best interest, potential conflicts of interest between their duties to our company and our affiliated Chinese entities may arise. When conflicts of interest arise, Messrs. Jin and Wang may not act entirely in our interests and any such conflicts of interest may not be resolved in our favor. If we cannot resolve any conflict of interest or dispute between us and the shareholders of our affiliated entities, we would have to rely on legal proceedings, which could disrupt our business, incur significant costs, distract management and subject us to substantial uncertainty as to the outcome of any such legal proceedings. See Risks Related to Doing Business in China The PRC legal system has inherent uncertainties that could materially and adversely affect us.

The PRC laws and regulations governing our business operations and contractual arrangements are uncertain, and if we are found to be in violation, we could be subject to sanctions. In addition, any changes in such PRC laws and regulations may have a material and adverse effect on our business.

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. We and our subsidiaries are considered foreign persons or foreign funded enterprises under PRC laws, and, as a result, we are required to comply with PRC laws and regulations, including those governing foreign ownership in the human resource services and Internet content industries. These laws and regulations may be subject to future changes, and their official interpretation and enforcement may involve substantial uncertainty. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. In addition, the PRC authorities retain broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business licenses and requiring actions necessary for compliance. In particular, licenses, permits and beneficial treatments issued or granted to us by relevant governmental bodies may be revoked at a later time under contrary findings of higher regulatory bodies. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our businesses. We may be subject to sanctions, including fines, and could be required to restructure our operations. As a result of these substantial uncertainties, we cannot assure you that we will not be found in violation of any existing or future PRC laws or regulations.

According to PRC laws, trademark license agreements are required to be filed with the Trademark Office of the PRC State Administration for Industry and Commerce, or the SAIC, for the record. Under a trademark license agreement dated as of August 15, 2000, and supplemented and amended as of August 15, 2005 and August 15, 2010, WFOE has granted to Tech JV the right to use certain trademarks in the PRC. The trademark license agreement has not been filed with the Trademark Office of the SAIC, and as such it may not be enforceable against bona fide third parties until completion of such registration.

In or around September 2011, various media sources reported that the China Securities Regulatory Commission, or the CSRC, had prepared a report proposing regulating the use of variable interest entity, or VIE, structures or contractual arrangements, such as ours, in industry sectors subject to foreign investment restrictions in China and overseas listings by China-based companies. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide.

Table of Contents

On January 19, 2015, the PRC Ministry of Commerce, or the MOFCOM, published the draft Foreign Investment Law, or the Draft FIL, on its official website. Upon its enactment, it is intended to replace the trio of existing laws regulating foreign investment in China, namely, the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign Owned Enterprise Law, together with their implementation rules and ancillary regulations. The MOFCOM has solicited comments from the public on the Draft FIL and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft FIL, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the Draft FIL expands the definition of foreign investment and introduces the principle of actual control in determining whether an investment is considered a foreign investment or domestic investment. The Draft FIL specifically provides that an entity established in China but controlled by foreign investors will be treated as a foreign investor, whereas an entity set up in a foreign jurisdiction but controlled by PRC entities and/or citizens would nonetheless be treated as a PRC domestic investor, provided that the entity should obtain such determination upon market entry clearance by the competent foreign investment authority. If a foreign investment is made in an industry within the catalogue of special management measures, or the negative list, to be issued by the State Council, it would be subject to the foreign investment restrictions or prohibitions set forth therein and call for market entry clearance by the competent foreign investment authority.

In addition to control through direct or indirect ownership or equity, the Draft FIL includes control through contractual arrangements within the definition of actual control. The VIE structure has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. If the Draft FIL is promulgated and goes into effect in its current form, these provisions regarding control through contractual arrangements could be construed to reach our VIE arrangements with Qian Cheng and Run An, and as a result, our VIEs and subsidiaries in which these VIEs have direct or indirect equity ownership could be subject to the current restrictions on foreign investment where engaged in an industry on the negative list.

The Draft FIL has not taken a position on what actions will be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC entities/citizens. Moreover, it is uncertain whether the online recruitment services or human resources industries in which our affiliated entities operate will be subject to the foreign investment restrictions or prohibitions set forth in the negative list to be issued. If the enacted version of the Foreign Investment Law and the final negative list mandate further actions, such as MOFCOM market entry clearance or certain restructuring of our corporate structure and operations, to be completed by companies with existing VIE structure like us, we will face substantial uncertainties as to whether these actions can be timely completed, or at all. As a result, our business, operating results and financial condition may be materially and adversely affected.

The Draft FIL, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the Draft FIL imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable foreign-invested enterprises. Reports are required whenever we make a new investment and modify or change our investment. Annual reports are mandatory, and large foreign investors meeting certain criteria are required to make reports quarterly. Any company found to be non-compliant with these information reporting obligations may be subject to fines and/or administrative or criminal liability, and the persons directly responsible may be subject to criminal liability.

If we or any of our subsidiaries or affiliated entities or any of our contractual arrangements are found to be or to have been in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would likely have broad discretion in dealing with such violation, including but not limited to:

- levying fines;
- revoking business licenses;
- restricting or prohibiting our use of proceeds from any capital raisings to finance our business and operations in China;
- requiring us to restructure the ownership structure or operations of our subsidiaries or affiliated entities; and/or
- requiring us to discontinue all or a portion our business.

Any of these or similar actions could cause significant disruption to our business operations or render us unable to conduct a substantial portion of our business operations and may materially and adversely affect our business, financial condition and results of operations.

We are unable to quantify the likelihood that any sanctions would be imposed or the magnitude of the effect of any such sanctions on our business, financial condition or results of operations.

Table of Contents

Our subsidiaries face limitations on paying dividends or making other distributions to us.

We are a holding company and rely substantially on dividends, royalty payments and license fees paid under trademark license agreements and certain other contractual arrangements paid to us by our subsidiaries and affiliated entities in the PRC to finance our operations and to pay dividends to our shareholders. These royalty payments and license fees paid under trademark license agreements and certain other contractual arrangements do not require governmental or other third party approval. However, the payment of dividends in China is subject to certain restrictions and taxes. PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations.

Our subsidiaries and affiliated entities in the PRC are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that are not distributable as cash dividends. In addition, the PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We may also experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency. See Item 4. Information on the Company Business Overview Regulation Regulations Relating to Foreign Currency Exchange and Regulations Relating to Dividend Distribution. If we or any of our subsidiaries are unable to receive all of the revenues from our operations through these contractual or dividend arrangements, we may be unable to effectively finance our operations or pay dividends on our common shares.

Risks Related to Doing Business in China

Our business could be affected by changes in China s economic, political or social conditions or government policies.

The PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. We cannot assure you that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on our business. For example, to restrain inflation and prevent the economy from overheating, the PRC government has instituted from time to time a number of tightening macroeconomic measures and monetary policies, including increasing interest rates, raising statutory reserve rates for banks and controlling bank lending to certain industries. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC government to guide economic growth and the allocation of resources will be effective in sustaining the fast growth rate of the Chinese economy. In addition, even if these measures benefit the overall Chinese economy, they may impact the hiring behavior of employers and reduce the level of expenditures on human resource services, which would adversely affect our results of operations and financial condition. The PRC government could determine to develop and support government owned or controlled human resource enterprises in direct competition with us. The PRC government could also determine to more closely regulate the telecommunications, Internet or human resource industries, which could impose additional regulatory costs and burdens on us.

PRC laws and regulations governing operators of Internet websites are unclear and the regulation of the telecommunications and Internet industries may become more burdensome, and if we are found to be in violation of PRC laws and regulations, we could be subject to sanctions.

The interpretation and application of existing and future PRC laws and regulations and the stated positions of the main governing authority, the PRC Ministry of Industry and Information Technology, or the MIIT, have created significant uncertainty regarding the legality of existing and future foreign investments in, and the businesses and activities of, companies with Internet operations, including those of our company. In particular, the MIIT has stated that the activities of Internet content providers are subject to regulation by various PRC government authorities, depending on the specific activities conducted by the Internet content provider. In addition, PRC government regulation of the telecommunications and Internet industries is burdensome and may become even more so. New regulations could increase our costs of doing business and prevent us from efficiently delivering our services. Our failure to comply with applicable PRC Internet regulations could subject us to severe sanctions.

Table of Contents

In July 2006, the MIIT issued the Notice on Strengthening the Administration of Foreign Investment in the Operation of Value-Added Telecommunications Business, or the MIIT Notice. According to the MIIT Notice, foreign investors can only operate a telecommunications business in China by establishing a telecommunications enterprise with a valid telecommunications business operation license. Domestic value-added telecommunications services license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, and from providing any resource, sites or facilities to foreign investors to facilitate the illegal operation of a telecommunications business in China. The MIIT Notice also requires that value-added telecommunications services license holders (including their shareholders) directly own the domain names and registered trademarks used by such value-added telecommunications services license holders in their daily operations. The MIIT Notice further requires each value-added telecommunications services license holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. For those who are not in compliance with the requirements above and fail to rectify the non-compliance within the period set by provincial communications administration bureaus, the provincial communications administration bureaus may revoke their operating licenses. Tech JV, our operating entity which provides online recruitment services, has obtained a value-added telecommunications business operation license permitting it to provide information service via the Internet and mobile networks. We may further modify our corporate structure to comply with these requirements.

The continued growth of the Chinese Internet market depends on the establishment of an adequate telecommunications infrastructure.

Although private sector Internet service providers currently exist in China, almost all access to the Internet is maintained through state-owned telecommunication carriers under the administrative control and regulatory supervision of the MIIT. In addition, the national networks in China connect to the Internet through a government-controlled international gateway. This international gateway is the only channel through which a domestic user can connect to the international Internet network. We rely on this infrastructure and China Telecom and China Unicom to provide data communications capacity, primarily through local telecommunications lines. We cannot assure you that this infrastructure will be developed. We have no access to alternative networks or services, on a timely basis or if at all, in the event of disruptions, failures or other problems with China s Internet infrastructure or telecommunications networks. The Internet infrastructure in China may not support the demands associated with continued growth in Internet use.

The PRC legal system has inherent uncertainties that could materially and adversely affect us.

The PRC legal system is based upon written statutes. Prior court decisions may be cited for reference but are not binding on subsequent cases and have limited value as precedents. Since 1979, the PRC legislative bodies have promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, the PRC has not developed a fully integrated legal system and the array of new laws and regulations may not be sufficient to cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, published government policies and internal rules may have retroactive effects and, in some cases, the policies and rules are not published at all. As a result, we may be unaware of our violation of these policies and rules until some time later. Our contractual arrangements with our affiliated entities are governed by the laws of the PRC. The enforcement of these contracts and the interpretation of the laws governing these relationships is subject to uncertainty. See Risks Related to Our Corporate Structure The PRC laws and regulations governing our business operations and contractual arrangements are uncertain, and if we are found to be in violation, we could be subject to sanctions.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from making capital contributions or loans to our PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries are subject to PRC regulations. For example, none of our loans to a PRC subsidiary can exceed the difference between its total amount of investment and its registered capital approved under relevant PRC laws, and the loans must be registered with the local branch of the PRC State Administration of Foreign Exchange, or the SAFE. Our capital contributions to our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to complete the necessary registration or obtain the necessary approval on a timely basis, or at all. If we fail to complete the necessary registration or obtain the necessary approval, our ability to make loans or equity contributions to our PRC subsidiaries may be negatively affected, which could adversely affect our PRC subsidiaries liquidity and their ability to fund their working capital and expansion projects and meet their obligations and commitments.

Table of Contents

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on United States or other foreign laws against us or our management.

We conduct substantially all of our operations in China and the majority of our assets are located in China. In addition, many of our directors and executive officers reside within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon these directors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, our PRC legal counsel has advised us that the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts.

Registered public accounting firms in China, including our independent registered public accounting firm, are not inspected by the U.S. Public Company Accounting Oversight Board, which deprives us and our investors of the benefits of such inspection.

Auditors of companies whose shares are registered with the SEC and traded publicly in the United States, including our independent registered public accounting firm, must be registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards applicable to auditors. Our independent registered public accounting firm is located in, and organized under the laws of, the PRC, which is a jurisdiction where the PCAOB, notwithstanding the requirements of U.S. law, is currently unable to conduct inspections without the approval of the Chinese authorities. In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the MOF, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, the CSRC or the MOF in the United States and the PRC, respectively. The PCAOB continues to be in discussions with the CSRC and the MOF to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges.

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

If additional remedial measures are imposed on the Big Four PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms failure to meet specific criteria set by the SEC, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In December 2012, the SEC instituted administrative proceedings against the Big Four PRC-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC s rules and regulations thereunder by failing to provide to the SEC the firms audit work papers with respect to certain PRC-based companies that are publicly traded in the United States. On January 22, 2014, the Administrative Law Judge, or ALJ, presiding over the matter rendered an initial decision that each of the firms had violated the SEC s rules of practice by failing to produce audit workpapers to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months. The Big Four PRC-based accounting firms appealed the ALJ s initial decision to the SEC. The ALJ s decision does not take effect unless and until it is endorsed by the SEC. In February 2015, each of the Big Four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to

practice before the SEC and audit U.S.-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to Chinese firms audit documents via the CSRC. If future document productions fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. While we cannot predict if the SEC will further review the Big Four PRC-based accounting firms compliance with specified criteria or if the results of such a review would result in the SEC imposing penalties such as suspensions or restarting the administrative proceedings, if the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to the delisting of our ADSs from the NASDAQ Global Select Market or the termination of the registration of our ADSs under the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Table of Contents

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi, which is currently not a freely convertible currency. Under our current structure, our income will be primarily derived from dividend payments from our PRC subsidiaries and other payments such as royalty and licensing fees. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries and our affiliated entities to remit sufficient foreign currency to pay dividends, royalty payments or other fees to us, or otherwise satisfy their foreign currency dominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from the transaction, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

The fluctuation of the Renminbi may materially and adversely affect your investment.

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 and permitted the Renminbi to fluctuate within a managed band against a basket of certain foreign currencies. The value of the Renminbi against the U.S. dollar increased 1.0% in 2012 and 2.8% in 2013 but decreased 2.5% in 2014. Correspondingly, we recognized a loss from foreign currency translation of RMB0.4 million in 2012, a loss of RMB6.5 million in 2013 and a gain of RMB10.0 million (US$1.6 million) in 2014. It is possible that the Chinese government could adopt a more flexible currency policy in the future, which could result in further and more significant revaluations of the Renminbi against the U.S. dollar or any other foreign currency. As a portion of our assets are denominated in U.S. dollars, any future upward revaluations of the Renminbi will result in charges to our consolidated statement of operations and comprehensive income and reductions in the value of these U.S. dollar denominated assets when translated into Renminbi.

In addition, as we rely substantially on dividends, royalty payments and other fees paid to us in Renminbi by our subsidiaries and affiliated entities in the PRC, any significant downward revaluation 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. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our common shares or for other business purposes and the U.S. dollar appreciates against the Renminbi, the U.S. dollar equivalent of the Renminbi we convert would be reduced. For further information on our foreign exchange risks and certain exchange rates, see Item 3. Key Information Selected Financial Data Exchange Rate Information and Item 11. Quantitative and Qualitative Disclosures about Market Risk Foreign Exchange Risk.

PRC regulations relating to offshore investment activities by PRC residents may increase our administrative burden and adversely impact our business and prospects. If our shareholders who are PRC residents fail to make any required registrations or filings under such regulations, we may be unable to distribute profits and may become subject to liability under PRC laws.

The SAFE has promulgated several regulations relating to offshore investment activities by PRC residents, including the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or Circular 75, which became effective on November 1, 2005. Circular 75 requires PRC residents

(including PRC citizens and foreign citizens who primarily reside in China) to register with the relevant local SAFE branch before establishing or controlling any company outside of China, referred to as an offshore special purpose company, for the purpose of raising funds from overseas to acquire or exchange the assets of, or acquiring equity interests in, PRC entities held by such PRC residents and to update such registration in the event of any significant changes with respect to that offshore company. Circular 75 applies retroactively, and as a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in China in the past are required to complete the relevant registration procedures with the SAFE. If any PRC resident fails to register with the SAFE with respect to its ownership of an existing offshore entity, dividends remitted by the onshore entity to its overseas parent may be considered an evasion of foreign exchange administration rules, and therefore, may be subject to penalties under relevant PRC foreign exchange laws and regulations. In addition, failure to comply with registration procedures may result in restrictions on the relevant onshore entity, including prohibitions on the payment of dividends and other distributions to its offshore parent or affiliate and on capital inflow from the offshore entity.

Table of Contents

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents Offshore Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or Circular 37, on July 4, 2014, which superseded Circular 75. Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in Circular 37 as a special purpose vehicle. Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice on Further Simplify and Improve Administrative Policies Regarding Foreign Direct Investment issued by the SAFE on February 13, 2015, starting from June 1, 2015, all new such registrations (other than make-up registrations) will be handled by the authorized local banks instead of the local SAFE branches.

These regulations apply to our shareholders and beneficial owners who are PRC residents or which have PRC residents as their ultimate owners and may apply to any offshore acquisitions that we make in the future. We have notified shareholders of our common shares who we know are PRC residents to comply with these regulations and make the required registrations. However, as we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and the interpretation and enforcement of these SAFE regulations involve significant uncertainties, we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents have fully complied or will fully comply with our request to make, obtain or update any applicable registrations in a timely manner, or at all. For example, we are not aware of available registration procedures with the SAFE for PRC residents that are non-PRC passport holders, which makes our shareholders who are foreign citizens residing in China currently unable to comply with these regulations. If any of our shareholders or beneficial holders is found to be in violation of these SAFE regulations, we may face severe consequences as discussed above.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In March 2007, the SAFE promulgated the Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan or Stock Option Plan of Overseas-Listed Company, or the Stock Option Rule, to regulate foreign exchange procedures for PRC individuals participating in employee stock holding and stock option plans of overseas companies. On February 15, 2012, the SAFE promulgated the Circular on Certain Foreign Exchange Issues Relating to Domestic Individuals Participation in Stock Incentive Plan of Overseas-Listed Company, or the New Stock Option Rule. Upon the effectiveness of the New Stock Option Rule on February 15, 2012, the Stock Option Rule became void, although the basic requirements and procedures provided under the Stock Option Rule are kept unchanged in the New Stock Option Rule. Directors, supervisors, the senior management and other employees of the domestic subsidiary of an overseas-listed company (which shall include companies and other subsidiaries directly or indirectly established or controlled by such overseas-listed company in China) participating in any stock incentive plan of the overseas-listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas-listed company, and complete certain other procedures. We and our PRC employees, directors and executive officers are subject to these regulations.

In addition, the SAT has issued circulars concerning employee share options. Under these circulars, individuals working in China who exercise share options will be subject to PRC individual income tax. We have obligations to file documents related to employee share options with relevant tax authorities and withhold the individual income taxes of employees who exercise their share options. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and other legal and administrative sanctions.

21

Table of Contents

Risks Related to Our Common Shares and Our ADSs

The market price for our ADSs may be volatile.

The market prices of the securities of companies with Internet related and online businesses have been extremely volatile and may be subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly operating results;
- changes or revisions by us to previously released operating and financial targets;
- announcements by us or our competitors of new services, significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in financial estimates or recommendations by securities analysts;
- conditions in our industry, which is the market for recruitment advertising services and other human resource related services in China;
- additions or departures of key personnel;
- fluctuations of exchanges rates between the Renminbi and U.S. dollar; and
- pending or potential litigation or regulatory investigations.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our ADSs.

The future sales, or perceived future sales, by our existing shareholders of a substantial number of our ADSs in the public market or through private transactions could adversely affect the price of our ADSs.

If our shareholders sell, or are perceived as intending to sell, substantial amounts of our common shares or ADSs, including those issued upon the exercise of outstanding options, in the public market or through private transactions, the market price of our ADSs could fall. Such sales, or perceived potential sales, might make it more difficult for us to sell equity or equity related securities in the future at a time and price that we deem appropriate. Common shares held by our existing shareholders and our affiliates may also be sold in the public market under, and subject to the restrictions contained in, Rule 144 under the U.S. Securities Act of 1933, as amended, or the Securities Act. See Item 6. Directors, Senior Management and Employees Compensation Stock-Based Compensation Plans for a description of outstanding options to purchase our common shares.

Your right to participate in any future rights offerings may be limited, which may cause dilution of your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement, the depositary bank will not offer you those rights unless the distribution to ADS holders of both the rights and any related securities is either registered under the Securities Act, or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

You may not be able to exercise your right to vote.

As a holder of ADSs, you may only exercise the voting rights with respect to the underlying common shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the underlying common shares in accordance with these instructions. Otherwise, you will not be able to exercise your right to vote unless you withdraw the shares. Under our memorandum and articles of association, the minimum notice period required for convening either an annual general meeting or an extraordinary general meeting called to vote on matters requiring the approval of two thirds of the voting shares is 20 days. The minimum notice period for other extraordinary general meetings is 14 days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares to allow you to vote with respect to any specific matter. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if the shares underlying your ADSs are not voted as you requested.

Table of Contents

You may not receive distributions on common shares or any value for them if it is illegal or impractical to make them available to you.

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

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

Your ADSs represented by the ADRs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary thinks it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited, because we are incorporated under Cayman Islands law.

We are a company incorporated under the laws of the Cayman Islands, and the majority of our assets are located outside the United States. In addition, many of our directors and executive officers are nationals or residents of jurisdictions other than the United States and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon our directors or executive officers, or enforce judgments obtained in the United States courts against our directors or executive officers.

Our corporate affairs are governed by our memorandum and articles of association, the Cayman Islands Companies Law (2013 Revision), as amended and revised from time to time, and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, the decisions of whose courts are of persuasive authority, but are not binding on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States, and some states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

There are uncertainties as to whether Cayman Islands courts would:

- recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and

- impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a U.S. company.

Table of Contents

If we are considered a PRC resident under the EIT Law, dividends we pay to non-resident holders may be subject to PRC withholding tax and gains realized by non-resident holders on sale of ADSs or common shares may be subject to PRC income tax.

If we are considered to be a PRC resident enterprise under the EIT Law, any dividends payable to non-resident enterprise holders of our common shares or ADSs may be treated as income derived from sources within PRC and therefore subject to a 10% withholding tax (or 20% in the case of non-resident individual holders) unless an applicable income tax treaty provides otherwise. In addition, capital gains realized by non-resident enterprise holders upon the disposition of our common shares or ADSs may be treated as income derived from sources within PRC and therefore subject to 10% income tax (or 20% in the case of non-resident individual holders) unless an applicable income tax treaty provides otherwise. If we are required under the EIT Law to withhold PRC income tax on dividends payable to our non-PRC investors or if you are required to pay PRC income tax on any gains realized from the transfer of our common shares or ADSs, the value of your investment in our common shares or ADSs may be materially and adversely affected.

We believe that we were not a passive foreign investment company, or a PFIC, for our taxable year ending on December 31, 2014, although there can be no assurance in this regard. However, we believe there is a material risk that we may become one in the future, which could result in adverse U.S. federal income tax consequences to U.S. investors.

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, 2014, 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, we believe there is a material risk that we may become one in the future. Under the U.S. Internal Revenue Code of 1986, as amended, the determination of whether we are a PFIC is made annually and our PFIC status for any particular year will depend upon the character of our income and assets and the value of our assets at such time. Accordingly, our PFIC status for any particular taxable year cannot be determined with certainty until after the close of that 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 any future taxable year.

Further, if it is determined that we do not own the stock of our affiliated PRC entities, which is held through contractual arrangements, for U.S. federal income tax purposes, we may be treated as a PFIC for our current taxable year and any taxable year thereafter. 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 those of our PRC legal 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 we are a PFIC for any taxable year during which you hold our ADSs or common shares, such characterization could result in adverse U.S. federal income tax consequences to you if you are a U.S. investor. For example, if we are or become a PFIC, our U.S. investors may become subject to increased tax liabilities under U.S. federal income tax laws and regulations, and will become subject to burdensome reporting requirements. Moreover, non-corporate U.S. investors will not be eligible for reduced rates on taxation on any dividends received from us, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. See Item 10. Additional Information Taxation Certain United States Federal Income Tax Considerations Passive Foreign Investment Company Rules.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We commenced our business in 1998. In March 2000, our founders incorporated a new holding company, now called 51job, Inc., as an exempted limited liability company in the Cayman Islands under the Cayman Islands Companies Law (2013 Revision). Subsequently, 51job, Inc. acquired 51net.com Inc., or 51net, a British Virgin Islands company, and other subsidiaries to become the holding company of our corporate group. We operate as a foreign-invested enterprise in China through our wholly owned subsidiaries, 51net, which is the registered owner of our domain name, 51net Beijing and 51net HR, which are both Cayman Islands companies, as well as our PRC subsidiaries and affiliated Chinese entities, the primary ones being:

Table of Contents

- Qianjin Network Information Technology (Shanghai) Co., Ltd., or Tech JV, which is owned by 51net, Qian Cheng and Wuhan AdCo, and holds licenses which allow it to provide online advertising, human resource related and value-added telecommunications services;

- Shanghai Qianjin Advertising Co., Ltd., or AdCo, which is owned by Tech JV and Qian Cheng, and holds licenses to provide advertising services;

- Beijing Qian Cheng Si Jin Advertising Co., Ltd., or Qian Cheng, which is wholly owned by Run An, is our joint venture partner in Tech JV and has an equity interest in AdCo;

- Beijing Run An Information Consultancy Co., Ltd., or Run An, which is jointly owned by David Weimin Jin and Tao Wang, two executive officers of our company;

- Qian Cheng Wu You Network Information Technology (Beijing) Co., Ltd., or WFOE, which is wholly owned by 51net Beijing and owns our trademarks and registered copyrights;

- Shanghai Wang Cai Advertising Co., Ltd., or Wang Cai AdCo, which is jointly owned by AdCo and Tech JV, and hold licenses to provide advertising services;

- Shanghai Wang Ju Human Resource Consulting Co., Ltd., or Wang Ju, which is owned by 51net HR and Run An, and holds licenses to provide human resource related services; and

- Wuhan Mei Hao Qian Cheng Advertising Co., Ltd., or Wuhan AdCo, which is wholly owned by Qian Cheng, has an equity interest in Tech JV and holds a license to provide advertising services.

Substantially all of our business and operations are conducted through Tech JV and its subsidiaries.

In May 2004, we restructured our operations to comply with then existing PRC laws and regulations governing foreign ownership in entities conducting advertising and human resource related services. For a discussion on our group structure, see Item 4. Information on the Company Organizational Structure.

Our relationships with Qian Cheng and Run An, our affiliated entities, have been governed by a series of agreements. As a result of these agreements, under which we have borne all of the economic risks and received all of the economic rewards in these affiliated entities, the historical financial results of these entities have been consolidated in our financial statements as variable interest entities. For a discussion on the contractual arrangements among our entities, see Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Contractual Arrangements Among Our Group Entities.

Our principal executive offices are located at Building 3, No. 1387, Zhang Dong Road, Shanghai 201203, People s Republic of China. Our telephone number at this address is +86-21-6160-1888. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our agent for service of process in the United States is CCS Global Solutions, Inc., located at 54 West 39th Street, 5th Floor, New York, New York 10018.

Our principal capital expenditures in 2012 totaled RMB136.8 million, which consisted of RMB95.8 million for the acquisition of office space in Guangzhou and RMB20.9 million in installment payments toward the acquisition of a new building in Wuhan as well as the purchase of computers, office equipment and furnishings. Our principal capital expenditures in 2013 totaled RMB222.1 million, which included RMB164.9 million for the acquisition of office premises in Beijing as well as the completed acquisition of the new Wuhan building and the purchase of computers, office equipment, fixtures and furnishings. Our principal capital expenditures in 2014 totaled RMB33.3 million (US$5.4 million), which included the purchase of computers, office equipment and furnishings, and RMB6.6 million (US$1.1 million) for the purchase of intangible assets, such as computer software.

Capital expenditures in 2014 were funded through operating cash flows and our existing capital resources, and we expect to continue to fund our capital expenditures through these means. Our capital expenditure plans for 2015 have not yet been fixed, but we intend to purchase office space, office furnishings, computers and technology-related equipment.

In January 2015, we entered into an agreement to acquire approximately 1,615 square meters of office space in Shanghai to accommodate our growing business operations. The purchase price was RMB42.0 million (US$6.8 million), which was paid to the seller in the first quarter of 2015. The purchase was funded from our existing cash resources.

In February 2015, we entered into definitive agreements related to acquisitions and investments in some target companies. These companies include an established recruitment website focused on new college graduates and students in China, and providers of professional assessment, training and human resources consulting services in China. These investments will be funded from our existing cash resources, and the total consideration is expected to be up to RMB270 million (US$43.5 million), subject to closing conditions and adjustments, if any. We expect closing for these transactions to occur in the second quarter of 2015.

Table of Contents

Our Offerings and ADS Repurchases

We completed our initial public offering of 6,037,500 American depositary shares, or ADSs, and on September 29, 2004, the trading of our ADSs commenced on the NASDAQ Global Select Market under the symbol JOBS.

In April 2014, we completed an offering of US$172.5 million in aggregate principal amount of convertible senior notes due 2019. The notes were offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and certain non-U.S. persons in compliance with Regulation S under the Securities Act. The notes bear interest at a rate of 3.25% per year, payable semiannually in arrears on April 15 and October 15 of each year. The notes will mature on April 15, 2019. The notes may be converted based on an initial conversion rate of 11.6976 ADSs per US$1,000 principal amount of the notes (which represents an initial conversion price of US$85.49 per ADS). The conversion rate is subject to adjustment in some events. Following the change in the ratio of our common shares to ADSs from 2:1 to 1:1 effective August 8, 2014, the initial conversion rate was adjusted to 23.3952 ADSs per US$1,000 principal amount of the notes (which represents an adjusted initial conversion price of approximately $42.74 per ADS).

In September 2008, we announced a share repurchase program, which provided authorization to purchase up to US$25 million worth of our outstanding ADSs. Under this program, from 2008 to 2011, we purchased 2,030,658 ADSs, through open-market transactions for an aggregate consideration of approximately US$11.0 million, including transaction fees. In June 2014, we approved an increase to the size of the share repurchase program from US$25 million to US$75 million. In 2014, we purchased 799,293 ADSs through open-market transactions for an aggregate consideration of approximately US$25 million, including transaction fees. See Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

B. Business Overview

We believe that we are a leading nationwide provider of integrated human resource services in China. With a strong focus on recruitment advertising, we operate *www.51job.com* which is utilized by a broad base of corporate employers, reaches a wide and diverse audience of job seekers and aggregates job information from over 100 cities across China. We also operated a print publication in the city of Xian as of the date of this annual report.

In addition to recruitment advertising services, we also provide other complementary human resource related services, consisting primarily of business process outsourcing, training, campus recruitment and executive search services. We aim to be a comprehensive, one-stop solution to human resource departments by providing recruitment and other human resource related services to employers through 25 local sales offices and a national sales and customer service call center in Wuhan.

Although we provide services to both employers and job seekers, we derive substantially all of our revenues from employers. We receive a majority of our revenues in the form of fees from employers for placing job advertisements on *www.51job.com*. We also receive fees from employers for accessing our *www.51job.com* resumé database, using our *eHire* product and engaging our other human resource related services.

Our Product and Services

We provide a range of human resource services in the following categories:

- recruitment advertising services, including online recruitment services and print advertising; and
- other human resource related services, such as business process outsourcing, training, campus recruitment and executive search services.

We generate a significant majority of our revenues from our recruitment advertising services. Our online recruitment services business generated 62.4% of our revenues in 2012, 64.7% of our revenues in 2013 and 65.8% of our revenues in 2014. Our print advertising business generated 7.0% of our revenues in 2012, 3.0% of our revenues in 2013 and 0.7% of our revenues in 2014. Other human resource related services generated 30.6% of our revenues in 2012, 32.3% of our revenues in 2013 and 33.5% of our revenues in 2014.

Recruitment Advertising Services

Online Recruitment Services *www.51job.com*. We established our online recruitment website, *www.51job.com*, in 1999. Online recruitment advertisements appear in both Chinese and English on *www.51job.com*. These advertisements cover many different job categories ranging from professional and middle management positions to clerical, industrial and hourly jobs. Job seekers may search for positions using keywords or based on a number of criteria, including city of employment, industry, job function, job title and job posting date. We regularly maintain and update our *www.51job.com* with job search, training and general career management content.

Table of Contents

We believe that *www.51job.com* is one of the largest dedicated national recruitment websites in China in terms of the number of recruitment advertisements. We also believe that *www.51job.com* is among the largest in terms of the number of registered job user accounts and posted job seeker resumés, with approximately 84 million user accounts established since the launch of our website in 1999 and approximately 75 million resumés posted online as of December 31, 2014. We believe that *www.51job.com* is perceived as a destination site by job seekers because of its large volume of advertisements and the job search, training, and general career management content available on the website.

We believe that *www.51job.com* provides employers with a cost-effective means of reaching their target audience. As our website contains nationwide recruitment advertisements, employers can access a large pool of potential candidates from a wide geographic area. Certain employers also post advertisements online when they consider the demographics of their target audience to favor the use of the Internet for recruitment advertising. As a result, *www.51job.com* includes a large number of recruitment advertisements targeted at white-collar job seekers between the ages of 20 to 35 that are more likely to be familiar with the Internet and utilize this medium for their job search. We generally update the advertisements on our website several times each hour, which provides job seekers with new opportunities constantly and allows employers to receive responses more rapidly. Employers also attract online job seekers by placing advertising banners, trademarks, logos, website hyperlinks and other forms of advertising on our website to promote their corporate image for a fee that varies depending on the size, graphics, placement and duration. In addition, we offer enhanced marketing tools, such as priority placement of their job postings in keyword search results and direct email marketing campaigns to a targeted group of job seekers, to employers for a fee.

Employers can use our *eHire* web-based platform to post recruitment advertisements, search our job candidate database and download resumés for a fee. In addition, *eHire* contains other tools that enable employers to manage, organize and streamline the recruitment and hiring process. We also offer website design as an additional value-added service and marketing tool for corporate customers. We can build customized private label recruitment websites with the look and feel of a dedicated website. We design these sites in-house to client specifications and operate these sites for our clients. These client sites, together with our *www.51job.com* website, are hosted by China Telecom and China Unicom.

The following table sets forth the estimated number of unique employers who used our online recruitment services for the periods indicated.

	For the year ended December 31,		
	2012	**2013**	**2014**
Estimated unique employers using online recruitment services	272,322	333,973	388,158

www.51job.com provides job seekers with online tools which allow them to:

- search and review all current recruitment advertisements;
- receive e-mails of advertisements matching the job seeker s profile and preferences;
- submit resumés directly to prospective employers to apply for a desired position;
- organize and track job related information and applications;
- obtain information about upcoming job fairs, career development advice and other job related information;

- track updates and receive notifications on specific companies of their choice; and
- engage and communicate with employers and other job seekers through online social forums.

We operate a mobile Internet website and have also developed mobile applications that enable job seekers to access their accounts through mobile devices and utilize most functions available on *www.51job.com*. We believe that these mobile offerings help job seekers receive information anywhere and anytime, allowing them to more quickly apply to desired job positions and respond to employers when they do not have convenient access to a personal computer. Although we do not currently monetize our mobile offerings, we believe these tools increase job seeker engagement, provide important real-time benefits and enhance the job search experience for our users.

We provide job seekers access to *www.51job.com* and our mobile applications free of charge.

Print Advertising *51job Weekly. 51job Weekly* is a city-specific recruitment advertising publication which is published once a week and is distributed as an insert in a local newspaper and/or on a stand-alone basis. *51job Weekly* contains recruitment advertisements for the full range of job categories that are available on our *www.51job.com* website. Advertisements placed in *51job Weekly* are primarily in Chinese language. *51job Weekly* recruitment advertisements come in a variety of formats, from large, multi-color advertisements using graphics and corporate trademarks to simple text job announcements. The advertising fees that we charge depend on a variety of factors, including the size, placement, format, and use of color and graphics in the advertisement, the length of time the advertisement is to appear, and the city in which the advertisement is placed.

Table of Contents

In recent years, we believe the growing acceptance of online recruitment services by employers combined with the ongoing shift in recruitment advertising expenditures from print to online media has limited the future use and market outlook of print advertising services for recruitment purposes. As a result, we have made a strategic decision to transition our business focus away from these print advertising services and have discontinued the publication of *51job Weekly* in many cities since 2010.

The following table sets forth the estimated number of print advertising pages we generated and the cities where *51job Weekly* was published for the periods and as of the dates indicated. As of the date of this annual report, *51job Weekly* was published in only one city, Xian. The English translation of the name of our local newspaper contractor in Xian is *China Merchant News*.

	2012	2013	2014
Estimated number of print advertising pages(1)	2,742	1,492	275
Number of cities where *51job Weekly* was published(2)	7	2	1

(1) For the years ended December 31, 2012, 2013 and 2014.

(2) As of December 31, 2012, 2013 and 2014.

Other Human Resource Related Services

Business Process Outsourcing. We perform business process outsourcing services by managing human resource administrative functions for employers on an outsourced basis. Our services to corporate clients mainly consist of social insurance and benefits processing, regulatory compliance with local governmental employment regulations and payroll processing. While the market for business process outsourcing services in China is currently limited compared to developed economies like the United States, we believe that there is significant future potential for these services as companies in China grow and become more sophisticated, thereby increasing the need and demand for using third parties to perform human resource administrative functions. In providing our business process outsourcing services, we benefit from the close operational integration with our recruitment advertising services, which enables us to share staff resources and leverage our sales and marketing investments. We continue to build our outsourcing capability and aim to increase the number of companies and individuals we serve as well as to expand the type of services we provide.

Training. We conduct training seminars in business management, leadership, sales and marketing, human resource, negotiation skills, financial planning and analysis, public administration, manufacturing, secretarial and other skills. We provide our seminars to the general public and on a customized, in-house basis for corporate clients. We license content and materials from third parties for some of the training courses we provide. We also enter into arrangements with certain trainers and lecturers that meet our knowledge, expertise and experience requirements. In addition to classroom-style seminars, we provide outdoor-based training exercises and programs for corporate clients to promote personal development, team building and communication. We believe that our training services build our brand awareness as a provider of comprehensive, integrated human resource services.

Campus Recruitment. We provide campus recruitment services to corporations seeking to recruit college and university students. We assist corporations with recruitment strategy, selection of schools, schedule of campus visits, promotion of their image to students and logistical

arrangements.

Executive Search. We provide our *eSearch* executive search and placement services to employers seeking to fill mid-level professional, managerial and junior executive positions. We generally charge corporate clients a total assignment fee, including in some cases a minimum upfront retainer, based on a percentage of the successful candidate s annual or monthly compensation. We maintain a team of specialized consultants who can access our extensive candidate resumé database that other search firms are restricted from using.

Salary and Other Human Resource Related Surveys. We conduct general and customized salary survey studies with analyses of compensation and benefits packages across various cities, industries and job positions. Human resource departments utilize this data to understand the market for compensation levels and to assist in their determination of compensation and benefits packages. We also conduct surveys on employee retention and other human resource related topics.

Human Resource Conferences. We organize and host annual human resource conferences and events in some of our cities. These conferences and events include lectures, seminars, workshops and networking opportunities for human resource professionals. Although we do not generate significant revenues from hosting these conferences and events, this service provides us with exposure to, and interaction with, existing and prospective clients.

Table of Contents

Other Products. We provide assessment tools to assist human resource departments in evaluating capabilities and dispositions of job candidates and existing employees, in aiding employee placement and in allocating employee resources. We also perform hiring and support services to employers on select recruitment projects.

Technology

We design and update our website and develop our proprietary software entirely in-house. Our website is hosted by China Telecom and China Unicom, China s principal telecommunications and Internet service providers. We own the copyrights, software, trademarks and other intellectual property with respect to the design and content of our website, other than the advertisements and trademarks provided by our advertisers.

We employ a large staff of website designers and technicians to update and enhance our website as well as to design, build and provide assistance to customers whose recruitment websites we are maintaining. We update the advertisements on our website from our customer service center in Wuhan and our principal executive offices in Shanghai. New recruitment advertisements provided to us by employers who have purchased and registered online accounts generally appear on our website within a few hours.

From time to time we experience slower Internet service from our Internet service providers as a result of technical difficulties associated with high traffic volumes, computer viruses, the proliferation of spam e-mail traffic and other difficulties that generally affect Internet traffic. To date, we have not been subject to significant targeted disruptions or hacking and we believe that difficulties we have experienced relating to the speed of the Internet service and web-hosting provided by China Telecom and China Unicom are consistent with the difficulties that affect Internet service in China generally. To date, our website has not gone off-line or been shut down for any significant period of time. We do not believe that our business has been materially disrupted or negatively affected by technical difficulties with respect to our website. However, we cannot assure you that our business will not face material disruptions or damage from spam, viruses, hacking or other technical difficulties. See Item 3. Key Information Risk Factors Risks Related to Our Business Hacking and computer viruses may cause delays or interruptions on our systems and may reduce use of our services and damage our reputation and brand names; We face risks related to health epidemics and other natural disasters; and We are dependent on our Internet service providers, and we are vulnerable to failures of the Internet, fixed line telecommunications networks in China and our technology platform.

Competition

We face significant competition in all of our business lines. See Item 3. Key Information Risk Factors Risks Related to Our Business Because we face significant competition in all of our businesses, we may lose market share and our results of operations may be materially and adversely affected.

Online Recruitment Services

We experience intense competition in our online recruitment services business from dedicated online recruitment websites and websites affiliated with local job fair operators. We view our principal existing online competitors to be *Zhaopin.com*, *ChinaHR.com* and *Cjol.com*, which are primarily dedicated online recruitment websites.

None of the well-established nationwide Internet portals, search engines and online classified websites, such as *58.com*, *Baidu.com*, *NetEase.com*, *QQ.com*, *Sina.com* and *Sohu.com*, are dedicated providers of recruitment advertising or other human resource products, and each offers a wide variety of other online services. However, any or all of our online competitors may decide to allocate significant additional resources to providing recruitment advertising or other human resource services. In the future, we may also face competition from professional and social networking websites as well as other large Internet companies who may enter the market for any or all of our services in China. For example, LinkedIn, a leading professional network, introduced a Chinese language version of their website in China in February 2014. As a result of these events, we could encounter significantly increased competition in some or all of our markets.

Other Services

We believe the market for business process outsourcing services is in an early stage of development and the competition is generally localized. Our key competitors are typically service agencies affiliated with or sponsored by local government and human resources and social security bureaus. In the training services market, we face competition primarily from small, local training firms or individual trainers who specialize in specific areas of expertise. The competition in the executive search services market in China is largely fragmented.

Table of Contents

Customers

Our customers consist of large multinational corporations, large national Chinese corporations and local Chinese enterprises of all sizes.

Sales and Marketing

Our sales and marketing strategy is focused on promoting our brand names and further establishing our reputation as an integrated provider of high quality human resource services. We utilize various marketing channels to target three key groups:

- job seekers;
- employers with hiring and/or training needs; and
- human resource departments with actual or potential outsourcing needs.

Direct Marketing. We target employers principally through direct marketing, which we believe has been highly effective in attracting new customers. As of December 31, 2014, we employed approximately 3,400 sales and account management representatives that identify and directly contact potential customers via telephone, personal sales visits, the Internet and the mail. We maintain 25 local sales offices and have also established a national sales and customer service call center in Wuhan, which became operational in February 2010. We train our sales staff to cross-sell all of our services and to design comprehensive packages of human resource services for potential clients to meet their specific requirements. In addition, we believe that the personal nature of direct marketing has enabled us to better understand the needs of our existing and prospective customers and helped us to develop new services and products.

Event Marketing. We organize customer events, such as recruiting workshops, product information seminars, industry roundtables and networking events, to provide our sales team an opportunity to personally interact with employers and understand their recruitment needs.

Online and Mobile Marketing. We utilize advertising, such as banner advertisements, keyword and hyperlink purchases and paid listings, to promote our brand names on the Internet and mobile marketplaces. We also conduct and sponsor online promotion campaigns such as drawings, giveaways and contests to attract traffic and enhance the loyalty of job seekers to our website. In addition, we have developed mobile applications which can be downloaded by users for free.

Mass Media Advertising. We use traditional mass media advertising on a selective basis to increase our brand visibility and corporate image. We advertise through various media, including outdoor advertising on digital displays, billboards, bus stops and public transportation. In addition, we advertise on print media such as newspapers, magazines, industry publications and telephone directories.

Cross-Marketing. We have established cross-marketing relationships between *www.51job.com* and a variety of partners. In addition, we believe that we benefit from recommendations and referrals by the large base of job seekers and employers who use *www.51job.com*.

Media Promotions. We produce surveys and analyses on job market trends and developments that are regularly featured and published in magazines, newspapers and on the Internet. We believe this exposure heightens our corporate image among both employers and job seekers and attracts interest and sales inquiries for our services.

Intellectual Property and Proprietary Rights

We regard our copyrights, trademarks, trade secrets and other intellectual property rights as critical to our business. We rely on trademark and copyright law, trade secret protection, non-competition and confidentiality and/or licensing agreements with our executive officers, clients, contractors and others to protect our intellectual property rights. We have registered our *www.51job.com* Internet domain name as well as a number of similar domain names in an effort to prevent entities from diverting online traffic away from our website.

We have registered trademarks, including , *51job.com*, and *eSearch*, with the Trademark Office of the SAIC. In January 2010, was designated a Well-Known Trademark, which is the highest recognition for consumer brands granted by the SAIC.

Table of Contents

All of our trademarks and the *www.51job.com* domain name are owned or registered in the PRC by WFOE and 51net. Under a trademark license agreement between WFOE, as licensor, and Tech JV, as licensee, Tech JV has the right to use certain trademarks in the PRC, with no right of assignment or sublicense. Under a domain name license agreement between 51net, as licensor, and Tech JV, as licensee, Tech JV has the right to use the *www.51job.com* domain name in connection with the operation of our website. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Contractual Arrangements Among Our Group Entities.

Our intellectual property is subject to theft and other unauthorized use, and our ability to protect our intellectual property from unauthorized use 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 If we are unable to prevent others from using our intellectual property, our business may be materially and adversely affected and We may be exposed to infringement or misappropriation claims by third parties, which, if successful, could cause us to pay significant damage awards.

Regulation

Advertising agencies, human resource services firms and Internet content providers are subject to substantial regulation by the Chinese government. An Internet content provider is a commercial operator providing the delivery of Internet content. This section sets forth a summary of the most significant PRC regulations that affect the businesses and the industries in which we operate.

In addition to laws and regulations that apply generally to advertising agencies, human resource firms and Internet content providers, special limitations apply to foreign ownership of businesses engaged in human resource and Internet content provider services in China.

Limitations on Foreign Ownership of Our Businesses

Advertising

The principal regulation governing foreign ownership of advertising companies in China is the Administrative Regulations Concerning Foreign-Invested Advertising Enterprises (2008 Revision). Under this regulation, foreign investors are allowed to own 100% of an advertising agency in China subject to certain qualification requirements. However, for those advertising agencies that provide online advertising service, foreign ownership restrictions on the value-added telecommunications business are still applicable.

Human Resource Services Companies

The principal regulation governing foreign ownership in human resource services companies in China is the Interim Regulations on the Administration of Sino-Foreign Equity Joint Venture as Human Resource Agencies (2003), as amended in 2005, jointly promulgated by the

MHRSS, the MOFCOM and the SAIC. Under this regulation, the percentage of foreign ownership in the equity interest of a human resource services company cannot be less than 25% or more than 49%. In August 2006, the PRC government increased the foreign ownership percentage limitation to up to 70% under certain circumstances. Starting from January 2008, the PRC government no longer implemented any foreign ownership percentage limitation for Hong Kong service providers and Macau service providers.

Value-Added Telecommunications Services and Internet Content Providers

In the PRC, entities that coordinate with Internet service providers (such as telecommunications companies) to effect the online placement of content provided by either themselves or third parties are defined as Internet content providers and require a special license. Internet content providers are classified as value-added telecommunications businesses.

The principal regulations governing foreign ownership in Internet content providers in China include:

- Administrative Rules for Foreign Investments in Telecommunications Enterprises (2008 Revision); and
- Foreign Investment Industry Guidance Catalogue (2015), which will become effective on April 10, 2015.

Under these regulations, foreign investors, individually or in the aggregate, are prohibited from owning more than 50% of a PRC entity that provides value-added telecommunications services, which include the service of providing Internet content.

According to the Opinion on Further Opening Value-Added Telecommunications Services to Foreigners in China (Shanghai) Pilot Free Trade Zone, foreign ownership in certain value-added telecommunications services providers (e.g., Internet content providers providing application store services) may exceed 50% in China (Shanghai) Pilot Free Trade Zone; however, service providers providing online advertising and human resource services are not included.

Table of Contents

In addition, the MIIT, issued the Notice on Strengthening the Administration of Foreign Investment in the Operation of Value-Added Telecommunications Business, or the MIIT Notice, in July 2006. According to the MIIT Notice, value-added telecommunications services license holders (including their shareholders) shall directly own the domain names and registered trademarks used by such value-added telecommunications services license holders in their daily operations and is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance in forms of resources, sites or facilities to foreign investors that conduct value-added telecommunications business illegally in China. For those who are not in compliance with the above requirements and fail to rectify the non-compliance within the period set by the provincial communications administration bureaus, the bureaus may revoke their operating licenses. See Item 3. Key Information Risk Factors Risks Related to Doing Business in China PRC laws and regulations governing operators of Internet websites are unclear and the regulation of the telecommunications and Internet industries may become more burdensome, and if we are found to be in violation of PRC laws and regulations, we could be subject to sanctions.

General Regulation of Our Businesses

Advertising

The SAIC is responsible for regulating advertising activities in the PRC. The principal regulations governing advertising (including online advertising) in China include:

- Advertising Law (1994);
- Administration of Advertising Regulations (1987);
- Implementation Rules on Administration of Advertising Regulations (2004); and
- Measures for the Administration of Advertising Business Licenses (2005).

All enterprises, except for broadcast stations, television stations, newspapers, magazines, non-corporate entities and other entities specified in laws or administrative regulations, are no longer required to obtain a separate advertising license although they are required to apply for inclusion of advertising services in their business licenses.

Human Resource

Human resource services firms in China are mainly regulated by the MHRSS. The principal regulation applicable to human resource services firms is the Regulations on Administration of Human Resource Markets (2001, as amended in 2005), jointly promulgated by the MHRSS and the SAIC. Under this regulation, any entity providing human resource services in China must obtain a human resource services license from the local administration of human resources and social security at the provincial level. Each of these administrations may adopt rules, with some degrees of variation among provinces, to regulate human resource services operations conducted within the province.

Value-Added Telecommunications Services and Online Commerce

The delivery of content on our website is subject to PRC laws and regulations applicable to telecommunications and Internet service providers. We are also within the regulatory jurisdiction of various governmental bodies, including the MIIT and the SAIC. The principal regulations applicable to the telecommunications industry and Internet include:

- Telecommunications Regulations (2000);
- The Administrative Measures for Telecommunications Business Operating Licenses (2009); and
- The Internet Information Services Administrative Measures (2000).

Under these regulations, the delivery of Internet content provision services is classified as a value-added telecommunications business, and a commercial operator of such services must obtain an Internet content provider license from the appropriate telecommunications authorities.

With respect to our online business, the Administrative Measure on Online Commerce promulgated by the SAIC on January 26, 2014 applies to all online commerce businesses in general, which requires all online commerce operators to register with the SAIC or its local offices. There are no PRC laws that have national applicability to online commerce specifically relating to advertising and human resource services. However, local authorities may impose requirements on online business activities conducted within its jurisdiction, such as registration or filing requirements.

Table of Contents

Labor and Social Insurance

Under the PRC Labor Law effective in 1995 and the PRC Labor Contract Law effective in 2008 and its amendment which became effective on July 1, 2013, a written labor contract must be executed between an employer and an employee. Labor-related regulations and rules of the PRC also stipulate the maximum number of working hours per day and per week as well as the minimum wage standards. In addition, an employer is required to establish occupational safety and sanitation systems, implement the national occupational safety and sanitation rules and standards, and provide employees with workplace safety training.

In the PRC, workers dispatched by an employment agency are normally engaged in temporary, auxiliary or substitute work. Under the PRC Labor Contract Law, an employment agency is the employer for workers dispatched by it and shall perform an employer s obligations toward them. The employment contract between the employment agency and the dispatched workers, and the placement agreement between the employment agency and the company that receives the dispatched workers shall be in writing. Furthermore, the company that accepts the dispatched workers shall bear joint and several liability for any violation of the PRC Labor Contract Law by the employment agencies arising from their contracts with dispatched workers. The MHRSS promulgated the Interim Provisions on Labor Dispatch, effective March 1, 2014, which clarified the use of the labor dispatch employment model, required revisions to the content in labor dispatch contracts and instituted a 10% maximum limit of dispatched workers to total workforce for companies in China while providing a two-year transition period for compliance.

An employer is obligated to sign an indefinite term labor contract with an employee if the employer continues to employ the employee after two consecutive fixed-term labor contracts. The employer also has to pay compensation to the employee if the employer terminates an indefinite term labor contract. Except where the employer proposes to renew a labor contract by maintaining or raising the conditions of the labor contract and the employee is not agreeable to the renewal, an employer is required to compensate the employee when a definite term labor contract expires. Furthermore, under the Regulations on Paid Annual Leave for Employees issued in December 2007 and effective as of January 2008 and its implementation measures, an employee who has served an employer for more than one year and less than ten years is entitled to a 5-day paid vacation, those whose service period ranges from 10 to 20 years is entitled to a 10-day paid vacation, and those who has served for more than 20 years is entitled to a 15-day paid vacation. An employee who does not use such vacation time at the request of the employer shall be compensated at three times their normal salaries for each waived vacation day.

Under the Regulations on Work-Related Injury Insurance effective in 2004 and the Interim Measures Concerning the Maternity Insurance for Enterprise Employees effective in 1995, PRC companies must pay work-related injury insurance premiums and maternity insurance premiums for their employees. On December 20, 2010, the State Council promulgated the amended Regulation on Work-Related Injury Insurance that became effective on January 1, 2011. The amendments to this regulation expand the scope of work-related injury to include the injury of employees caused by traffic accidents en route to or from the office not primarily attributable to the employees. Employees are entitled to certain treatments under work-related injury insurance that are calculated based on the circumstances of the work-related injury. Under the Interim Regulations on the Collection and Payment of Social Insurance Premiums effective in 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance effective in 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Both PRC companies and their employees are required to contribute to the social insurance plans. Under the Regulations on the Administration of Housing Fund effective in 1999, as amended in 2002, PRC companies must register with applicable housing fund management centers and establish a special housing fund account in an entrusted bank. Both PRC companies and their employees are required to contribute to the housing funds. On October 28, 2010, the National People s Congress of China promulgated the PRC Social Insurance Law, which became effective on July 1, 2011. The PRC Social Insurance Law specifies that the PRC establishes a social insurance system including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. An employer shall pay the social insurance for its employees in accordance with the rates provided under relevant regulations and shall withhold the social insurance that should be assumed by the employees. The authorities in charge of social insurance may request an employer s compliance and impose sanctions if such employer fails to pay and withhold social insurance in a timely manner.

Regulations Relating to Intellectual Property Rights

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

Table of Contents

The PRC amended its Copyright Law in 2001 to widen the scope of works that are eligible for copyright protection. The amended Copyright Law extends copyright protection to cover Internet activities and products disseminated over the Internet. Copyrighted software is protected under the Copyright Law and other regulations. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The Copyright Law was further amended in February 2010.

Registered trademarks are protected under the Trademark Law adopted in 1982, revised in 2001 and further revised in 2013. Trademarks can be registered with the Trademark Office of the SAIC for renewable ten-year periods. Trademark license agreements are required to be filed with the Trademark Office of the SAIC for the record, and the failure to complete such filings may cause the trademark license agreements to be unenforceable against bona fide third parties.

Domain name disputes are governed by the Measures of China Internet Network Information Center for Resolving Disputes Regarding Domain Names promulgated by the Chinese Internet Network Infrastructure Center, or the CNNIC, on May 28, 2012 and effective on June 28, 2012, under which the CNNIC can authorize domain name dispute resolution institutions to decide disputes.

Regulations Relating to Internet Privacy

The Constitution of the PRC provides that PRC law protects the freedom and privacy of communications of citizens and that infringement of such rights is not permitted. While PRC laws do not prohibit Internet content providers from collecting personal information of their users, such collection is subject to the users prior consent. Also, the relevant government authorities have enacted legislation on the use of the Internet that recognizes the protection of personal information from unauthorized disclosure. Under the Regulation on Internet Information Service, Internet information service providers are prohibited from producing, copying, publishing or distributing information that is humiliating or slanderous to others or that trespasses the lawful rights and interests of others. Depending on the nature of their violation, Internet content providers that violate this provision may face criminal charges or be sanctioned by security authorities. In addition, they may be ordered to temporarily suspend their service, or their licenses may be revoked. Under the Administration Regulation on the Internet BBS Service, Internet content providers that provide electronic messaging services must keep users personal information confidential and must not disclose such personal information to any third party without the consent of the users, unless the law requires such disclosure. The regulations further authorize the relevant telecommunications authorities to order Internet content providers to rectify an unauthorized disclosure. Internet content providers could be subject to legal liability if the unauthorized disclosure causes damages or losses to the users. Under the Provisions on Protecting the Personal Information of Telecommunications and Internet Users, telecommunications services operators and Internet information services providers shall formulate the rules for collection and use of users personal information and publish such rules in their business or service premises or on their websites. Without the consent of users, no telecommunications services operator or Internet information services provider may collect and use users personal information. When collecting and using users personal information, telecommunications services operators and Internet information services providers shall clearly inform users of the purpose, manner and scope for collection and use of information, the channels for inquiry and correction of information, the consequences from refusal to provide information and other relevant matters. Telecommunications services operators and Internet information services providers shall not collect users personal information other than that necessary for providing services, or use information for purposes other than the provision of services; and shall not collect and use information by fraud, misleading, coercion or any other means or in violation of laws, administrative regulations or agreements between both sides. To comply with these regulations, we provide subscribers to our website with a range of confidentiality options. They may choose to authorize us to disclose their personal information to third parties, or to instruct us to keep this information strictly confidential. Our systems are designed to maintain information received from these subscribers in accordance with their instructions.

However, the PRC government retains the power and authority to order Internet content providers to turn over personal information of Internet users if the users post any prohibited content or engage in illegal activities on the Internet.

Regulations Relating to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations, as amended in August 2008, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange. Under these regulations, the Renminbi is freely convertible for payments of current account items, such as trade and service related foreign exchange transactions and dividend payments, but not for expenses of capital, such as direct investment, loan or investment in securities, outside the PRC unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made.

Table of Contents

Under the Foreign Exchange Administration Regulations, foreign-invested enterprises in the PRC may purchase or remit foreign exchange without the approval of the SAFE for trade and service related foreign exchange transactions by providing commercial documents evidencing these transactions. They may also retain foreign exchange (subject to a cap approved by the SAFE) to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC government authorities, which have significant administrative discretion in implementing the laws, may restrict or eliminate the ability of foreign-invested enterprises to purchase and retain foreign currencies in the future. In addition, foreign exchange transactions involving direct investment, loan and investment in securities outside the PRC are subject to limitations and require approvals from the SAFE.

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

The SAFE promulgated the Circular on the Relevant Operating Issues Regarding Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular 142, on August 29, 2008. Under Circular 142, registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies may only be used within the business scope approved by the applicable governmental authority and may not be used for equity investments in the PRC. In addition, foreign-invested companies may not change how they use such capital without the SAFE s approval, and may not in any case use such capital to repay Renminbi loans if they have not used the proceeds of such loans. Furthermore, the SAFE promulgated a circular on November 9, 2010, or Circular 59, which requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents. In addition, to strengthen Circular 142, on November 9, 2011, the SAFE promulgated the Circular on Further Clarifying and Regulating Relevant Issues Concerning the Administration of Foreign Exchange under Capital Account, or Circular 45, which prohibits a foreign-invested company from converting its registered capital in foreign exchange currency into Renminbi for the purpose of making domestic equity investments, granting entrusted loans, repaying inter-company loans and repaying bank loans that have been transferred to a third party. Circular 142, Circular 59 and Circular 45 may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Regulations Relating to Foreign Exchange Registration of Offshore Investment by PRC Residents

Under Circular 75 issued on October 21, 2005, (i) a PRC resident, including a PRC resident natural person (e.g., a PRC citizen or a foreign citizen who resides primarily in China), shall register with the local branch of the SAFE before it establishes or controls an overseas special purpose vehicle for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise to an overseas special purpose vehicle, or engages in overseas financing after contributing assets or equity interests to an overseas special purpose vehicle, such PRC resident shall register his or her interest in the overseas special purpose vehicle and the change thereof with the local SAFE branch; and (iii) when the overseas special purpose vehicle undergoes a material event outside of China, such as a change in share capital, or merger or acquisition, the PRC resident shall, within 30 days of the occurrence of such event, register such change with the local SAFE branch. PRC residents who are shareholders of overseas special purpose vehicles established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006.

SAFE promulgated Circular 37 on July 4, 2014, which superseded Circular 75. Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in Circular 37 as a special purpose vehicle. Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. According to the Notice on Further Simplify and Improve Administrative Policies regarding Foreign

Direct Investment issued by the SAFE on February 13, 2015, starting from June 1, 2015, all new such registrations (other than make-up registrations) will be handled by the authorized local banks instead of the local SAFE branches.

Under Circular 37, in the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. See Item 3. Key Information Risk Factors Risks Related to Doing Business in China PRC regulations relating to offshore investment activities by PRC residents may increase our administrative burden and adversely impact our business and prospects.

Table of Contents

Regulations Relating to Employee Stock Option Plans

On December 25, 2006, the People s Bank of China promulgated the Measures for the Administration of Individual Foreign Exchange, and on January 5, 2007, the SAFE further promulgated the implementation rules on those measures. Both became effective on February 1, 2007. According to the implementation rules, if individuals in the PRC participate in any employee stock ownership plan or stock option plan of an overseas-listed company, those individuals must apply as a group through the company or a domestic agency to the SAFE or the appropriate local branch for approval for any foreign exchange-related transactions concerning that plan.

On March 28, 2007, the SAFE promulgated the Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan or Stock Option Plan of Overseas-Listed Company, or the Stock Option Rule. Under the Stock Option Rule, PRC citizens who are granted stock options by an overseas-listed company are required, through a PRC agent or PRC subsidiary of such overseas-listed company, to register with the SAFE and complete certain other procedures.

On February 15, 2012, the SAFE promulgated the Circular on Certain Foreign Exchange Issues Relating to Domestic Individuals Participation in Stock Incentive Plan of Overseas-Listed Company, or the New Stock Option Rule. Upon the effectiveness of the New Stock Option Rule on February 15, 2012, the Stock Option Rule became void, although the basic requirements and procedures provided under the Stock Option Rule are kept unchanged in the New Stock Option Rule, i.e., the domestic employees participating in stock incentive plan of an overseas-listed company shall appoint the PRC subsidiary of the overseas-listed company or a domestic qualified agent to make the registration of the stock incentive plan with the SAFE and handle all foreign exchange-related matters of the stock incentive plan through the special bank account approved by the SAFE. The New Stock Option Rule clarifies that the domestic subsidiary of an overseas-listed company shall include the limited liability company, partnership and the representative office directly or indirectly established by such overseas-listed company in China and the domestic employees shall include the directors, supervisors, the senior management and other employees of the domestic subsidiary, including the foreign employees of the domestic subsidiary who continuously reside in China for no less than one year.

Similar with the Stock Option Rule, the New Stock Option Rule requires that the annual allowance with respect to the purchase of foreign exchange in connection with stock holding or stock option exercises shall be subject to the approval of the SAFE. The New Stock Option Rule further requires that the material amendments of the stock incentive plan shall be filed with the SAFE within three months following the occurrence of the material amendments. The domestic agent shall also make a quarterly update to the SAFE to disclose the information with respect to the stock option exercises, the stock holding and foreign exchange matters. If the domestic employees or the domestic agent fails to comply with the requirements of the New Stock Option Rule, the SAFE may require the remedy and even impose administrative penalties that the SAFE deems appropriate.

In addition, the SAT has issued circulars concerning employee share options. Under these circulars, individuals working in China who exercise share options will be subject to PRC individual income tax. We have obligations to file documents related to employee share options with relevant tax authorities and withhold the individual income taxes of employees who exercise their share options.

Regulations Relating to Dividend Distribution

The principal regulations governing distribution of dividends paid by wholly foreign owned enterprises and Sino-foreign equity joint ventures include:

- Wholly Foreign Owned Enterprise Law (1986), as amended;
- Wholly Foreign Owned Enterprise Law Implementing Rules (1990), as amended;
- Sino-Foreign Equity Joint Venture Enterprise Law (1979), as amended;
- Sino-Foreign Equity Joint Venture Enterprise Law Implementing Rules (1983), as amended; and
- PRC Enterprise Income Tax Law and its Implementation Rules (2007).

Under these regulations, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in the PRC are required to set aside certain amounts out of their accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends.

Table of Contents

C. Organizational Structure

The following chart illustrates our corporate structure, including our principal operating subsidiaries and consolidated affiliated entities as of the date of this annual report.

(1) In addition, 51net directly or indirectly wholly owns three PRC subsidiaries which have no current operations: Shanghai Wang Ju Advertising Co., Ltd.; Wang Jin Information Technology (Shanghai) Co., Ltd.; and Wuhan Wang Cai Information Technology Co., Ltd.

(2) Includes Shanghai Qianjin Zhong Cheng Human Resources Co., Ltd., a wholly owned subsidiary of Tech JV which conducts human resource services.

Our subsidiary, 51net, directly holds 50% of the outstanding shares of Tech JV, Qian Cheng directly holds 1% of the outstanding shares of Tech JV, and Wuhan AdCo directly holds the remaining 49% of the outstanding shares of Tech JV. As a result of Qian Cheng s ownership of Wuhan AdCo, each 51net and Qian Cheng effectively holds 50% of the equity interest in Tech JV.

Our services are currently provided through the following group entities:

- online recruitment and value-added telecommunications services are provided by Tech JV, which holds licenses to provide human resource related and information services via the Internet and mobile networks;

- print advertising services are provided by AdCo and Wang Cai AdCo, which hold licenses to provide advertising services; and

- human resource related services are provided by Tech JV and Wang Ju, which hold licenses to provide human resource related services.

Tech JV and its subsidiaries recognize substantially all of our revenues and receive substantially all of the cash payments from our clients. Our relationships with Qian Cheng and Run An, our affiliated entities, have been governed by a series of agreements, under which we have borne all of the economic risks and received all of the economic rewards in these affiliated entities. In addition, through a call option agreement between 51net and Qian Cheng, 51net or its designee is able to purchase the equity interests in Tech JV that are held by Qian Cheng and Wuhan AdCo as well as the equity interests in AdCo and its subsidiaries that are held by Qian Cheng. As a result, the historical financial results of these entities have been consolidated in our financial statements.

Table of Contents

We have been advised by Jun He Law Offices, our PRC legal counsel, that:

- our current ownership structure is in compliance with existing PRC laws and regulations;

- 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 trademark license agreement, which may not be enforceable against bona fide third parties until registration with the relevant trademark administration authorities; and

- except as otherwise disclosed herein, our current business operations as described in this annual report are not in violation of existing PRC laws, rules and regulations in all material aspects.

There are, however, 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 Our Corporate Structure The PRC laws and regulations governing our business operations and contractual arrangements are uncertain, and if we are found to be in violation, we could be subject to sanctions and Risks Related to Doing Business in China The PRC legal system has inherent uncertainties that could materially and adversely affect us.

We intend to continue to evaluate from time to time the PRC regulatory environment with respect to the foreign ownership of, and foreign participation in, human resource related services and value-added communications services, and plan to continue to streamline our ownership structure and operations as and when permitted by PRC laws and regulations.

D. Property, Plants and Equipment

Our executive offices as well as our principal marketing and development facilities, comprising approximately 12,600 square meters, are currently located at No. 1387, Zhang Dong Road, Shanghai 201203, People s Republic of China. We operate a national sales and customer service call center with a total floor area of approximately 5,940 square meters in Wuhan. We also maintain a large sales office in downtown Shanghai comprising approximately 1,615 square meters. In addition, we lease space for our network of sales offices in Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Fuzhou, Hangzhou, Harbin, Hefei, Jinan, Kunming, Nanjing, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Tianjin, Wuhan, Xian and Zhengzhou. As of the date of this annual report, we have leases for office space totaling approximately 27,500 square meters. We believe that we will be able to obtain adequate facilities to accommodate our expansion plans in the near future.

In July 2013, we completed the acquisition of a new office building comprising approximately 12,900 square meters in Wuhan to accommodate the expansion of our call center operations. The total purchase price for the building was RMB72.0 million with installment payments made in 2011 and 2012. We will incur additional costs to prepare the building for occupancy in 2015. The purchase was funded through operating cash flows and existing capital resources.

In December 2013, we completed the purchase of approximately 6,120 square meters of office space in Beijing to house our local sales office and operations for a total purchase price of RMB164.9 million. The purchase was funded through operating cash flows and existing capital resources.

In January 2015, we entered into an agreement to acquire approximately 1,615 square meters of office space in Shanghai to accommodate our growing business operations. The purchase price was RMB42.0 million (US$6.8 million), which was paid to the seller in the first quarter of 2015. The purchase was funded from our existing cash resources.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 3. Key Information Risk Factors or in other parts of this annual report.

Table of Contents

A. Operating Results

Overview

We believe that we are a leading nationwide provider of integrated human resource services in China. We offer recruitment advertising services which include online recruitment and print advertising services. We also provide other complementary human resource related services, consisting primarily of business process outsourcing, training, campus recruitment and executive search services. We aim to be a one-stop solution to human resource departments by providing recruitment and other human resource related services to employers.

We generate a large majority of our revenues from our recruitment advertising services. For the year ended December 31, 2014, our online recruitment services and print advertising businesses generated 65.8% and 0.7% of our revenues, respectively. Other human resource related services generated 33.5% of our revenues in 2014.

Factors Affecting Our Results of Operations

The major factors affecting our results of operations and financial condition include:

- *Growth of the Chinese Economy and Demand for Human Resource Services in China.* China s rapid economic growth has served as an important catalyst for the development of the human resource services industry. In addition, the proliferation of new enterprises has led to increased market liberalization and competition. As a result, companies in China are increasingly recognizing the need for improved human resource recruitment processes and management, which has driven the demand for human resource services.

We expect that our financial results will continue to be affected by the overall growth of the Chinese economy and market demand for human resource services, in particular recruitment services. Impacted by the global economic and financial market crisis in 2008 and 2009, the Chinese economy experienced a slowdown in economic activity, and we experienced a period of negative or lower revenue growth rates, decrease in customer spending and contraction in operating margins. If there are slowdowns or other adverse developments in China s economic growth in the future, we may experience material changes in market demand and customer spending, each of which would adversely affect our financial condition and operating results, such as negative or lower revenue growth rates, margin contraction and decreased profitability.

- *Changes in the Composition of the Chinese Labor Market.* As the Chinese economy grows, we believe that China is developing a large skilled and educated labor force. This growing skilled and educated work force is a key segment targeted by employers who use our human resource services as they seek to attract and retain talent to build a competitive advantage. In addition, China s large labor force is increasingly migrating toward urban centers due to continuing economic development and employer demand. As a result, major metropolitan areas have become the foundation for the growing human resource services industry in China. For this reason, we have established sales offices in 25 cities across China and cover 79 additional geographies through a national sales and customer service call center. We believe these changes in the composition of the Chinese labor market toward a larger, better skilled and urbanized work force will increase the number of job seekers and

employers who utilize our human resource services.

- *Seasonality in the Human Resource Services Market.* The human resource services industry is characterized by seasonal fluctuations. Accordingly, these fluctuations, particularly in the seasonal peak recruitment periods following the Chinese New Year holiday in the first quarter and the National Day holiday in October, may cause our results to vary from quarter to quarter. During seasonal peak periods, demand for recruitment advertising and other human resource related services may or may not rise significantly depending on the needs of employers as well as their perceptions of the job market. In addition, the Chinese New Year holiday is based on the lunar calendar, which varies from year to year and affects our first quarter results and their comparability to financial results of the same quarter in prior years. We have usually observed seasonal campus recruitment activity by employers in the fourth quarter of each year but also a general slowdown in overall recruitment activity at calendar year end.

- *Increasing Acceptance of New Recruitment Channels and Human Resource Services.* Many employers in China have traditionally relied on job fairs and/or referrals to recruit employees. While we have experienced growth in our recruitment advertising services, the use of advertising services to recruit employees has a limited history in China. In addition, we believe that the concept and use of business process outsourcing services is relatively new in China. Therefore, our ability to successfully increase employer acceptance and adoption of our services materially affects our results of operations.

- *Growing Use of the Internet as a Platform for Providing Human Resource Services.* Our results of operations from our online recruitment services in particular will depend substantially upon an increase in Internet penetration and use. According to the CNNIC, the number of Internet users in China has increased from approximately 79 million in 2003 to approximately 649 million in 2014, ranking China as the largest market of Internet users in the world. We believe that continued development of China s technology infrastructure, more affordable and diversified means of Internet access, and expanding ownership of personal computers, mobile phones and other devices with Internet capabilities will connect an increasingly larger group of job seekers and employers across a wider geographical area as well as facilitate the use of a web-based platform for the delivery of human resource services.

Table of Contents

Revenues

A significant majority of our revenues come from employers who purchase our recruitment advertising services, which is comprised of our online recruitment and print advertising services. We also provide other complementary human resource related services, consisting primarily of business process outsourcing, training, campus recruitment and executive search services.

The following table sets forth the revenues from our principal lines of business as a percentage of our total revenues for the periods indicated.

	For the year ended December 31,		
	2012	**2013**	**2014**
Revenues:			
Online recruitment services	62.4%	64.7%	65.8%
Print advertising	7.0	3.0	0.7
Other human resource related revenues	30.6	32.3	33.5
Total revenues	100.0%	100.0%	100.0%

The following table sets forth our revenue growth rates by business line for the periods indicated.

	2012 compared to 2011	**2013 compared to 2012**	**2014 compared to 2013**
Online recruitment services	17.5%	14.9%	15.1%
Print advertising	(49.5)	(51.5)	(72.1)
Other human resource related revenues	29.2	16.8	17.3
Total revenues	10.4%	10.9%	13.2%

Recruitment Advertising Revenues

We receive recruitment advertising revenues from the fees that employers pay us for our online recruitment services and our print advertising services.

Online Recruitment Services Revenues. We generate our online recruitment services revenues from fees we charge employers for placing recruitment and related advertisements on our *www.51job.com* website and for access to *eHire* through which our resumé download services and recruitment management tools are available. In addition, we generate online revenues for website design and hosting services that we provide to corporations that wish to maintain their own dedicated recruitment website within *www.51job.com*. While we do not charge job seekers for accessing *www.51job.com* and using basic functions, including the ability to register and maintain a user account, search and browse job postings and submit job applications, certain enhanced services are available to job seekers for a fee.

We believe that the increase of our online recruitment services revenues has been characterized by a combination of greater acceptance of the Internet as a recruitment medium in China and our effectiveness in increasing the number of employers using our online recruitment services.

We expect the growth of our online recruitment services revenues will be driven primarily by a greater number of unique employers using these services and complemented by up-selling efforts and potential price increases over time. In addition, two opposing trends affect our average revenue per unique employer. Because new customers tend to use basic, lower priced online recruitment services, significant increases in the number of these customers generally result in higher aggregate online recruitment services revenues but lower average revenue per unique employer, which occurred in 2013 and 2014. Also, we may choose to offer introductory packages at reduced prices or provide complimentary trials from time to time, which decrease average revenue per unique employer. However, our ability to retain customers and migrate them over time to higher priced products has historically mitigated or offset these factors that reduce our average revenue per unique employer. As more customers become increasingly familiar with our online platform and we build customer loyalty, we may be able to sell them a package of multiple online recruitment services or extend the length of their membership period, both of which increase our average revenue per unique employer. Our ability to retain customers and migrate them to higher priced products or multiple purchases may be adversely affected by, among other things, economic growth and policies in China, market demand for online recruitment services, difficulties we may encounter in developing or launching higher priced services and price competition in the online recruitment services market in China.

Table of Contents

We define a unique employer as a customer that purchases our online recruitment services during a specified period. An employer who purchases online services multiple times or in multiple quarters throughout the fiscal year is counted as one unique employer for the annual total. We make adjustments for multiple purchases by the same customer within a city to avoid double counting. Each employer is assigned a unique identification number in our management information system. Affiliates and branches of a given employer may, under certain circumstances, be counted as separate unique employers. Our calculation of the number of unique employers is subject to misidentification and other forms of error, including errors in judgment as to appropriate adjustments to be made to the data. We cannot assure you that our methodology, employer identification, calculations and analyses are accurate, or that they yield results that are comparable between periods or give a correct approximation of actual numbers of customers.

We generally require that all advertising fees be paid in advance of posting an advertisement on our website, although we may offer credit terms to select clients on a case-by-case basis.

Print Advertising Revenues. We generate our print advertising revenues from fees that we charge employers for placing recruitment and related advertisements in *51job Weekly*. We do not receive revenues from the sale of *51job Weekly*. The print advertising contracts we enter into with employers are for single or multiple advertisements. In addition, these contracts as well as the time between the signing of a contract and the publishing of an advertisement in *51job Weekly* are generally short-term in nature.

Our print advertising revenues are primarily affected by the number of print advertising pages and the fees that we charge. The advertising rates that we charge vary and depend on a number of factors including the size, placement, format and use of color and graphics in the advertisement and the length of time the advertisement is to appear. In recent years, we believe the growing acceptance of online recruitment services by employers has limited the demand and future use of print advertising services for recruitment purposes. As a result, we have been redirecting our efforts and resources away from print advertising services including the discontinuation of print operations in seven cities in 2012, five cities in 2013 and one city in 2014.

We calculate the number of our print advertising pages by physically counting the number of paid advertising pages in each of our editions of *51job Weekly*. In calculating the number of paid advertising pages, we make adjustments to take into account differing page sizes and pages with mixed advertising and non-advertising content. This is a manual process that is subject to error, including errors in judgment as to the appropriate adjustments to be made. We cannot assure you that our methodology, page counting, calculations and analyses are accurate, or that they yield results that are comparable between periods or give a correct approximation of the actual revenues we generate per page.

We generally require that all advertising fees be paid in advance of posting an advertisement, although we may offer credit terms to select clients on a case-by-case basis.

Other Human Resource Related Revenues

We generate revenues from employers and enterprises for using our other human resource related services. For our business processing outsourcing services, we receive a monthly fee, which is based on such factors as the scope and complexity of services provided, the cities where services will be delivered and the number of employees under contract to us, per each individual we serve on behalf of our corporate clients. For our training services, we receive a registration fee per each participant who attends our seminars and workshops. For our campus recruitment

services, we charge employers fees for preparing a customized campus recruitment strategic plan, promoting their image to students and schools, and handling on-campus logistics and administrative tasks. For engaging our executive search and placement services, we charge a total assignment fee, which may include a minimum upfront retainer, based on a percentage of the successful candidate s annual or monthly compensation. In addition, we also charge enterprises for purchasing our studies and reports on compensation and other human resource topics, for participating in our industry conferences and for utilizing our assessment services. We expect to continue to expand our outsourcing and training businesses and aim to develop additional human resource related services and products for our corporate clients. We believe that these services are an important component of our one-stop human resource solutions strategy and enhance our reputation and image as an industry innovator. In addition, we believe our business process outsourcing business may experience less seasonal and cyclical variations in revenues than our recruitment advertising services over time.

Table of Contents

Growth of our other human resource related services will be dependent on our ability to successfully develop, introduce and increase adoption of these types of products and services as well as a relaxation of government regulations in China. We believe the increase in our other human resource related revenues has been primarily driven by growing customer acceptance of these products and services, particularly our business process outsourcing and training services, as well as our sales and marketing efforts. We expect that as we continue to expand the scale and scope of these services and meet growing market demand, revenues generated from these services may increase as a percentage of our overall revenues in the future.

Net Revenues and Business Taxes

Our net revenues reflect the impact of VAT as well as PRC business tax and other related surcharges which are levied on our revenues, after certain deductions, generated from services we provide in China.

In 2012, China implemented a pilot program replacing business tax with VAT in Shanghai. Effective January 1, 2012, companies providing services in the transportation industry or in modern services selected for the pilot program in Shanghai are subject to and pay VAT rather than business tax. The pilot program has been implemented nationwide since August 1, 2013. As of December 31, 2014, revenues in most of our PRC subsidiaries had become subject to VAT at a rate of 6% while being permitted to offset input VAT supported by valid VAT invoices received from vendors against our VAT liability.

For our PRC subsidiaries whose revenues are not subject to VAT, these entities pay a PRC business tax of 5% after certain deductions. In our 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.

Costs

We operate and manage our various businesses as a single segment. In addition, we share operating costs and management resources amongst these businesses. As a result, we do not account for our results of operations on a geographical or other basis, and we are unable to allocate costs among our various businesses.

The following table sets forth our cost of services and total operating expenses as a percentage of our net revenues for the periods indicated.

	For the year ended December 31,		
	2012	**2013**	**2014**
Cost of services	(28.0)%	(27.5)%	(27.1)%
Total operating expenses	(38.5)%	(42.1)%	(44.3)%

Our cost of services as a percentage of our net revenues is affected by our ability to achieve economies of scale and operating efficiencies. We believe that as we grow our operations and infrastructure, we can attract new employers and increase cross-selling opportunities with existing customers across multiple markets and services, thereby allowing us to achieve economies of scale as we may be able to realize a higher level of revenues relative to our direct costs. In addition, the expansion of our online recruitment services business requires limited additional fixed costs.

Although we expect to increase spending on sales and marketing activities and product development in order to strengthen our brand and enhance our service offerings, we aim to decrease our cost of services and total operating expenses as a percentage of our net revenues in the longer term through greater economies of scale and improved operating efficiencies. However, our ability to achieve these objectives is subject to significant uncertainties, and we cannot assure you that we will be able to decrease these costs as a percentage of our net revenues.

Cost of Services

Our cost of services primarily consists of employee compensation, subcontracting expenses and printing related expenses. The majority of our employee compensation and other costs of services are largely shared across our various business lines. We pay subcontracting fees to third parties to provide services to us in connection with the operations of our business process outsourcing business. Printing related expenses include printing, publishing and distribution expenses that we pay to our newspaper contractors. For our online recruitment services business, we have been able to leverage our existing infrastructure to grow our revenues, allowing us to incur limited additional costs relative to the higher revenues we have generated.

Table of Contents

We decreased our cost of services as a percentage of net revenues from 2012 to 2014 primarily through greater economies of scale as well as improved efficiency and productivity. In addition, our printing related expenses decreased in 2012, 2013 and 2014 due to the termination of print operations in seven cities, five cities and one city, respectively. We maintained print operations in the city of Xian as of December 31, 2014.

Operating Expenses

Our operating expenses include sales and marketing expenses and general and administrative expenses.

The following table sets forth our operating expenses as a percentage of our net revenues for the periods indicated.

	For the year ended December 31,		
Operating expenses:			
Sales and marketing	(25.6)%	(28.6)%	(30.7)%
General and administrative	(12.9)	(13.5)	(13.6)
Total operating expenses	(38.5)%	(42.1)%	(44.3)%

Our sales and marketing expenses primarily consist of salaries, commissions and share-based compensation for our sales and marketing staff, advertising and promotion expenses, and expenses for our management and staff related to our daily operations in local markets. The level of sales and marketing expenditures varies in each city annually and is impacted by a number of factors, including customer demand, competition and our strategic objectives in each market. In addition, the sales and marketing strategies we employ in each city varies depending on our determination of the most effective means to promote our brand and services. From 2012 to 2014, our sales and marketing expenses as a percentage of our net revenues increased primarily due to greater headcount additions and spending on marketing activities focused on driving new customer acquisition. We expect to invest further resources to strengthen our market position and brand.

Our general and administrative expenses primarily consist of employee salaries, bonuses and share-based compensation, building depreciation, office rent and property management fees, administrative office expenses and professional services fees. From 2012 to 2014, our general and administrative expenses as a percentage of net revenues increased primarily due to greater share-based compensation, office and depreciation expenses which outpaced revenue growth and was also impacted by the revenue decline of the print advertising business. As we expand our business and improve our operating and management efficiencies, we aim to lower our general and administrative expenses as a percentage of net revenues in the longer term, but due to significant uncertainties, we cannot assure you of our ability to do so.

Income Taxation

We file separate income tax returns because we, our subsidiaries and our affiliated entities are incorporated in different jurisdictions.

Cayman Islands

Under the current laws of the Cayman Islands, we are not subject to income or capital gain taxes. In addition, upon payments of dividends by us to our shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands

51net, our subsidiary incorporated in the British Virgin Islands, or BVI, is a business company subject to the provisions of the BVI Business Companies Act 2004 (as amended). Under current BVI laws, 51net is exempt from all provisions of the Income Tax Ordinance of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by 51net to persons who are not persons resident in the BVI). Capital gains realized with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Ordinance of the BVI. In addition, there are no withholding taxes in the BVI.

Table of Contents

Hong Kong

51net is registered in Hong Kong as a non-Hong Kong company and is subject to Hong Kong profits tax at a rate of 16.5% on its assessable profit.

PRC

In March 2007, the National People s Congress enacted the EIT Law, which applies a uniform 25% EIT rate to both foreign-invested enterprises and domestic enterprises effective January 1, 2008. In December 2009, Tech JV was designated by relevant local authorities in Shanghai as a High and New Technology Enterprise under the EIT Law and became subject to a preferential tax rate of 15%. In 2012, its preferential tax status was renewed by local tax authorities through 2014. Tech JV is entitled to this preferential 15% tax rate as long as it maintains the required qualifications, which is subject to review every three years. We cannot assure you that Tech JV will continue to qualify as a High and New Technology Enterprise when it is subject to reevaluation in 2015 or any time in the future.

The amount of income tax payable by our PRC subsidiaries in the future will depend on various factors, including, among other things, the results of operations and taxable income of, and the EIT rate applicable to, each of the subsidiaries, and our effective tax rate depends in part on the extent of each of our subsidiaries relative contribution to our consolidated taxable income. As our overseas entities recognize share-based compensation expense and losses from foreign currency translation which are not deductible for PRC tax purposes, our effective tax rate has at times exceeded the EIT rate in our history.

Moreover, under the EIT Law, dividends payable by a foreign-invested enterprise to its foreign investors from profits earned after January 1, 2008 are subject to a 10% withholding tax, unless any such foreign investor s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where we are incorporated, does not have such a tax treaty with China. Since we intend to permanently reinvest earnings to further expand our businesses in China, we do not intend to declare dividends from our foreign-invested enterprises in China to its immediate foreign holding entities in the foreseeable future. Accordingly, as of December 31, 2014, we have not recorded any withholding tax on the retained earnings of our foreign-invested enterprises in China.

In addition, under the EIT Law, enterprises organized 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. See Item 3. Key Information Risk Factors Risks Related to Our Business We may be deemed a PRC resident enterprise under the EIT Law, which could subject us to PRC taxation on our global income and may have a material adverse effect on our results of operations.

Critical Accounting Policies

We prepare financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements, and the reported amounts of revenues and expenses during the financial reporting period. Our significant estimates include those related to allowances for accounts

receivable, allowances for prepayments and other current assets, fair values of options to purchase our common shares, fair values of our convertible senior notes and other financial instruments, estimated useful lives of property and equipment and intangible assets, consolidation of our variable interest entities and deferred tax valuation allowance. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We consider the policies discussed below to be critical to an understanding of our financial statements as their application assists our management in making business decisions.

We operate and manage our various businesses as a single segment. In addition, since our revenues are primarily generated from customers in the PRC, we do not account for our results of operations on a geographical or other basis. Since many of our management and staff provide services with respect to many or all of our businesses, and since our infrastructure and operations are designed to facilitate all of our businesses as an integrated unit, we are unable to allocate costs among our various businesses or present our financial results in terms of multiple business segments.

Table of Contents

Income Taxes

We account 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 effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

We provide a valuation allowance on our deferred tax assets to the extent we consider it to be more likely than not that we will be unable to realize all or part of such assets. Our future realization of our deferred tax assets is dependent on many factors, including our ability to generate taxable income within the period during which temporary differences reverse or before our tax loss carryforwards expire, the outlook for the Chinese economy and overall outlook for our industry. We consider these factors at each balance sheet date and determine whether valuation allowances are necessary.

We had deferred tax assets, net of valuation allowance, of RMB8.6 million, RMB10.4 million and RMB10.3 million (US$1.7 million) as of December 31, 2012, 2013 and 2014, respectively.

As of December 31, 2012, 2013 and 2014, we recognized aggregate valuation allowances of RMB0.5 million, RMB0.5 million and RMB0.5 million (US$0.1 million), respectively. As a result of our current expectations as to our ability to generate taxable income, we currently do not expect to provide significant further valuation allowances with respect to our net deferred tax assets. In the event that unexpected developments prevent us from realizing some or all of our deferred tax assets, we will be required to take a charge against our net income for the period in which such events occur.

We account for uncertainties in income taxes under Accounting Standards Codification, or ASC, 740-10-25 Income Taxes Overall Recognition. We have elected to classify interest and penalties related to an uncertain tax position, if any and when required, as general and administrative expenses. In the years ended December 31, 2012, 2013 and 2014, we did not record any interest and penalties associated with uncertain tax positions as there were no uncertain tax positions.

Revenue Recognition

We recognize fees received from providing online recruitment services 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, or ASC 605, are met. For a transaction involving multiple services, we recognize revenue at relative fair value which is determined based on our regular selling prices charged in unbundled arrangements. Cash received in advance of services are recognized as advance from customers.

We recognize fees received from providing print recruitment advertising services 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.

We recognize fees received from providing other human resource related services as revenue 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.

Share-Based Compensation

We account for share-based compensation arrangements under ASC 718 Compensation Stock Compensation, or ASC 718, which requires companies to expense the value of employee stock options and similar awards. Under ASC 718, share-based compensation is measured at the grant date based on the fair value of the award and is recognized as an expense on a straight-line basis, net of estimated forfeitures, over the vesting period. We recognized share-based compensation expense of RMB50.5 million in 2012, RMB64.9 million in 2013 and RMB81.4 million (US$13.1 million) in 2014 in connection with the grant of options to our employees, executives and directors.

Under ASC 718, we applied the Black-Scholes valuation model in determining the fair value of options granted, which requires the input of highly subjective assumptions, including the expected life of the stock option, stock price volatility, dividend rate and risk-free interest rate. Our assumption for expected life takes into account vesting and contractual terms, employee demographics and historical exercise behavior, which we believe are useful reference points. We estimate expected volatility at the date of grant based on historical volatilities of the market price of our ADSs. The assumption for expected dividend yield is consistent with our current policy of no dividend payout. 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. The assumptions used in calculating the fair value of stock options represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our share-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest.

Table of Contents

We estimate the forfeiture rate based on historical experience of our stock options that are granted, exercised and forfeited. If our actual forfeiture rate is materially different from our estimate, the share-based compensation expense could be significantly different from what we have recorded in the current period.

See Note 2(m) to our consolidated financial statements included elsewhere in this annual report for further discussion of stock-based compensation under ASC 718. The guidance provided in ASC 718 may be subject to further interpretation and refinement over time.

Basis for Consolidation and Our Relationships with Our Affiliated Variable Interest Entities

We consolidate 100% of the interests of all of our subsidiaries and affiliated variable interest entities.

We have entered into contractual arrangements with Qian Cheng and Run An under which we bear all of their economic risks and received all of their economic rewards. In our consolidated financial statements, we have consolidated all of the interests of Qian Cheng and Run An under ASC 810 Consolidation, or ASC 810. Qian Cheng is wholly owned by Run An. Run An is jointly owned by David Weimin Jin and Tao Wang, PRC nationals and executive officers of our company.

ASC 810 requires a variable interest entity to be consolidated by the primary beneficiary of such entity. An entity is considered to be a variable interest entity if certain conditions are present, including where the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Under various agreements with Qian Cheng and Run An, we are considered the primary beneficiary of Qian Cheng and Run An, and all of their interests have been consolidated in our financial statements. All significant transactions and balances between us, our subsidiaries, Qian Cheng and Run An have been eliminated upon consolidation.

We have been advised by Jun He Law Offices, our PRC legal counsel, except as otherwise disclosed in this annual report, that these contractual arrangements and our current business operations are not in violation of existing PRC laws, rules and regulations in all material aspects. There are, however, 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 Our Corporate Structure The PRC laws and regulations governing our business operations and contractual arrangements are uncertain, and if we are found to be in violation, we could be subject to sanctions and Risks Related to Doing Business in China The PRC legal system has inherent uncertainties that could materially and adversely affect us.

For additional information with respect to our contractual arrangements with Qian Cheng and Run An, see Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Contractual Arrangements Among Our Group Entities.

Allowances for Doubtful Accounts and Other Receivables

We provide 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 our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Long-Lived Assets

Our accounting for long-lived assets, including property and equipment and intangible assets, is described in Note 2(g) and 2(h) to our consolidated financial statements included elsewhere in this annual report. The recorded value of long-lived assets is affected by a number of management estimates, including estimated useful lives, residual values and impairment charges.

Table of Contents

We assess impairment for long-lived assets whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable in accordance with ASC 360 Property, Plant and Equipment. We assess the recoverability of an asset group 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 we identify an impairment, we reduce 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. We did not record any impairment charges for long-lived assets for the years ended December 31, 2012, 2013 and 2014. If different judgments or estimates had been utilized, material differences could have resulted in the amount and timing of the impairment charge and the related depreciation and amortization charges.

Government Subsidies

We have received government subsidies which represent discretionary cash subsidies granted by the local government to encourage the development of certain enterprises that are established in the local special economic region. Cash subsidies have no defined rules and regulations to govern the criteria necessary for companies to enjoy the benefits and are recognized as other income when received and when all conditions for their receipt have been satisfied. We recognized government subsidies of RMB17.5 million, RMB44.2 million and RMB58.3 million (US$9.4 million) for the years ended December 31, 2012, 2013 and 2014, respectively. We cannot assure you if or when we will receive such government subsidies in the future.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board, or FASB , issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, or ASU 2014-08. The new guidance changes the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization s operations and financial results. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. ASU 2014-08 is effective for us in the first quarter of fiscal 2015. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. We are in the process of evaluating the impact of the standard on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), or ASU 2014-09. ASU 2014-09 will eliminate transaction-specific and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle-based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. Entities can transition to the standard either retrospectively or as a cumulative effect adjustment as of the date of adoption. We are in the process of evaluating the impact of the standard on our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, or ASU 2015-02. ASU 2015-02 focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. The ASU simplifies consolidation accounting by reducing the number of consolidation models from four to two. In addition, the new standard simplifies the FASB Accounting Standards Codification and improves current guidance by: (i) placing more emphasis on risk of loss when determining a controlling financial interest; (ii) reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a VIE; and (iii) changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs. The ASU will be effective for periods beginning after December 15, 2015, for public companies. For private companies and not-for-profit organizations, the ASU will be effective for annual periods beginning after December 15, 2016; and for interim periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. We are in the process of evaluating the impact of the standard on our consolidated financial statements.

Table of Contents

Results of Operations

The following table sets forth a summary of our consolidated statements of operations and comprehensive income for the periods indicated both in Renminbi and as a percentage of net revenues:

	For the year ended December 31,					
	2012		2013		2014	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Revenues:						
Online recruitment services	943,432	65.2	1,084,448	67.4	1,248,101	68.1
Print advertising	105,309	7.3	51,023	3.2	14,247	0.7
Other human resource related revenues	463,508	32.0	541,270	33.6	634,945	34.7
Total revenues	1,512,249	104.5	1,676,741	104.2	1,897,293	103.5
Less: Business and related taxes	(64,911)	(4.5)	(68,073)	(4.2)	(64,840)	(3.5)
Net revenues	1,447,338	100.0	1,608,668	100.0	1,832,453	100.0
Cost of services(1)	(405,233)	(28.0)	(442,454)	(27.5)	(496,000)	(27.1)
Gross profit	1,042,105	72.0	1,166,214	72.5	1,336,453	72.9
Operating expenses(1):						
Sales and marketing	(370,100)	(25.6)	(459,802)	(28.6)	(563,565)	(30.7)
General and administrative	(186,460)	(12.9)	(217,765)	(13.5)	(249,275)	(13.6)
Total operating expenses	(556,560)	(38.5)	(677,567)	(42.1)	(812,840)	(44.3)
Income from operations	485,545	33.5	488,647	30.4	523,613	28.6
(Loss) Gain from foreign currency translation	(447)	(0.0)	(6,522)	(0.4)	10,039	0.5
Interest and investment income, net	61,653	4.3	75,301	4.7	88,739	4.8
Convertible senior notes issuance costs					(47,522)	(2.6)
Change in fair value of convertible notes					(55,355)	(3.0)
Change in fair value of zero-strike call options					(24,874)	(1.3)
Other income, net	18,934	1.3	43,522	2.7	57,305	3.1
Income before income tax expense	565,685	39.1	600,948	37.4	551,945	30.1
Income tax expense	(95,579)	(6.6)	(100,308)	(6.3)	(113,035)	(6.1)
Net income	470,106	32.5	500,640	31.1	438,910	24.0
(1) Share-based compensation:						
Included in cost of services	(7,870)	(0.5)	(10,391)	(0.6)	(12,997)	(0.7)
Included in operating expenses:						
Sales and marketing	(6,766)	(0.5)	(8,933)	(0.6)	(11,173)	(0.6)
General and administrative	(35,902)	(2.5)	(45,534)	(2.8)	(57,210)	(3.1)

2014 Compared to 2013

Total Revenues. Our total revenues increased 13.2% to RMB1,897.3 million (US$305.8 million) in 2014 from RMB1,676.7 million in 2013. This increase was primarily driven by growth in revenues from our online recruitment services and other human resource related services, which was partially offset by a decline in our print advertising revenues. We derived our total revenues from:

- *Online Recruitment Services.* Our online recruitment services revenues increased 15.1% to RMB1,248.1 million (US$201.2 million) in 2014 from RMB1,084.4 million in 2013. The growth was principally due to an increase in the number of unique employers using our online recruitment services, which was partially offset by the impact of a government policy change from business tax to VAT effective June 1, 2014 that increased taxation and reduced the amount of online revenues we recognize, as well as a decrease in average revenue per unique employer. We estimate that the number of unique employers increased 16.2% to 388,158 in 2014 from 333,973 in 2013 and was primary due to greater efforts by our expanded salesforce to attract new customers and increased adoption of online recruitment services by employers. Although the prices we charged for our online services were relatively unchanged in 2014, our average revenue per unique employer decreased 1.0% in 2014 from 2013, mainly due to the increased proportion of new or small customers, who generally purchase introductory or lower priced services, to the total customer base, and the impact of the VAT policy change.

- *Print Advertising.* Our print advertising revenues decreased 72.1% to RMB14.2 million (US$2.3 million) in 2014 from RMB51.0 million in 2013. This decline was primarily the result of the continued execution of our strategic plan to transition away from the print advertising business. We estimate that the number of print advertising pages decreased 81.6% to 275 in 2014 from 1,492 in 2013. We terminated the publication of *51job Weekly* in one city in 2014, and we provide print advertising services in only one city, Xian, as of December 31, 2014.

- *Other Human Resource Related Revenues*. Our revenues from other human resource related services increased 17.3% to RMB634.9 million (US$102.3 million) in 2014 from RMB541.3 million in 2013. This growth was primarily driven by increased usage of our business process outsourcing, training and seasonal campus recruitment services.

Table of Contents

Net Revenues. Our net revenues increased 13.9% to RMB1,832.5 million (US$295.3 million) in 2014 from RMB1,608.7 million in 2013. As of December 31, 2014, most of our PRC subsidiaries are subject to VAT which is reflected directly in the recognition of net revenues, instead of business tax which is deducted from gross revenues to arrive at net revenues. Our net revenues were less amounts paid as business taxes of RMB64.8 million (US$10.5 million) in 2014 and RMB68.1 million in 2013. We expect business tax to decrease as we transition to the implementation of VAT on revenues.

Cost of Services. Our cost of services increased 12.1% to RMB496.0 million (US$79.9 million) in 2014 from RMB442.5 million in 2013. This increase was mainly driven by higher employee compensation, headcount additions and greater subcontracting expenses in 2014, which was partially offset by a decrease in printing related expenses. However, our cost of services as a percentage of net revenues decreased in 2014 primarily due to improved operating efficiency. Our cost of services in 2014 also included an increase in share-based compensation expense to RMB13.0 million (US$2.1 million) compared with RMB10.4 million in 2013.

Gross Profit. As a result of the above factors, our gross profit increased 14.6% to RMB1,336.5 million (US$215.4 million) in 2014 from RMB1,166.2 million in 2013. Our gross profit margin, which is our gross profit as a percentage of net revenues, increased to 72.9% in 2014 compared with 72.5% in 2013.

Operating Expenses. Our total operating expenses increased 20.0% to RMB812.8 million (US$131.0 million) in 2014 from RMB677.6 million in 2013. The increase in our operating expenses was primarily due to greater sales and marketing expenses as well as higher general and administrative expenses. Our operating expenses consisted of:

- *Sales and Marketing Expenses.* Our sales and marketing expenses increased 22.6% to RMB563.6 million (US$90.8 million) in 2014 from RMB459.8 million in 2013. This increase was primarily due to higher employee compensation expenses, the net addition of approximately 450 salespeople and greater expenditures on advertising campaigns, branding activities and customer events. Our advertising and promotion expenses increased 33.4% to RMB107.1 million (US$17.3 million) in 2014 from RMB80.3 million in 2013. Our sales and marketing expenses in 2014 included an increase in share-based compensation expense to RMB11.2 million (US$1.8 million) compared with RMB8.9 million in 2013.

- *General and Administrative Expenses.* Our general and administrative expenses increased 14.5% to RMB249.3 million (US$40.2 million) in 2014 from RMB217.8 million in 2013. This increase was primarily due to higher employee compensation, depreciation, office expenses and professional services fees. Our general and administrative expenses in 2014 included an increase in share-based compensation expense to RMB57.2 million (US$9.2 million) compared with RMB45.5 million in 2013.

(Loss) Gain from Foreign Currency Translation. We recognized a gain from foreign currency translation of RMB10.0 million (US$1.6 million) in 2014 compared with a loss of RMB6.5 million in 2013. The gain was due to the depreciation of the Renminbi against the U.S. dollar which increased the value of our U.S. dollar balance when translated into Renminbi. For more information about China s foreign exchange policy, see Item 4. Information on the Company Business Overview Regulation Regulations Relating to Foreign Currency Exchange.

Interest and Investment Income, Net. Our interest and investment income increased 17.8% to RMB88.7 million (US$14.3 million) in 2014 from RMB75.3 million in 2013 primarily due to higher average balances in our interest bearing bank deposits, which was partially offset by RMB25.1

million (US$4.0 million) in interest expenses associated with the convertible senior notes in 2014.

Convertible Senior Notes Issuance Costs. We incurred RMB47.5 million (US$7.7 million) in costs associated with our issuance of convertible senior notes in April 2014. These issuance costs are primarily comprised of underwriting fees, legal expenses and other professional services fees,

Table of Contents

Change in Fair Value of Convertible Notes. We recorded a loss of RMB55.4 million (US$8.9 million) in 2014 associated with the change in fair value of our convertible senior notes, primarily as a result of the change in the market price of the notes during the period.

Change in Fair Value of Zero-Strike Call Options. We recorded a loss of RMB24.9 million (US$4.0 million) in 2014 associated with the change in fair value of the zero-strike call options, primarily as a result of the difference in the market price of our ADSs underlying the options during the period.

Other Income, Net. Other income increased 31.7% to RMB57.3 million (US$9.2 million) in 2014 compared to RMB43.5 million in 2013 primarily due to an increase in financial incentives received from local tax authorities, which totaled RMB58.3 million (US$9.4 million) in 2014 compared with RMB44.2 million in 2013.

Income Tax Expense. Our income tax expense increased 12.7% to RMB113.0 million (US$18.2 million) in 2014 compared with RMB100.3 million in 2013. Our effective tax rate increased to 20.5% in 2014 compared with 16.7% in 2013 primarily due to an increase in non-tax deductible items, such as the changes in fair value of convertible notes and zero-strike call options, which comprised a material portion of the income before income tax base.

Net Income. As a result of the above factors, our net income decreased 12.3% to RMB438.9 million (US$70.7 million) in 2014 from RMB500.6 million in 2013.

2013 Compared to 2012

Total Revenues. Our total revenues increased 10.9% to RMB1,676.7 million in 2013 from RMB1,512.2 million in 2012. This increase was primarily driven by growth in revenues from our online recruitment services and other human resource related services, which was partially offset by a decline in our print advertising revenues. We derived our total revenues from:

- *Online Recruitment Services.* Our online recruitment services revenues increased 14.9% to RMB1,084.4 million in 2013 from RMB943.4 million in 2012. The growth was principally due to an increase in the number of unique employers using our online recruitment services, which was partially offset by a decrease in average revenue per unique employer. We estimate that the number of unique employers increased 22.6% to 333,973 in 2013 from 272,322 in 2012 and was mainly driven by strengthened customer acquisition efforts and increased usage of online recruitment services by employers. Although the prices we charged for our online services were relatively unchanged in 2013, our average revenue per unique employer decreased 6.3% in 2013 from 2012, primarily driven by the greater contribution of new or small customers who generally purchase introductory or lower priced services.

- *Print Advertising.* Our print advertising revenues decreased 51.5% to RMB51.0 million in 2013 from RMB105.3 million in 2012. This decline was primarily the result of our ongoing transition in business focus away from print advertising services as employers increase adoption of online recruitment services. We estimate that the number of print advertising pages decreased 45.6% to 1,492 in 2013 from 2,742 in

2012. Due to our strategic decision to discontinue certain newspaper editions, we terminated the publication of *51job Weekly* in five cities in 2013 and decreased the number of cities where we provide print advertising services to two as of December 31, 2013.

- *Other Human Resource Related Revenues*. Our revenues from other human resource related services increased 16.8% to RMB541.3 million in 2013 from RMB463.5 million in 2012. This increase was primarily due to greater customer acceptance and demand for our business process outsourcing, training and seasonal campus recruitment services.

Net Revenues. Our net revenues increased 11.1% to RMB1,608.7 million in 2013 from RMB1,447.3 million in 2012. Our net revenues were less amounts paid as business taxes of RMB68.1 million in 2013 and RMB64.9 million in 2012.

Cost of Services. Our cost of services increased 9.2% to RMB442.5 million in 2013 from RMB405.2 million in 2012. This increase was primarily due to higher employee wages, staff additions and greater subcontracting expenses in 2013, which was partially offset by a decrease in printing related expenses. However, our cost of services as a percentage of net revenues was lower in 2013 mainly driven by greater operating efficiency and productivity. Our cost of services in 2013 also included an increase in share-based compensation expense to RMB10.4 million compared with RMB7.9 million in 2012.

Gross Profit. As a result of the above factors, our gross profit increased 11.9% to RMB1,166.2 million in 2013 from RMB1,042.1 million in 2012. Our gross profit margin increased to 72.5% in 2013 compared with 72.0% in 2012.

Table of Contents

Operating Expenses. Our total operating expenses increased 21.7% to RMB677.6 million in 2013 from RMB556.6 million in 2012. The increase in our operating expenses was primarily due to greater sales and marketing expenses as well as higher general and administrative expenses. Our operating expenses consisted of:

- *Sales and Marketing Expenses.* Our sales and marketing expenses increased 24.2% to RMB459.8 million in 2013 from RMB370.1 million in 2012. This increase was principally driven by higher employee compensation expenses, the net addition of nearly 500 salespeople and greater spending on advertising and promotion activities. Our advertising and promotion expenses in 2013 increased 22.3% to RMB80.3 million from RMB65.7 million in 2012. Our sales and marketing expenses in 2013 included an increase in share-based compensation expense to RMB8.9 million compared with RMB6.8 million in 2012.

- *General and Administrative Expenses.* Our general and administrative expenses increased 16.8% to RMB217.8 million in 2013 from RMB186.5 million in 2012. This increase was primarily due to higher employee compensation, rental, office and depreciation expenses. Our general and administrative expenses in 2013 included an increase in share-based compensation expense to RMB45.5 million compared with RMB35.9 million in 2012.

Loss from Foreign Currency Translation. We recognized a loss from foreign currency translation of RMB6.5 million in 2013 compared with RMB0.4 million in 2012 due to the appreciation of the Renminbi against the U.S. dollar.

Interest and Investment Income, Net. Our interest and investment income increased 22.1% to RMB75.3 million in 2013 from RMB61.7 million in 2012 due to higher average balances in our interest bearing bank deposits.

Other Income, Net. Other income increased 129.9% to RMB43.5 million in 2013 compared to RMB18.9 million in 2012 mainly due to an increase in financial incentives received from local tax authorities, which totaled RMB44.2 million in 2013 compared with RMB17.5 million in 2012.

Income Tax Expense. Our income tax expense increased 4.9% to RMB100.3 million in 2013 compared with RMB95.6 million in 2012. However, our effective tax rate decreased to 16.7% in 2013 compared with 16.9% in 2012 primarily due to an increase in the proportion of taxable income in 2013 from our entity which is subject to a lower preferential tax rate.

Net Income. As a result of the above factors, our net income increased 6.5% to RMB500.6 million in 2013 from RMB470.1 million in 2012.

Inflation

According to the National Bureau of Statistics of China, the annual average percent changes in the consumer price index in China for 2012, 2013 and 2014 were increases of 2.6%, 2.6% and 2.0%, respectively. The year-over-year percent changes in the consumer price index for February 2013, 2014 and 2015 were an increase of 3.2%, 2.0% and 1.4%, respectively. Although we have not been materially and adversely affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China. For example, certain operating costs and expenses, such as employee compensation and office operating expenses, may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consists of cash and short-term investments, high inflation could significantly reduce the value and purchasing power of these assets. We are unable to hedge our exposures to higher inflation in China.

B. Liquidity and Capital Resources

Liquidity

Our liquidity from 2012 to 2014 has been principally affected by net cash generated from operating activities, our purchases of investments, property and equipment, and the issuance of our convertible senior notes.

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

	For the year ended December 31,			
	2012 RMB	2013 RMB	2014 RMB	2014 US$
	(in thousands)			
Net cash provided by operating activities	574,560	746,611	755,614	121,783
Net cash used in investing activities	(275,073)	(896,784)	(1,378,142)	(222,116)
Net cash provided by financing activities	39,818	99,681	631,220	101,734
Net increase (decrease) in cash	338,858	(57,014)	8,553	1,379

Table of Contents

Cash Flows from Operating Activities. Our net cash provided by operating activities in 2014 was RMB755.6 million (US$121.8 million) compared with RMB746.6 million in 2013. The increase was principally driven by an add-back of RMB259.7 million (US$41.9 million) in primarily non-cash items, relating to share-based compensation expenses, depreciation expenses, loss from foreign currency translation, change in fair value of convertible notes and change in fair value of zero-strike call options; an increase in advance from customers of RMB77.2 million (US$12.4 million), primarily due to greater sales of our online recruitment services which usually requires payment at the time of purchase; and an increase in other payables and accruals of RMB47.3 million (US$7.6 million), primarily due to an increase in receipts from our customers that will be remitted to third parties. The increase in net cash provided by operating activities in 2014 was partially offset by an increase in prepayments and other current assets of RMB82.7 million (US$13.3 million), primarily due to an increase in payments we made on behalf of our customers to be reimbursed to us.

Our net cash provided by operating activities in 2013 was RMB746.6 million compared with RMB574.6 million in 2012. The increase was principally driven by an add-back of RMB109.6 million in non-cash items, primarily relating to share-based compensation expenses, depreciation expenses and loss from foreign currency translation; an increase in other payables and accruals of RMB109.5 million, primarily due to an increase in receipts from our customers that will be remitted to third parties; and an increase in advance from customers of RMB73.5 million, primarily due to greater sales of our online recruitment services which usually requires payment at the time of purchase. The increase in net cash provided by operating activities in 2013 was partially offset by an increase in prepayments and other current assets of RMB66.1 million, primarily due to an increase in payments we made on behalf of our customers to be reimbursed to us.

Cash Flows from Investing Activities. Our net cash used in investing activities was RMB1,378.6 million (US$222.2 million) in 2014 compared with RMB896.8 million in 2013. The increase was primarily due to greater purchases of short-term investments, consisting of certificates of deposit with original maturities between three months and one year.

Our net cash used in investing activities was RMB896.8 million in 2013 compared with RMB275.1 million in 2012. The increase was primarily due to greater purchases of short-term investments, consisting of certificates of deposit with original maturities between three months and one year, as well as an increase in the purchase of property and equipment, consisting primarily of RMB164.9 million paid to purchase premises in Beijing to house our local sales office and operations.

Cash Flows from Financing Activities. Our net cash provided by financing activities was RMB631.2 million (US$101.7 million) in 2014 compared with RMB99.7 million in 2013 and RMB39.8 million in 2012. In April 2014, we completed an offering of convertible senior notes. We received net proceeds of RMB1,028.0 million (US$165.7 million) from the notes offering, which was partially offset by the payment of zero-strike call options of RMB307.6 million (US$49.6 million). In addition, in 2014, we repurchased 799,293 ADSs in the open market for an aggregate consideration of RMB153.7 million (US$24.8 million), including transaction fees. Our net cash provided by financing activities in 2014 also included proceeds received from the exercise of stock options. From 2012 to 2013, our net cash provided by financing activities were primarily comprised of proceeds received from the exercise of stock options.

Capital Resources

To date, we have primarily financed our operations through cash flows from operating activities, our initial public offering in 2004 and the issuance of our convertible senior notes in 2014. As of December 31, 2014, we had RMB4,532.4 million (US$730.5 million) in cash, restricted cash and short-term investments held substantially in Renminbi, U.S. dollars and Hong Kong dollars. 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.

As of December 31, 2014, we had RMB1,111.2 million (US$179.1 million) in long-term debt, which consists of the outstanding principal amount of our convertible senior notes. In April 2014, we completed an offering of US$172.5 million in aggregate principal amount of convertible senior notes. The notes bear interest at a rate of 3.25% per year, payable semiannually in arrears on April 15 and October 15 of each year. The notes will mature on April 15, 2019. The notes may be converted into our ADSs at the option of the holders if the conversion criteria are met. In connection with notes offering, we entered into zero-strike call option transactions with affiliates of the initial purchasers of the notes. The call options are intended to facilitate privately negotiated transactions by which investors in the notes are able to hedge their investment. We used approximately US$50 million in net proceeds from the notes offering to pay for the call option premium. The remainder of the net proceeds was for general corporate purposes.

Table of Contents

Our operations are conducted primarily through Tech JV and its subsidiaries. As a result, our ability to finance our operations and any debt that we, or our subsidiaries, may incur is dependent, in part, upon the flow of dividends from, and the payment of royalties and other fees by, our subsidiaries. The payment of dividends in China is subject to restrictions. PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Our subsidiaries and affiliated entities in the PRC are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that are not distributable as cash dividends. Through certain contractual arrangements, we are able to require Qian Cheng to transfer to us its equity interests in Tech JV and its subsidiaries. Our ability to obtain cash or other assets under these contracts depends on their effectiveness and enforceability. For a description of these agreements and our PRC legal counsel s advice as to their enforceability, see Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Contractual Arrangements Among Our Group Entities.

We believe that our current cash and cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for the foreseeable future. We may, however, require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue.

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

We employ a large staff of website designers and software developers to design and update our website and create our proprietary software. We did not incur material expenditures with respect to our research and development activities in any of the three years ended December 31, 2012, 2013 or 2014. For more information on our technology operations, see Item 4. Information on the Company Business Overview Technology.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2012 to December 31, 2014 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

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

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2014:

		Payments due by period			
	Total RMB	Less than 1 year RMB	1-3 years RMB	3-5 years RMB	More than 5 years RMB
			(in thousands)		
Convertible senior notes with principal and interest	1,218,998	34,785	69,569	1,114,644	
Operating lease obligations	119,576	40,664	54,149	20,268	4,495
Publication fee obligations	10,000	10,000			
Purchase obligations	6,175	6,175			
Total	1,354,749	91,624	123,718	1,134,912	4,495

Table of Contents

Our operating lease obligations consist largely of property lease and management agreements for office premises with terms ranging from one to six years at the time of signing. Our publication fee obligations consist of an agreement to publish *51job Weekly*. Our purchase obligations consist primarily of agreements to purchase advertising services from media companies and to purchase office furnishings.

Rental expenses incurred under operating leases were RMB39.7 million in 2012, RMB44.5 million in 2013 and RMB46.1 million (US$7.4 million) in 2014.

WFOE, our wholly owned PRC subsidiary, has entered into an exclusive purchase option agreement with the shareholders of Run An. Under this agreement, WFOE has an irrevocable option to purchase all or a portion of the shareholder s equity interests in Run An at any time by issuing a written notice to the shareholders, subject to compliance with applicable PRC laws and regulations. For a detailed description of this exclusive purchase option agreement, see Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Contractual Arrangements Among Our Group Entities.

We do not have material contractual obligations in currencies other than Renminbi.

G. Safe Harbor

See Forward-Looking Statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The names of our directors and executive officers, their ages as of the date of this annual report and the principal positions with 51job, Inc. held by them are as follows:

Name	Age	Position / Title
David K. Chao(1) (2) (3)	48	Chairman of the board and independent director
Rick Yan	52	Director, chief executive officer, president and secretary
Li-Lan Cheng(1) (2)	50	Independent director
Eric He(1) (3)	45	Independent director
Kazumasa Watanabe	46	Non-executive director
Kathleen Chien	45	Chief operating officer and acting chief financial officer
David Weimin Jin	44	Senior vice president

Tao Wang	52	Vice president

(1) Member of audit committee.

(2) Member of compensation committee.

(3) Member of nominating and corporate governance committee.

There are no family relationships among any of the directors or executive officers of our company.

Biographical Information

David K. Chao is the chairman of the board of directors of our company. Mr. Chao is an independent director who has been a member of our board since 2000. Mr. Chao is a co-founder and general partner of DCM, an early stage technology venture capital firm that manages over US$2.0 billion. DCM has offices in Menlo Park, USA, Beijing, China and Tokyo, Japan. Prior to joining DCM, Mr. Chao was a co-founder of Japan Communications, Inc., a publicly traded provider of mobile data and voice communications services in Japan. Prior to that, he also worked at McKinsey & Company, Apple Computer and Recruit Holdings Co., Ltd. Mr. Chao serves on the boards of directors of Renren Inc., a social networking Internet platform in China listed on the New York Stock Exchange, and numerous DCM portfolio companies. Mr. Chao received his Bachelor of Arts degree in Economics and East Asian Studies (Anthropology) from Brown University and his Master of Business Administration degree from Stanford University.

Rick Yan is a director, chief executive officer and president of our company. Mr. Yan has been a director and chief executive officer of our company since 2000. Mr. Yan is responsible for our overall strategy and management. Mr. Yan was an investor and advisor of our company from its inception and prior to his appointment as chief executive officer. Prior to joining our company, he was a Director and the Head of China Practice at Bain & Company, an international strategy consulting company. Mr. Yan joined the firm in London in 1989, returned to Asia and set up Bain & Company s Hong Kong and Beijing offices in 1991 and 1993, respectively. In his 11-year tenure with Bain & Company, he was widely acknowledged as an expert in the consumer products and technology sectors. Prior to his affiliation with Bain & Company, Mr. Yan worked at Hewlett-Packard in Hong Kong for four years and was awarded Marketing Executive of the Year. Mr. Yan received his Bachelor of Engineering degree and Master of Philosophy degree from the University of Hong Kong and his Master of Business Administration degree with distinction from INSEAD in France.

Table of Contents

Li-Lan Cheng is a director of our company. Mr. Cheng has been an independent director of our company since March 2013. Mr. Cheng is the chief operating officer of E-House (China) Holdings Limited, a real estate services company listed on the New York Stock Exchange, since April 2012 and served as its chief financial officer from November 2006 to April 2012. Prior to joining E-House, Mr. Cheng served from 2005 to 2006 as the chief financial officer of SouFun Holdings Limited, a leading real estate Internet portal and a leading home furnishing website in China. From 2002 to 2004, Mr. Cheng served as an executive director and the chief financial officer of SOHO China Limited, a real estate developer in Beijing. From 1997 to 2002, he was an assistant director and the head of Asian transportation sector investment banking group of ABN AMRO Asia. Mr. Cheng is also an independent director of Country Style Cooking Restaurant Chain Co. Ltd., a quick service restaurant chain listed on the New York Stock Exchange, and Le Gaga Holdings Limited, a leading greenhouse vegetable producer in China listed on the NASDAQ Stock Market. Mr. Cheng received his Bachelors degree in Economics from Swarthmore College and his Ph.D. degree in Economics from the Massachusetts Institute of Technology. Mr. Cheng is a chartered financial analyst.

Eric He is a director of our company. Mr. He has been an independent director of our company since July 2014. Mr. He currently serves as the chief financial officer of YY Inc., an interactive social platform company in China listed on the NASDAQ Stock Market. From March 2007 to August 2011, Mr. He served as the chief financial officer of Giant Interactive Group Inc. From 2004 to 2007, he served as the chief strategy officer of Ninetowns Internet Technology Group Company Limited. From 2002 to 2004, Mr. He served as a private equity investment director of AIG Global Investment Corporation (Asia) Ltd. Mr. He received his Bachelor degree in Accounting from National Taipei University and his Master of Business Administration degree from the Wharton School of the University of Pennsylvania. Mr. He is a chartered financial analyst and certified public accountant in the United States.

Kazumasa Watanabe is a director of our company. Mr. Watanabe has been a director of our company since October 2012. Mr. Watanabe is a corporate executive officer of Recruit Holdings Co., Ltd. and is head of research and development for the Asia sales promotion business. Since joining Recruit in 1991, he has been primarily involved in the growth and expansion of Recruit s HR company and the online recruiting business. Starting his career as a sales representative, Mr. Watanabe became head of product in 1999 and then an editor-in-chief. In 2004, he assumed the role of division officer and has since held many senior positions throughout Recruit s HR company responsible for new product and business development. Mr. Watanabe received his Bachelor degree in Commerce from Nagoya University in 1991.

Kathleen Chien is chief operating officer and acting chief financial officer of our company. Ms. Chien joined our company in 1999 and served as our chief financial officer from 2004 to March 2009. Prior to joining our company, Ms. Chien worked in the financial services and management consulting industries, including three years with Bain & Company in Hong Kong and two years with Capital Securities Corp., a leading investment bank in Taiwan. During her tenure at Bain & Company, she was a consultant to a number of companies on strategic and marketing issues, including entry into the Chinese market and achieving cost and operational efficiencies. While at Capital Securities Corp., she completed a number of equity and equity-linked transactions, including the first ever Swiss-franc convertible bond issuance out of Taiwan, enabling client companies to raise significant capital from the European and U.S. investment community. Ms. Chien currently serves as a board member of ChinaCache International Holdings Ltd., an Internet content and application delivery services provider in China listed on the NASDAQ Stock Market, and Vipshop Holdings Ltd., a leading online discount retailer for brands in China listed on the New York Stock Exchange. Ms. Chien received her Bachelor of Science degree in Economics from the Massachusetts Institute of Technology and her Master of Business Administration degree from the Haas School of Business at the University of California, Berkeley.

David Weimin Jin is a senior vice president of our company. Mr. Jin joined our company in 2000. Prior to joining our company, Mr. Jin held sales management positions in large multinational companies in Xian, including three years at Shell (China) Limited and one year with Colgate-Palmolive Co., Ltd. Mr. Jin received a Bachelor of Science degree in Engineering from Xidian University.

Tao Wang is a vice president of our company. Mr. Wang joined our company in 2000. Prior to joining our company, Mr. Wang spent four years as a senior consultant at Bain & Company. Also, he served as a representative and the general manager of a joint venture company in Wuhan for

TI Group Asia Pacific. Earlier in his career, Mr. Wang held engineering and project management positions at the Ministry of Aerospace Industry in China. Mr. Wang received a Bachelor of Science degree in Math from Shandong University and a Master of Engineering degree from the Second Academy under the PRC Ministry of Aerospace Industry. Mr. Wang also holds a Master of Business Administration degree from the Business School at University of Warwick in the United Kingdom.

Table of Contents

B. Compensation

Compensation of Directors and Executive Officers

We pay our chairman an annual fee of US$20,000 and each of our other non-executive directors an annual fee of US$15,000. In addition, our non-executive directors receive a fee of US$2,000 for each board meeting attended in person and US$1,000 for each committee meeting attended in person, or US$1,000 for each board meeting attended by conference call and US$500 for each committee meeting attended by conference call. Our directors are also reimbursed for reasonable travel expenses incurred in attending board meetings in person. There are no arrangements between us and our directors providing for special benefits upon our directors termination of service. For the year ended December 31, 2014, the aggregate cash compensation to our non-executive directors as a group was approximately US$82,500 (RMB511,880). In 2014, we granted options to acquire 60,000 common shares to an independent director. See Stock-Based Compensation Plans below.

For the year ended December 31, 2014, the aggregate cash compensation to our executive officers as a group was approximately RMB11.3 million (US$1.8 million). We granted options to acquire an aggregate of 394,464 common shares to our executive officers in 2014.

Directors and Officers Liability Insurance

We maintain directors and officers liability insurance for our directors and officers.

Employment Agreements

We have entered into employment agreements with each of our executive officers. The terms of these agreements are substantially similar to each other. Under these agreements, each of our executive officers is employed at will, and their employment may be terminated, with or without cause, by either party. These agreements do not provide for any special termination benefits, nor do we have other arrangements with these executive officers for special termination benefits. Each executive officer has agreed to hold in strict confidence and not to use, except for the benefit of our company, any proprietary information, technical data, trade secrets and know-how of our company or the confidential or proprietary information of any third party, including our affiliated entities and our subsidiaries, received by our company. Each of these executive officers has also agreed not to engage in any other employment, occupation, consulting or other business activity directly related to the business in which we are involved, or engage in any other activities that conflict with his or her obligations to us during the term of his or her employment. For the 12-month period after any of these executive officers termination of employment with us for any reason, such officer is prohibited from recruiting any of our employees or soliciting or inducing our employees to leave their employment with us.

Stock-Based Compensation Plans

In 2000, our board of directors and shareholders adopted our 2000 stock option plan, or our 2000 Option Plan. In April 2009, our board of directors adopted our 2009 share option plan, or our 2009 Option Plan, which received shareholder approval in August 2009. Under these plans, our directors, officers and other employees and consultants are eligible to acquire common shares under options. The purposes of our option plans are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants and to promote the success of our business.

Under our 2000 Option Plan, 4,010,666 common shares were reserved for issuance at the time of adoption. In February 2004, our board of directors and shareholders approved an increase in the number of authorized shares reserved to 5,530,578 common shares. In July 2006, our board of directors and shareholders approved a further increase of 2,000,000 common shares, increasing the total number of authorized shares under our 2000 Option Plan to 7,530,578 common shares. Our 2000 Option Plan had a term of ten years. Issuances from this plan ceased in 2009.

Under our 2009 Option Plan, we are authorized to issue up to 5,000,000 common shares. In October 2011, our board of directors proposed an increase in the number of authorized shares reserved to 10,000,000 common shares, which was approved by our shareholders in December 2011. Our 2009 Option Plan has a term of ten years but may be terminated earlier by our board of directors.

Table of Contents

Stock options granted under our option plans may be incentive stock options, or ISOs, which are intended to qualify for favorable U.S. federal income tax treatment under the provisions of Section 422 of the U.S. Internal Revenue Code of 1986, as amended, or non-qualified stock options, or NSOs, which do not so qualify.

The compensation committee of our board of directors administers our option plans. Subject to the provisions of our option plans and, in the case of a committee, the specific duties delegated by the board of directors to such committee, and subject to the approval of any relevant authorities, the board of directors or the committee so appointed has the authority in its discretion to determine, among other things, the fair market value of the common shares, select optionees, determine the number of common shares to be covered by each award granted under our option plans, and the terms and conditions of any options or stock purchase rights granted under our option plans.

Stock options granted under our option plans become exercisable at a rate of not less than 20% per year over five years from the date of the option grant. In the event of the termination of service of an optionee, the unvested portion of a stock option is forfeited and the vested portion terminates within the period of time as specified in the option agreement and, in the absence of a specified time in the option agreement, within twelve months following the optionee s termination in the case of the optionee s disability or death, and three months following the optionee s termination in all other cases.

In the event of a merger of our company, each outstanding stock option may be assumed or an equivalent option or right may be substituted by the successor corporation. In the event the successor corporation refuses to assume or substitute for the stock option, the outstanding stock options will automatically vest and become exercisable for a period of 15 days, after which the stock options will terminate.

The following table summarizes the options granted to our directors, executive officers and other employees and individuals under our option plans during the periods indicated.

	Common shares underlying options granted	Exercise price US$	Grant date	Expiration date
Granted in 2012				
Rick Yan	100,032	23.785	May 18, 2012	May 17, 2018
Kathleen Chien	100,032	23.785	May 18, 2012	May 17, 2018
David Weimin Jin	81,600	23.785	May 18, 2012	May 17, 2018
Tao Wang	64,800	23.785	May 18, 2012	May 17, 2018
Other employees and individuals	974,400	23.785	May 18, 2012	May 17, 2018
	1,320,864			
Granted in 2013				
Rick Yan	100,032	30.14	May 29, 2013	May 28, 2019
Kathleen Chien	100,032	30.14	May 29, 2013	May 28, 2019
David Weimin Jin	81,600	30.14	May 29, 2013	May 28, 2019
Li-Lan Cheng	60,000	30.14	May 29, 2013	May 28, 2019
Kazumasa Watanabe	60,000	30.14	May 29, 2013	May 28, 2019
Tao Wang	60,000	30.14	May 29, 2013	May 28, 2019
Other employees and individuals	902,400	30.14	May 29, 2013	May 28, 2019
	1,364,064			

Granted in 2014				
Rick Yan	100,032	30.69	May 20, 2014	May 19, 2020
Kathleen Chien	100,032	30.69	May 20, 2014	May 19, 2020
David Weimin Jin	79,200	30.69	May 20, 2014	May 19, 2020
Eric He	60,000	32.98	July 1, 2014	June 30, 2020
Tao Wang	60,000	30.69	May 20, 2014	May 19, 2020
Other employees and individuals	904,800	30.69	May 20, 2014	May 19, 2020
	1,304,064			

C. Board Practices

The directors will hold office until the next annual general meeting of shareholders and until such director s successor is duly elected and qualified, or until such director s 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.

Table of Contents

Board Committees

To enhance our corporate governance, we have established three committees under the board of directors: the audit committee, the compensation committee and the nominating and corporate governance committee. We have adopted a charter for each of 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 Stock Market corporate governance rules on independence. The members of our audit committee are David K. Chao, who acts as the chairman of our audit committee, Li-Lan Cheng and Eric He. Our board of directors has determined that all members of our audit committee are independent directors within the meaning of NASDAQ Stock Market Rule 5605(a)(2) and meet the criteria for independence set forth in Section 10A(m)(3)(B)(i) of the Exchange Act.

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 Stock Market 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.

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 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 Li-Lan Cheng, who acts as the chairman of the committee, and David K. Chao. Our board of directors has determined that all members of our compensation committee are independent directors within the meaning of NASDAQ Stock Market 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.

Table of Contents

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 Eric He, 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 Stock Market 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.

Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be

followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, 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.

Table of Contents

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.

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 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 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.

Table of Contents

D. Employees

We had 4,980 employees, 5,499 employees and 6,123 employees as of December 31, 2012, 2013 and 2014, respectively. The following table sets forth the number of our employees categorized by function as of December 31, 2014.

Sales and account management	3,360
Customer service and production	1,240
Technology and online operations	767
Search and training consultants	195
Marketing and merchandising	144
General and administrative	417
Total	6,123*

* Includes 452 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.

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 February 28, 2015, 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 59,007,072 common shares outstanding as of February 28, 2015 and the number of common shares underlying options that have vested or will vest within 60 days after February 28, 2015. 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.

Table of Contents

	Common shares beneficially owned	
	Number	%
Directors and executive officers:		
Rick Yan	12,946,515	21.8
Kathleen Chien	1,792,234	3.0
David K. Chao(1)	*	*
Tao Wang	*	*
David Weimin Jin	*	*
Kazumasa Watanabe(2)	*	*
Li-Lan Cheng	*	*
Eric He	*	*
All directors and executive officers as a group	15,400,240	25.5
Principal shareholders:		
Recruit Holdings Co., Ltd.(2)	23,385,231	39.6
Rick Yan	12,946,515	21.8

* 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 Kazumasa Watanabe and Recruit Holdings Co., Ltd. is GranTokyo South Tower, 1-9-2 Marunouchi, Chiyoda-ku, Tokyo 100-6640, Japan.

As of February 28, 2015, 2,354,244 of our common shares, representing approximately 4% of our common shares outstanding, were beneficially owned by a total of seven holders of record with addresses in the United States. As of the same date, 23,073,813 of our ADSs (each representing one common share), or approximately 39% of our common shares outstanding, were held by a total of six 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.

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 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, and supplemented and amended as of July 2, 2004 and January 27, 2014, under which WFOE has the exclusive right to provide advertising, software design and web 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. WFOE did not issue any invoices to Qian Cheng and Qian Cheng did not pay any fees to WFOE for the years ended December 31, 2012, 2013 and 2014. The technical and consulting service agreement is valid through May 2, 2034 and may be extended with the consent of the parties. Although the renewal is upon mutual consent, WFOE may, through its power of attorney, direct Run An to cause Qian Cheng to renew the technical and consulting service agreement upon expiration. The technical and consulting service 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. Qian Cheng is wholly owned by Run An.

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 and valid to September 11, 2017, under which WFOE has the exclusive right to provide human resources, software design 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. WFOE did not issue any invoices to Run An and Run An did not pay any fees to WFOE for the years ended December 31, 2012, 2013 and 2014. The technical and consulting service agreement may be extended with the consent of the parties. Although the renewal is upon mutual consent, WFOE may, through its power of attorney, direct Run An to renew the technical and consulting service agreement upon expiration. The technical and consulting service 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.

Table of Contents

Equity Pledge Agreement

As security for the obligations of Run An under the technical and consulting service agreement and the obligations of Run An and its shareholders under the exclusive purchase option agreement described below, the shareholders of Run An have pledged all of their equity interest in Run An to WFOE under an equity pledge agreement. According to the pledge agreement, WFOE has the right to dispose of the pledged equity pursuant to PRC law in the event of default by Run An or its shareholders as provided in the pledge agreement. 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 equity pledge agreement was entered into on January 27, 2014 and shall expire two years after the fulfillment of all obligations under the Run An technical and consulting service agreement and the exclusive purchase option agreement. This pledge agreement, in combination with the exclusive purchase option agreement, contains content that is substantially the same as the pledge agreements entered into between WFOE and Run An s shareholders in September 2007 and between WFOE and Qian Cheng s shareholders in May 2004. This pledge agreement was registered with the relevant bureau of the SAIC in Beijing in March 2014.

Exclusive Purchase Option Agreement

WFOE has entered into an exclusive purchase option agreement with the shareholders of Run An, dated as of January 27, 2014, under which WFOE or its designee is granted an irrevocable option to purchase all or a portion of their equity interests in Run An at any time by issuing a written notice to the shareholders, subject to compliance with applicable PRC laws and regulations. The purchase price shall be equal to the contribution actually made by the shareholder for his equity interest in Run An. If the lowest price permitted under PRC law is above the contribution actually made by the shareholder, the premium shall be paid to Tech JV in accordance with the terms of the loan agreements described below. The exclusive purchase option agreement has the same term as the Run An technical and consulting service agreement. WFOE also has the exclusive right to terminate the agreement at any time by delivering a written notice to the shareholders of Run An.

Powers of Attorney

In conjunction with the signing of the equity pledge agreement and the exclusive purchase option agreement, David Weimin Jin and Tao Wang, the shareholders of Run An, has each signed an irrevocable power of attorney to appoint WFOE, as attorney-in-fact to vote, by itself or any other person to be designated at its discretion, on all matters of Run An that need to be decided by its shareholders. Because Qian Cheng is a wholly owned subsidiary of Run An and Wuhan AdCo is a wholly owned subsidiary of Qian Cheng, through controlling all material matters of Run An (including but not limited to all material operational matters and the appointment and removal of directors and senior management), WFOE also has indirect control on all material matters of Qian Cheng and Wuhan AdCo. Each power of attorney was entered into on January 27, 2014 and will remain effective for as long as Run An exists. The shareholders of Run An are not entitled to terminate or amend the terms of the power of attorney without prior written consent from WFOE.

Other Agreements

Loan Agreements. Tech JV has entered into loan agreements dated as of September 11, 2007 and valid to September 11, 2017 with David Weimin Jin and Tao Wang 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 loans can be repaid only with the proceeds received from the

transfer of the shareholders equity interest in Run An to Tech JV or its designee. The term of the interest-free loan agreements may be extended upon written consent of the parties.

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 and August 1, 2012, 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 AdCo s subsidiaries at the lowest price permitted under PRC laws. The call option agreement is valid to July 31, 2022, and the term may be extended upon written consent of the parties.

Table of Contents

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.

Trademark License Agreement. WFOE has entered into a trademark license agreement with Tech JV dated as of August 15, 2000, and supplemented and amended as of August 15, 2005 and August 15, 2010, under which WFOE has granted to Tech JV the right to use certain trademarks in the PRC, with no right of assignment or sublicense. The license fee to be paid under the trademark license agreement will be agreed to by both parties. The trademark license agreement is effective until August 14, 2018 and is renewable upon the written consent of both 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 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.

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, 2014, there were outstanding options to purchase an aggregate of 5,688,594 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.

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.

Table of Contents

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.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ADSs have been trading on the NASDAQ Global Select Market since September 29, 2004 under the symbol JOBS.

The following table provides the high and low trading prices for our ADSs on the NASDAQ Global Select Market for the periods presented. All prices have been retroactively adjusted to reflect the current ADS to common share ratio of one ADS to one common share for all periods presented.

	Trading price	
	High US$	**Low US$**
Annual highs and lows		
2010	27.75	7.66
2011	34.90	18.31
2012	31.98	17.00
2013	40.00	23.64
2014	43.00	29.24
Quarterly highs and lows		
First quarter 2013	30.50	23.64
Second quarter 2013	34.00	27.58
Third quarter 2013	36.04	30.48
Fourth quarter 2013	40.00	34.34
First quarter 2014	43.00	34.57
Second quarter 2014	37.00	29.50
Third quarter 2014	38.56	29.83
Fourth quarter 2014	36.88	29.24
Monthly highs and lows		
September 2014	36.30	29.83

October 2014	31.24	29.24
November 2014	36.88	30.57
December 2014	36.88	32.84
January 2015	38.12	33.62
February 2015	36.89	32.43
March 2015 (through March 27)	36.74	30.80

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been trading on the NASDAQ Global Select Market since September 29, 2004 under the symbol JOBS.

D. Selling Shareholders

Not applicable.

Table of Contents

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our shareholders adopted our amended and restated memorandum and articles of association at an extraordinary shareholder meeting on April 26, 2004 and approved an amendment by special resolution passed at an extraordinary shareholder meeting on June 20, 2014.

C. Material Contracts

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.

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 Taxation

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. The Circular on Identification of China-Controlled Overseas-Registered Enterprises as Resident Enterprises on the Basis of Actual Management Organization, or Circular 82, further provides certain specific criteria for determining whether the de facto management body of a PRC-controlled offshore incorporated enterprise is located in the PRC. The criteria include whether: (i) the premises where the senior management and the senior management bodies responsible for the routine production and business management of the enterprise perform their functions are mainly located within the PRC; (ii) decisions relating to the enterprise s financial and human resource matters are made or subject to approval by organizations or personnel in the PRC; (iii) the enterprise s primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. Although the Circular 82 only applies to offshore enterprises controlled by enterprises or enterprise groups located within the PRC, the determining criteria set forth in the Circular 82 may reflect the tax authorities general position on how the de facto management body test may be applied in determining the tax resident status of other offshore enterprises as well. We are a Cayman Islands holding company and substantially all of our operational management is currently based in China. As the tax resident status of an enterprise is subject to the determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term de facto management body as applicable to us, we cannot assure you that we will not be considered as a PRC tax resident enterprise. If we are considered a PRC resident enterprise under the EIT Law, we may be subject to the uniform 25% EIT rate as to our global income.

Table of Contents

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.

In addition, if we were treated as a PRC resident enterprise, any dividends payable to non-resident enterprise holders of our common shares or ADSs may be treated as income derived from sources within PRC and therefore subject to a 10% withholding tax (or 20% in the case of non-resident individual holders) unless an applicable income tax treaty provides otherwise. In addition, capital gains realized by non-resident enterprise holders upon the disposition of our common shares or ADSs may be treated as income derived from sources within PRC and therefore subject to 10% income tax (or 20% in the case of non-resident individual holders) unless an applicable income tax treaty provides otherwise.

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;
- certain 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 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 and any other U.S. federal tax consequences (such as the effects of the Medicare contribution tax), 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:

Table of Contents

- 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.

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.

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 certain non-corporate U.S. Holders, including individuals, 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 requirement 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. See People s Republic of China Taxation. 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 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.

Table of Contents

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 and PRC tax is imposed on any gain from the sale, exchange or other disposition of the ADSs or common shares, a U.S. Holder eligible for the benefits of the income tax treaty between the United States and the PRC may be able to elect to treat such gain 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, 2014, 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, we believe there is a material risk that we may become a PFIC in the future. Under the Code, the determination of whether we are a PFIC is made annually and PFIC status will depend upon the character of our income and assets and the value of our assets at such time. Accordingly, our PFIC status for any particular taxable year cannot be determined with certainty until after the close of that 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 legal 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, which is held through contractual arrangements, for U.S. federal income tax purposes, we may be treated as a PFIC for our taxable year ending on December 31, 2014 and any taxable year thereafter. If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or common shares, the U.S. Holder will be subject to special tax rules discussed below.

Table of Contents

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 even if we subsequently ceased to be a PFIC.

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 subsidiaries or affiliated entities is also a PFIC (a lower-tier 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 or affiliated entities.

In addition, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us 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. U.S. Holders should consider carefully the impact of a mark-to-market election with respect to their common shares or ADSs given that we may have lower-tier PFICs for which a mark-to-market election may not be available.

Table of Contents

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 generally must file an annual report.

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 SEC 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 *http://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.

Table of Contents

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, 2014, we had cash, restricted cash and short-term investments totaling RMB4,532.4 million (US$730.5 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.

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 RMB11.4 million (US$1.8 million) in interest income from the assumed average cash, restricted cash and short-term investments balance in 2014.

Credit Risk

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, 2014, substantially all of our cash were held in uninsured accounts located in China and Hong Kong that we believe are of acceptable credit quality.

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, and 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 increased 1.0% in 2012 and 2.8% in 2013 but decreased 2.5% in 2014. Correspondingly, we recognized a loss from foreign currency translation of RMB0.4 million in 2012, a loss of RMB6.5 million in 2013 and a gain of RMB10.0 million (US$1.6 million) in 2014. 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 consolidated statement of operations and comprehensive

income 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. dollars as of December 31, 2014, a 10% change in the exchange rates between the Renminbi and the U.S. dollar would result in an increase or decrease of RMB22.8 million (US$3.7 million) in our cash, restricted cash and short-term investments. Based on the amount of convertible senior notes denominated in U.S. dollars as of December 31, 2014, a 10% change in the exchange rates between the Renminbi and the U.S. dollar would result in an increase or decrease of RMB112.7 million (US$18.2 million) in our convertible senior notes.

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.

Table of Contents

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.

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.

Table of Contents

Fees and Payments from the Depositary to Us

In 2014, 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 Stock Market 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. The amount of such reimbursements is subject to certain limits.

Table of Contents

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, 2014 based on criteria established in Internal Control - Integrated Framework (2013) 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, 2014.

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our company s internal control over financial reporting as of December 31, 2014, 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.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has concluded that Messrs. David K. Chao, Li-Lan Cheng and Eric He, the three independent directors of our company, each meet the criteria of audit committee financial expert as established by the SEC. See Item 6. Directors, Senior Management and Employees Board Practices.

Table of Contents

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 and audit-related fees in connection with the professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, 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. Audit-related fees are associated with assurance and related services provided by our auditors. We did not pay any tax related or other fees to our auditors during the periods indicated below.

	2013 RMB	2014 RMB (in thousands)	2014 US$
Audit fees	4,189	4,365	704
Audit-related fees	888		

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. Under this program, from 2008 to 2011, we purchased 2,030,658 ADSs, through open-market transactions for an aggregate consideration of approximately US$11.0 million, including transaction fees.

In June 2014, our board of directors and shareholders authorized an increase to the size of the share repurchase program originally approved in 2008 from US$25 million to US$75 million. In 2014, we purchased 799,293 ADSs through open-market transactions for an aggregate consideration of approximately US$25 million, including transaction fees.

The following table sets forth certain information related to purchases from the open market made by us of our ADSs under the program in 2014:

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)
July 2014	23,800	34.17	212.01	2,054,458	63,201,000	392,137,000
August 2014	1,300	34.22	212.32	2,055,758	63,157,000	391,864,000
September 2014	425,400	32.00	198.55	2,481,158	49,544,000	307,401,000
October 2014	348,793	30.26	187.75	2,829,951	38,990,000	241,917,000

(1) The translations of U.S. dollar amounts into Renminbi amounts have been made at the noon buying rate in New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Board on December 31, 2014, which was US$1.00 to RMB6.2046. See Introduction and Part I. Item 3. Key Information Selected Financial Data Exchange Rate Information.

Table of Contents

In April 2014, we used approximately US$50 million of the net proceeds from our offering of convertible senior notes to enter into zero-strike call option transactions with counterparties to purchase our own ADSs. The call options expire soon after the maturity date of the convertible senior notes in 2019 or when the counterparties request early settlement. In total, we will receive 1,462,204 ADSs through these call options. In 2014, 76,000 ADSs were early settled and retired.

ITEM 16F. CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

NASDAQ Stock Market 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 Stock Market rules.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

Table of Contents

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, as amended as of June 20, 2014
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 Post-Effective Amendment No. 1 to 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 18, 2014)
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	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	English 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)
4.8	English Translation of Supplement Agreement to Technical and Consulting Service Agreement dated as of January 27, 2014 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 4.8 from our Annual Report on Form 20-F for the year ended December 31, 2013 filed with the Securities and Exchange Commission on March 28, 2014)

Table of Contents

Exhibit number	Description of document
4.9	English 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)
4.10	English Translation of Equity Pledge Agreement dated as of January 27, 2014 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 4.10 from our Annual Report on Form 20-F for the year ended December 31, 2013 filed with the Securities and Exchange Commission on March 28, 2014)
4.11	English 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	English 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	English 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. (incorporated by reference to Exhibit 4.13 from our Annual Report on Form 20-F for the year ended December 31, 2011 filed with the Securities and Exchange Commission on April 12, 2012)
4.14	English 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	English Translation of Supplement Agreement II to Call Option Agreement dated as of August 1, 2012, between Beijing Qian Cheng Si Jin Advertising Co., Ltd. and 51net.com Inc. (incorporated by reference to Exhibit 4.15 from our Annual Report on Form 20-F for the year ended December 31, 2012 filed with the Securities and Exchange Commission on April 12, 2013)
4.16	English 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)
4.17	English 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)
4.18	English Translation of Power of Attorney issued by David Weimin Jin on January 27, 2014 (incorporated by reference to Exhibit 4.18 from our Annual Report on Form 20-F for the year ended December 31, 2013 filed with the Securities and Exchange Commission on March 28, 2014)
4.19	English Translation of Power of Attorney issued by Tao Wang on January 27, 2014 (incorporated by reference to Exhibit 4.19 from our Annual Report on Form 20-F for the year ended December 31, 2013 filed with the Securities and Exchange Commission on March 28, 2014)
4.20	English Translation of Exclusive Purchase Option Agreement dated as of January 27, 2014 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 4.20 from our Annual Report on Form 20-F for the year ended December 31, 2013 filed with the Securities and Exchange Commission on March 28, 2014)

Table of Contents

Exhibit number	Description of document
8.1*	List of subsidiaries and affiliated entities 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
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 LLP
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.

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

Table of Contents

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: March 31, 2015

Table of Contents

51JOB, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2012, 2013 and 2014	F-3
Consolidated Balance Sheets as of December 31, 2013 and 2014	F-4
Consolidated Statements of Changes in Shareholders Equity for the years ended December 31, 2012, 2013 and 2014	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2013 and 2014	F-6
Notes to the Consolidated Financial Statements for the years ended December 31, 2012, 2013 and 2014	F-7

Table of Contents

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, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Annual Report on Internal Control over Financial Reporting appearing in Item 15 of this Form 20-F. Our responsibility is to express opinions on these financial statements 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 LLP
Shanghai, the People s Republic of China
March 31, 2015

Table of Contents

51JOB, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

	Note	2012 RMB	2013 RMB	2014 RMB	2014 US$ (Note 2(c))
		(in thousands, except share, per share and per ADS data)			
Revenues:					
Online recruitment services		943,432	1,084,448	1,248,101	201,157
Print advertising		105,309	51,023	14,247	2,296
Other human resource related revenues		463,508	541,270	634,945	102,335
Total revenues		1,512,249	1,676,741	1,897,293	305,788
Less: Business and related taxes	2(j)	(64,911)	(68,073)	(64,840)	(10,450)
Net revenues		1,447,338	1,608,668	1,832,453	295,338
Cost of services(1)	2(k)	(405,233)	(442,454)	(496,000)	(79,941)
Gross profit		1,042,105	1,166,214	1,336,453	215,397
Operating expenses(1):					
Sales and marketing	2(l)	(370,100)	(459,802)	(563,565)	(90,830)
General and administrative		(186,460)	(217,765)	(249,275)	(40,176)
Total operating expenses		(556,560)	(677,567)	(812,840)	(131,006)
Income from operations		485,545	488,647	523,613	84,391
(Loss) Gain from foreign currency translation		(447)	(6,522)	10,039	1,618
Interest and investment income, net		61,653	75,301	88,739	14,302
Convertible senior notes issuance costs	12			(47,522)	(7,659)
Change in fair value of convertible notes	12			(55,355)	(8,922)
Change in fair value of zero-strike call options	12			(24,874)	(4,009)
Other income, net	2(w)	18,934	43,522	57,305	9,236
Income before income tax expense		565,685	600,948	551,945	88,957
Income tax expense	8	(95,579)	(100,308)	(113,035)	(18,218)
Net income		470,106	500,640	438,910	70,739
Other comprehensive income:					
Foreign currency translation adjustments		(9)	(88)	(9)	(1)
Comprehensive income		470,097	500,552	438,901	70,738
Earnings per share:	14				
Basic		8.17	8.55	7.51	1.21
Diluted		7.92	8.33	7.35	1.18
Weighted average number of common shares outstanding:					
Basic		57,510,591	58,551,925	58,475,397	58,475,397
Diluted		59,375,123	60,069,197	59,691,993	59,691,993

(1) Share-based compensation:					
Included in cost of services		(7,870)	(10,391)	(12,997)	(2,095)
Included in operating expenses					

Sales and marketing	(6,766)	(8,933)	(11,173)	(1,800)
General and administrative	(35,902)	(45,534)	(57,210)	(9,221)

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

Table of Contents

51JOB, INC.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2013 AND 2014

	Note	2013 RMB	2014 RMB	2014 US$ (Note 2(c))
		(in thousands, except share and per share data)		
ASSETS				
Current assets:				
Cash	2(d)	1,065,543	1,074,096	173,113
Restricted cash	2(d)	15,489	37,660	6,070
Short-term investments	2(f)	2,081,964	3,420,650	551,309
Accounts receivable (net of allowance for doubtful accounts of RMB3,347 and RMB1,103 as of December 31, 2013 and 2014, respectively)	3	62,808	74,670	12,034
Prepayments and other current assets	4	345,061	428,432	69,051
Deferred tax assets, current	8	9,757	10,256	1,653
Total current assets		3,580,622	5,045,764	813,230
Non-current assets:				
Property and equipment, net	5	519,277	519,558	83,738
Intangible assets, net	6	3,652	7,696	1,240
Other long-term assets		18,808	8,626	1,390
Deferred tax assets, non-current	8	632	76	12
Total non-current assets		542,369	535,956	86,380
Total assets		4,122,991	5,581,720	899,610
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities (including amounts of the consolidated VIEs and VIEs subsidiaries without recourse to the primary beneficiaries of RMB130 and RMB118 as of December 31, 2013 and 2014, respectively):	2(b)			
Accounts payable		22,858	22,632	3,648
Salary and employee related accrual		60,076	69,380	11,182
Taxes payable		78,100	110,391	17,792
Advance from customers		411,877	489,066	78,823
Other payables and accruals	7	212,978	272,505	43,920
Total current liabilities		785,889	963,974	155,365
Non-current liabilities:				
Deferred tax liabilities, non-current	8	5,983	12,593	2,030
Convertible senior notes	12		1,111,207	179,094
Total non-current liabilities		5,983	1,123,800	181,124
Total liabilities		791,872	2,087,774	336,489
Commitments and contingencies	15			
Shareholders equity:				
Common shares (US$0.0001 par value per share; 500,000,000 shares authorized, 59,144,055 and 59,004,772 shares issued and outstanding as of December 31, 2013 and 2014, respectively)		48	48	8

Additional paid-in capital		1,316,713	1,040,639	167,720
Statutory reserves	2(p)	8,456	10,785	1,738
Accumulated other comprehensive income		1,541	1,532	247
Retained earnings		2,004,361	2,440,942	393,408
Total shareholders equity		3,331,119	3,493,946	563,121
Total liabilities and shareholders equity		4,122,991	5,581,720	899,610

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

Table of Contents

51JOB, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

	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, 2011	56,981,341	47	1,061,819	7,332	1,638	1,034,739	2,105,575
Exercise of share options	805,338	1	39,817				39,818
Share-based compensation			50,538				50,538
Appropriation of statutory reserves				812		(812)	
Reversal of statutory reserves due to closure of certain subsidiaries				(1,200)		1,200	
Foreign currency translation adjustments					(9)		(9)
Net income						470,106	470,106
Balance as of December 31, 2012	57,786,679	48	1,152,174	6,944	1,629	1,505,233	2,666,028
Exercise of share options	1,357,376	0	99,681				99,681
Share-based compensation			64,858				64,858
Appropriation of statutory reserves				2,262		(2,262)	
Reversal of statutory reserves due to closure of certain subsidiaries				(750)		750	
Foreign currency translation adjustments					(88)		(88)
Net income						500,640	500,640
Balance as of December 31, 2013	59,144,055	48	1,316,713	8,456	1,541	2,004,361	3,331,119
Exercise of share options	736,010	0	64,549				64,549
Share-based compensation			81,380				81,380
Repurchase and retirement of common shares	(875,293)	0	(153,684)				(153,684)
Zero-strike call options in connection with issuance of convertible senior notes			(268,319)				(268,319)
Appropriation of statutory reserves				2,329		(2,329)	
Foreign currency translation adjustments					(9)		(9)
Net income						438,910	438,910
	59,004,772	48	1,040,639	10,785	1,532	2,440,942	3,493,946

Balance as of December 31, 2014							
Balance as of December 31, 2014 (US$ Note 2(c))	59,004,772	8	167,720	1,738	247	393,408	563,121

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

Table of Contents

51JOB, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

	2012 RMB	2013 RMB	2014 RMB	2014 US$ (Note 2(c))
		(in thousands)		
Cash flows from operating activities:				
Net income for the year	470,106	500,640	438,910	70,739
Adjustments for:				
Share-based compensation	50,538	64,858	81,380	13,116
Depreciation	27,496	31,867	45,660	7,359
Amortization of intangible assets	1,500	1,824	2,567	414
Allowance for doubtful accounts	7,654	2,102	1,128	182
Loss due to disposal of fixed assets	65	171	359	58
Loss (Gain) from foreign currency translation	447	6,522	(5,810)	(936)
Gain from sale of long-term investments	(1,318)			
Convertible notes issuance cost			47,522	7,659
Change in fair value of convertible notes			55,355	8,922
Change in fair value of zero-strike call options			24,874	4,009
Deferred tax expense	2,498	2,252	6,667	1,074
Changes in operating assets and liabilities:				
Increase in accounts receivable	(10,555)	(10,909)	(13,666)	(2,203)
Increase in prepayments and other current assets	(86,485)	(66,132)	(82,695)	(13,328)
Increase (Decrease) in accounts payable	(3,523)	6,013	(522)	(84)
Increase in salary and employee related accrual	4,163	11,626	9,304	1,500
Increase in taxes payable	7,082	11,171	22,355	3,603
Increase in advance from customers	47,870	73,547	77,189	12,441
Increase in other payables and accruals	56,720	109,463	47,292	7,622
Decrease (Increase) in other long-term assets	302	1,596	(2,255)	(364)
Net cash provided by operating activities	574,560	746,611	755,614	121,783
Cash flows from investing activities:				
Proceeds from sale of long-term investments	1,318			
Purchase of short-term investments	(138,502)	(673,119)	(1,338,244)	(215,686)
Purchase of property and equipment	(136,760)	(222,108)	(33,287)	(5,365)
Purchase of intangible assets	(1,129)	(1,557)	(6,611)	(1,065)
Net cash used in investing activities	(275,073)	(896,784)	(1,378,142)	(222,116)
Cash flows from financing activities:				
Proceeds from issuance of convertible senior notes			1,027,955	165,676
Payment for zero-strike call options			(307,600)	(49,576)
Repurchase and retirement of common shares			(153,684)	(24,769)
Proceeds from the exercise of share options	39,818	99,681	64,549	10,403

Net cash provided by financing activities	39,818	99,681	631,220	101,734
Effect of foreign exchange rate changes on cash	(447)	(6,522)	(139)	(22)
Net (decrease) increase in cash	338,858	(57,014)	8,553	1,379
Cash, beginning of year	783,699	1,122,557	1,065,543	171,734
Cash, end of year	1,122,557	1,065,543	1,074,096	173,113
Supplemental disclosure of cash flow information:				
Cash paid during the years for income taxes	96,407	87,793	102,722	16,556
Cash paid for interest, net of amounts capitalized			17,931	2,890
Supplemental disclosure of non-cash investing activities:				
Accrual related to purchase of property, equipment and software	(750)	(449)	(745)	(120)
Supplemental disclosure of non-cash financing activities:				
Restricted cash and payables related to the exercise of share options, end of year	14,468	15,489	37,660	6,070

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

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

(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), which was incorporated in the Cayman Islands in March 2000, its subsidiaries and certain variable interest entity (VIE) subsidiaries.

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 and Use of Estimates

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 allowances for accounts receivable, allowances for prepayments and other current assets, estimated useful lives of property and equipment and intangible assets, fair values of options to purchase the Company s common shares, fair values of convertible senior notes and other financial instruments, consolidation of VIEs 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 VIE subsidiaries 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. 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. In addition, the Company 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.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Company s wholly owned subsidiaries include the following:

- 51net.com Inc. (51net), incorporated in the British Virgin Islands in August 1999;
- 51net Beijing, incorporated in the Cayman Islands in April 2000, which wholly owns Qian Cheng Wu You Network Information Technology (Beijing) Co., Ltd. (WFOE), incorporated in the PRC in July 2000; and
- 51net HR, incorporated in the Cayman Islands in April 2000, which owns 70% of Shanghai Wang Ju Human Resource Consulting Co., Ltd. (Wang Ju), incorporated in the PRC in October 2006.

51net s principal subsidiaries include the following:

- Qianjin Network Information Technology (Shanghai) Co., Ltd. (Tech JV), incorporated in the PRC in January 2000, which is 50% owned by 51net;
- Wang Jin Information Technology (Shanghai) Co., Ltd. (Wang Jin), incorporated in the PRC in June 2004, which is wholly owned by 51net;
- Shanghai Wang Ju Advertising Co., Ltd., incorporated in the PRC in June 2007, which is wholly owned by 51net; and
- Wuhan Wang Cai Information Technology Co., Ltd., incorporated in the PRC in December 2009, which is wholly owned by Wang Jin.

Tech JV s principal subsidiaries include the following:

- Shanghai Qianjin Advertising Co., Ltd. (AdCo), incorporated in the PRC in June 2001, which is 80% owned by Tech JV;

- Shanghai Wang Cai Advertising Co., Ltd. (Wang Cai AdCo), incorporated in the PRC in April 2005, which is jointly owned by Tech JV and AdCo; and

- Shanghai Qianjin Zhong Cheng Human Resources Co., Ltd., incorporated in the PRC in December 2010; which is wholly owned by Tech JV.

The Company s VIE subsidiaries include the following:

- Beijing Run An Information Consultancy Co., Ltd. (Run An), incorporated in the PRC in January 1997, which wholly owns Beijing Qian Cheng Si Jin Advertising Co., Ltd. (Qian Cheng) and owns 30% of Wang Ju; and

- Qian Cheng, incorporated in the PRC in February 1999, which owns 20% of AdCo and effectively owns 50% of Tech JV by direct and indirect ownership through Qian Cheng s wholly owned subsidiary Wuhan Mei Hao Qian Cheng Advertising Co., Ltd. (Wuhan AdCo), incorporated in the PRC in August 2001.

As of December 31, 2014 and for all years presented, the Company is the primary beneficiary of two VIEs, Run An and Qian Cheng, which 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 VIEs, 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. In addition, through a call option agreement between 51net and Qian Cheng, 51net is able to purchase the equity interests in Tech JV that are held by Qian Cheng and Wuhan AdCo as well as the equity interests in AdCo and its subsidiaries that are held by Qian Cheng. As a result, Run An, Qian Cheng and all of Tech JV and AdCo are included in the consolidated financial statements, and the Company effectively holds all of the equity interests in its subsidiaries including the VIE subsidiaries.

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, both of whom are executive officers of the Company. As of December 31, 2014, the registered capital of Run An was RMB6,000 and its accumulated loss was RMB1,098.

Qian Cheng holds an advertisement license. Qian Cheng is wholly owned by Run An. As of December 31, 2014, the registered capital of Qian Cheng was RMB1,500 and its retained earnings were RMB2,675.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

As the consolidated VIEs are incorporated as limited liability companies under the PRC Company Law, creditors of the VIEs do not have recourse to the general credit of the Company. Currently, there is no contractual arrangement that could require the Company to provide additional financial support to the consolidated VIEs, but the Company may provide such support on a discretionary basis in the future, which could expose the Company to loss.

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 and Qian Cheng, respectively, under which WFOE has the exclusive right, subject to certain exceptions, to provide technical services to Run An and Qian Cheng for service fees. WFOE did not issue any invoices to either Run An or Qian Cheng, and neither Run An nor Qian Cheng paid any fees to WFOE for the years ended December 31, 2012, 2013 and 2014. The technical and consulting service agreements with WFOE are valid to September 11, 2017 under the Run An agreement and valid to May 2, 2034 under the Qian Cheng agreement, and can only be terminated by WFOE during the term. Such term is renewable upon written consent of the parties. Although the renewal is upon mutual consent, WFOE may, through its power of attorney, direct Run An and, through Run An, cause Qian Cheng to renew the technical and consulting service agreements upon expiration.

Equity Pledge Agreement. As security for the obligations of Run An under the technical and consulting service agreement and the obligations of Run An and its shareholders under the exclusive purchase option agreement described below, the shareholders of Run An have pledged all of their equity interest in Run An to WFOE. According to the pledge agreement, WFOE has the right to dispose of the pledged equity pursuant to PRC law in the event of default by Run An or its shareholders as provided in the pledge agreement. Additionally, the shareholders of Run An 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 agreement. The equity pledge agreement among WFOE, Run An and its shareholders was entered into on January 27, 2014 and shall expire two years after the fulfillment of all obligations under the Run An technical and consulting service agreement and the exclusive purchase option agreement. This pledge agreement, in combination with the exclusive purchase option agreement, contains content that is substantially the same as the pledge agreements entered into between WFOE and Run An s shareholders in September 2007 and between WFOE and Qian Cheng s shareholders in May 2004. This pledge agreement has been registered with the relevant bureau of the PRC State Administration for Industry and Commerce.

Exclusive Purchase Option Agreement. WFOE has entered into an exclusive purchase option agreement with the shareholders of Run An, dated as of January 27, 2014, under which WFOE or its designee is granted an irrevocable option to purchase all or a portion of the equity interests in Run An at any time by issuing a written notice to the shareholders, subject to compliance with applicable PRC laws and regulations. The purchase price shall be equal to the contribution actually made by the shareholder for his equity interest in Run An. If the lowest price permitted under PRC law is above the contribution actually made by the shareholder, the premium shall be paid to Tech JV in accordance with the terms of the loan agreements described below. The exclusive purchase option agreement has the same term as the Run An technical and consulting service agreement. WFOE also has the exclusive right to terminate the agreement at any time by delivering a written notice to the shareholders of Run An.

Powers of Attorney. In conjunction with the signing of the equity pledge agreement and the exclusive purchase option agreement, each of the shareholders of Run An has signed an irrevocable power of attorney to appoint WFOE, as attorney-in-fact to vote, by itself or any other person to be designated at its discretion, on all matters of Run An that need to be decided by its shareholders. Because Qian Cheng is a wholly owned subsidiary of Run An and Wuhan AdCo is a wholly owned subsidiary of Qian Cheng, through controlling all material matters of Run An (including but not limited to all material operational matters and the appointment and removal of directors and senior management), WFOE also has indirect control on all material matters of Qian Cheng and Wuhan AdCo. Each power of attorney was entered into on January 27, 2014 and will remain effective for as long as Run An exists. The shareholders of Run An are not entitled to terminate or amend the terms of the power of attorney without prior written consent from WFOE.

Loan Agreements. Tech JV has entered into loan agreements dated as of September 11, 2007 for an aggregate amount of RMB6,000 with the shareholders of Run An, with the sole and exclusive purpose to fund the capitalization of Run An. The loans can be repaid only with the proceeds received from the transfer of the shareholders equity interest in Run An to Tech JV or its designee. The interest-free loan agreements are valid to September 11, 2017, and the term may be extended upon written consent of the parties.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 and August 1, 2012, 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 RMB1,200 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 subsidiaries of AdCo at the lowest price permitted under PRC laws. The call option agreement is valid to July 31, 2022, and the term may be extended upon written consent of the parties.

Management monitors the regulatory risk associated with these contractual arrangements. The Company 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. Based on such advice and management s knowledge and experience, the Company believes that its contractual arrangements with its consolidated VIEs and their shareholders 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, rules and regulations that could limit the Company s ability to enforce these contractual arrangements. Management monitors the regulatory risk associated with these contractual arrangements. See Note 16 for further discussion.

Summary financial information of the Group s VIEs included in the consolidated financial statements is as follows:

	As of December 31,	
	2013 RMB	2014 RMB
Total assets	7,180	9,483
Total liabilities	130	118

	For the year ended December 31,		
	2012 RMB	2013 RMB	2014 RMB
Total revenues	2,340	98	2,913
Net income	1,730	161	2,344

	For the year ended December 31,		
	2012 RMB	2013 RMB	2014 RMB
Net cash provided by operating activities	1,400	274	132
Net cash used in investing activities			
Net cash provided by financing activities			
Net increase in cash	1,400	274	132
Cash, beginning of year	5,003	6,403	6,677
Cash, end of year	6,403	6,677	6,809

(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 and comprehensive income. 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 and comprehensive income. 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.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The unaudited United States dollar (US$) amounts disclosed in the accompanying financial statements are presented solely for the convenience of the readers. Translations of amounts from RMB into US$ for the convenience of the reader were calculated at the rate of US$1.00 = RMB6.2046 on December 31, 2014, representing the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at that rate on December 31, 2014, 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, 2013 and 2014 are amounts denominated in United States dollars totaling US$29,715 and US$36,735, respectively (equivalent to approximately RMB181,169 and RMB224,784, based on the RMB to US$ exchange rate quoted by the People s Bank of China on December 31, 2013 and 2014, 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) Short-Term Investments

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

(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	32.42 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

(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 five to ten years.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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, 2012, 2013 and 2014.

(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 in 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.

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.

Value-Added and Business Taxes

Effective January 1, 2012, the PRC State Council instituted a pilot value-added tax (VAT) reform program in Shanghai. Under this program, businesses would switch from business tax payers to VAT payers and are permitted to offset input VAT supported by valid VAT invoices received from vendors against their VAT liability. Starting August 1, 2013, the VAT program was expanded to all regions in the PRC. As a result, revenues in most of the Company s PRC subsidiaries had become subject to VAT at a rate of 6% as of December 31, 2014. VAT at a general rate of 6% on the invoiced amount collected by the PRC subsidiaries on behalf of tax authorities in respect of service provided is not recorded as revenue. VAT collected from customers, net of VAT paid for purchases, is recorded as a liability until it is paid to the tax authorities.

For the Company s PRC subsidiaries whose revenues are not subject to VAT, these entities pay 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.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Cost of Services

Cost of services consist primarily of payroll compensation and related employee costs, subcontracting fees, printing and publishing expenses, 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 and comprehensive income when incurred and totaled RMB65,667, RMB80,307 and RMB107,119 for the years ended December 31, 2012, 2013 and 2014, 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. The weighted average fair value per stock option on grant date is RMB60.88, RMB70.30 and RMB71.93 for year ended December 31, 2012, 2013 and 2014, respectively.

For the years ended December 31, 2012, 2013 and 2014, the fair value of options granted was estimated with the following assumptions:

	2012	2013	2014
Risk-free interest rate	0.59%	0.76%	1.15%-1.28%
Expected life (years)	4	4	4
Expected dividend yield	0%	0%	0%
Volatility	53%	49%	47%
Weighted average fair value of the common share on date of option grant	US$23.79	US$30.14	US$30.80

(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 and comprehensive income on a straight-line basis over the lease periods.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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 accounts for uncertainties in accordance with ASC 740-10-25 Income Taxes Overall Recognition. The Company recognizes a tax benefit associated with an uncertain tax position when, in management s judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. 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. In the years ended December 31, 2012, 2013 and 2014, the Company did not record 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, 2012, 2013 and 2014. 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, 2012, 2013 and 2014. As a result, these

entities did not make appropriations to their statutory reserve funds in the years ended December 31, 2012, 2013 and 2014. During the years ended December 31, 2012, 2013 and 2014, the Group s subsidiaries made total appropriations to their statutory common reserve fund in the amount of RMB812, RMB2,262 and RMB2,329, respectively. During the years ended December 31, 2012 and 2013, the Group made a reversal of RMB800 and RMB500, respectively, from the statutory common reserve fund to retained earnings due to the closure of certain subsidiaries. The statutory common reserve funds of these closed 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 year ended December 31, 2014.

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. No appropriations to the statutory common welfare fund were made for the years ended December 31, 2012, 2013 and 2014. During the years ended December 31, 2012 and 2013, the Group made a reversal of RMB400 and RMB250, respectively, from the statutory common welfare fund to retained earnings due to the closure of certain subsidiaries. The statutory common welfare funds of these closed 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 year ended December 31, 2014.

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.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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). In addition, the net assets of the Company s subsidiaries associated with their paid-in capital are not distributable in the form of dividends. 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 and related to the subsidiaries paid-in capital were approximately RMB517,175 and RMB519,503, or 15.5% and 14.9% of total consolidated net assets as of December 31, 2013 and 2014, 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.

(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 change in income resulting from the assumed conversion of securities or other contracts (i.e., zero-strike call option contracts) to common shares, 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 conversion of the convertible senior notes (using the if-converted method) and common shares issuable upon the exercise of outstanding share options (using the treasury stock method).

The common shares underlying the zero-strike call option contracts are excluded from both the basic and diluted earnings per share calculation as they are considered as deemed repurchased for the purpose of calculating both basic and diluted earnings per share. See Note 12.

(s) Fair Value Measurement of Financial Instruments

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participates at the measurement date in accordance with ASC 820 Fair Value Measurements and Disclosures (ASC 820). When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. 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.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments of the Group are primarily comprised of cash, restricted cash, short-term investments, receivables, payables, convertible senior notes and zero-strike call options. As of December 31, 2013 and 2014, the carrying values of cash, restricted cash, accounts receivable and payables approximated their estimated fair values due to the short-term maturities of these instruments. Short-term investments, which consist of certificates of deposits, are categorized as Level 1 under the fair value hierarchy and the carrying values approximated their estimated fair values because such deposits bear market interest rates.

In accordance with ASC 820, the Company measures the convertible senior notes at fair value on a recurring basis. The Company reports the convertible senior notes at fair value at each balance sheet date and changes in fair value are reflected in the consolidated statements of operations and comprehensive income. Fair value of the convertible senior notes is measured using Level 1 input within the fair value hierarchy as they are based on quoted market prices that are currently available on a dealer market. See Note 12.

Fair value of the zero-strike call options is measured using Level 2 input within the fair value hierarchy as they are based on market prices of the Company s publicly traded ADSs underlying the options. A change in fair value of the zero-strike call options was recognized in the year ended December 31, 2014 and reflected the difference in the closing stock price of the Company s ADS as quoted on the NASDAQ Global Select Market between when the zero-strike call options were initially entered into in April 2014 and their inclusion in equity in June 2014. See Note 12.

In determining the debt issuance costs related to the convertible senior notes and zero-strike call options, the Company applied the accounting for the fair value of a share lending arrangement using Level 3 inputs. The fair value of a share lending arrangement represents the economic loss from the share lending arrangement over the expected term of the underlying zero-strike call option contract. The inputs used in calculating fair value of the share lending arrangement include the contract value of the zero-strike call options, the estimated long-term share lending commission rate and the expected term of the zero-strike call option contract. See Note 12.

(t) Segment Reporting

Based on the criteria established by ASC 280 Segment Reporting, the Group currently operates and manages its business as a single operating and single reportable segment. The Group s chief operating decision-maker (CODM) is the chief executive officer. The CODM reviews operating results to make decisions about allocating resources and assessing performance for the entire Group. The Group primarily generates its revenues from customers in the PRC, and assets of the Group 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

The Company has adopted ASC 220 Comprehensive Income. Other comprehensive income/loss 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) Government Subsidies

Government subsidies represent discretionary cash subsidies granted by the local government to encourage the development of certain enterprises that are established in the local special economic region. Cash subsidies have no defined rules and regulations to govern the criteria necessary for companies to enjoy the benefits and are recognized as other income when received and when all conditions for their receipt have been satisfied.

The Group recognized government subsidies of RMB17,534, RMB44,183 and RMB58,345 which was included in other income for the years ended December 31, 2012, 2013 and 2014, respectively.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(x) Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (ASU 2014-08). The new guidance changes the criteria for reporting discontinued operations while enhancing disclosures in this area. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization s operations and financial results. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. ASU 2014-08 is effective for the Company in the first quarter of fiscal 2015. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 will eliminate transaction-specific and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle-based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. Entities can transition to the standard either retrospectively or as a cumulative effect adjustment as of the date of adoption. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis (ASU 2015-02). ASU 2015-02 focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. The ASU simplifies consolidation accounting by reducing the number of consolidation models from four to two. In addition, the new standard simplifies the FASB Accounting Standards Codification and improves current guidance by: (i) placing more emphasis on risk of loss when determining a controlling financial interest; (ii) reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a VIE; and (iii) changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs. The ASU will be effective for periods beginning after

December 15, 2015, for public companies. For private companies and not-for-profit organizations, the ASU will be effective for annual periods beginning after December 15, 2016; and for interim periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

3. ACCOUNTS RECEIVABLE

	2013 RMB	2014 RMB
Accounts receivable	66,155	75,773
Less: Allowance for doubtful accounts	(3,347)	(1,103)
	62,808	74,670

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

3. ACCOUNTS RECEIVABLE (Continued)

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

	2012 RMB	2013 RMB	2014 RMB
Balance at beginning of period	2,022	3,260	3,347
Additions	1,575	789	1,804
Write-offs	(337)	(702)	(4,048)
Balance at end of period	3,260	3,347	1,103

4. PREPAYMENTS AND OTHER CURRENT ASSETS

	2013 RMB	2014 RMB
Rental and other deposits	3,413	1,167
Prepayments for rental and others	15,386	11,291
Employee advances	1,980	2,668
Payments made on behalf of customers	271,015	324,812
Prepaid insurance premium	1,072	973
Interest income receivable	47,656	72,241
Unutilized input/prepaid value-added tax	3,167	14,000
Others	1,372	1,280
Total	345,061	428,432

Payments made on behalf of customers are associated with the operations of the Company s business process outsourcing services. The Company has remitted funds in advance on behalf of customers for purposes such as monthly customers employee benefits, social insurance and payroll payments, which will be reimbursed to the Company in the near term. The Company provided an allowance for payments made on behalf of customers when facts and circumstances indicate that the receivable is unlikely to be collected. The movement of allowance for payments made on behalf of customers is analyzed as follows:

	2012 RMB	2013 RMB	2014 RMB
Balance at beginning of period		6,079	3,632
Additions	6,079	1,313	
Reversals			(676)
Write-offs		(3,760)	(1,998)
Balance at end of period	6,079	3,632	958

5. PROPERTY AND EQUIPMENT

	2013 RMB	2014 RMB
Land and building	526,294	526,294
Leasehold improvements	19,902	25,487
Electronic equipment	110,863	120,039
Furniture and fixtures	10,376	11,891
Motor vehicles	6,880	6,669
Other assets	13,928	27,500
Less: Accumulated depreciation	(168,966)	(198,322)
Net book value	519,277	519,558

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

5. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense was RMB27,496, RMB31,867 and RMB45,660 for the years ended December 31, 2012, 2013 and 2014, respectively. Loss due to disposal of fixed assets was RMB65, RMB171 and RMB359 for the years ended December 31, 2012, 2013 and 2014, respectively.

6. INTANGIBLE ASSETS

	2013 RMB	2014 RMB
Computer equipment software	20,392	26,948
Acquired training licenses	3,522	3,522
Less: Accumulated amortization	(20,262)	(22,774)
Net book value	3,652	7,696

Amortization expense was RMB1,500, RMB1,824 and RMB2,567 for the years ended December 31, 2012, 2013 and 2014, respectively.

The Company will record estimated amortization expenses of RMB2,231, RMB1,925, RMB1,831, RMB1,490 and RMB219 for the years ending December 31, 2015, 2016, 2017, 2018 and 2019, respectively.

7. OTHER PAYABLES AND ACCRUALS

	2013 RMB	2014 RMB
Receipts from customers	191,829	232,658
Professional service fees	3,792	3,388
Office expenses	6,567	5,986
Payables to employees related to net proceeds from share options exercised	9,416	21,651

Accrued interest expense related to convertible senior notes		7,147
Others	1,374	1,675
Total	212,978	272,505

Receipts from customers are associated with the operations of the Company s business process outsourcing services. The Company has received funds in advance from customers for purposes such as monthly customers employee benefits, social insurance and payroll payments, which will be disbursed by the Company to other parties on behalf of customers in the near term.

8. TAXATION

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries that are incorporated in the 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 the British Virgin Islands, the Company s subsidiary that is incorporated in the 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

51net is registered in Hong Kong as a non-Hong Kong company and is subject to Hong Kong profits tax at a rate of 16.5% on its assessable profit.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

8. TAXATION (Continued)

China

The Enterprise Income Tax Law of the PRC (EIT Law), which became effective January 1, 2008, applies a uniform enterprise income tax rate (EIT) of 25% to both foreign-invested enterprises and domestic enterprises

In December 2009, Tech JV was designated by relevant local authorities in Shanghai as a High and New Technology Enterprise under the EIT Law. Tech JV became subject to a preferential tax rate of 15%. In 2012, its preferential tax status has been renewed by local tax authorities through 2014. Tech JV is entitled to this preferential 15% tax rate as long as it maintains the required qualifications, which is subject to review every three years.

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-invested 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, 2014, the Company has not recorded any withholding tax on the retained earnings of its FIEs in China. Cumulative undistributed earnings of the Company s PRC subsidiaries intended to be permanently reinvested totaled RMB2,505,576 and RMB3,130,242, and the amount of the unrecognized deferred tax liability on the permanently reinvested earnings was RMB250,558 and RMB313,024 as of December 31, 2013 and 2014, respectively.

Composition of Income Tax Expense

Income (loss) before income tax expense for the years ended December 31, 2012, 2013 and 2014 were taxed within the following jurisdictions:

	2012 RMB	2013 RMB	2014 RMB
PRC entities	608,637	665,131	745,639
Non-PRC entities	(42,952)	(64,183)	(193,694)
Total	565,685	600,948	551,945

The current and deferred portion of income tax expense included in the consolidated statements of operations and comprehensive income for the years ended December 31, 2012, 2013 and 2014 are as follows:

	2012 RMB	2013 RMB	2014 RMB
Current income tax expense			
PRC entities	93,081	98,056	106,368
Non-PRC entities			
Total	93,081	98,056	106,368
Deferred income tax expense			
PRC entities	2,498	2,252	6,667
Non-PRC entities			
Total	2,498	2,252	6,667
Income tax expense			
PRC entities	95,579	100,308	113,035
Non-PRC entities			
Total	95,579	100,308	113,035

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

8. TAXATION (Continued)

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, 2012, 2013 and 2014 are as follows:

	2012	2013	2014
EIT statutory rate	25%	25%	25%
Difference in EIT rates of certain subsidiaries	(10)%	(10)%	(13)%
Non-deductibility of expenses incurred outside the PRC	2%	3%	9%
Other permanent differences	(1)%	(1)%	(1)%
Change in valuation allowance	1%		
Effective EIT rate of the Group	17%	17%	20%

Income tax expense for the years ended December 31, 2012, 2013 and 2014 differs from the amounts computed by applying the EIT primarily due to the preferential tax rate enjoyed by Tech JV in the PRC. The aggregate amount and per share effect of the tax holidays are as follows:

	2012 RMB	2013 RMB	2014 RMB
		(in thousands, except per share data)	
Aggregate effect	57,889	63,361	69,818
Basic net income per share effect	1.01	1.08	1.19
Diluted net income per share effect	0.97	1.05	1.17

Significant components of deferred tax assets and liabilities as of December 31, 2013 and 2014 are as follows:

	2013 RMB	2014 RMB
Deductible temporary differences related to other payables and accruals	8,712	9,960
Deductible temporary differences related to provision for doubtful accounts	1,062	314
Total current deferred tax assets	9,774	10,274
Less: Valuation allowance	(17)	(18)
Net current deferred tax assets	9,757	10,256
Tax loss carryforwards	4,005	5,563
Amount offset by non-current deferred tax liabilities	(2,847)	(5,041)
Total non-current deferred tax assets	1,158	522
Less: Valuation allowance	(526)	(446)
Net non-current deferred tax assets	632	76
Total deferred tax assets	10,389	10,332
Taxable temporary differences related to depreciation period	(2,587)	(3,382)
Taxable temporary differences related to government subsidy income	(6,243)	(14,252)
Amount offset by non-current deferred tax assets	2,847	5,041
Total non-current deferred tax liabilities	(5,983)	(12,593)
Total deferred tax liabilities	(5,983)	(12,593)

All current deferred tax assets and liabilities within a single tax jurisdiction are offset and presented as a single amount, and all non-current deferred tax assets and liabilities within a single tax jurisdiction are offset and presented as a single amount in accordance with ASC 740-10-45-6 Income Taxes Overall Other Presentation Matters.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

8. TAXATION (Continued)

As of December 31, 2013 and 2014, 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 2012, 2013 and 2014 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. As of December 31, 2014, the Group had net operating loss carryforwards in PRC entities of RMB20,593, which can be carried forward to offset taxable income. The carryforward period for net operating losses under the EIT Law is five years. The net operating loss carryforwards of the Group will start to expire in 2018 for the amount of RMB9,565 if not utilized. The remaining net operating loss carryforwards will expire in varying amounts in 2019. Other than the expiration, there are no other limitations or restrictions upon the Group s ability to use these operating loss carryforwards.

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

	2012 RMB	2013 RMB	2014 RMB
Balance at beginning of period	554	508	543
Additions	508	385	36
Reversals	(554)	(350)	(115)
Balance at end of period	508	543	464

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. The 2000 Option Plan expired in 2010 and issuances from this plan ceased in 2009. 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 activity for the year ended December 31, 2014:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value (thousands)
Outstanding at January 1, 2014	5,241,424	US$ 22.71		
Granted	1,304,064	US$ 30.80		
Exercised	736,010	US$ 14.29		
Forfeited	120,884	US$ 25.72		
Outstanding at December 31, 2014	5,688,594	US$ 25.59	3.50	US$ 58,349
Vested and expected to vest at December 31, 2014	5,440,281	US$ 25.42	3.45	US$ 56,716
Exercisable at December 31, 2014	3,046,339	US$ 22.32	2.53	US$ 41,210

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

9. SHARE-BASED COMPENSATION (Continued)

The aggregate intrinsic value in the table above represents the difference between the Company s closing stock price on the last trading day in 2014 and the exercise price for in-the-money options.

The total intrinsic value of options exercised for the three years ended December 31, 2012, 2013 and 2014 was RMB84,524, RMB159,400 and RMB102,575 (US$16,532), respectively.

As of December 31, 2014, there was RMB184,953 (US$29,809) 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 2.66 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, 2014, total cash received from the exercise of share options amounted to RMB64,549 (US$10,403).

A summary of non-vested share option activity for the year ended December 31, 2014 is presented below:

	Number of shares	Weighted average grant-date fair value (per share)	
Non-vested at January 1, 2014	2,727,856	US$	10.74
Granted	1,304,064	US$	11.59
Vested	1,268,781	US$	10.55
Forfeited	120,884	US$	10.04
Non-vested at December 31, 2014	2,642,255	US$	11.28
Expected to vest at December 31, 2014	2,393,942	US$	11.29

There were no capitalized share-based compensation costs for the years ended December 31, 2012, 2013 and 2014. Share-based compensation expense with respect to the share option plans recognized during the years ended December 31, 2012, 2013 and 2014, totaled RMB50,538, RMB64,858 and RMB81,380 (US$13,116), respectively. The total fair value of share options vested during the year ended December 31, 2012, 2013 and 2014 was RMB53,236, RMB64,696 and RMB82,267 (US$13,387), 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, pension benefits and housing fund. These companies are required to contribute to these benefits based on certain percentages of the employees salaries in accordance with the relevant regulations and charge the amount contributed to these benefits to the consolidated statements of operations and comprehensive income. The total amounts charged to the consolidated statements of operations and comprehensive income for such employee benefits amounted to RMB100,219, RMB121,147 and RMB144,122 for the years ended December 31, 2012, 2013 and 2014, 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 Holdings Co., Ltd. (Recruit), which is a shareholder of the Company, to form a new company under Area Link Co., Ltd. (Area Link) to provide coupon advertising services in China. In December 2012, the Company terminated the cooperation agreement with Recruit, the coupon advertising services business owned by Area Link was sold, and the Company recognized a gain from sale with proceeds of RMB1,318. The Company did not have other transactions with Area Link or Recruit during the years ended December 31, 2012, 2013 and 2014.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

12. CONVERTIBLE SENIOR NOTES

On April 3, 2014, the Company issued US$172,500 of convertible senior notes due April 15, 2019 (the Notes). The Notes bear interest at a rate of 3.25% per year, payable semiannually in arrears. The interest expense incurred associated with the Notes was RMB25,078 for the year ended December 31, 2014.

The Notes may be converted to the Company s ADSs based on an initial conversion rate of 11.6976 ADSs per US$1,000 principal amount of the Notes (which represents an initial conversion price of US$85.49 per ADS). The conversion rate is subject to certain anti-dilutive adjustments. Following the change in the ratio of the Company s common shares to ADSs from 2:1 to 1:1 effective August 8, 2014, the initial conversion rate was adjusted to 23.3952 ADSs per US$1,000 principal amount of the Notes (which represents an adjusted initial conversion price of approximately $42.74 per ADS).

Holders may convert their Notes on or after October 15, 2018 until the close of business on the second scheduled trading day immediately preceding the maturity date, or at their option prior to the close of business on the business day immediately preceding October 15, 2018 only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on June 30, 2014 (and only during such calendar quarter), if the last reported sale price of ADSs for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any ten consecutive trading day period (the measurement period) in which the trading price (as defined in the indenture agreement) per US$1,000 principal amount of the Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the ADSs and the conversion rate on each such trading day; (iii) if the Company call the Notes for redemption; or (iv) upon the occurrence of specified corporate events (as defined in the indenture agreement). Upon conversion, the Company will pay or deliver, as the case may be, cash, ADSs, or a combination of cash and ADSs, at its election.

Holders have the right to require the Company to repurchase for cash all or part of the Notes on April 15, 2017 at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest to, but not including, the repurchase date. In addition, if the Company undergoes a fundamental change (as defined in the indenture agreement), holders may require the Company to repurchase for cash all or part of the Notes at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest to, but not including, the fundamental change repurchase date. The Company does not have the option to redeem the Notes prior to their maturity.

The Notes are senior unsecured obligations. The Notes (i) rank senior in right of payment to any of the Company s indebtedness that is expressly subordinated in right of payment to the Notes; (ii) rank equally in right of payment with any unsecured indebtedness that is not so subordinated; (iii) be effectively junior in right of payment to any secured indebtedness to the extent of the value of the assets securing such indebtedness; and (iv) be structurally subordinated to all indebtedness and other liabilities (including trade payables) of the Company s subsidiaries and consolidated VIEs.

The Group s functional currency is the RMB, and the Notes are denominated in US$. As a result, the conversion feature of the Notes is indexed to the Company s stock as well as the RMB and US$ exchange rate. Therefore, it is considered an embedded derivative which is required to be bifurcated from the host instrument in accordance with ASC 815 Derivatives and Hedging.

Under ASC 815-15-25, if an entity has a hybrid financial instrument that would require bifurcation of embedded derivatives, the entity may irrevocably elect to initially and subsequently measure a hybrid financial instrument in its entirety at fair value with changes in fair value recognized in earnings. The Company has elected to measure the Notes in their entirety at fair value with changes in fair value recognized as non-operating income or loss at each balance sheet date in accordance with ASC 815-15-25. Furthermore, the fair value of the Notes is translated into RMB, the Group s functional currency, at each balance sheet date with the difference being reported as foreign currency translation gain or loss. In addition, issuance costs of RMB33,093 associated with the Notes offering has been fully expensed as incurred in the year ended December 31, 2014 in accordance with ASC 825-10-25-3, which states that upfront costs and fees related to items for which the fair value option is elected shall be recognized in the consolidated statements of operations and comprehensive as incurred and not deferred.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

12. CONVERTIBLE SENIOR NOTES (Continued)

As of December 31, 2014, the estimated fair value of the Notes amounted to approximately RMB1,111,207. The Company recorded foreign currency translation gain of RMB5,507 for the year ended December 31, 2014 associated with the Notes. Loss from change in fair value of the Notes was RMB55,355 in the year ended December 31, 2014. See Note 2(s).

As of December 31, 2014, none of the Notes had been converted yet.

Zero-Strike Call Options

On April 3, 2014 and in connection with the issuance of the Notes, the Company used approximately US$50,000 of the net proceeds from the offering to enter into zero-strike call option transactions (Call Options), covering 1,462,204 ADSs, with affiliates of the initial purchasers of the Notes (Dealers). The Call Options are intended to facilitate privately negotiated transactions by which investors in the Notes are able to hedge their investment. The Call Options expire soon after the maturity date of the Notes or when the Dealers request early settlement. The Company will receive the fixed number of ADSs determined at the commencement date of the transaction, which is based on the market price per ADS at the commencement date. 76,000 ADSs have been early settled in 2014, which is accounted for in accordance with the Company s share repurchase accounting policy. See Note 2(u) and Note 13.

The economic substance of the Call Options is the same as a traditional forward repurchase contract. Because the Call Options permitted net cash settlement prior to shareholder approval of an increase in the Company s share repurchase program, they were classified as a derivative instrument measured initially and subsequently at fair value with changes in fair value recorded in earnings. The Company accounted for the Call Options as a free-standing derivative asset on its consolidated balance sheet when the Call Options were entered into in April 2014. The derivative asset was initially recorded at its fair value of US$50,000 on the commencement date which represented the amount of cash transferred to the Dealers. The derivative asset was subsequently recorded at fair value with the change in fair value through June 20, 2014, the date on which shareholder approval was received, recorded in the consolidated statements of operations and comprehensive income in the amount of RMB24,874. Upon shareholder approval of an increase to the Company s share repurchase program in June 2014, the asset was reclassified and recorded as a reduction to equity to reflect the Company s repurchase of its own shares.

A prepaid forward contract is considered a form of a stock borrowing facility, and economically, the contract is construed as a share lending arrangement between the Company and the Dealers. Therefore, the accounting for a share lending arrangement was applied by analogy in accordance with ASC 470-20-25-20A. The Company recorded a debt issuance cost of RMB14,429 with the offset to additional paid-in capital for the fair value of the arrangement. Given that the Company has elected to fair value the Notes entirely, the debt issuance costs in connection with the Notes were recognized in earnings as incurred in the consolidated statements of operations and comprehensive income in accordance with ASC 825-10-25-3. See Note 2(s).

13. REPURCHASE OF SHARES

On June 20, 2014, the Company s shareholders resolved to increase the size of a share repurchase program originally approved by shareholders on September 30, 2008 from US$25,000 to US$75,000. The share repurchases may be made on the open market, in block trades or otherwise and is subject to the Company s memorandum and articles of association, the relevant rules under United States securities laws and regulations, and the relevant stock exchange rules. The program does not have an expiration date and may be suspended or discontinued at any time.

For the year ended December 31, 2014, the Company repurchased 799,293 ADSs for a total consideration of RMB153,684 (US$24,769), including transaction fees, from the open market. In addition, the Company received 76,000 ADSs from the early settlement of some shares related to the zero-strike call options. All of the shares repurchased and received from early settlement were retired. See Note 2(u).

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

14. EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share have been calculated for the years ended December 31, 2012, 2013 and 2014 as follows:

	2012 RMB	2013 RMB	2014 RMB
	(in thousands, except share and per share data)		
Numerator:			
Net income	470,106	500,640	438,910
Denominator:			
Denominator for basic earnings per share weighted average common shares outstanding	57,510,591	58,551,925	58,475,397
Dilutive effect of share options	1,864,532	1,517,272	1,216,596
Denominator for diluted earnings per share	59,375,123	60,069,197	59,691,993
Basic earnings per share	8.17	8.55	7.51
Diluted earnings per share	7.92	8.33	7.35

The convertible senior notes were not included in the calculation of diluted EPS in 2014 because their inclusion would have been anti-dilutive.

The Company excluded outstanding share options of 2,520,002 in 2012, 2,707,713 in 2013 and 2,196,406 in 2014, from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

The Company excluded 1,462,204 common shares underlying the zero-strike call option contracts from both the basic and diluted earnings per share calculation as they are considered as deemed repurchased for the purpose of calculating both basic and diluted earnings per share.

15. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Group has entered into non-cancelable agreements with initial or remaining terms in excess of one year for 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:

	Office premises RMB	Office equipment RMB	Total RMB
2015	34,783	5,881	40,664
2016	29,830	1,401	31,231
2017	22,007	911	22,918
2018	15,723		15,723
2019	4,545		4,545
Thereafter	4,495		4,495
	111,383	8,193	119,576

Rental expenses for the years ended December 31, 2012, 2013 and 2014 were RMB39,708, RMB44,537 and RMB46,066, respectively.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

15. COMMITMENTS AND CONTINGENCIES (Continued)

Publication Fees

The Group has entered into a non-cancelable agreement for the printing of a recruitment publication. Future minimum payment with respect to this agreement for the twelve months ending December 31, 2015 is RMB10,000.

Contractual Purchase Obligations

The Group s contractual purchase obligations consist of agreements to purchase advertising services from media companies and to purchase office furnishings. Future minimum payments with respect to these agreements for the twelve months ending December 31 of the coming year are as follows:

	Advertising services RMB	Office furnishings RMB	Total RMB
2015	4,126	2,049	6,175

Contingencies

As of the filing date of this Form 20-F, the Group is not currently a party to, nor is aware of, any legal proceeding, investigation or claim which is likely to have a material adverse effect on the Group s business, financial condition, 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% under certain circumstances since August 2006. Starting from January 2008, the PRC government no longer implemented any foreign ownership percentage limitation for Hong Kong service providers and Macau service providers.

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. 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 the Group has not received any waiver from the PRC government with respect to this past non-compliance. 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 PRC legal counsel, the likelihood of loss with respect to the Group s past ownership structure is remote.

16. CERTAIN RISKS AND CONCENTRATION

Concentration of Credit Risk

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, 2013 and 2014, 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, 2014, the Company had approximately RMB3,587,723 (US$578,236) in cash and certificates of deposit, which constitute about 79% of total cash, restricted cash and short-term investments, held at reputable financial institutions in the PRC. The Company believes that it is not exposed to unusual risks as these PRC financial institutions have high credit quality. However, in the event of bankruptcy of a financial institution in which the Company has deposits or investments, it may be unlikely to claim its deposits or investments back in full.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

16. CERTAIN RISKS AND CONCENTRATION (Continued)

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.

No individual customer accounted for more than 10% of net revenues during the years ended December 31, 2012, 2013 and 2014. No individual customer accounted for more than 10% of accounts receivable as of December 31, 2013 and 2014.

Currency Risk

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. In addition, the Group s cash and convertible notes denominated in USD subject the Group to risks associated with changes in the exchange rate of RMB against USD and may affect the Group s results of operations going forward.

PRC Regulatory Risk

The Group is subject to regulatory risks, which include the interpretation of current 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.

The Group conducts some of its operations in the PRC 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, rules or regulations, the Group may be subject to penalties, which may include but not be limited to, the cancellation or revocation of the Group s business and operating licenses, being required to restructure the Group s operations or discontinue the Group s operating activities. The imposition of any of these or other penalties may result in a material and adverse effect on the Group s ability to conduct its operations. In such case, the Group may lose its rights to direct the activities of and receive economic benefits from its VIEs, which may result in deconsolidation of the VIEs.

In addition, any change in interpretation of current laws or any future laws affecting the determination of whether a VIE entity is a domestic or foreign investment company may materially impact the viability of the Group s current corporate structure, corporate governance and business operations in many aspects. For example, the draft Foreign Investment Law published by the PRC Ministry of Commerce (MOFCOM) on January 19, 2015, if enacted as proposed, may cause the VIEs to be deemed as entities with foreign investment, and as a result, the Group s VIEs and subsidiaries in which these VIEs have direct or indirect equity ownership could be subject to the current restrictions on foreign investment in an industry within the catalogue of special management measures (the negative list) to be issued by the PRC State Council. If the enacted version of the Foreign Investment Law and the final negative list mandate further actions, such as MOFCOM market entry clearance or certain restructuring of the corporate structure and operations to be completed by companies with existing VIE structure like the Group s, the Group will face substantial uncertainties as to whether these actions can be timely completed, or at all. As a result, the Group s business, operating results and financial condition may be adversely affected.

Table of Contents

51JOB, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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

17. SUBSEQUENT EVENTS

In January 2015, the Company entered into an agreement to acquire approximately 1,615 square meters of office space in Shanghai to accommodate its growing business operations. The purchase price was RMB41,970, which was paid to the seller in the first quarter of 2015. The transaction was funded from the Company s existing cash resources.

In February 2015, the Company entered into definitive agreements related to acquisitions and investments in some target companies. These companies include an established recruitment website focused on new college graduates and students in China, and providers of professional assessment, training and human resources consulting services in China. These investments will be funded from the Company s existing cash resources, and the total consideration is expected to be up to RMB270,000, subject to closing conditions and adjustments, if any. The Company expects closing for these transactions to occur in the second quarter of 2015.