

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Cayman Islands
(State or other jurisdiction of
incorporation or organization)

8200

(Primary Standard Industrial
Classification Code Number)

Not Applicable
(I.R.S. Employer
Identification Number)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1) (2)	Proposed maximum aggregate offering price (1)	Amount of registration fee
Common shares, par value \$0.01 per share(2)(3)	34,500,000	\$112,125,000	\$11,998

- (1) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(a) under the Securities Act of 1933.
- (2) Includes common shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public, and also includes common shares that may be purchased by the underwriters pursuant to an over-allotment option. These common shares are not being registered for the purpose of sales outside the United States.
- (3) American depository shares issuable upon deposit of the common shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No.333-_____). Each American depository share represents four common shares.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated August 22, 2006.

7,500,000 American Depositary Shares
Representing
30,000,000 Common Shares

New Oriental Education & Technology Group Inc.



This is an initial public offering of American depositary shares, or ADSs, of New Oriental Education & Technology Group Inc., or New Oriental. New Oriental is offering 7,500,000 ADSs. Each ADS represents four common shares. The ADSs are evidenced by American depositary receipts, or ADRs.

Prior to this offering, there has been no public market for the ADSs or the common shares. We anticipate the initial public offering price will be between US\$11.00 and US\$13.00 per ADS. We have applied to have the ADSs listed on the New York Stock Exchange under the symbol "EDU."

See "[Risk Factors](#)" beginning on page 11 to read about risks you should consider before buying the ADSs.

Neither the United States Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Price to Public	Underwriting Discounts	Proceeds, Before Expenses, to New Oriental
Per ADS	US\$	US\$	US\$
Total	US\$	US\$	US\$

The underwriters have an option to purchase up to an additional 1,125,000 ADSs from New Oriental at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the ADSs evidenced by the ADRs against payment in U.S. dollars in New York, New York on _____, 2006.

Credit Suisse

Goldman Sachs (Asia) L.L.C.

Piper Jaffray

Prospectus dated _____, 2006

Largest Provider of Private Educational Services in China

Over 3 million enrollments since 1993 and over 800,000 in 2005 alone

Unparalleled national scale and network with 25 schools and more than 110 learning centers





语言就是力量 LANGUAGE IS POWER

AGE 5 AGE12



Our mission is to inspire Chinese students of all ages to improve their lives and expand their horizons through a lifelong commitment to education

AGE18

AGE25

AGE 35+

Practical English training for school or the workplace

ed content for all ages

nd middle school through university and beyond

For major exams used by educational institutions in China and abroad

age training, test prep, and vocational programs

To help students achieve their dreams of international study

ers to localize and distribute content

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the ADSs offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information in this prospectus is current only as of the date of this prospectus.

In connection with this offering, Credit Suisse Securities (USA) LLC, Goldman Sachs (Asia) L.L.C. or any person acting for either of them may over-allot or effect transactions with a view to supporting the market price of the ADSs at a level higher than that which might otherwise prevail for a limited period of time after the issue date. However, there is no obligation on Credit Suisse Securities (USA) LLC, Goldman Sachs (Asia) L.L.C. or their respective agents to do this. Such stabilization, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our ADSs discussed under "Risk Factors," before deciding whether to buy our ADSs.

Our Business

We are the largest provider of private educational services in China based on the number of program offerings, total student enrollments and geographic presence. We offer a wide range of educational programs, services and products consisting primarily of English and other foreign language training, test preparation courses for major admissions and assessment tests in the United States, the PRC and Commonwealth countries, primary and secondary school education, development and distribution of educational content, software and other technology, and online education. We provide educational services under our "New Oriental" brand, which is the best brand in China's English language education market according to a report published in June 2005 by the Social Survey Institute of China, or SSIC, a leading social survey and research firm in China. We believe our "New Oriental" brand is the leading consumer brand in China's private education sector, as evidenced by awards we received from many national print and online media sources in China, including the "Most Influential Education Brand in 2005" from Southern China Metropolitan Daily, a newspaper with nationwide circulation, and the "2004 Top Ten Largest Private Educational Organizations in China" from China Fortune, one of the leading finance journals in China.

Since our inception in 1993, we have had over three million cumulative student enrollments. In the fiscal year ended May 31, 2006, we had over 872,000 student enrollments, including approximately 497,000 student enrollments in our language training programs and approximately 375,000 student enrollments in our test preparation courses. We deliver our educational programs, services and products to students through an extensive physical network of 25 schools, 111 learning centers and 13 bookstores operated by us as of May 31, 2006, over 5,000 third-party bookstores and approximately 1,700 teachers in 24 cities, as well as through our virtual online network, which has approximately two million registered users.

We have experienced significant growth in our business in recent years. Our total net revenues increased from RMB441.8 million for the fiscal year ended May 31, 2004 to RMB770.3 million (US\$96.1 million) for the fiscal year ended May 31, 2006, representing a compound annual growth rate, or CAGR, of 32.0%. Net revenues from our language training and test preparation courses accounted for 96.0%, 91.9% and 89.2%, respectively, of our total net revenues in the fiscal years ended May 31, 2004, 2005 and 2006. Our net income increased from RMB52.4 million in the fiscal year ended May 31, 2004 to RMB142.0 million in the fiscal year ended May 31, 2005, but decreased to RMB49.4 million (US\$6.2 million) in the fiscal year ended May 31, 2006 primarily due to the RMB64.5 million (US\$8.0 million) share-based compensation expenses we incurred in the year.

Market Opportunity

We primarily target students between the ages of five and 29 living in urban areas in China. According to China Statistical Yearbook (2005) published by the National Bureau of Statistics of China, in 2004, approximately 457 million people in China were between the ages of five and 29. In 2004, China had eight cities each with a population of over four million, 50 cities each with a population of over one million and 131 cities

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each with a population of over 500,000, according to China Demographics Yearbook (2005) published by the National Bureau of Statistics of China. In the fiscal year ended May 31, 2006, we generated approximately two-thirds of our revenues from four cities in China: Beijing, Shanghai, Guangzhou and Wuhan, each of which has a population of over four million.

The size of the education market in China was approximately RMB580 billion (US\$72 billion) in 2004, of which the size of the English language training market was approximately RMB15 billion (US\$1.9 billion) and is expected to grow to approximately RMB30 billion (US\$3.7 billion) in 2010, at a CAGR of 12.3%, according to China Education and Training Industry Research Report (2005-2006) published by Beijing Heading Century Consulting Co., Ltd., a third-party consulting and market research firm. The demand for English language training is primarily driven by China's accelerating integration into the global economy, which has resulted in increasing career opportunities for native Chinese speakers who are able to communicate effectively in English. The belief that English language proficiency is essential for career development and advancement is gaining increasing acceptance in China.

In addition, over 100,000 Chinese students traveled overseas each year to enroll in higher education programs since 2002, according to China Statistical Yearbook (2005). To gain admission into colleges, graduate schools and professional schools in the United States and many other countries, applicants typically must take admissions and assessment tests conducted in English, such as TOEFL, IELTS, GRE, GMAT, LSAT and SAT. English proficiency is also tested as a major subject for admission to colleges and graduate schools in China. As urban citizens in China are increasingly recognizing that higher education leads to greater rewards in terms of income and career opportunities, there is strong demand for test preparation courses for admissions and assessment tests required by higher educational institutions in China and abroad.

Public schools in China are generally required to use government-approved curricula. In contrast, private schools in China, while also heavily regulated, have greater flexibility to teach additional subjects and emphasize specific subjects, such as English language, to meet students' needs, and to deliver education in a small-group setting. As a result, there is strong demand for high-quality private education and training among urban citizens in China.

Our Strengths, Strategies and Risks

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

- most recognized private education brand in China;
- leading market position in multiple high growth areas of education;
- extensive program, service and product offerings;
- unparalleled national scale and network;
- innovative and inspirational instruction;
- successful track record; and
- experienced management team with a passion for education.

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Our goal is to strengthen our position as the largest provider of private educational services in China. We intend to leverage our brand and extensive national network to achieve our goal by pursuing the following growth strategies:

- establish new schools and learning centers;
- increase student enrollments and course fees at our existing schools and learning centers;
- expand our program, service and product offerings;
- continue to leverage and expand our content distribution channels; and
- continue to strengthen existing, and pursue new, strategic relationships with educational content providers and other complementary businesses.

The successful execution of our strategies is subject to certain risks and uncertainties, including uncertainties regarding our ability to enhance and expand our program, service and product offerings in a timely manner in response to evolving student demands, expand our geographic reach, respond to competitive pressures and manage our growth effectively and efficiently while maintaining the consistency of our teaching quality and materials, as well as risks associated with excessive expenses that may be incurred in opening new schools and learning centers. See “Risk Factors” and “Forward-Looking Statements” for a discussion of these risks and uncertainties.

Our Corporate History and Structure

We commenced operations in China in 1993. We established a holding company on August 18, 2004 as a company formed under the laws of the British Virgin Islands, and changed our corporate domicile to the Cayman Islands on January 25, 2006. We are currently 39.6% owned by Tigerstep Developments Limited, or Tigerstep, a company associated with Michael Minhong Yu, our founder, Chairman and Chief Executive Officer. Our other shareholders include other founders of our company and their affiliates, as well as entities affiliated with Tiger Global Private Investment Partners II, L.P., or Tiger Global. PRC laws and regulations currently require any foreign entity that invests in the education business in China to be an educational institution with relevant experience in providing education outside China. Our Cayman Islands holding company is not an educational institution and does not provide educational services. In addition, PRC laws and regulations prohibit foreign ownership of primary and middle schools for students in grades one to nine in China. Accordingly, we conduct our education business in China primarily through contractual arrangements among our subsidiaries in China and Beijing New Oriental Education & Technology (Group) Co., Ltd., or New Oriental China, and its subsidiaries. New Oriental China is our consolidated affiliated entity established in China. New Oriental China and its subsidiaries hold the licenses and permits necessary to conduct our education business in China and directly operate our schools, learning centers, bookstores and online education business. These contractual arrangements enable us to:

- exercise effective control over New Oriental China and its subsidiaries;
- receive a substantial portion of the economic benefits from New Oriental China and its subsidiaries in consideration for the services provided by our wholly owned subsidiaries in China; and
- have an exclusive option to purchase all or part of the equity interests in New Oriental China and all or part of the equity interests in its subsidiaries, as well as all or part of the assets of New Oriental China, in each case when and to the extent permitted by applicable PRC law.

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See “Corporate Structure—Our Corporate Structure and Contractual Arrangements” and “Related Party Transactions—Contractual Arrangements with New Oriental China and Its Subsidiaries and Shareholders” for further information on our contractual arrangements with these parties.

Our Offices

Our principal executive offices are located at No. 6 Hai Dian Zhong Street, Haidian District, Beijing 100080, People’s Republic of China. Our telephone number at this address is +(8610) 6260-5566. Our registered office in the Cayman Islands is located at Codan Trust Company (Cayman) Limited, Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies, Cayman Islands. Our telephone number at this address is +(1) 345-949-1040. In addition, we have branch offices in 18 cities in China and one branch office in Vancouver, Canada.

Investors should submit any inquiries to the address and telephone number of our principal executive offices. Our principal websites are <http://www.neworiental.org>, www.koolearn.com and www.tol24.com. The information contained on these websites and our other websites is not a part of this prospectus. Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

Conventions Which Apply to this Prospectus

Unless we indicate otherwise, all information in this prospectus reflects the following:

- no exercise by the underwriters of their option to purchase up to 1,125,000 additional ADSs representing 4,500,000 common shares; and
- conversion of all outstanding preferred shares to common shares immediately prior to the closing of this offering.

Except where the context otherwise requires and for purposes of this prospectus only:

- “we,” “us,” “our company” or “our” refers to New Oriental Education & Technology Group Inc., its predecessor entities and subsidiaries and, in the context of describing our operations and consolidated financial data, also include New Oriental China and its subsidiaries;
- “China” or “PRC” refers to the People’s Republic of China, excluding Taiwan, Hong Kong and Macau;
- “New Oriental China” refers to our consolidated affiliated entity in the PRC, Beijing New Oriental Education & Technology (Group) Co., Ltd., and its subsidiaries;
- “student enrollments” refers to the cumulative total number of courses enrolled in and paid for by our students, including multiple courses enrolled in and paid for by the same student but excluding courses offered at our primary and secondary school in Yangzhou, China;
- “shares” or “common shares” refers to our common shares; “preferred shares” refers to our Series A convertible preferred shares;
- “ADSs” refers to our American depositary shares, each of which represents four common shares, and “ADRs” refers to the American depositary receipts that evidence our ADSs; and
- “RMB” or “Renminbi” refers to the legal currency of China and “\$,” “dollars,” “US\$” or “U.S. dollars” refers to the legal currency of the United States.

Glossary of Major Admissions and Assessment Tests

ACT	American College Test (US)
BEC	Business English Certificate (US)
CET 4	College English Test Level 4 (PRC)
CET 6	College English Test Level 6 (PRC)
GMAT	Graduate Management Admission Test (US)
GRE	Graduate Record Examination (US)
IELTS	International English Language Testing System (Commonwealth countries)
LSAT	Law School Admission Test (US)
PETS	Public English Test System (PRC)
SAT	SAT College Entrance Test (US)
TOEFL	Test of English as a Foreign Language (US)
TOEIC	Test of English for International Communication (US)
TSE	Test of Spoken English (US)

THE OFFERING

The following information assumes that the underwriters will not exercise their option to purchase additional ADSs in the offering, unless otherwise indicated.

Offering price	We currently estimate that the initial public offering price will be between US\$11.00 and US\$13.00 per ADS.
ADSs offered by us	7,500,000 ADSs.
ADSs outstanding immediately after this offering	7,500,000 ADSs.
Common shares outstanding immediately after this offering	141,111,111 shares
ADSs to common share ratio	Each ADS represents four common shares.
Listing	We have applied to have the ADSs listed on the New York Stock Exchange under the symbol “EDU.” The ADSs will not be listed on any other exchange or traded on any other automated quotation system.
The ADSs	<p>The ADSs will be evidenced by American depositary receipts, or ADRs.</p> <ul style="list-style-type: none">• The depositary will hold the shares underlying your ADSs. You will have rights as provided in the deposit agreement.• If, however, we declare dividends on our common shares, the depositary will pay you the cash dividends and other distributions it receives on our common shares, after deducting its fees and expenses.• You may turn in your ADSs to the depositary in exchange for common shares. The depositary will charge you fees for any exchange.• We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended. <p>To better understand the terms of the ADSs, you should carefully read the “Description of American Depositary Shares” section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.</p>
Depositary	Deutsche Bank Trust Company Americas.

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Option to purchase additional ADSs	We have granted to the underwriters an option, which is exercisable within 30 days from the date of this prospectus, to purchase up to an additional 1,125,000 ADSs.
Timing and settlement for ADSs	The ADSs are expected to be delivered against payment on _____, 2006. The ADRs evidencing the ADSs will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company, or DTC, in New York, New York. DTC, and its direct and indirect participants, will maintain records that will show the beneficial interests in the ADSs and facilitate any transfer of the beneficial interests.
Use of proceeds	Our net proceeds from this offering are expected to be approximately US\$80.7 million, assuming an initial public offering price per ADS of US\$12.00, which is the midpoint of the estimated public offering price range. We plan to use the net proceeds we receive from this offering for working capital and general corporate purposes, which may include the expansion of existing facilities, the acquisition of new facilities, the development and introduction of new programs and strategic acquisitions, and to repay our outstanding indebtedness under our loan agreements and corporate facility with commercial banks. See "Use of Proceeds" for additional information.
Lock-up	We have agreed with the underwriters to a lock-up of shares for a period of 180 days after the date of this prospectus. In addition, our executive officers, directors and certain of our existing shareholders have also agreed with the underwriters to a lock-up of shares for a period of 180 days after the date of this prospectus. See "Underwriting."
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of risks you should carefully consider before investing in our ADSs.

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

- assumes the conversion of all outstanding preferred shares into 11,111,111 common shares immediately prior to the completion of this offering;
- excludes 8,719,500 common shares issuable upon the exercise of options outstanding as of August 22, 2006, at a weighted average exercise price of US\$2.09 per share; and
- excludes common shares reserved for future issuances under our 2006 share incentive plan.

SUMMARY CONDENSED CONSOLIDATED FINANCIAL DATA

The following summary condensed consolidated financial information has been derived from our consolidated financial statements. Our statements of operations and comprehensive income for the years ended May 31, 2004, 2005 and 2006 and our balance sheet as of May 31, 2006 have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm. The report of Deloitte Touche Tohmatsu CPA Ltd. on those financial statements is included elsewhere in this prospectus. You should read the summary condensed consolidated financial information for those periods and as of those dates in conjunction with those statements and the accompanying notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Our consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

<i>(in thousands except for share, per share and per ADS data)</i>	For the Years Ended May 31,			
	2004	2005	2006	
	RMB	RMB	RMB	US\$
Condensed Consolidated Statement of Operations Data:				
Net revenues	441,809	643,270	770,259	\$ 96,057
Operating costs and expenses ⁽¹⁾	(396,090)	(532,173)	(706,100)	\$ (88,056)
Operating income	45,719	111,097	64,159	\$ 8,001
Net income	52,389	141,974	49,385	\$ 6,159
Dividend in kind	—	—	(25,526)	\$ (3,183)
Income attributable to holders of common shares	52,389	141,974	23,859	\$ 2,976
Net income per common share				
Basic	0.52	1.42	0.24	\$ 0.03
Diluted	0.52	1.35	0.21	\$ 0.03
Net income per ADS ⁽²⁾				
Basic	2.08	5.68	0.96	\$ 0.12
Diluted	2.08	5.40	0.84	\$ 0.12
Shares used in calculating basic and diluted net income per common share				
Basic	100,000,000	100,000,000	100,000,000	100,000,000
Diluted	100,000,000	104,840,183	111,111,111	111,111,111
Dividends declared per share ⁽³⁾	0.27	0.65	0.59	\$ 0.07
Pro forma net income per share on an as converted basis, basic (unaudited)	—	—	0.21	\$ 0.03
Pro forma net income per share on an as converted basis, diluted (unaudited)	—	—	0.21	\$ 0.03
Shares used in calculating pro forma per share amounts on an as converted basis, basic (unaudited)	—	—	111,111,111	111,111,111
Shares used in calculating pro forma per share amounts on an as converted basis, diluted (unaudited)	—	—	111,111,111	111,111,111

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

<i>(in thousands)</i>	For the Years Ended May 31,			
	2004	2005	2006	
	RMB	RMB	RMB	US\$
Share-based compensation expenses	16,817	—	64,457	\$ 8,041

(2) Each ADS represents four common shares.

(3) We declared an annual dividend of RMB0.27 and RMB0.65 per share, respectively, to holders of our common shares in our fiscal years ended May 31, 2004 and 2005. We declared an annual dividend of RMB0.59 per share to holders of our common shares and preferred shares in our fiscal year ended May 31, 2006.

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The following table presents a summary of our condensed consolidated balance sheet data as of May 31, 2006:

(in thousands) As of May 31, 2006

	Actual		Unaudited Pro Forma ⁽¹⁾	
	RMB	US\$	RMB	US\$
Condensed Consolidated Balance Sheet Data:				
Cash and cash equivalents	261,854	\$ 32,655	261,854	\$ 32,655
Total assets	1,089,562	135,876	1,089,562	\$ 135,876
Total current liabilities	465,218	58,016	465,218	\$ 58,016
Total liabilities	568,056	70,841	568,056	\$ 70,841
Long-term debt, less current portion	102,638	12,800	102,638	\$ 12,800
Series A convertible preferred shares	920	114	—	\$ —
Total shareholders' equity	521,506	65,035	521,506	\$ 65,035

- (1) The unaudited pro forma condensed consolidated balance sheet information as of May 31, 2006 assumes the conversion of all of the Series A convertible preferred shares outstanding as of May 31, 2006 into 11,111,111 common shares immediately upon the completion of this offering.

RISK FACTORS

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

Risks Related to Our Business

If we are not able to continue to attract students to enroll in our courses without a significant decrease in course fees, our revenues may decline and we may not be able to maintain profitability.

The success of our business depends primarily on the number of student enrollments in our courses and the amount of course fees that our students are willing to pay. Therefore, our ability to continue to attract students to enroll in our courses without a significant decrease in course fees is critical to the continued success and growth of our business. This in turn will depend on several factors, including our ability to develop new programs and enhance existing programs to respond to changes in market trends and student demands, expand our geographic reach, manage our growth while maintaining the consistency of our teaching quality, effectively market our programs to a broader base of prospective students, develop and license additional high-quality educational content and respond to competitive pressures. If we are unable to continue to attract students to enroll in our courses without a significant decrease in course fees, our revenue may decline and we may not be able to maintain profitability.

We depend on our dedicated and capable faculty, and if we are not able to continue to hire, train and retain qualified teachers, we may not be able to maintain consistent teaching quality throughout our school network and our brand, business and operating results may be materially and adversely affected.

Our teachers are critical to maintaining the quality of our programs, services and products and maintaining our brand and reputation, as they interact with our students on a daily basis. We must continue to attract qualified teachers who have a strong command of the subject areas to be taught and meet our qualification. We also seek to hire teachers who are capable of delivering innovative and inspirational instruction. There are a limited number of teachers in China with the necessary experience and language proficiency to teach our courses and we must provide competitive compensation packages to attract and retain qualified teachers. In addition, criteria such as commitment and dedication are difficult to ascertain during the recruitment process, in particular as we continue to expand and add teachers at a faster pace to meet rising student enrollments. We must also provide continuous training to our teachers so that they can stay abreast of changes in student demands, admissions and assessment tests, admissions standards and other key trends necessary to effectively teach their respective courses. We may not be able to hire, train and retain enough qualified teachers to keep pace with our anticipated growth while maintaining consistent teaching quality across many different schools, learning centers and programs in different geographic locations. Shortages of qualified teachers or decreases in the quality of our instruction, whether actual or perceived in one or more of our markets, may have a material and adverse effect on our business.

Our business depends on our “New Oriental” brand, and if we are not able to maintain and enhance our brand to maintain our competitive advantage, our reputation, business and operating results may be harmed.

We believe that market awareness of our “New Oriental” brand has contributed significantly to the success of our business. We also believe that maintaining and enhancing the “New Oriental” brand is critical to maintaining our competitive advantage. We offer a diverse set of programs, services and products to primary and middle school students, college students and other adults throughout many provinces and cities in China. As we continue to grow in size, expand our programs, services and products and extend our geographic reach, maintaining quality and consistency may be more difficult to achieve.

We have developed our student base primarily by word-of-mouth referrals and have incurred limited brand promotion expenses to date. We have initiated brand promotion efforts in recent years, but we cannot assure you

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that our new marketing efforts will be successful in further promoting our brand to remain competitive. If we are unable to further enhance our brand recognition and increase awareness of our programs, services and products, or if we incur excessive marketing and promotion expenses, our business and results of operations may be materially and adversely affected.

Failure to effectively and efficiently manage the expansion of our school network may materially and adversely affect our ability to capitalize on new business opportunities.

We have increased the number of our schools in China from three in 2001 to 25 by the end of May 2006, and increased the number of our learning centers in China from 23 in 2001 to 111 by the end of May 2006. We plan to continue to expand our operations in different geographic locations in China. This expansion has resulted, and will continue to result, in substantial demands on our management, faculty, operational, technological and other resources. Our planned expansion will also place significant demands on us to maintain the consistency of our teaching quality and our culture to ensure that our brand does not suffer as a result of any decreases, whether actual or perceived, in our teaching quality. To manage and support our growth, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and management personnel as well as other administrative and sales and marketing personnel, particularly as we expand into new markets. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified teachers and management personnel and integrate new schools and learning centers into our operations. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse impact on our financial condition and results of operations.

If we fail to successfully execute our growth strategies, we may not be able to continue to attract students to enroll in our courses without a significant decrease in course fees, and our business and prospects may be materially and adversely affected.

Our growth strategies include expanding our program, service and product offerings and our network of schools, learning centers and bookstores, updating and expanding the content of our programs, services and products in a cost-effective and timely manner, as well as maintaining and continuing to establish strategic relationships with complementary businesses. The expansion of our programs, services and products in terms of types of offerings and geographic locations may not succeed due to competition, our failure to effectively market our new programs, services and products and maintain their quality and consistency, or other factors. In addition, we may be unable to identify new cities with sufficient growth potential to expand our network, and we may fail to attract students and increase student enrollments or recruit, train and retain qualified teachers for our new schools and learning centers. Some cities in China have undergone development and expansion for several decades while others are still at an early stage of urbanization and development. In more developed cities, it may be difficult to increase the number of schools and learning centers because we and/or our competitors already have operations in such cities. In recently developed and developing cities, demand for our programs, services and products may not increase as rapidly as we expect. Furthermore, we may be unable to develop or license additional content on commercially reasonable terms and in a timely manner, or at all, to keep pace with changes in market requirements. If we fail to successfully execute our growth strategies, we may not be able to continue to attract students to enroll in our courses without a significant decrease in course fees, and our business and prospects may be materially and adversely affected.

Third parties have in the past brought intellectual property infringement claims against us based on the content of the books and other teaching or marketing materials that we or our teachers authored and/or distributed and may bring similar claims against us in the future.

We may be subject to claims by educational institutions and organizations, content providers and publishers, competitors and others for intellectual property rights infringement, defamation, negligence or other legal

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theories based on the content of the materials that we or our teachers author and/or distribute as course materials. These types of claims have been brought, sometimes successfully, against print publications and educational institutions in the past, including ourselves. For example, in January 2001, the Graduate Management Admission Council, or GMAC, and Educational Testing Service, or ETS, filed three separate lawsuits against us in the Beijing No. 1 Intermediate People's Court alleging that we had violated the copyrights and trademarks relating to the GMAT test owned by GMAC and relating to the GRE and TOEFL tests owned by ETS, by duplicating, selling and distributing their test materials without their authorization. In September 2003, the trial court found that we had violated GMAC's and ETS's respective copyrights and trademarks in connection with those admissions tests. The trial court's judgment was partially affirmed in a final judgment issued by the Beijing Higher People's Court in December 2004. The Beijing Higher People's Court held that we had not misused the trademarks of GMAC or ETS. However, it also found that the TOEFL, GRE and GMAT tests were the original works of ETS and GMAC, respectively, and protected under the PRC Copyright Law. The Beijing Higher People's Court held that our duplication, sale and distribution of the test materials relating to these tests without ETS's and GMAC's prior permission was not a "reasonable use" of the test materials under the PRC Copyright Law, and that we, therefore, had infringed upon ETS's and GMAC's respective copyrights. We were ordered to pay damages in an aggregate of approximately RMB6.5 million (US\$0.8 million), cease all infringing activities and destroy all copyright-infringing materials in our possession, all of which we have done. We have also been involved in other claims and legal proceedings against us relating to infringement of third parties' copyrights in materials distributed by us and the unauthorized use of a third party's name in connection with the marketing and promotion of one of our programs.

Since the Beijing Higher People's Court issued the final judgment in 2004, we have endeavored to comply with the court order and applicable PRC laws and regulations relating to intellectual property, and have adopted policies and procedures to prohibit our employees and contractors from engaging in any copyright, trademark or trade name infringing activities. However, we cannot assure you that every teacher or other personnel will strictly comply with these policies at our schools, learning centers or other locations or media through which we provide our programs, services and products. In addition, certain types of our teaching or marketing materials have subjected us to claims of intellectual property rights infringement by third parties in the past and may subject us to further claims in the future, particularly in light of the uncertainties in the interpretation and application of PRC intellectual property laws and regulations. Furthermore, if printed publications or other materials that we or our teachers author and/or distribute contain materials that government authorities find objectionable, these publications may have to be recalled, which could result in increased expenses, loss in revenues and adverse publicity. Any claims against us, with or without merit, could be time-consuming and costly to defend or litigate, divert our management's attention and resources or result in the loss of goodwill associated with our brand. If a lawsuit against us is successful, we may be required to pay substantial damages and/or enter into royalty or license agreements that may not be based upon commercially reasonable terms, or we may be unable to enter into such agreements at all. We may also lose, or be limited in, the rights to offer some of our programs, services and products or be required to make changes to our course materials or websites. As a result, the scope of our course materials could be reduced, which could adversely affect the effectiveness of our teaching, limit our ability to attract new students, harm our reputation and have a material adverse effect on our results of operations and financial position.

We may lose our competitive advantage and our reputation, brand and operations may suffer if we fail to prevent the loss or misappropriation of, or disputes over, our intellectual property rights.

We consider our trademarks and trade name invaluable to our ability to continue to develop and enhance our brand recognition. We have spent over a decade building our "New Oriental" brand by emphasizing quality and consistency and building trust among students and parents. From time to time, our trademarks and trade name have been used by third parties for or as part of other branded programs, services and products unrelated to us. We have sent cease and desist letters to such third parties in the past and will continue to do so in the future. However, preventing trademark and trade name infringement, particularly in China, is difficult, costly and time-consuming and continued unauthorized use of our trademarks and trade name by unrelated third parties may

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damage our reputation and brand. In addition, we have spent significant time and expense developing or licensing and localizing the content of certain educational materials, such as books, software, CD-ROMs, magazines and other periodicals, to enrich our product offerings and meet students' needs. The measures we take to protect our trademarks, copyrights and other intellectual property rights, which presently are based upon a combination of trademark, copyright and trade secret laws, may not be adequate to prevent unauthorized use by third parties. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving, and could involve substantial risks to us. If we are unable to adequately protect our trademarks, copyrights and other intellectual property rights, we may lose these rights, our brand name may be harmed, and our business may suffer materially.

We face significant competition in each major program we offer and each geographic market in which we operate, and if we fail to compete effectively, we may lose our market share and our profitability may be adversely affected.

The private education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We face competition in each major program we offer and each geographic market in which we operate. For example, we face nationwide competition for our IELTS preparation courses from Global IELTS School, which offers IELTS preparation courses in many cities in China. We face regional competition for our English for children program from several competitors that focus on children's English training in specific regions, including English First. We face competition for our "Elite English" program primarily from Wall Street Institute and EF English First, both of which offer English training courses for adults in many cities in China. Wall Street Institute began providing high-end English training courses to adults in major cities several years before we entered this market and enjoys a first-mover advantage. We also face competition from companies that focus on providing international and/or PRC test preparation courses in specific geographic markets in China.

Our student enrollments may decrease due to intense competition. Some of our competitors may have more resources than we do. These competitors may be able to devote greater resources than we can to the development, promotion and sale of their programs, services and products and respond more quickly than we can to changes in student needs, testing materials, admissions standards, market needs or new technologies. In addition, we face competition from many different smaller sized organizations that focus on some of our targeted markets, which may be able to respond more promptly to changes in student preferences in these markets. In addition, the increasing use of the Internet and advances in Internet- and computer-related technologies, such as web video conferencing and online testing simulators, are eliminating geographic and cost-entry barriers to providing private educational services. As a result, many of our international competitors that offer online test preparation and language training courses, such as The Princeton Review, Inc. and Kaplan, Inc. may be able to more effectively penetrate the China market. Many of these international competitors have strong education brands, and students and parents in China may be attracted to the offerings of international competitors based in the country that the student wishes to study in or in which the selected language is widely spoken. In addition, many smaller companies are able to use the Internet to quickly and cost-effectively offer their programs, services and products to a large number of students with less capital expenditure than previously required. In addition, we may be required to reduce course fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. As a result, our revenues and profitability may decrease. We cannot assure you that we will be able to compete successfully against current or future competitors. If we are unable to maintain our competitive position or otherwise respond to competitive pressures effectively, we may lose our market share and our profitability may be adversely affected.

Failure to adequately and promptly respond to changes in testing materials, admissions standards and technologies could cause our programs, services and products to be less attractive to students.

Admissions and assessment tests undergo continuous change, in terms of the focus of the subjects and questions tested, the format of the tests and the manner in which the tests are administered. For example, certain

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admissions and assessment tests in the United States recently added an essay component, which required us to hire and train our teachers to be able to analyze written essays that tend to be more subjective in nature and require a higher level of English proficiency. In addition, some admissions and assessment tests are increasingly being offered in a computer-based testing format. These changes require us to continually update and enhance our test preparation materials and our teaching methods. Any inability to track and respond to these changes in a timely and cost-effective manner would make our programs, services and products less attractive to students, which may materially and adversely affect our reputation and ability to continue to attract students without a significant decrease in course fees.

If colleges, universities and other higher education institutions reduce their reliance on admissions and assessment tests, we may experience a decrease in demand for our test preparation courses and our business may be materially and adversely affected.

In the fiscal year ended May 31, 2006, we derived a significant portion of our revenues from test preparation courses. The success of our test preparation courses depends on the continued use of admissions and assessment tests. If the use of admissions and assessment tests declines or falls out of favor with educational institutions and government authorities, the markets for our online and classroom-based test preparation courses will deteriorate and our business will be materially and adversely affected. We provide preparation courses for both overseas and domestic admissions and assessment tests. In China, local government authorities' reliance on admissions and assessment tests varies from location to location and has changed from time to time. For example, in early 2005, the PRC Ministry of Education started reforming the CET 4 and CET 6 exams, which, among other things, will limit these exams only to college students starting from 2007. As a result, the total number of students who started our CET 4 and CET 6 exam preparation courses decreased from approximately 180,000 in 2004 to approximately 140,000 in 2005, and we have experienced a slight decline in the number of students who started our CET 4 and CET 6 exam preparation courses in 2006 to date as compared to the same period in 2005. In the United States, a recent proposal by the president of the University of California to make the SAT optional for admission to the University of California system has provoked further debate in the United States about the utility and fairness of the SAT. There has been a continuing debate in the United States regarding the usefulness of admissions and assessment tests to assess qualifications and many people have criticized the use of admissions and assessment tests as unfairly discriminating against certain test takers. In addition, in March 2006, the College Board in the United States revealed that, because of technical problems in scanning answer sheets, the scores of several thousand students taking the SAT were inaccurately reported, causing additional concerns regarding the accuracy and quality of admissions and assessment tests. If a large number of educational institutions abandon the use of existing admissions and assessment tests as a requirement for admission without replacing them, with other admissions and assessment tests, we may experience a decrease in demand for our test preparation courses and our business may be seriously harmed.

New programs, services and products that we develop may compete with our current offerings.

We are constantly developing new programs, services and products to meet changes in student demands and respond to changes in testing materials, admissions standards, market needs and trends and technological changes. While some of the programs, services and products that we develop will expand our current offerings and increase student enrollments, others may compete with or make irrelevant our existing offerings without increasing our total student enrollments. For example, our online courses may take away students from our existing classroom-based courses, and our new schools and learning centers may take away students from our existing schools and learning centers. If we are unable to expand our program, service and product offerings while increasing our total student enrollments and profitability, our business and growth may be adversely affected.

Our business is subject to seasonal fluctuations, which may cause our operating results to fluctuate from quarter to quarter. This may result in volatility and adversely affect the price of our ADSs.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations, primary due to seasonal changes in student enrollments. Historically, our courses tend to have the largest student enrollments in our first fiscal quarter from June 1 to August 31 each year. Our expenses,

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however, vary significantly and do not necessarily correspond with changes in our student enrollments and revenues. We make investments in marketing and promotion, teacher recruitment and training, and product development throughout the year. We expect quarterly fluctuations in our revenues and results of operations to continue. These fluctuations could result in volatility and adversely affect the price of our ADSs. As our revenues grow, these seasonal fluctuations may become more pronounced.

Our historical financial and operating results are not indicative of future performance; our financial and operating results are difficult to forecast.

Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the price of our ADSs to decline. In addition to the seasonal fluctuations described above, our revenues, expenses and operating results may vary from quarter to quarter and from year to year in response to a variety of other factors beyond our control, including:

- our ability to increase student enrollments and course fees;
- general economic conditions and regulations or actions pertaining to the provision of private educational services in China;
- changes in consumers' spending patterns;
- our ability to control cost of revenues and operating expenses; and
- non-recurring charges incurred in connection with acquisitions or other extraordinary transactions or unexpected circumstances.

Due to these factors, among others, we believe that quarter-to-quarter comparisons of our operating results may not be indicative of our future performance and you should not rely on them to predict the future performance of our ADSs. In addition, our past results may not be indicative of future performance because of our new businesses.

Our business is difficult to evaluate because we have limited experience generating net income from some of our newer services.

Historically, our core businesses have been English language training for adults and test preparation courses for college and graduate students. New Oriental China established a private primary and secondary school in Yangzhou in 2002. We established our "Pop Kids" English program in 2004 for children in kindergarten through grade six and began offering high-end "Elite English" program to adults and children in 2003. In addition, our online education programs were launched in 2000. Some of these operations have not generated significant or any profit to date and we have less experience responding quickly to changes, competing successfully and maintaining and expanding our brand in these areas without jeopardizing our brand in other areas. Consequently, there is limited operating history on which you can base your evaluation of the business and prospects of these relatively more recent operations.

Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services.

Our future success depends heavily upon the continuing services of the members of our senior management team, in particular, our founder, chairman and chief executive officer, Michael Minhong Yu, who has been our leader since our inception in 1993. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely

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affected. Competition for experienced management personnel in the private education sector is intense, the pool of qualified 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 high-quality senior executives or key personnel in the future. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose teachers, students, key professionals and staff members. Each of our executive officers and key employees has entered into a confidentiality and non-competition agreement with us. If any disputes arise between any of our senior executives or key personnel and us, it may be difficult to enforce these agreements against these individuals.

We generate a majority of our revenues from four cities in China. Any event negatively affecting the private education industry in these cities could have a material adverse effect on our overall business and results of operations.

We currently generate a majority of our revenues in Beijing, Shanghai, Wuhan and Guangzhou. We derived approximately two-thirds of our total net revenues for the fiscal year ended May 31, 2006 from these four cities and we expect these cities to continue to constitute important sources of our revenues. If any of these cities experiences an event negatively affecting its private education industry, such as a serious economic downturn, a natural disaster or outbreak of contagious disease, or if any of these cities adopts regulations relating to private education that place additional restrictions or burdens on us, our overall business and results of operations may be materially and adversely affected.

If we are not able to continually enhance our online programs, services and products and adapt them to rapid technological changes and student needs, we may lose market share and our business could be adversely affected.

Rapid growth in the use of the Internet is a recent occurrence, and the market for Internet-based programs, services and products is characterized by rapid technological changes and innovation, unpredictable product life cycles and user preferences. We have limited experience with generating revenues from online programs, services and products and their results are largely uncertain. The increasing adoption of computer-based testing formats for admissions testing may lead more students to seek online test preparation courses. We must quickly modify our programs, services and products to adapt to changing student needs and preferences, technological advances and evolving Internet practices. Ongoing enhancement of our online offerings and related technology may entail significant expense and technical risk. We may use new technologies ineffectively or fail to adapt our online products or services and related technology on a timely and cost-effective basis. If our improvements to our online offerings and the related technology are delayed, result in systems interruptions or are not aligned with market expectations or preferences, we may lose market share and our business could be adversely affected.

If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud.

We will be subject to reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring every public company to include a management report on such company's internal controls over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management's assessment of the effectiveness of the company's internal controls over financial reporting. These requirements will first apply to our annual report on Form 20-F for the fiscal year ending on May 31, 2008. Our management may conclude that our internal controls over our financial reporting are not effective. Moreover, even if our management concludes that our internal controls over financial reporting is effective, our independent registered public accounting firm may still decline to attest to our management's assessment or may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it

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interprets the relevant requirements differently from us. Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. As a result, during fiscal years ended May 31, 2004 and 2005, our independent registered public accounting firm identified a number of control deficiencies, as defined in the Public Company Accounting Oversight Board's Audit Standard No. 2. The control deficiencies identified by our independent auditors include (i) the lack of sufficient financial reporting and accounting personnel to fulfill the post-offering U.S. GAAP reporting requirements; (ii) the lack of a centralized comprehensive accounting policies and procedures manual prepared in accordance with U.S. GAAP to guide the day-to-day operations of accounting and finance personnel; and (iii) the lack of systematic monthly closing procedures. We have implemented the following measures to remediate the deficiencies: (i) hiring and training of qualified financial reporting and accounting personnel with experience in U.S. GAAP reporting; (ii) developing a comprehensive accounting policies and procedures manual to guide the day-to-day operations of our accounting and finance personnel; (iii) rolling out a new computerized enrollment system to timely track course enrollment and other relevant operating data across our school network; and (iv) strengthening our internal audit team to monitor the implementation of our policies and procedures. We will continue to implement measures to remedy these control deficiencies in time to meet the deadline imposed by Section 404 of the Sarbanes-Oxley Act. If we fail to timely achieve and maintain the adequacy of our internal controls, we may not be able to conclude that we have effective internal controls over financial reporting. Moreover, effective internal controls over financial reporting are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to achieve and maintain effective internal controls over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our ADSs. Furthermore, we anticipate that we will incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act.

We do not have any liability or business disruption insurance, and a liability claim against us due to injuries suffered by our students or other people at our facilities could adversely affect our reputation and our financial results.

We could be held liable for accidents that occur at our learning centers and other facilities, including indoor facilities where we organize certain summer camps activities and temporary housing facilities that we lease for our students from time to time. In the event of on-site food poisoning, personal injuries, fires or other accidents suffered by students or other people, we could face claims alleging that we were negligent, provided inadequate supervision or were otherwise liable for the injuries. We currently do not have any liability insurance or business disruption insurance. A successful liability claim against us due to injuries suffered by our students or other people at our facilities could adversely affect our reputation and our financial results. Even if unsuccessful, such a claim could cause unfavorable publicity, require substantial cost to defend and divert the time and attention of our management.

Capacity constraints or system disruptions to our computer systems or websites could damage our reputation and limit our ability to retain students and increase student enrollments.

The performance and reliability of our online program infrastructure is critical to our reputation and ability to retain students and increase student enrollments. Any system error or failure, or a sudden and significant increase in traffic, could result in the difficulty of accessing our websites by our students or unavailability of our online programs. We cannot assure you that we will be able to expand our online program infrastructure on a timely basis sufficient to meet demand for such programs. Our computer systems and operations could be vulnerable to interruption or malfunction due to events beyond our control, including natural disasters and telecommunications failures. Any interruption to our computer systems or operations could have a material adverse effect on our ability to retain students and increase student enrollments.

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Our computer networks may be vulnerable to security risks that could disrupt operations and require us to expend significant resources.

Our computer networks may be vulnerable to unauthorized access, computer hackers, computer viruses and other security problems. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches.

We face risks related to health epidemics and other outbreaks, which could result in reduced attendance or temporary closure of our schools, learning centers and bookstores.

Our business could be materially and adversely affected by the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, or another epidemic. In 2005 and 2006, there have been reports on the occurrences of avian influenza in various parts of China, including a few confirmed human cases and deaths. Any prolonged recurrence of avian influenza, SARS or other adverse public health developments in China may have a material and adverse effect on our business operations. These could require the temporary closure of our schools, learning centers and bookstores. Such closures could severely disrupt our business operations and adversely affect our results of operations.

Terrorist attacks, geopolitical uncertainty and international conflicts involving the U.S. and elsewhere may discourage more students from studying in the United States and elsewhere outside of China, which could cause declines in the student enrollments for our courses.

Terrorist attacks, geopolitical uncertainty and international conflicts involving the U.S. and elsewhere, such as those that took place on September 11, 2001, could have an adverse effect on our overseas test preparation courses and English language training courses. Such attacks may discourage students from studying in the United States and elsewhere outside of China and may also make it more difficult for Chinese students to obtain visas to study abroad. These factors could cause declines in the student enrollments for our test preparation and English language training courses and could have an adverse effect on our overall business and results of operations.

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

As a public company, we will incur significant accounting, legal and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as new rules subsequently implemented by the SEC, the New York Stock Exchange and the Nasdaq National Market, have detailed requirements concerning corporate governance practices of public companies including Section 404 relating to internal controls over financial reporting. We expect these new rules and regulations to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. In addition, we will incur additional costs associated with our public company reporting requirements. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Risks Related to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating our China business do not comply with applicable PRC laws and regulations, we could be subject to severe penalties.

PRC laws and regulations currently require any foreign entity that invests in the education business in China to be an educational institution with relevant experience in providing educational services outside China. Our Cayman Islands holding company is not an educational institution and does not provide educational services. In addition, foreign ownership of primary and middle schools for students in grades one to nine is prohibited in the PRC. Accordingly, our wholly owned subsidiaries in China, which are considered foreign-invested, are currently

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ineligible to apply for the required education licenses and permits in China. We conduct our education business in China through contractual arrangements with New Oriental China and its subsidiaries and shareholders. New Oriental China is our consolidated affiliated entity directly owned by our founders and/or their respective affiliates. New Oriental China's subsidiaries hold the requisite licenses and permits necessary to conduct our education business and operate our schools, learning centers and bookstores in China. We have been and are expected to continue to be dependent on New Oriental China and its subsidiaries to operate our education business until we qualify for direct ownership of educational businesses in China. We have entered into contractual arrangements with New Oriental China and its subsidiaries, pursuant to which we, through our wholly owned subsidiaries in China, provide exclusive teaching support, new enrollment system support and other services to New Oriental China and its subsidiaries in exchange for payments from them. In addition, we have entered into agreements with New Oriental China and each of the shareholders of New Oriental China, which provide us with a substantial ability to control New Oriental China and its existing and future subsidiaries.

If we, any of our wholly owned subsidiaries, New Oriental China or any of its existing and future subsidiaries are found to be in violation of any existing or future PRC laws or regulations or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities including the Ministry of Education, or MOE, which regulates the education industry, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of our PRC subsidiaries and affiliated entities;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries and affiliated entities;
- imposing fines or other requirements with which we or our PRC subsidiaries and affiliated entities may not be able to comply;
- requiring us or our PRC subsidiaries and affiliated entities to restructure the relevant ownership structure or operations; or
- restricting or prohibiting our use of the proceeds of this offering to finance our business and operations in China.

The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business.

We rely on contractual arrangements with New Oriental China and its subsidiaries and shareholders for our China operations, which may not be as effective in providing operational control as direct ownership.

We have relied and expect to continue to rely on contractual arrangements with New Oriental China and its subsidiaries and shareholders to operate our education business. For a description of these contractual arrangements, see “Corporate Structure—Our Corporate Structure and Contractual Arrangements” and “Related Party Transactions—Contractual Arrangements with New Oriental China and Its Subsidiaries and Shareholders.” These contractual arrangements may not be as effective in providing us with control over New Oriental China and its subsidiaries as direct ownership. If we had direct ownership of New Oriental China and its subsidiaries, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of New Oriental China and its subsidiaries, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, as a legal matter, if New Oriental China or any of its subsidiaries and shareholders fails to perform its or his respective obligations under these contractual arrangements, we may have to incur substantial costs and resources to enforce such arrangements, and rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which may not be effective. For example, if the shareholders of New Oriental China were to refuse to transfer their equity interest in New Oriental China to us or our designee when we exercise the call option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith

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toward us, then we may have to take legal action to compel them to fulfill their contractual obligations. In addition, we may not be able to renew these contracts with New Oriental China and/or its subsidiaries and shareholders if the beneficial owners of New Oriental China do not act in the best interests of our company when conflicts of interest arise between their dual roles as beneficial owners and directors of both New Oriental China and our company. See “—The beneficial owners of New Oriental China may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.”

Many of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our affiliated entities, and our ability to conduct our business may be negatively affected.

The beneficial owners of New Oriental China may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The beneficial owners of New Oriental China are also the founders and beneficial owners of our company. Some of them are directors of both New Oriental China and our company. Conflicts of interests between their dual roles as beneficial owners and directors of both New Oriental China and our company may arise. We cannot assure you that when conflicts of interest arise, any or all of these individuals will act in the best interests of our company or that conflicts of interests will be resolved in our favor. In addition, these individuals may breach or cause New Oriental China and its subsidiaries to breach or refuse to renew the existing contractual arrangements that allow us to effectively control New Oriental China and its subsidiaries, and receive economic benefits from them. Currently, we do not have existing arrangements to address potential conflicts of interest between these individuals and our company. We rely on these individuals to abide by the laws of the Cayman Islands and China, both of which provide that directors owe a fiduciary duty to the company, which requires them to act in good faith and in the best interests of the company and not to use their positions for personal gain. If we cannot resolve any conflicts of interest or disputes between us and the beneficial owners of New Oriental China, we would have to rely on legal proceedings, which could result in disruption of our business and substantial uncertainty as to the outcome of any such legal proceedings.

New Oriental China and its subsidiaries may be subject to significant limitations on their ability to operate private schools or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations.

The principal regulations governing private education in China are The Law for Promoting Private Education (2003) and The Implementation Rules for the Law for Promoting Private Education (2004). Under these regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount shall be equivalent to no less than 25% of the annual increase in the net assets of the school, if any. A private school that requires reasonable returns must publicly disclose such election and additional information required under the regulations. A private school shall consider factors such as the school’s tuition, ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school’s net income that would be distributed to the investors as reasonable returns. However, none of the current PRC laws and regulations provides a formula or guidelines for determining “reasonable returns.” In addition, none of the current PRC laws and regulations sets forth different requirements or restrictions on a private school’s ability to operate its

education business based on such school's status as a school that requires reasonable returns or a school that does not require reasonable returns.

With regard to income tax, according to the Implementation Rules for The Law for Promoting Private Education (2004), private schools that do not require reasonable returns are entitled to the same preferential tax treatment as public schools, while preferential tax treatment policies applicable to private schools requiring reasonable returns are separately formulated by the relevant authorities under the State Council. To date, however, no separate regulations or policies have been promulgated by the relevant authorities in this regard. As a result, our schools are subject to the specific requirements of their respective local tax authorities, which vary from location to location. In some cities, our schools are registered as schools that require reasonable returns, while in other cities, our schools are registered as schools that do not require reasonable returns. The current PRC laws and regulations governing private education may be amended or replaced by new laws and regulations that (i) impose significant limitations on the ability of our schools to operate their business, charge course fees or make payments to related parties for services received, (ii) specify the formula for calculating "reasonable returns," or (iii) change the preferential tax treatment policies applicable to private schools. We cannot predict the timing and effects of any such amendments or new laws and regulations. Changes in PRC laws and regulations governing private education or otherwise affecting New Oriental China's and its subsidiaries' operations could materially and adversely affect our business prospects and results of operations.

The discontinuation of any preferential tax treatments currently available to us could result in a decrease of our net income and materially and adversely affect our results of operations.

According to The Implementation Rules for the Law for Promoting Private Education (2004), private schools that do not require reasonable returns enjoy the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools requiring reasonable returns shall be separately formulated by the relevant authorities under the State Council. To date, however, no separate regulations or policies have been promulgated by the relevant authorities in this regard. In practice, tax treatments for private schools vary across different cities in China. In some cities, private schools are subject to a 33% standard enterprise income tax, while in other cities, private schools are subject to a 2% tax on gross receipts in lieu of the 33% standard enterprise income tax or may be exempted from enterprise income tax. In addition, some of our PRC subsidiaries and other affiliated entities currently also enjoy certain preferential tax treatment. Preferential tax treatments granted to us by local governmental authorities are subject to review and may be adjusted or revoked at any time in the future. The discontinuation of any preferential tax treatments currently available to us, especially those schools in major cities, will cause our effective tax rate to increase, which will increase our income tax expenses and in turn decrease our net income.

In addition, under PRC laws and regulations, an enterprise that is registered in a high-tech zone and also qualifies as "new or high-technology enterprise" may enjoy preferential tax benefits. Each of our wholly owned subsidiaries in China and New Oriental China is a certified "new or high-technology enterprise" newly established in a high-tech zone in Beijing, and is entitled to a three-year exemption from enterprise income tax beginning from its first year of operation, a 7.5% enterprise income tax rate for another three years followed by a 15% tax rate so long as it continues to qualify as a "new or high-technology enterprise." If PRC laws and regulations were to phase out preferential tax benefits currently granted to "new or high-technology enterprises," our wholly owned subsidiaries in China and New Oriental China would be subject to the standard enterprise income tax rate, which currently is 33%. Loss of these preferential tax treatments could have a material and adverse effect on our financial condition and results of operations.

Contractual arrangements we have entered into among our subsidiaries and New Oriental China and its subsidiaries may be subject to scrutiny by the PRC tax authorities and a finding that we or New Oriental China and its subsidiaries owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC

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tax authorities determine that the contractual arrangements among our wholly owned subsidiaries in China and New Oriental China and its subsidiaries do not represent an arm's-length price and adjust New Oriental China or any of its subsidiaries' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by New Oriental China or any of its subsidiaries, which could in turn increase its tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our affiliated entities for under-paid taxes. Our consolidated net income may be materially and adversely affected if our affiliated entities' tax liabilities increase or if they are found to be subject to late payment fees or other penalties.

Regulatory agencies may commence investigations of the private primary and secondary school directly owned and operated by a subsidiary of New Oriental China. If the results of the investigations are unfavorable to us, we may be subject to fines, penalties, injunctions or other censure that could have an adverse impact on our results of operations.

PRC laws and regulations currently prohibit foreign ownership of primary and middle schools for students in grades one to nine in China. New Oriental China owns and operates a private primary and secondary school in Yangzhou, which may enter into contractual arrangements with our wholly owned subsidiaries in China in the future to pay teaching support and other fees to our subsidiaries in exchange for their services. As the provision of private primary and middle school services is a heavily regulated industry in China, the Yangzhou school and any new primary schools that New Oriental China or any of its subsidiaries establishes in the future may be subject from time to time to investigations, claims of non-compliance or lawsuits by governmental agencies, which may allege statutory violations, regulatory infractions or other causes of action. If the results of the investigations are unfavorable to us, we may be subject to fines, penalties, injunctions or other censure that could have an adverse impact on our results of operations. Even if we adequately address the issues raised by a government investigation, we may have to devote significant financial and management resources to resolve these issues, which could harm our business.

We rely principally on dividends and other distributions on equity paid by our wholly owned subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries and affiliated entities to make payments to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we rely principally on dividends from our wholly owned subsidiaries in China and service, license and other fees paid to our wholly owned subsidiaries by New Oriental China and its subsidiaries for our cash requirements, including any debt we may incur. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our subsidiaries and affiliated entities (other than our schools) in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital, and each of our subsidiaries is required to further set aside a portion of its after-tax profits to fund the employee welfare fund at the discretion of the board. These reserves are not distributable as cash dividends. Furthermore, if our subsidiaries and affiliated entities in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements we currently have in place in a manner that would materially and adversely affect our subsidiaries' ability to pay dividends and other distributions to us. Moreover, at the end of each fiscal year, every private school in China is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount shall be equivalent to no less than 25% of the annual increase in the net assets of the school, if any. See “—New Oriental China and its subsidiaries may be subject to significant limitations on their ability to operate private schools or make payments to related parties or otherwise be materially and adversely affected by

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changes in PRC laws and regulations.” Any limitation on the ability of our subsidiaries and affiliated entities to distribute dividends or other payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries and affiliated entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the proceeds of this offering in the manner described in “Use of Proceeds,” as an offshore holding company of our PRC operating subsidiaries and affiliated entities, we may make loans to our PRC subsidiaries and consolidated affiliated entities, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries or consolidated PRC affiliated entities are subject to PRC regulations and approvals. For example:

- loans by us to our wholly owned subsidiaries in China, each of which is a foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with the PRC State Administration of Foreign Exchange, or SAFE, or its local counterpart; and
- loans by us to New Oriental China or its subsidiaries, which are domestic PRC entities, must be approved by the relevant government authorities and must also be registered with SAFE or its local counterpart.

We may also decide to finance our wholly owned subsidiaries by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce or its local counterpart. Because New Oriental China and its subsidiaries are domestic PRC entities, we are not likely to finance their activities by means of capital contributions due to regulatory issues relating to foreign investment in domestic PRC entities, as well as the licensing and other regulatory issues discussed in the “Regulations” section of this prospectus. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or New Oriental China or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

The regulation of Internet website operators is relatively new and subject to interpretation, and our operation of online education programs could be adversely affected if we are deemed to have violated applicable laws and regulations.

Beijing New Oriental Xuncheng Network Technology Co., Ltd., or Xuncheng Network, a subsidiary of New Oriental China, engages in online education services through the Internet. The interpretation and application of existing Chinese laws and regulations, the stated positions of the main governing authority, the Ministry of Information Industry, or MII, and the possibility of adopting new laws or regulations have created significant uncertainties regarding the legality of the businesses and activities of Chinese companies with Internet operations. In particular, according to the Internet Information Services Administrative Measures promulgated by the State Council on September 25, 2000, the activities of Internet content providers are regulated by various Chinese government authorities including, the Ministry of Education, the State Administration of Radio, Film and Television, the General Administration of Press and Publication, or GAPP, and the Ministry of Culture, or MOC, depending on the specific activities conducted by the Internet content provider. In addition, MII recently posted a notice on its website entitled “Notice on Strengthening Management of Foreign Investment in Operating Value-Added Telecom Services.” The notice prohibits PRC Internet content providers from leasing, transferring or selling their ICP licenses or providing facilities or other resources to any illegal foreign investors. The notice states that PRC Internet content providers should directly own the trademarks and domain names for websites

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operated by them, as well as servers and other infrastructure used to support these websites. The notice also states that PRC Internet content providers have until November 1, 2006 to evaluate their compliance with the notice and correct any non-compliance. A PRC Internet content provider's failure to do so by November 1, 2006 may result in revocation of its ICP license. Xuncheng Network holds an ICP License issued by the Beijing branch of the MII, and is in the process of obtaining an Internet Culture License issued by Beijing branch of MOC and an Internet Publishing License issued by Beijing branch of GAPP for its online training programs. Xuncheng Network directly owns its domain names as well as servers and other infrastructure used to support our websites operating under these domain names. We are in the process of transferring relevant trademarks from our wholly owned subsidiaries in China to Xuncheng Network and believe that such transfer will be completed before November 1, 2006. Due to the uncertainties of interpretation and implementation of relevant regulations by different authorities, we cannot assure you that the licenses held by Xuncheng Network will be deemed to be adequate for all its online services. Failure to comply with applicable Chinese Internet regulations could subject us to severe penalties, including fines and/or other restrictions imposed upon us, or even orders of cessation of Xuncheng's operation.

Regulation and censorship of information disseminated over the Internet in China may adversely affect our business and reputation and subject us to liability for information displayed on our websites.

The PRC government has adopted regulations governing Internet access and the distribution of news and other information over the Internet. Under these regulations, Internet content providers and Internet publishers are prohibited from posting or displaying over the Internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in the revocation of licenses to provide Internet content and other licenses, and the closure of the concerned websites. In the past, failure to comply with such requirements has resulted in the closure of certain websites. The website operator may also be held liable for such censored information displayed on or linked to the websites. If any of our websites, including those used for our online education business, are found to be in violation of any such requirements, we may be penalized by relevant authorities, and our operations or reputation could be adversely affected.

Some of our affiliated companies previously engaged in activities without necessary approvals. This could subject those companies to fines and other penalties, which could have a material adverse effect on our business.

Some of our affiliated companies historically engaged in business activities that were not within the authorized scope of their respective licenses and without requisite approvals. For example, Xuncheng Network had engaged in online sales of publications without all necessary licenses and permits. Each of these companies subsequently ceased the unauthorized activities or included these activities into the business scope of their respective business licenses. While all these companies currently operate within their authorized scope of business or are in the process of obtaining relevant licenses, the relevant PRC authorities have the authority to impose fines or other penalties for their violations. In rare instances, these authorities may require disgorgement of profits or revoke business license, but as a matter of practice, the authorities are likely to impose such an extreme penalty only after repeated warnings are ignored or where a violation is blatant and continuous. Due to the discretionary nature of regulatory enforcements in the PRC, we cannot assure you that these companies will not be subject to such type of penalties for their past violations, or that such type of penalties will not have a material adverse effect on our business.

Risks Related to Doing Business in China

Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.

Substantially all of our business operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate,

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control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. While some of these measures benefit the overall PRC economy, they may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government implemented a number of measures, such as raising interest rates and bank reserve requirements to place additional limitations on the ability of commercial banks to make loans, in order to contain the growth of specific segments of China's economy that it believed to be overheating. These actions, as well as future actions and policies of the PRC government, could materially affect our liquidity and access to capital and our ability to operate our business.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our subsidiaries and affiliated entities in China. Our operations in China are governed by PRC laws and regulations. Our subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

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, our management named in the prospectus.

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, all of our senior 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 our senior executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, our PRC 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.

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

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries and our affiliated entity to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access 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.

Recent PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect us.

SAFE issued a public notice in October 2005, or the SAFE notice, requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an "offshore special purpose company." PRC residents that are shareholders of offshore special purpose companies established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006. Our current beneficial owners who are PRC residents have registered with the local SAFE branch as required under the SAFE notice. The failure of these beneficial owners to timely amend their SAFE registrations pursuant to the SAFE notice or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in the SAFE notice may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to our company or otherwise adversely affect our business.

Fluctuation in the value of the RMB may have a material adverse effect on your investment.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 3.3% appreciation of the RMB against the U.S. dollar between July 21, 2005 and May 15, 2006. While the international reaction to the RMB revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar. Our revenues and costs are mostly denominated in the RMB, and a significant portion of our financial assets are also denominated in RMB. We rely entirely on dividends and other fees paid to us by our subsidiaries and affiliated entities in China. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, a further appreciation of the RMB against the U.S. dollar would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into the RMB for such purposes. An appreciation of the RMB against the U.S. dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our U.S. dollar denominated financial assets into the RMB, as the RMB is our reporting currency.

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If any of our PRC subsidiaries, affiliated entities and their subsidiaries becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy those assets, which could reduce the size of our operations and materially and adversely affect our business, ability to generate revenue and the market price of our ADSs.

To comply with PRC laws and regulations relating to foreign ownership restrictions in the education business, we currently conduct our operations in China through contractual arrangements with New Oriental China, its shareholders and subsidiaries. As part of these arrangements, New Oriental China and its subsidiaries hold some of the assets that are important to the operation of our business. If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of New Oriental China and its subsidiaries undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, our ability to generate revenue and the market price of our ADSs.

The approval of the Chinese Securities Regulatory Commission may be required in connection with this offering under a recently adopted PRC regulation; if the timing of this offering is delayed and our ADSs do not commence trading prior to the effective date of the regulation, we may be required to obtain CSRC approval for this offering and we cannot currently predict the consequences of any failure to obtain such approval.

On August 8, 2006, six PRC regulatory agencies, including the Chinese Securities Regulatory Commission, or CSRC, promulgated a regulation that will become effective on September 8, 2006. This regulation, among other things, purports to require offshore special purpose vehicles, or SPVs, formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC individuals, such as our company, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. While the application of this new regulation is not yet clear, we believe, based on the advice of our PRC counsel, that CSRC approval is not required if trading of our ADSs commences prior to the effective date of the regulation. Although the CSRC is expected to promulgate formal implementing rules and/or regulations and possibly other clarifications, the procedures and timing for obtaining any required CSRC approval have not been established and it is unclear when these will be established. Therefore, if the timing of this offering is delayed and our ADSs do not commence trading prior to the effective date of the regulation, we may be required to obtain CSRC approval for this offering and we cannot currently predict the consequences of any failure to obtain such approval.

Risks Related to Our ADSs and This Offering

There has been no public market for our common shares or ADSs prior to this offering, and you may not be able to resell our ADSs at or above the price you paid, or at all.

Prior to this initial public offering, there has been no public market for our common shares or ADSs. We have applied for the listing of our ADSs on the New York Stock Exchange. Our common shares will not be listed on any exchange or quoted for trading on any over-the-counter trading system. If an active trading market for our ADSs does not develop after this offering, the market price and liquidity of our ADSs will be materially and adversely affected.

The initial public offering price for our ADSs will be determined by negotiations between us and the underwriters and may bear no relationship to the market price for our ADSs after the initial public offering. An active trading market for our ADSs may not develop and the market price of our ADSs may decline below the initial public offering price.

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The market price for our ADSs may be volatile.

The market price for our ADSs may be volatile and subject to wide fluctuations in response to factors such as actual or anticipated fluctuations in our quarterly operating results, changes in financial estimates by securities research analysts, changes in the economic performance or market valuations of other education companies, announcements by us or our competitors of material acquisitions, strategic partnerships, joint ventures or capital commitments, fluctuations of exchange rates between RMB and the U.S. dollar, intellectual property litigation, release of lock-up or other transfer restrictions on our outstanding shares or ADSs, and economic or political conditions in China. In addition, the performance, and fluctuation in market prices, of other companies with business operations located mainly in China that have listed their securities in the United States may affect the volatility in the price of and trading volumes of our ADSs. Furthermore, 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.

You will experience immediate and substantial dilution in the net tangible book value of ADSs purchased.

The initial public offering price per ADS will be substantially higher than the net tangible book value per ADS prior to the offering. Consequently, when you purchase ADSs in the offering at the assumed initial public offering price, you will incur immediate dilution of US\$8.52 per ADS. See “Dilution.”

We may need additional capital, and the sale of additional ADSs or other equity securities could result in additional dilution to our shareholders.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and the net proceeds from this offering will be sufficient to meet our anticipated cash needs for the near future. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary principally depending on the timing of new school and learning center openings, investments and/or acquisitions, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors’ perception of, and demand for, securities of educational service providers;
- conditions of the U.S. and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of foreign investment in education in China;
- economic, political and other conditions in China; and
- PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or to reduce our growth to a level that can be supported by our cash flow. Without additional capital, we may not be able to:

- open additional schools and learning centers;
- acquire necessary technologies, products or businesses;

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- hire, train and retain teachers and other employees;
- market our programs, services and products; or
- respond to competitive pressures or unanticipated capital requirements.

Our corporate actions are substantially controlled by our officers, directors, principal shareholders and affiliated entities.

After this offering, our executive officers, directors, principal shareholders and their affiliated entities will beneficially own approximately 61.8% of our outstanding shares. These shareholders, if they acted together, could exert substantial influence over matters requiring approval by our shareholders, including electing directors and approving mergers or other business combination transactions and they may not act in the best interests of other minority shareholders. This concentration of ownership may also discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders, including those who purchase shares in this offering.

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

Sales of our ADSs or common shares in the public market after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Upon completion of this offering, we will have 141,111,111 common shares outstanding, including 30,000,000 common shares represented by 7,500,000 ADSs, assuming the underwriters do not exercise the over-allotment option. All ADSs sold in this offering, other than the up to 320,533 ADSs sold in our directed share program, will be freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act. The remaining common shares outstanding after this offering will be available for sale, upon the expiration of the applicable lock-up period beginning from the date of this prospectus, subject to volume and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act. See “Shares Eligible for Future Sale” and “Underwriting” for a detailed description of the lock-up restrictions. Any or all of these shares may be released prior to expiration of the lock-up period at the discretion of the lead underwriters for this offering. To the extent shares are released before the expiration of the lock-up period and these shares are sold into the market, the market price of our ADSs could decline.

In addition, certain holders of our common shares will have the right to cause us to register the sale of an aggregate of 99,704,285 shares under the Securities Act, subject to a 180-day lock-up period in connection with this offering. Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the public market could cause the price of our ADSs to decline.

You may not have the same voting rights as the holders of our common shares and may not receive voting materials in time to be able to exercise your right to vote.

Except as described in this prospectus and in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attaching to the shares evidenced by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the shares represented by the ADSs. You may not receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. Upon our written request, the depositary will mail to you a shareholder meeting notice which contains, among other things, a statement as to the manner in which your voting instructions may be given, including an express indication that such instructions may be given or deemed given to the depositary to give a discretionary proxy to a person designated by us if no instructions are received by the depositary from you

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on or before the response date established by the depository. However, no voting instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which we inform the depository that (i) we do not wish such proxy given, (ii) substantial opposition exists, or (iii) such matter materially and adversely affects the rights of shareholders. See “Description of American Depositary Shares.”

You may not be able to participate in rights offerings and may experience dilution of your holdings as a result.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depository will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act, or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

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

Your ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deem 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.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are incorporated in the Cayman Islands, and conduct substantially all of our operations in China through our wholly owned subsidiaries and affiliated entities in China. All of our officers reside outside the United States and some or all of the assets of those persons are located outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the respective laws of the Cayman Islands and China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will generally recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. For more information regarding the relevant laws of the Cayman Islands and China, see “Enforceability of Civil Liabilities.”

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. law, you may have less protection of your shareholder rights than you would under U.S. law.

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law (2004 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, 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, which has persuasive, but not binding, authority 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 precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the

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United States, and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

Our management will have considerable discretion as to the use of the net proceeds to be received by us from this offering.

We have not allocated the majority of the net proceeds to be received by us of this offering to any particular purpose. Rather, our management will have considerable discretion in the application of the net proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. The net proceeds may be used for corporate purposes that do not improve our efforts to maintain profitability or increase our share price. The net proceeds from this offering may be placed in investments that do not produce income or that lose value.

Our articles of association may contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our common shares and ADSs.

We are considering adopting amended and restated articles of association that will contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our common shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our common shares and ADSs may be materially and adversely affected.

We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of our ADSs or common shares.

We do not expect to be considered a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes for our current taxable year ending May 31, 2007. However, the application of the PFIC rules is subject to ambiguity in several respects, and, in addition, we must make a separate determination each taxable year as to whether we are a PFIC (after the close of each taxable year). Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending or any future taxable year. A non-U.S. corporation will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income. The market value of our assets will be determined based on the market price of our ADSs and common shares, which is likely to fluctuate after this offering. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in this offering. If we were treated as a PFIC for any taxable year during which a U.S. person held an ADS or a common share, certain adverse U.S. federal income tax consequences could apply to such U.S. person. See “Taxation—United States Federal Income Taxation—Passive Foreign Investment Company.”

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. The forward-looking statements are contained principally in the sections entitled “Prospectus Summary,” “Risk Factors,” “Recent Developments,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “is expected to,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include:

- our anticipated growth strategies;
- our future business development, results of operations and financial condition;
- expected changes in our revenues and certain cost and expense items;
- our ability to increase student enrollments and course fees and expand program, service and product offerings;
- competition in the language training, test preparation, primary and secondary education, educational content, software and other technology development and online education markets;
- risks associated with our offering of new educational programs, services and products and the expansion of our geographic reach;
- the expected increase in expenditures on education in China; and
- PRC laws, regulations and policies relating to private education and providers of private educational services.

You should read thoroughly this prospectus and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements. Other sections of this prospectus include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

This prospectus also contains third-party data relating to the education market in China that includes projections based on a number of assumptions. The education market may not grow at the rates projected by market data, or at all. The failure of this market to grow at the projected rates may have a material adverse effect on our business and the market price of our ADSs. Furthermore, if any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US\$80.7 million or approximately US\$93.3 million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed initial offering price of US\$12.00 per ADS, the midpoint of the range shown on the front cover page of this prospectus. Assuming the number of ADSs offered by us as set forth on the cover page of this prospectus remains the same, a US\$1.00 increase (decrease) in the assumed initial public offering price of US\$12.00 per ADS would increase (decrease) the net proceeds of this offering by US\$7.0 million after deducting underwriting discounts and commissions and the estimated offering expenses payable by us.

The primary purposes of this offering are to create a public market for our common shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives, obtain additional capital and repay the outstanding indebtedness under our loan agreements and corporate facility with commercial banks. The following table sets forth a summary of our outstanding indebtedness as of July 31, 2006:

<u>Bank Name</u>	<u>Date of Loan Initiation</u>	<u>Due Date</u>	<u>Type of Loan</u>	<u>Principal (In RMB)</u>	<u>Interest Rate</u>
China Minsheng Bank	03/31/2005	03/31/2015	Mortgage	103,651,683	6.12%
Bank of Communications	10/10/2002	10/10/2006	Mortgage	10,000,000	5.58%
Bank of Communications	12/03/2003	10/10/2006	Guaranteed Loan	24,500,000	5.58%
Bank of Beijing	03/31/2006	03/30/2007	Guaranteed Loan	10,000,000	5.58%

We incurred the RMB10 million short-term loan in 2006 to repay part of our existing loans and finance the construction of our school in Yangzhou.

We intend to use the net proceeds from this offering as follows:

- approximately US\$18.5 million to repay all of our outstanding indebtedness;
- up to US\$20 million to expand our network of schools and learning centers and improve our existing facilities; and
- the balance to fund working capital and for other general corporate purposes, which may include strategic acquisitions of businesses that could complement our existing capabilities and business.

We have not yet determined all of our anticipated expenditures and therefore cannot estimate the amounts to be used for each of the purposes discussed above. For a discussion of our strategies and business plan, see “Business—Our Strategy.” We do not currently have any agreements or understandings to make any material acquisitions of, or investments in, other businesses. To the extent that the net proceeds we receive from this offering are not immediately applied for the above purposes, we intend to invest our net proceeds in interest bearing bank deposits that may be withdrawn upon demand.

In utilizing the proceeds of this offering, as an offshore holding company, we are permitted, under PRC laws and regulations, to provide funding to our PRC subsidiaries only through loans or capital contributions and to other entities only through loans. Subject to satisfaction of applicable government registration and approval requirements, we may extend inter-company loans to our PRC subsidiaries and affiliated entities or make additional capital contributions to our PRC subsidiaries to fund their capital expenditures or working capital. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. See “Risk Factors—Risks Related to Our Corporate Structure—PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries and affiliated entities, which could adversely and materially affect our liquidity and our ability to fund and expand our business.”

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

DIVIDEND POLICY

We declared an annual dividend of RMB0.05, RMB0.27 and RMB0.65 per share, respectively, to holders of our common shares in our fiscal years 2003, 2004 and 2005. We declared an annual dividend of RMB0.59 per share to holders of our common shares and preferred shares in our fiscal year 2006. We have no present plan to declare any dividends on our shares in the near future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely on dividends from our subsidiaries in China and consulting, license and other fees paid to us by New Oriental China and its subsidiaries. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our subsidiaries and affiliated entities in China are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital, and to further set aside a portion of its after-tax profits to fund the employee welfare fund at the discretion of the board. These reserves may not be distributed as cash dividends. Further, if our subsidiaries and affiliated entities in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Moreover, New Oriental China owns many private schools in China. At the end of each fiscal year, every private school in China is required to allocate a certain amount out of its annual net income, if any, to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount shall be equivalent to no less than 25% of the annual increase in the net assets of the school, if any. See “Risk Factors—Risks Related to Our Corporate Structure—New Oriental China and its subsidiaries may be subject to significant limitations on their ability to operate private schools or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations.”

Our board of directors has complete discretion regarding whether to declare and distribute dividends, subject to the approval of our shareholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our common shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Description of American Depositary Shares.” Cash dividends on our common shares, if any, will be paid in U.S. dollars.

CAPITALIZATION

The following table sets forth our capitalization as of May 31, 2006:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all of our outstanding Series A convertible preferred shares into 11,111,111 common shares immediately prior to the closing of this offering; and
- on a pro forma as adjusted basis to reflect the automatic conversion of all of our outstanding Series A convertible preferred shares into 11,111,111 common shares immediately prior to the closing of this offering, the repayment of our short-term borrowings of US\$4.4 million and long-term debt of US\$18.7 million, and the sale of 30,000,000 common shares in the form of ADSs by us in this offering at an assumed initial public offering price of US\$3.00 per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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

<i>(in thousands)</i>	As of May 31, 2006					
	Actual		Pro Forma ⁽¹⁾		Pro Forma as adjusted	
	RMB	US\$	(unaudited) RMB	(unaudited) US\$	(unaudited) RMB	(unaudited) US\$
Short-term borrowings ⁽²⁾	35,000	\$ 4,365	35,000	\$ 4,365	—	\$ —
Current portion of long term debt ⁽²⁾	47,603	5,936	47,603	\$ 5,936	—	—
Long-term debt, less current portion ⁽²⁾	102,638	\$12,800	102,638	\$12,800	—	—
Shareholders’ equity:						
Series A convertible preferred shares, (US\$0.01 par value per share; 11,111,111 shares authorized, 11,111,111 issued and outstanding and nil issued and outstanding on a pro forma and pro forma as adjusted basis)	920	114	—	\$ —	—	—
Common shares, (US\$0.01 par value per share, 150,000,000 shares authorized, 100,000,000 shares issued and outstanding, 111,111,111 shares issued and outstanding on a pro forma basis and 141,111,111 issued and outstanding on a pro forma as adjusted basis)	8,277	1,032	9,197	\$ 1,146	11,602	1,446
Additional paid-in capital	309,519	38,599	309,519	38,599	769,198	95,924
Retained earnings	202,871	25,300	202,871	\$25,300	202,871	25,300
Accumulated other comprehensive income	(81)	(10)	(81)	\$ (10)	(81)	(10)
Total shareholders’ equity⁽³⁾	521,506	65,035	521,506	\$65,035	983,590	122,660
Total capitalization⁽⁴⁾	706,747	\$88,136	706,747	\$88,136	983,590	\$122,660

(1) The pro forma information discussed above is illustrative only.

(2) None of our short-term borrowings and long-term debt is guaranteed by a third party.

(3) Assuming the number of ADSs offered by us as set forth on the cover page of this prospectus remains the same, and after deduction of underwriting discounts and commissions and the estimated offering expenses payable by us, an US\$1.00 increase (decrease) in the assumed initial public offering price of US\$12.00 per ADS would increase (decrease) each of additional paid-in capital, total shareholders’ equity and total capitalization by US\$7.0 million.

(4) Total capitalization includes long-term borrowings (less current portion) and total shareholders’ equity. As of May 31, 2006, on an actual basis and on a pro forma basis, our short-term debt was US\$4.4 million and the current portion of our long-term borrowings was US\$5.9 million.

DILUTION

Our net tangible book value as of May 31, 2006 was approximately US\$0.65 per common share, and US\$2.60 per ADS. Net tangible book value per common share represents the amount of total tangible assets, minus the amount of total liabilities, divided by the total number of common shares outstanding. Dilution is determined by subtracting net tangible book value per common share from the assumed public offering price per common share.

Without taking into account any other changes in such net tangible book value after May 31, 2006, other than to give effect to (i) the conversion of all of our preferred shares into common shares, which will occur immediately prior to the closing of this offering, (ii) the repayment of our short-term borrowings of US\$4.4 million and long-term debt of US\$18.7 million and (iii) our sale of 7,500,000 ADSs offered in this offering, at an assumed initial public offering price of US\$12.00 per ADS, the midpoint of the estimated public offering price range, and after deduction of underwriting discounts and commissions and estimated offering expenses (assuming the over-allotment option is not exercised), our pro forma net tangible book value at May 31, 2006 would have been US\$0.87 per outstanding common share, including common shares underlying our outstanding ADSs, or US\$3.48 per ADS. This represents an immediate increase in net tangible book value of US\$0.22 per common share, or US\$0.88 per ADS, to purchasers of ADSs in this offering.

The following table illustrates the dilution on a per common share basis assuming that the initial public offering price per common share is US\$3.00 and all ADSs are exchanged for common shares:

Assumed initial public offering price per common share before deduction of underwriting discounts and commissions and estimated offering expenses	US\$3.00
Pro Forma net tangible book value per common share	US\$0.87
Amount of dilution in net tangible book value per common share to new investors in the offering	US\$2.13
Amount of dilution in net tangible book value per ADS to new investors in the offering	US\$8.52

A US\$1.00 increase (decrease) in the assumed public offering price of US\$12.00 per ADS would increase (decrease) our pro forma net tangible book value after giving effect to the offering by US\$7.0 million, the pro forma net tangible book value per common share and per ADS after giving effect to this offering by US\$0.05 and US\$0.20 per common share and per ADS, respectively, and the dilution in pro forma net tangible book value per common share and per ADS to new investors in this offering by US\$2.33 and US\$1.93 per common share and US\$9.32 and US\$7.72 per ADS, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and other offering expenses.

The following table summarizes, on a pro forma basis as of May 31, 2006, the differences between the shareholders as of May 31, 2006 and the new investors with respect to the number of common shares purchased from us, the total consideration paid and the average price per common share paid at an assumed initial public offering price of US\$3.00 per share before deducting estimated underwriting discounts and commissions and estimated offering expenses. The total number of common shares does not include 4,500,000 common shares issuable pursuant to the exercise of the over-allotment option granted to the underwriters. The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering to be determined at pricing.

	Common Shares Purchased ⁽¹⁾		Total Consideration		Average Price Per Common Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
Existing shareholders	111,111,111	78.7%	US\$ 25,775,000	22.3%	\$ 0.23	\$ 0.92
New investors	30,000,000	21.3	US\$ 90,000,000	77.7	\$ 3.00	\$ 12.00
Total	141,111,111	100%	US\$ 115,775,000	100%		

(1) Assumes conversion of all preferred shares into common shares

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The discussion and tables above also assume no exercise of any outstanding stock options. As of May 31, 2006, there were 8,719,500 common shares issuable upon exercise of outstanding stock options at a weighted average exercise price of US\$2.09 per share, and there were additional common shares available for future issuance upon the exercise of future grants under our 2006 share incentive plan. To the extent that any of these options are exercised, there will be further dilution to new investors.

EXCHANGE RATE INFORMATION

Our business is primarily conducted in China and substantially all of our revenues are denominated in RMB. However, periodic reports made to shareholders will be expressed in U.S. dollars using the then current exchange rates. This prospectus contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this prospectus were made at a rate of RMB8.0188 to US\$1.00. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. On August 21, 2006, the noon buying rate was RMB7.9698 to US\$1.00.

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

Period	Noon Buying Rate			
	Period End	Average ⁽¹⁾	Low	High
	(RMB per US\$1.00)			
2001	8.2766	8.2772	8.2786	8.2709
2002	8.2800	8.2772	8.2800	8.2700
2003	8.2767	8.2771	8.2800	8.2765
2004	8.2765	8.2768	8.2774	8.2764
2005	8.0702	8.1826	8.2765	8.0702
2006				
February	8.0415	8.0512	8.0616	8.0415
March	8.0167	8.0350	8.0505	8.0167
April	8.0165	8.0143	8.0248	8.0040
May	8.0215	8.0131	8.0300	8.0005
June	7.9943	8.0042	8.0225	7.9943
July	7.9690	7.9897	8.0018	7.9690
August (through August 21)	7.9698	7.9760	8.0000	7.9680

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

ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the Cayman Islands in order to enjoy the following benefits:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

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

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

We have appointed CT Corporation System, 111 Eighth Avenue, New York, NY 10011, as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Conyers Dill & Pearman, our counsel as to Cayman Islands law, and Tian Yuan Law Firm, our counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Conyers Dill & Pearman has further advised us that a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the Cayman Islands under the common law doctrine of obligation.

Tian Yuan Law Firm has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions.

CORPORATE STRUCTURE

Our History

Our first school was established by Michael Minhong Yu, our Chairman and Chief Executive Officer, in Beijing, China in 1993 to offer TOEFL test preparation courses to college students. We established New Oriental China in 2001 to own all of our schools and learning centers. Since our inception, we have grown rapidly and transformed ourselves from primarily a language training and test preparation company to the largest provider of private educational services in China offering a wide range of educational programs, services and products to a varied student population throughout China.

In order to facilitate foreign investment in our company, we established our offshore holding company, New Oriental Education & Technology Group Inc. as a company registered in the British Virgin Islands in August 2004. On January 25, 2006, we completed the process of changing our offshore holding company's corporate domicile to the Cayman Islands and we are now a Cayman Islands company limited by shares.

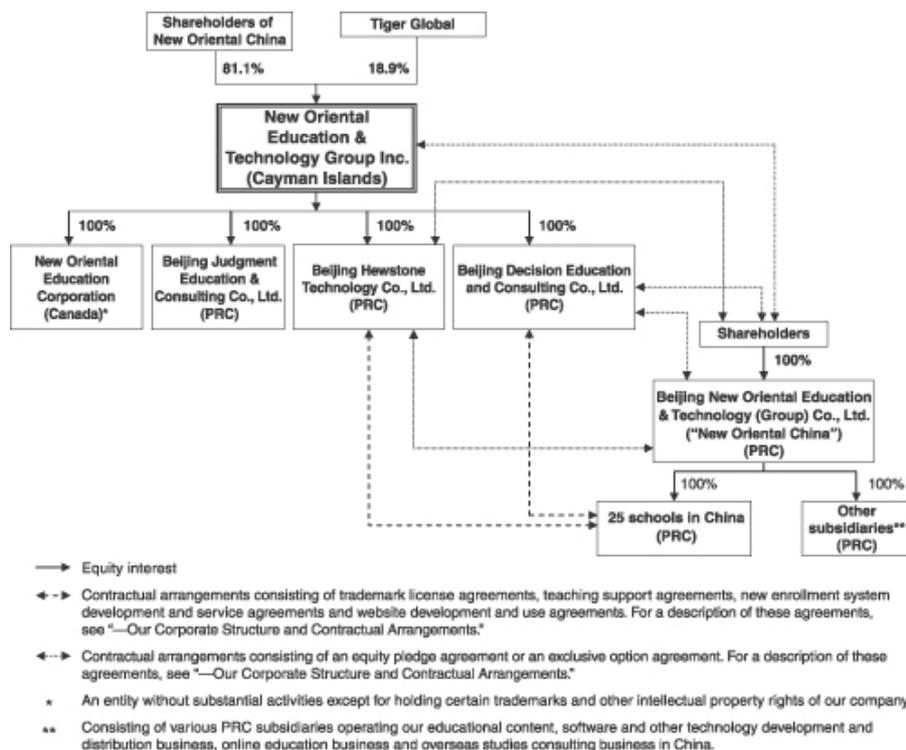
Our Corporate Structure and Contractual Arrangements

Substantially all of our operations are conducted in China through our contractual arrangements with our consolidated affiliated entity, New Oriental China and its subsidiaries, as well as three wholly owned subsidiaries in China:

- Beijing Hewstone Technology Co., Ltd., or Beijing Hewstone, which primarily engages in the educational software development business and sub-licenses our trademarks to New Oriental China and its subsidiaries;
- Beijing Decision Education Co., Ltd., or Beijing Decision, which primarily engages in the business of providing educational technology services and educational management services; and
- Beijing Judgment Education & Consulting Co., Ltd., or Beijing Judgment, a company that directly holds the real estate properties on which certain of our schools are located.

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The following diagram illustrates our corporate structure and the place of incorporation of each named entity as of May 31, 2006:



PRC laws and regulations currently require any foreign entity that invests in the education business in China to be an educational institution with relevant experience in providing education outside China. Our Cayman Islands holding company is not an educational institution and does not provide educational services. Accordingly, our wholly owned subsidiaries in China, which are considered foreign-invested, are currently ineligible to apply for the required education licenses and permits in China. In addition, PRC laws and regulations prohibit foreign ownership of primary and middle schools for students in grades one to nine in China. We conduct our education business in China through contractual arrangements with New Oriental China and its subsidiaries and shareholders. New Oriental China is our consolidated affiliated entity directly owned by our founders and/or their respective affiliates.

New Oriental China's subsidiaries hold the requisite licenses and permits necessary to conduct our education business and operate our schools, learning centers, bookstores as well as online education business in China. We have been and are expected to continue to be dependent on New Oriental China and its subsidiaries to operate our education business until we qualify for direct ownership of an education business in China under PRC laws and regulations and acquire New Oriental China and its subsidiaries as our direct, wholly owned subsidiaries. We have entered into contractual arrangements with New Oriental China and its subsidiaries and shareholders, which enable us to:

- exercise effective control over New Oriental China and its subsidiaries;
- receive a substantial portion of the economic benefits from New Oriental China and its subsidiaries in consideration for the services provided by our wholly owned subsidiaries in China; and

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- have an exclusive option to purchase all or part of the equity interests in New Oriental China in each case when and to the extent permitted by PRC law.

Agreements that Transfer Economic Benefits to Us

Teaching Support Agreements. Pursuant to the teaching support agreements dated as of April 25, 2005 and their respective supplements entered into on January 1, 2006 between Beijing Decision and certain New Oriental schools, Beijing Decision agreed to provide exclusive teaching support services to each of these New Oriental schools for an annual fee based on the school's revenues, subject to quarterly adjustments. The teaching support services include developing a curriculum for the school. Each of these agreements and their corresponding supplements has a term of five years from the signing date of the supplement. Each agreement may be terminated by a party thereto if the other party fails to perform its obligations under the agreement and such failure is not cured within 60 days after it receives a written notice from the non-breaching party.

New Enrollment System Development Service Agreements. Pursuant to the new enrollment system development service agreements dated as of April 25, 2005 and their respective supplements entered into on January 1, 2006 between Beijing Decision and certain New Oriental schools, Beijing Decision agreed to provide new enrollment system development and regular maintenance services to each of these New Oriental schools for a fee calculated based upon the number of new enrollments each month, subject to quarterly adjustments. The new enrollment system in these agreements refers to the new enrollment system designed and created by Beijing Decision. Each of these agreements and their corresponding supplements has a term of five years from the signing date of the supplement. Each agreement may be terminated by a party thereto if the other party fails to perform its obligations under the agreement and such failure is not cured within 60 days after it receives a written notice from the non-breaching party.

Website Development and Use Agreements. Pursuant to the website development and use agreements dated as of April 25, 2005 and their respective supplements entered into on January 1, 2006 between Beijing Decision and certain New Oriental schools and subsidiaries of New Oriental China, Beijing Decision agreed to provide website development and regular system maintenance services to each of these New Oriental schools and of these subsidiaries for an annual fee calculated based upon the annual revenues of the school and the subsidiary, respectively, subject to quarterly adjustments. Beijing Decision agreed to design and create a web platform based upon the request of the school and the subsidiary, as the case may be, each of which has the exclusive right to use, benefit from or otherwise dispose of the web platform. Each of these agreements and their corresponding supplements has a term of five years from the signing date of the supplement. Each agreement may be terminated by a party thereto if the other party fails to perform its obligations under the agreement and such failure is not cured within 60 days after it receives a written notice from the non-breaching party.

Trademark License Agreements. Pursuant to (1) two trademark license agreements dated May 13, 2006 between us as the licensor and New Oriental China as the licensee, and (2) the trademark license agreement dated May 13, 2006 between us as the licensor and Beijing Hewstone as the licensee, we have licensed our trademarks to New Oriental China and Beijing Hewstone for their use in China. We have also allowed Beijing Hewstone to enter into a sub-license agreement with each subsidiary of New Oriental China and each New Oriental school pursuant to which each of these subsidiaries and schools may use our trademarks in China by paying certain licensing fees. Beijing Hewstone is authorized to collect an annual licensing fee from each sub-licensee and handle other related matters. The term of each of these license and sublicense agreements is ten years from the signing date. Each agreement may be terminated by a party thereto if the other party fails to perform its obligations under the agreement and such failure is not cured within 60 days after it receives a written notice from the non-breaching party.

Sale of Educational Software. Since 2005, Beijing Hewstone has been selling various self-developed educational software to various New Oriental schools which are in turn included as part of the course materials for students who enroll in relevant courses. The sales are conducted at mutually agreed-upon prices without any written agreement between the parties.

Agreements that Provide Effective Control over New Oriental China and its Subsidiaries

Equity Pledge Agreement. Pursuant to the equity pledge agreement entered into on May 25, 2006 among New Oriental China, the shareholders of New Oriental China, Beijing Hewstone and Beijing Decision, each shareholder agreed to pledge his or its equity interests of New Oriental China to Beijing Hewstone and Beijing Decision to secure the performance of New Oriental China's or its subsidiaries' obligations under the relevant principal agreements, including certain teaching support agreements, new enrollment system development service agreements, website development and use agreements, and trademark license agreements, and each of them has agreed not to transfer, sell, pledge, dispose of or otherwise create any encumbrance on his or its equity interest in New Oriental China without the prior written consent of Beijing Hewstone and Beijing Decision.

Exclusive Option Agreement. Pursuant to the exclusive option agreements entered into on various dates and amended on May 25, 2006, among our company, New Oriental China and the shareholders of New Oriental China, the shareholders of New Oriental China are obligated to sell to us, and we have an exclusive, irrevocable and unconditional right to purchase, or cause our designated party to purchase, from such shareholders, in our sole discretion, part or of all of these shareholders' equity interests in New Oriental China when and to the extent that applicable PRC law permits us to own part or all of such equity interests in New Oriental China. The purchase price to be paid by us will be the minimum amount of consideration permitted by applicable PRC law at the time when such share transfer occurs.

In the opinion of Tian Yuan Law Firm, our PRC legal counsel:

- the ownership structures of New Oriental China and its subsidiaries and our wholly owned subsidiaries in China, both currently and after giving effect to this offering, are in compliance with existing PRC laws and regulations;
- the contractual arrangements among our wholly owned subsidiaries in China and New Oriental China and its shareholders and subsidiaries governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect; and
- the business operations of our wholly owned subsidiaries in China and New Oriental China and its subsidiaries, as described in this prospectus, are in compliance with existing PRC laws and regulations in all material respects.

We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC counsel that if the PRC government finds that the agreements that establish the structure for operating our PRC education business do not comply with PRC government restrictions on foreign investment in the education businesses, we could be subject to severe penalties. See "Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating our China business do not comply with applicable PRC laws and regulations, we could be subject to severe penalties" and "Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us."

SELECTED CONSOLIDATED CONDENSED FINANCIAL DATA

The following selected consolidated condensed financial data as of May 31, 2004, 2005 and 2006 and for the three years ended May 31, 2004, 2005 and 2006 have been derived from our audited consolidated financial statements. These consolidated condensed financial data have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm. The report of Deloitte Touche Tohmatsu CPA Ltd. on our audited consolidated financial statements is included elsewhere in this prospectus. Our selected consolidated condensed financial data as of May 31, 2002 and 2003 and for the two years ended May 31, 2002 and 2003 have been derived from our unaudited consolidated financial statements which are not included in this prospectus, but which have been prepared on the same basis as our audited consolidated financial statements. The selected consolidated condensed financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. Our audited consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

<i>(in thousands except share, per share and per ADS data)</i>	For the Years Ended May 31,					
	2002	2003	2004	2005	2006	2006
	RMB	RMB	RMB	RMB	RMB	US\$
Consolidated Statement of Operations Data:						
Net revenues						
Educational programs and services	235,800	344,382	430,398	606,812	721,497	\$ 89,976
Books and others	2,659	2,887	11,411	36,458	48,762	6,081
Total net revenues	238,459	347,269	441,809	643,270	770,259	96,057
Operating costs and expenses						
Cost of revenues	(102,530)	(145,339)	(191,007)	(273,690)	(320,895)	(40,018)
Selling and marketing	(9,575)	(20,667)	(41,613)	(50,716)	(82,121)	(10,241)
General and administrative	(66,872)	(156,577)	(163,470)	(207,767)	(303,084)	(37,797)
Total operating costs and expenses	(178,977)	(322,583)	(396,090)	(532,173)	(706,100)	(88,056)
Operating income	59,482	24,686	45,719	111,097	64,159	8,001
Other income (expense)						
Interest income	1,455	2,844	4,127	3,652	2,332	291
Interest expense	—	(384)	(3,088)	(6,338)	(9,837)	(1,228)
Miscellaneous income (expense)	505	8	2,541	782	136	17
Foreign exchange loss	—	—	—	—	(3,065)	(382)
Income from continuing operations before income taxes and minority interest	61,442	27,154	49,299	109,193	53,725	6,699
Income tax expense:						
Current	(557)	(1,594)	(3,622)	(7,772)	(16,173)	(2,016)
Deferred	—	—	985	1,928	2,250	280
Income tax expense	(557)	(1,594)	(2,637)	(5,844)	(13,923)	(1,736)
Minority interest, net of tax	(236)	31	(220)	(97)	(12)	(1)
Income from continuing operations	60,649	25,591	46,442	103,252	39,790	4,962
Income on discontinued operations	—	(6,228)	5,947	38,722	9,595	1,197
Net income	60,649	19,363	52,389	141,974	49,385	6,159
Dividend in kind	—	—	—	—	(25,526)	(3,183)
Income attributable to holders of common shares	60,649	19,363	52,389	141,974	23,859	\$ 2,976
Net income per share—basic	0.61	0.19	0.52	1.42	0.24	\$ 0.03
Net income per share—diluted	0.61	0.19	0.52	1.35	0.21	\$ 0.03
Net income per ADS⁽¹⁾						
Shares used in calculating basic net income per share	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Shares used in calculating diluted net income per share	100,000,000	100,000,000	100,000,000	104,840,183	111,111,111	111,111,111
Dividends declared per share⁽²⁾	—	0.05	0.27	0.65	0.59	\$ 0.07

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<i>(in thousands except share, per share and per ADS data)</i>	For the Years Ended May 31,					
	2002	2003	2004	2005	2006	2006
	RMB	RMB	RMB	RMB	RMB	US\$
Pro forma net income per share on an as converted basis, basic (unaudited)	—	—	—	—	0.21	\$ 0.03
Pro forma net income per share on an as converted basis, diluted (unaudited)	—	—	—	—	0.21	\$ 0.03
Shares used in calculating pro forma per share amounts on an as converted basis, basic (unaudited)	—	—	—	—	111,111,111	111,111,111
Shares used in calculating pro forma per share amounts on an as converted basis, diluted (unaudited)	—	—	—	—	111,111,111	111,111,111
Share-based compensation expense included in:						
Cost of revenues	—	481	367	—	392	\$ 49
Selling and marketing	—	313	282	—	1,410	\$ 176
General and administrative	—	10,207	16,168	—	62,655	\$ 7,816

- (1) Each ADS represents four common shares.
- (2) We declared an annual dividend of RMB0.27 and RMB0.65 per share, respectively, to holders of our common shares in our fiscal years ended May 31, 2004 and 2005. We declared an annual dividend of RMB0.59 per share to holders of our common shares and preferred shares in our fiscal year ended May 31, 2006.

The following table presents a summary of our consolidated balance sheet data as of May 31, 2002, 2003, 2004, 2005 and 2006:

<i>(in thousands)</i>	As of May 31,							
	2002	2003	2004	2005	2006		2006 ⁽¹⁾ Pro Forma (unaudited)	
	RMB	RMB	RMB	RMB	RMB	US\$	RMB	US\$
Condensed Consolidated Balance Sheet Data:								
Cash and cash equivalents	198,588	232,173	208,459	332,261	261,854	\$ 32,655	261,854	\$ 32,655
Total assets	278,992	512,444	662,922	1,113,312	1,089,562	\$ 135,876	1,089,562	\$ 135,876
Total current liabilities	125,344	285,090	376,698	447,354	465,218	\$ 58,016	465,218	\$ 58,016
Total liabilities	126,045	332,112	439,042	629,186	568,056	\$ 70,841	568,056	\$ 70,841
Long-term debt, less current portion	—	30,000	54,500	179,685	102,638	\$ 12,800	102,638	\$ 12,800
Series A convertible preferred shares	—	—	—	920	920	\$ 114	—	—
Total shareholders' equity	152,947	180,332	223,880	484,126	521,506	\$ 65,035	521,506	\$ 65,035

- (1) The unaudited pro forma balance sheet data as of May 31, 2006 assumes the conversion of all of our outstanding Series A convertible preferred shares outstanding as of May 31, 2006 into common shares immediately upon the completion of the initial public offering.

RECENT DEVELOPMENTS

The following is an estimate of our selected preliminary unaudited financial results for the three months ending August 31, 2006. These results are subject to the completion of our normal quarter-end closing procedures and review by our independent registered public accounting firm in accordance with Statement of Auditing Standards No. 100, which provides guidance on performing reviews of interim financial information. As a result, our preliminary unaudited financial results set forth below may be subject to change. For additional information regarding the various risks and uncertainties inherent in estimates of this type, see “Forward-Looking Statements.”

We estimate that we will generate total net revenues ranging from approximately RMB405 million (US\$50.5 million) to RMB425 million (US\$53.0 million) in the three months ending August 31, 2006. We estimate that we will have operating income ranging from approximately RMB153 million (US\$19.1 million) to RMB173 million (US\$21.6 million) in the three months ending August 31, 2006. We estimate that we will have net income ranging from approximately RMB140 million (US\$17.5 million) to RMB160 million (US\$20.0 million) in the three months ending August 31, 2006.

Although full results for our fiscal quarter ending August 31, 2006 are not yet available, based upon our management accounts for June and July 2006 and the information available to us, and except as otherwise described in this prospectus, we do not anticipate that our results for the quarter will be adversely impacted, in the aggregate, by any material or unusual adverse events. However, our actual results may differ from our current estimates. We cannot assure you that our results for this interim period will be indicative of our results for the full year or future quarterly periods. Please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus for information regarding trends and other factors that may influence our results of operations.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

We are the largest provider of private educational services in China based on the number of program offerings, total student enrollments and geographic presence. We offer a wide range of educational programs, services and products consisting primarily of English and other foreign language training, test preparation courses for admissions and assessment tests in the United States, the PRC and Commonwealth countries, primary and secondary school education, development and distribution of educational content, software and other technology, and online education. We have experienced significant growth in our business in recent years. Our total net revenues increased from RMB441.8 million in the fiscal year ended May 31, 2004 to RMB770.3 million (US\$96.1 million) in the fiscal year ended May 31, 2006, representing a CAGR of 32.0%, and our net income increased from RMB52.4 million in the fiscal year ended May 31, 2004 to RMB142.0 million in the fiscal year ended May 31, 2005, but decreased to RMB49.4 million (US\$6.2 million) in the fiscal year ended May 31, 2006 primarily due to the RMB64.5 million (US\$8.0 million) share-based compensation expenses we incurred in connection with the restricted shares we granted to our employees, directors and consultants during the year at prices below the fair market value of our common shares on the relevant dates of grant and an RMB29.1 million (US\$3.6 million) decrease in the income from discontinued operations as we disposed of all of our equity interest in an affiliated entity in August 2005.

Our recent growth has been achieved primarily by increasing student enrollments and course fees through expanding the breadth of our program, service and product offerings, implementing market-based fee increases and establishing new schools and learning centers. Our total cumulative student enrollments increased from over 552,000 as of the end of 2001 to over three million as of May 31, 2006, and our network grew from three schools and 23 learning centers in three cities in 2001 to 25 schools and 111 learning centers in 24 cities, respectively, as of May 31, 2006.

General Factors Affecting Our Results of Operations

We have benefited significantly from favorable demographic trends, the overall economic growth and the demand for high-quality private education and English language training in China. The overall economic growth and the increase in the GDP per capita in China have led to a significant increase in spending on education in China. At the same time, China's integration into the global economy has accelerated, resulting in more career opportunities for Chinese citizens who are able to communicate effectively in English. We anticipate that the demand for private education and English language training in China will continue to increase as the economy in China continues to grow and as disposable income of urban households continues to rise. However, any adverse changes in the economic conditions or regulatory environment in China may have a material adverse effect on the private education industry in China, which in turn may harm our business and results of operations.

Specific Factors Affecting Our Results of Operations

While our business is influenced by factors affecting the private education industry in China generally and by conditions in each of the geographic markets we serve, we believe our business is more directly affected by company-specific factors such as the number of student enrollments, the amount of course fees and our operating costs and expenses. The number of student enrollments is in turn largely driven by the demand for our courses, the effectiveness of our marketing and brand promotion efforts, the locations of our schools and learning centers, our ability to maintain the consistency and quality of our teaching, and our ability to respond to competitive

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pressure, as well as seasonal factors. We determine course fees primarily based on demand for our courses, the targeted market for our courses, the subject of the course, the geographic location of the school, cost of services, and the course fees charged by our competitors for the same or similar courses.

Our future results of operations will depend significantly upon our ability to increase student enrollments at existing schools and learning centers and further expand our school network throughout China, as well as offer a greater variety of courses, including smaller-size classes. Specifically, we opened 10 new schools in fiscal year 2006 and plan to open six to eight new schools in fiscal year 2007 depending on local market conditions of the new markets we plan to enter. We expect to incur capital expenditures ranging from approximately RMB1.0 million to RMB4.0 million per new school depending primarily on the size and geographic location of the school. In addition, we have offered and plan to continue offering an increasing number and a greater variety of smaller classes, such as “Pop Kids” English classes for kindergarten through sixth grade students with 10 to 25 students per class and higher-end “Elite English” classes for adults and children of high-income families with one to 10 students per class. Our planned expansion will result in substantial demands on our management, operational, technological, financial and other resources. To manage and support our growth, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and school management personnel as well as other administrative and sales and marketing personnel, particularly as we grow outside of our existing markets. We have launched our new computerized enrollment system to timely track course enrollment and other relevant operating data in our schools in Beijing and plan to roll out the system across our school network by the end of fiscal year 2007. We will continue to implement additional systems and measures and recruit qualified personnel in order to effectively manage and support our growth. If we cannot achieve these improvements, our financial condition and results of operations may be materially adversely affected.

Due to certain restrictions and qualification requirements under PRC law that apply to foreign investment in China’s education industry, our education business is currently conducted through contractual arrangements among us, our wholly owned subsidiaries in China, and our consolidated variable interest entities in China, which consist of New Oriental China and its wholly owned subsidiaries. New Oriental China’s subsidiaries hold the licenses and permits necessary to conduct our educational services business in China and directly operate its schools, learning centers and bookstores, develop and distribute educational content, software and other technologies, and operate our online education business. We intend to own and operate schools and learning centers when PRC law permits us to do so. For a description of these contractual arrangements, see “Corporate Structure—Our Corporate Structure and Contractual Arrangements” and “Related Party Transactions—Contractual Arrangements with New Oriental China and Its Subsidiaries and Shareholders.”

Net Revenues. In the fiscal years ended May 31, 2004, 2005 and 2006, we generated total net revenues of RMB441.8 million, RMB643.3 million and RMB770.3 million (US\$96.1 million), respectively. Our revenues are net of PRC business taxes and related surcharges, as well as scholarships and refunds.

We currently derive revenues from the following sources:

- educational programs and services, which accounted for 97.4%, 94.3% and 93.7% of our total net revenues in the fiscal years ended May 31, 2004, 2005 and 2006, respectively; and
- books and others, which accounted for 2.6%, 5.7% and 6.3% of our total net revenues in the fiscal years ended May 31, 2004, 2005 and 2006, respectively.

Educational Programs and Services. Our educational programs and services consist of language training and test preparation courses, primary and secondary school education, online education and post-secondary

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education. Revenues from language training courses and test preparation courses accounted for 96.0%, 91.9% and 89.2%, respectively, of our total net revenues in the fiscal years ended May 31, 2004, 2005 and 2006.

We recognize revenues from course fees collected for enrollment in our language training and test preparation courses and post-secondary educational programs proportionally as we deliver the instruction over the period of the course. We recognize revenues from school fees collected for enrollment in New Oriental China's primary and secondary school ratably over the corresponding academic year. We sell pre-paid online education cards primarily to distributors, who in turn sell them to students. We recognize revenues from sales of pre-paid cards in proportion to the actual time that students spend on our online courses. Course fees and school fees collected and amounts received from sales of pre-paid cards are recorded as deferred revenues until they can be recognized as revenues upon their use or expiration. Upon expiration of a prepaid card, which is six months to one year from the date of the sale of the card, we recognize the remaining amount of deferred revenues as revenues.

The most significant factors that directly affect our revenues from educational programs and services are the number of student enrollments and the amount of course fees. We believe our students are attracted to us primarily because of our established brand and reputation in the private education sector, especially in the areas of English language training and overseas admissions and assessment test preparation, the quality of our instruction and the variety of our programs, services and products. For the past five years, our revenue growth has been driven primarily by increased enrollments in our English language training courses and test preparation courses and other programs and services. The number of student enrollments for our courses is affected by the demand for our courses, the effectiveness of our marketing and brand promotion, the demographic composition of the cities where we have schools and learning centers, our ability to respond to competitive pressure, as well as seasonal factors. Our courses generally have the largest student enrollments in our first fiscal quarter from June 1 to August 31 each year, primarily because many students enroll in our courses during the summer vacation to enhance their foreign language skills and/or prepare for admissions and assessment tests in subsequent school terms. In addition, we have generally experienced larger student enrollments in our third fiscal quarter from December 1 to February 28 each year, primarily because many students enroll in our language training and other courses during the winter school holidays. We expect this seasonality enrollment pattern to continue, especially for most of our language training courses for college and middle school students and test preparation courses.

Although similar courses have comparable rates, course fees vary among our numerous courses. We determine course fees primarily based on demand for our courses, the targeted market for our courses, the subject of the course, the geographic location of the school, cost of services, and the course fees charged by our competitors for the same or similar programs. Our test preparation courses are generally delivered in large class settings ranging from 50 students to 500 students per class and our English language training courses are delivered in class settings ranging from one student to 150 students per class. To further penetrate the English language training markets for children and high-income individuals, we have offered and plan to continue offering an increasing number and a greater variety of smaller classes for children and adults, such as "Pop Kids" English classes for students in kindergarten through grade six with ten to 25 students per class and higher-end personalized "Elite English" classes for high-income adults and children with one to ten students per class. We typically adjust course fees or school fees based on the market conditions of the city where the particular school is located, subject to the relevant local governmental authority's advance approval, if required. We expect to continue to derive a substantial majority of our revenues from educational programs and services.

A significant portion of our revenues has been derived from test preparation courses. The success of our test preparation courses depends on the continued use of admissions and assessment tests by educational institutions and governmental authorities both in China and abroad. If the use of admissions and assessment tests declines or falls out of favor with educational institutions, government authorities and other entities, the markets for our test preparation courses will shrink and our business may be materially and adversely affected. For example, in early 2005, the PRC Ministry of Education started reforming the CET 4 and CET 6 exams, which, among other things, will limit these exams only to college students starting from 2007. As a result, the total number of students who started our CET 4 and CET 6 exam preparation courses decreased from approximately 180,000 in calendar year

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2004 to approximately 140,000 in calendar year 2005. We have experienced only a slight decline in the number of students who started our CET 4 and CET 6 exam preparation courses in calendar year 2006 to date as compared to the same period in 2005. We are currently not aware of any other proposed reforms by the PRC regulatory authorities concerning admissions and assessment tests that would materially and adversely affect our domestic test preparation business.

Books and Others. We distribute and sell books and other educational materials developed or licensed by us through our own distribution channels, which consist of our bookstores and websites, and also through third-party distributors. We normally provide books and other educational materials that are required for our courses and do not separately charge students for these items. We recognize revenues from sales of books and other educational materials when the products are sold to end customers. As we believe successful content development is important to the success of our business in China, we intend to continuously enhance the quality and breadth of our education content offerings and distribute more books and other educational materials through our own bookstores, as well as third-party distributors, including over 5,000 bookstores. Accordingly, we expect revenues from sales of books and other educational materials to continue to increase in the future.

We also provide consulting services to students regarding overseas studies and related processes, such as visa applications. We charge each student a fee based on the scope of consulting services requested by the student and recognize revenues when our consulting services are delivered. We expect that revenues from these consulting services will continue to constitute a small portion of our total revenues in the future.

Operating Costs and Expenses. Our operating costs and expenses consist of cost of revenues, selling and marketing expenses and general and administrative expenses. The following table sets forth the components of our operating costs and expenses, both in absolute amount and as a percentage of total revenues for the periods indicated.

	For the Years Ended May 31,						
	2004		2005		2006		
	RMB	%	RMB	%	RMB	US\$	%
<i>(in thousands, except percentages)</i>							
Net revenues	441,809	100.0	643,270	100.0	770,259	\$ 96,057	100.0
Operating costs and expenses:							
Cost of revenues	(191,007)	(43.2)	(273,690)	(42.5)	(320,895)	(40,018)	(41.7)
Selling and marketing	(41,613)	(9.4)	(50,716)	(7.9)	(82,121)	(10,241)	(10.7)
General and administrative	(163,470)	(37.0)	(207,767)	(32.3)	(303,084)	(37,797)	(39.3)
Total operating costs and expenses	(396,090)	(89.6)	(532,173)	(82.7)	(706,100)	\$(88,056)	(91.7)

We rely on our teachers to deliver educational services. Our teachers consist of both full-time teachers and contract teachers. Full-time teachers deliver instruction and may also be involved in management, administration and other functions at our schools and other subsidiaries and affiliated entities. Their compensation and benefits primarily consist of teaching fees based on hourly rates, performance-linked bonuses based on student evaluations, as well as base salary, annual bonus and standard employee benefits in connection with their services other than teaching. Compensation of our contract teachers is comprised primarily of teaching fees based on hourly rates and performance-linked bonuses based on student evaluations and other factors. To attract and retain high-quality teachers, we have granted equity incentives, including restricted shares and share options, to some of our teachers. We account for teaching fees and performance-linked bonuses paid to our teachers as cost of revenues as they are directly associated with the provision of educational services, and account for the other compensation and benefits to our teachers as general and administrative expenses.

Cost of Revenues. Cost of revenues for educational programs and services primarily consists of teaching fees and performance-linked bonuses paid to our teachers and rental payments for our schools and learning centers and, to a lesser degree, depreciation and amortization of property and equipment used in the provision of educational services, as well as costs of course materials. Cost of books and others primarily consist of printing costs of books and other materials, and licenses fees, royalties and other fees paid to content licensors, publishing companies and third-party distributors. We anticipate that our total cost of revenues will continue to increase as we continue to open new schools and learning centers and hire additional teachers.

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Selling and Marketing Expenses. Our selling and marketing expenses primarily consist of expenses relating to advertising, seminars, marketing and promotional trips and other community activities for brand promotion purpose. We expect that our selling and marketing expenses will continue to increase as we further expand into new geographic locations and enhance our brand recognition.

General and Administrative Expenses. Our general and administrative expenses primarily consist of compensation and benefits of administrative staff, compensation and benefits of full-time teachers excluding teaching fees and performance-linked bonuses and, to a lesser extent, costs to develop curriculum, costs of third-party professional services, rental and utilities payments relating to office and administrative functions, and depreciation and amortization of property and equipment used in our general and administrative activities. We expect that our general and administrative expenses will increase in the near term as we hire additional personnel and incur additional costs in connection with the expansion of our business and with being a publicly traded company, including costs of enhancing our internal controls.

Share-based Compensation Expenses. The following table sets forth the allocation of our share-based compensation expenses, both in absolute amount and as a percentage of total share-based compensation expenses, among our employees based on the nature of work which they were assigned to perform.

	For the Years Ended May 31,						
	2004		2005		2006		
	RMB	%	RMB	%	RMB	US\$	%
<i>(in thousands, except percentages)</i>							
Allocation of Share-based Compensation Expenses:							
Cost of revenues	367	2.2	—	—	392	\$ 49	0.6
Selling and marketing	282	1.7	—	—	1,410	\$ 176	2.2
General and administrative	16,168	96.1	—	—	62,655	\$ 7,816	97.2

In the fiscal years ended May 31, 2004, 2005 and 2006, we issued 2,477,500, nil and 4,572,500 restricted shares, respectively, to our employees, directors and consultants for services rendered by them. These shares vested immediately on the date of grant. In addition, we adopted the 2006 Share Incentive Plan in January 2006, under which we are authorized to, starting from 2006, issue share options to purchase up to 10,000,000 common shares to our employees, directors and consultants in 2006, as well as additional options in future periods. See “Management—Share Incentives.” We have granted options to purchase a total of 8,719,500 common shares to our employees and directors in 2006. In December 2004, the Financial Accounting Standards Board, or FASB, issued statement of accounting standards, or SFAS, No. 123R “Share-Based Payment,” effective January 1, 2006. Accordingly, we have adopted the provisions of SFAS 123(R) for the share options granted in 2006. SFAS 123(R) requires share-based compensation expense to be determined based on the fair value of our common shares as of their grant date.

For restricted shares granted to our employees, we record share-based compensation expense for the excess of the fair value of the restricted shares at the date of the grant over the purchase price that a grantee must pay to acquire the shares during the period in which the shares may be purchased. For options granted to our employees and directors, we record share-based compensation expenses based on the fair value of our common shares underlying options as of the date of option grant and amortize the expenses over the vesting periods of the options.

We have engaged American Appraisal China Limited, an independent appraiser, to assess the fair values of our common shares as of each relevant grant date. The independent appraiser applied a blended income and market value approach to arrive at the fair values for our common shares. Determining the fair value of our common shares requires making complex and subjective judgments regarding projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of grant. We used the income approach in conjunction with the market value approach by assigning a different weight to each of the approaches to estimate the value of the enterprise when the option was granted. The income

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approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts. Our revenues and earnings growth rates, as well as major milestones that we have achieved contributed significantly to the increase in the fair value of our common shares. However, these fair values are inherently uncertain and highly subjective. The assumptions used in deriving the fair values are consistent with our business plan. These assumptions include: no material changes in the existing political, legal, fiscal and economic conditions in China; no major changes in tax law in China or the tax rates applicable to our subsidiaries and consolidated affiliated entities in China; our ability to retain competent management, key personnel and teaching staff to support our ongoing operations; and no material deviation in market conditions from economic forecasts. These assumptions are inherently uncertain. The risks associated with achieving our forecasts were assessed in selecting the appropriate discount rates, which ranged from 15% to 17%. If different discount rates had been used, the valuations would have been different and the amount of share-based compensation would also have been different because the fair value of the underlying common shares for the options granted would have been different.

The independent appraiser has used the option-pricing method to allocate enterprise value to preferred and common shares. This method involves making estimates of the anticipated timing of a potential liquidity event such as a sale of our company or an initial public offering and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board and management. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. We estimated the volatility of our shares based on historical volatility of comparable companies' shares. Had we used different estimates of volatility, the allocations between preferred and common shares would have been different.

Because our option plan covers all of our employees, the change in the amount of share-based compensation expenses will primarily affect our reported net income, earnings per share and all line items of our operating costs and expenses, which include cost of revenues, selling and marketing expenses and general and administrative expenses.

Since May 31, 2005, the end of our fiscal year 2005, we have granted the following restricted shares to our employees, directors and consultants.

Grant Date	Number of Restricted Shares Granted	Share Purchase Price	Fair Value of Common Shares	Type of Valuation
August 1, 2005	1,955,100	RMB2.00 (US\$0.2)	US\$1.80	(1)
August 1, 2005	110,000	nil	US\$1.80	(1)
April 26, 2006	2,507,400	RMB4.00 (US\$0.4)	US\$2.09	(2)

(1) Retrospective valuation by the independent appraiser.

(2) Contemporaneous valuation by the independent appraiser.

In addition, we have granted options to our employees and directors since we adopted our 2006 Share Incentive Plan in January 2006 as follows:

Grant Date	Number of Common Shares Underlying Options Granted	Option Exercise Price	Fair Value of Common Shares	Type of Valuation
February 28, 2006	7,099,500	US\$2.02	US\$1.99	(1)
July 21, 2006	1,620,000	US\$2.38	US\$2.38	(2)

(1) Retrospective valuation by the independent appraiser.

(2) Contemporaneous valuation by the independent appraiser.

The independent appraiser has used a combination of the income approach, also known as the discounted cash flow, or DCF, approach, and the market approach to assess the fair value of common shares underlying the options we granted in 2006 and the restricted shares we granted in 2005.

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The major assumptions used by the independent appraiser in calculating the fair values are as follows:

- Weight of DCF and market multiples: The independent appraiser assigned 55% weight to DCF approach and 45% weight to the market multiples approach because we had achieved better visibility of future earnings at the time, which made the DCF approach more meaningful.
- Weighted average costs of capital, or WACC: WACC of between 15% and 17% were used. The WACC used increased from 16% in January 2003 to 17% in May 2006. This was the combined result of the changes in risk-free rate, industry average beta, and the decrease in our company-specific risk as we continued to grow and meet important milestones.
- Capital market valuation multiples: The independent appraiser obtained and assessed updated capital market valuation data of comparable U.S. companies.
- Discount for lack of marketability, or DLOM: We quantified the DLOM by the Black-Scholes option-pricing model. This method treats the right to sell the company shares freely before a liquidity event as a put option. The farther the valuation date is from a liquidation event, the higher the option value and thus the higher the implied DLOM. The independent appraiser determined that DLOM decreased from 39% in January 2003 to 8% in May 2006.

The independent appraiser determines the fair value of the options using the Black-Scholes option pricing model at each option grant date under the following assumptions: 50.17% to 53.93% volatility, no dividends, a risk-free interest rate of 2.45% to 2.56%, and an expected option life of 5 to 6.5 years. If different assumptions were used, our share-based compensation expenses, net income and income per share could have been significantly different.

The increase in the fair value of our common shares from August 2005 to February 2006 was primarily attributable to the following developments of our company during the period:

- In the second quarter of our fiscal year 2006, we generated net revenues of RMB127.2 million, a 12.9% increase over the same quarterly period in the prior fiscal year, and the total number of students who completed our courses reached 90,000, an increase of 4.4% over the same quarterly period in the prior fiscal year;
- In the third quarter of our fiscal year 2006, we generated net revenues of RMB168.6 million, a 19.1% increase over the same quarterly period in the prior fiscal year, and the total number of students who completed our courses reached 241,000, a 9.0% increase over the same quarterly period in the prior fiscal year;
- As of May 31, 2005, we had 15 schools and 75 learning centers, and opened seven new schools and 27 new learning centers during the period from May 31, 2005 to February 28, 2006;
- At the end of 2005, we were named the “Most Influential Education Brand in Beijing” by 10 major media sources, and the “2005 Top Ten Branded Education Companies” by 25 national media sources, including Sina.com and Sohu.com, which are among the largest Chinese language Internet portals; and
- In December 2005, we hired a new chief financial officer to lead our finance, internal audit and legal departments.

The increase in the fair value of our common shares from February 2006 to April 2006 was primarily attributable to the following developments of our company during the period:

- In the fourth quarter of our fiscal year 2006, we generated net revenues of RMB147.6 million, a 20.8% increase over the same quarterly period in the prior fiscal year;
- In the fourth quarter of our fiscal year 2006, the total number of students who completed our courses amounted to approximately 124,000, a 26.5% increase over the same quarterly period in the prior fiscal year; and

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- Between February 28, 2006 and May 31, 2006, we opened three new schools and 10 additional learning centers.

Although it is reasonable to expect that the completion of this offering may increase the value of our common shares underlying our outstanding options as a result of their increased liquidity and marketability, the amount of such additional value cannot be measured with precision or certainty.

Taxation

We are incorporated in the Cayman Islands. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

Other than our primary and secondary school, our subsidiaries and affiliated entities in China are subject to a 3% to 5% business tax on gross revenues generated from providing services and related surcharges, and a value-added tax at varying rates ranging from 4% to 17% on gross revenues from sales of books, educational software and other products. With regard to income tax, according to the Implementation Rules for The Law for Promoting Private Education (2004), private schools that do not require reasonable returns are entitled to the same preferential tax treatment as public schools, while preferential tax treatment policies applicable to private schools requiring reasonable returns shall be separately formulated by the relevant authorities under the State Council. To date, however, no separate regulations or policies have been promulgated by the relevant authorities in this regard. See “Regulations.” As a result, preferential tax treatments for our schools vary among different cities. In some cities, our schools are subject to a 33% standard enterprise income tax, while in other cities, our schools are subject to a 2.0% to 3.5% tax on gross receipts in lieu of the 33% standard enterprise income tax or are exempted from the enterprise income tax. Among our schools in the four major cities from which we derived a majority of our revenues in each of the past three fiscal years ended May 31, 2006, our school in Wuhan is subject to the 33% standard enterprise income tax. New Oriental China’s subsidiaries other than schools are either subject to the standard enterprise income tax rate, which currently is 33%, or subject to various preferential income tax rates approved by local taxation authorities.

New Oriental China and our three wholly owned subsidiaries in China are certified “new or high-technology enterprises” located in a high-tech zone in Beijing as their primary sources of revenues are educational software development and educational technology development and implementation. As a result, each of them is entitled to a three-year exemption from enterprise income tax beginning from its first year of operation, a 7.5% enterprise income tax rate for the subsequent three years followed by a 15% tax rate so long as it continues to qualify as a “new or high-technology enterprise.” New Oriental China was exempted from enterprise income tax from 2002 to 2004, is subject to a 7.5% enterprise income tax in 2005, 2006 and 2007, and will be subject to a 15% enterprise income tax after 2007 as long as it continues to qualify as a “new or high-technology enterprise.” Each of our three wholly owned subsidiaries in China was established in 2005 and thus is exempted from enterprise income tax from 2005 to 2007, and will be subject to a 7.5% enterprise income tax from 2008 to 2010 and a 15% enterprise income tax thereafter as long as it continues to qualify as a “new or high-technology enterprise.”

Preferential tax treatments granted to our schools by local governmental authorities are subject to review and may be adjusted or revoked at any time. In addition, if the government regulations or authorities were to phase out preferential tax benefits currently granted to “new or high-technology enterprises,” New Oriental China and our wholly owned subsidiaries in China would be subject to the standard statutory tax rate, which currently is 33%. The discontinuation of any preferential tax treatments currently available to our schools, especially those schools in major cities, and to New Oriental China and our wholly owned subsidiaries, will cause our effective tax rate to increase, which could have a material adverse effect on our results of operations.

Internal Control Over Financial Reporting

During the audits of our consolidated financial statements for the fiscal years ended May 31, 2004 and 2005, our independent registered public accounting firm identified a number of control deficiencies, as defined in the Public Company Accounting Oversight Board's Audit Standard No. 2. The control deficiencies identified by our independent registered public accounting firm include: (i) the lack of sufficient financial reporting and accounting personnel to fulfill the post-offering U.S. GAAP reporting requirements; (ii) the lack of a centralized comprehensive accounting policies and procedures manual prepared in accordance with U.S. GAAP to guide the day-to-day operations of accounting and finance personnel; and (iii) the lack of systematic monthly closing procedures.

We have taken measures and plan to continue to take measures to remediate these deficiencies as soon as practicable. We have implemented the following measures to remediate the deficiencies: (i) hiring and training of qualified financial reporting and accounting personnel with experience in U.S. GAAP reporting; (ii) developing a comprehensive accounting policies and procedures manual to guide the day-to-day operations of accounting and finance personnel; (iii) establishing a new computerized enrollment system to timely track course enrollment and other relevant operating data across our school network; and (iv) strengthening our internal audit team to monitor the implementation of our policies and procedures.

In addition, under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, we are in the process of conducting further evaluations of our internal control over financial reporting for compliance with the requirements of Section 404 under the Sarbanes-Oxley Act. We plan to engage an external consultant to assist us in evaluating, designing, implementing and testing our internal controls over financial reporting intended to comply with the requirements of Section 404.

Disposition of Liandong Weiye

We established Beijing Liandong Weiye Technology Development Co., Ltd, or Liandong Weiye, a company engaged in the wireless application protocol, or WAP, business, in 2000. We and Yongqiang Qian, a director of our company, owned 96.2% and 3.8% in Liandong Weiye, respectively, prior to March 2005. As a result of our annual strategic planning and business planning process in November and December 2004, we decided to focus on our core business of providing educational services and to divest businesses unrelated to educational services. As a result, we decided to either dispose of our WAP business or cease our WAP-related operations in an expedited manner. In March 2005, we sold a 56.2% interest in Liandong Weiye to Mr. Qian for a cash consideration of RMB5.1 million, which represented the book value of the net assets sold. This price was determined based on our extensive negotiations with Mr. Qian and approved by all of our non-interested directors. Accordingly, no gain or loss was recorded as a result of this transaction. In August 2005, we disposed of the remaining interest in Liandong Weiye by spinning off this interest to a newly created entity that was owned by the same shareholders of our company for nil consideration. This transaction was recorded as a sale of assets between entities under common control. Accordingly, we recorded a dividend in kind of RMB25.5 million, which represented the book value of our equity interest in Liandong Weiye as of the spin-off date.

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Selected Quarterly Results of Operations

The following table sets forth our unaudited consolidated selected quarterly results of operations for the eight fiscal quarters ended May 31, 2006. You should read the following table in conjunction with our audited financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited consolidated financial information on the same basis as our audited consolidated financial statements. The unaudited consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the quarters presented.

<i>(in RMB thousands)</i>	For the Fiscal Quarter Ended							
	August 31, 2004	November 30, 2004	February 28, 2005	May 31, 2005	August 31, 2005	November 30, 2005	February 28, 2006	May 31, 2006
Net Revenues:								
Educational programs and services	258,808	104,370	136,068	107,566	314,821	114,714	160,890	131,072
Books and others	8,007	8,328	5,506	14,617	12,021	12,509	7,662	16,570
Total net revenues	266,815	112,698	141,574	122,183	326,842	127,223	168,552	147,642
Operating costs and expenses⁽¹⁾:								
Cost of revenues	(100,339)	(49,718)	(59,567)	(64,066)	(113,773)	(61,142)	(74,829)	(71,151)
Selling and marketing	(15,178)	(10,046)	(10,853)	(14,639)	(22,141)	(13,314)	(20,584)	(26,082)
General and administrative	(44,463)	(45,613)	(71,361)	(46,330)	(95,489)	(62,909)	(63,385)	(81,301)
Total operating costs and expenses	(159,980)	(105,377)	(141,781)	(125,035)	(231,403)	(137,365)	(158,798)	(178,534)
Operating income (loss)	106,835	7,321	(207)	(2,852)	95,439	(10,142)	9,754	(30,892)
Other income (expense), net	(609)	(811)	(1,244)	760	(3,136)	(2,185)	(2,460)	(2,653)
Income tax benefit (expense)	(3,497)	(214)	48	(2,181)	(17,901)	1,862	2,860	(744)
Income from continuing operations	102,624	6,263	(1,393)	(4,242)	74,390	(10,465)	10,154	(34,289)
Income on discontinued operations	3,651	5,665	12,689	16,717	7,811	1,784	—	—
Net income (loss)	106,275	11,928	11,296	12,475	82,201	(8,681)	10,154	(34,289)

(1) Share-based compensation expenses are included in our operating costs and expenses as follows:

Cost of Revenues	—	—	—	—	(65)	—	—	(327)
Selling and marketing	—	—	—	—	(793)	—	—	(617)
General and administrative	—	—	—	—	(25,367)	—	(954)	(36,334)

Our revenues and operating results normally fluctuate from quarter to quarter as a result of seasonal variations in our business. Historically, our courses generally had the largest student enrollments in our first fiscal quarter each year, primarily because many college, middle school and high school students enroll in our courses during the summer vacation to enhance their foreign language skills and/or prepare for admission and assessment tests in the subsequent school terms. In addition, we have generally experienced larger student

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enrollments in our third fiscal quarter each year, primarily because many students enroll in our language training and other courses during the winter school holidays. Our revenues from books and others have generally been the highest in the fourth quarter of each fiscal year, as students buy books and other materials in anticipation of our summer courses.

Our expenses vary significantly and do not necessarily correspond with changes in our student enrollments and revenues. We make investments in marketing, teacher training and development of programs, services and products throughout the year. We normally increase our marketing and promotional activities and teacher recruiting and training efforts during our fourth fiscal quarter to prepare for our peak season in the first fiscal quarter. Furthermore, we generally pay annual bonuses to our teachers and employees before the Chinese New Year in our third fiscal quarter based in part on our overall performance in the prior calendar year. These bonuses are recorded as general and administrative expenses. In the third fiscal quarter of 2005, our general and administrative expenses were also affected by a one-time payment of RMB6.5 million to the plaintiffs in a lawsuit against us. See “Risk Factors—Risks Related to Our Business—Third parties have in the past brought intellectual property infringement claims against us based on the content of the books and other teaching or marketing materials that we or our teachers authored and/or distributed and may bring similar claims against us in the future” for a discussion of this lawsuit. Beginning from the third fiscal quarter of 2006, we implemented a refined accounting process in allocating our operating expense line items. Since that quarter, some of the personnel and other expenses which had been included in our general and administrative expenses have been included in our selling and marketing expenses and, to a lesser extent, our cost of revenues. Our quarterly results have also been affected by allocation of share-based compensation expenses to certain quarters based on shares or options granted in those quarters. As a result, our operating costs and expenses and results of operations have fluctuated significantly on a quarterly basis. We expect our quarterly results of operations to continue to be influenced by seasonal enrollment patterns. Such patterns may change, however, as a result of an increased variety of programs and services we offer, including our “Pop Kids” English and “Elite English” programs which are less susceptible to the effects of seasonality than other language training and test preparation courses, and our efforts to further diversify our program, service and product offerings and to expand our content offerings.

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Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

(in thousands)	For the Years Ended May 31,			
	2004	2005	2006	
	RMB	RMB	RMB	US\$
Net revenues:				
Educational programs and services	430,398	606,812	721,497	\$ 89,976
Books and others	11,411	36,458	48,762	6,081
Total net revenues	441,809	643,270	770,259	96,057
Operating costs and expenses⁽¹⁾:				
Cost of revenues	(191,007)	(273,690)	(320,895)	(40,018)
Selling and marketing	(41,613)	(50,716)	(82,121)	(10,241)
General and administrative	(163,470)	(207,767)	(303,084)	(37,797)
Total operating costs and expenses	(396,090)	(532,173)	(706,100)	(88,056)
Operating income	45,719	111,097	64,159	8,001
Other income (expense), net	3,580	(1,904)	(10,434)	(1,302)
Income tax expense	(2,637)	(5,844)	(13,923)	(1,736)
Income from continuing operations	46,442	103,252	39,790	4,962
Income on discontinued operations	5,947	38,722	9,595	\$ 1,197
Net income	52,389	141,974	49,385	\$ 6,159

(1) Share-based compensation expenses are included in our operating costs and expenses as follows:

Cost of revenues	(367)	—	(392)	\$ (49)
Selling and marketing	(282)	—	(1,410)	\$ (176)
General and administrative	(16,168)	—	(62,655)	\$ (7,816)

Fiscal Year Ended May 31, 2006 Compared to Fiscal Year Ended May 31, 2005

Net Revenues. Our total net revenues increased by 19.7% from RMB643.3 million for the fiscal year ended May 31, 2005 to RMB770.3 million (US\$96.1 million) for the fiscal year ended May 31, 2006. This increase was due to the increased revenues from both educational programs and services as well as books and others.

- **Educational Programs and Services.** Net revenues from our educational programs and services increased by 18.9% from RMB606.8 million for the fiscal year ended May 31, 2005 to RMB721.5 million (US\$90.0 million) for the fiscal year ended May 31, 2006. This increase was primarily due to the growth in revenues from language training and test preparation courses from RMB590.9 million in the fiscal year ended May 31, 2005 to RMB687.4 million (US\$85.7 million) in the fiscal year ended May 31, 2006. The increase in revenues from language training courses was mainly attributable to the number of students who completed our courses from approximately 391,000 in the fiscal year ended May 31, 2005 to approximately 487,000 in the fiscal year ended May 31, 2006, and in particular, the increased number of students who completed our language training courses for children and middle school and high school students. The increase in revenues from test preparation courses was mainly

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attributable to an increase in the number of students who completed our test preparation courses from approximately 366,000 in the fiscal year ended May 31, 2005 to approximately 372,000 in the fiscal year ended May 31, 2006. This increase was partially offset by a decrease in student enrollments in CET 4 and CET 6 test preparation courses, which was in turn due to the change in student qualifications required for taking these exams, the future content and format of these tests and the change in the administrative agency in charge of these tests.

- *Books and Others.* Net revenues from sales of books and other educational materials and services increased by 33.7% from RMB36.5 million in the fiscal year ended May 31, 2005 to RMB48.8 million (US\$6.1 million) in the fiscal year ended May 31, 2006, primarily due to the increased volume of books sold in the fiscal year ended May 31, 2006, as we offered new titles and further expanded our content distribution channel.

Operating Costs and Expenses. Our total operating costs and expenses increased by 32.7% from RMB532.2 million in the fiscal year ended May 31, 2005 to RMB706.1 million (US\$88.1 million) in the fiscal year ended May 31, 2006. This increase resulted from increases in all of our operating cost and expense line items.

- *Cost of Revenues.* Our cost of revenues increased by 17.2% from RMB273.7 million in the fiscal year ended May 31, 2005 to RMB320.9 million (US\$40.0 million) in the fiscal year ended May 31, 2006. This increase was primarily due to an increase in teaching fees and performance-linked bonuses paid to our teachers as we hired approximately 360 new teachers during the fiscal year ended May 31, 2006, and an increase in our rental payments as we had leased facilities for 25 schools and 111 learning centers as of May 31, 2006, as compared to 15 schools and 75 learning centers as of May 31, 2005. The increase was also attributable to an increase in depreciation and amortization expenses primarily because we moved into our new school buildings in Yangzhou, Tianjin and Xi'an.
- *Selling and Marketing Expenses.* Our selling and marketing expenses increased by 61.9% from RMB50.7 million in the fiscal year ended May 31, 2005 to RMB82.1 million (US\$10.2 million) in the fiscal year ended May 31, 2006. This increase was primarily due to the increased marketing and promotional expenses in connection with opening new schools and learning centers during the fiscal year ended May 31, 2006.
- *General and Administrative Expenses.* Our general and administrative expenses increased by 45.9% from RMB207.8 million in the fiscal year ended May 31, 2005 to RMB303.1 million (US\$37.8 million) in the fiscal year ended May 31, 2006. The increase was primarily due to the RMB62.7 million (US\$7.8 million) share-based compensation expenses we incurred in the fiscal year ended May 31, 2006 in connection with the restricted shares granted to our management and administrative personnel and full-time teachers during the period. This increase was also due to an increase in the total compensation and benefits we paid to our administrative staff as a result of our hiring of a total of approximately 370 new full-time teachers and other employees in the areas of finance and accounting, technology infrastructure, human resources and general administration to support our expanded operations in the fiscal year ended May 31, 2006. In addition, the increase was attributable to an increase in depreciation and amortization expenses relating to our new headquarter building which we began to use in October 2005.

Other Income (Expense), Net. Our other expense, net increased substantially from RMB1.9 million in the fiscal year ended May 31, 2005 to RMB10.4 million (US\$1.3 million) in the fiscal year ended May 31, 2006. This increase was primarily due to the incurrence of exchange rate loss of RMB3.1 million and the increase in interest expenses of RMB3.5 million.

Income Tax Expenses. Our income tax expense increased by 138.2% from RMB5.8 million in the fiscal year ended May 31, 2005 to RMB13.9 million (US\$1.7 million) in the fiscal year ended May 31, 2006, primarily

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because New Oriental China became subject to a 7.5% enterprise income tax in 2005, while it was exempted from enterprise income tax in the prior two years.

Discontinued Operations. Income from discontinued operations decreased from RMB38.7 million for the fiscal year ended May 31, 2005 to RMB9.6 million for the fiscal year ended May 31, 2006, because we disposed of our remaining interests in Liandong Weiye in August 2005.

Net Income. Primarily as a result of the increased operating costs and expenses (including share-based compensation expense) and the decreased income from discontinued operations in the fiscal year ended May 31, 2006, our net income decreased to RMB49.4 million for the fiscal year ended May 31, 2006 from RMB142.0 million for the fiscal year ended May 31, 2005.

Fiscal Year Ended May 31, 2005 Compared to Fiscal Year Ended May 31, 2004

Net Revenues. Our total net revenues increased by 45.6% from RMB441.8 million in the fiscal year ended May 31, 2004 to RMB643.3 million in the fiscal year ended May 31, 2005, primarily due to an increase in our revenues from educational programs and services.

- *Educational Programs and Services.* Net revenues from our educational programs and services increased by 41.0% from RMB430.4 million in the fiscal year ended May 31, 2004 to RMB606.8 million in the fiscal year ended May 31, 2005, primarily due to increases in revenues from language training and test preparation courses from RMB424.0 million in the fiscal year ended May 31, 2004 to RMB590.9 million in the fiscal year ended May 31, 2005. The increase in revenues from language training courses was mainly attributable to the increased number of students who completed our courses from approximately 237,000 in the fiscal year ended May 31, 2004 to approximately 391,000 in the fiscal year ended May 31, 2005, and in particular, the number of students who completed our language training courses for children and middle school and high school students. The increase in revenues from test preparation courses was primarily due to an increase in the number of students who completed our test preparation courses from approximately 290,000 in the fiscal year ended May 31, 2004 to approximately 366,000 in the fiscal year ended May 31, 2005. This increase was partially offset by a decrease in student enrollments in CET 4 and CET 6 test preparation courses, which was in turn due to the change in student qualifications required for taking these exams, the future content and format of these tests and the change in the administrative agency in charge of these tests in 2005.
- *Books and Others.* Net revenues from sales of books and other educational materials and services increased by 219.5% from RMB11.4 million in the fiscal year ended May 31, 2004 to RMB36.5 million in the fiscal year ended May 31, 2005, primarily due to an increase in the number of books sold in the fiscal year ended May 31, 2005, as we offered new titles and further expanded our content distribution channels.

Operating Costs and Expenses. Our total operating costs and expenses increased by 34.4% from RMB396.1 million in the fiscal year ended May 31, 2004 to RMB532.2 million in the fiscal year ended May 31, 2005, primarily as a result of increases in all of our operating cost and expense items.

- *Cost of Revenues.* Our cost of revenues increased by 43.3% from RMB191.0 million in the fiscal year ended May 31, 2004 to RMB273.7 million in the fiscal year ended May 31, 2005, primarily due to increased facility rent as we leased facilities for 15 schools and 75 learning centers as of May 31, 2005, as compared to 13 schools and 48 learning centers as of May 31, 2004, and an increase in teaching fees and performance-linked bonuses paid to our teachers as we hired approximately 400 new teachers in the fiscal year ended May 31, 2005.
- *Selling and Marketing Expenses.* Our selling and marketing expenses increased by 21.9% from RMB41.6 million in the fiscal year ended May 31, 2004 to RMB50.7 million in the fiscal year ended May 31, 2005, primarily due to the marketing expenses incurred in connection with opening new schools and learning centers in the fiscal year ended May 31, 2005.

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- *General and Administrative Expenses.* Our general and administrative expenses increased by 27.1% from RMB163.5 million for the fiscal year ended May 31, 2004 to RMB207.8 million for the fiscal year ended May 31, 2005. This increase was primarily due to the increase in the total compensation and benefits we paid to our administrative staff as a result of our hiring of a total of over 580 new full-time teachers and other employees in the areas of finance and accounting, technology infrastructure, human resources and general administration to support our expanded operations in the fiscal year ended May 31, 2005. We did not grant any options or restricted shares in the fiscal year ended May 31, 2005, while we incurred RMB16.2 million share-based compensation expenses in connection with the restricted shares granted to management and administrative staff in the fiscal year ended May 31, 2004.

Other Income (Expense), Net. Our other income, net was RMB3.6 million in the fiscal year ended May 31, 2004, compared to other expense, net of RMB1.9 million in the fiscal year ended May 31, 2005, primarily due to the increase of interest expenses by RMB3.3 million and decrease of government subsidies by RMB2.1 million in the fiscal year ended May 31, 2005.

Income Tax Expense. Our income tax expenses increased by 121.6% from RMB2.6 million in the fiscal year ended May 31, 2004 to RMB5.8 million in the fiscal year ended May 31, 2005, primarily due to the increased income of our subsidiaries and affiliated entities in China.

Discontinued Operations. Income on discontinued operations increased from RMB5.9 million for the year ended May 31, 2004 to RMB38.7 million for the year ended May 31, 2005 due to an increase in the net income derived from Liandong Weiye, our former majority-owned subsidiary. We disposed of a 56.2% interest of Liandong Weiye held by us in March 2005.

Net Income. As a result of the foregoing, we had net income of RMB142.0 million in the fiscal year ended May 31, 2005, compared to net income of RMB52.4 million in the fiscal year ended May 31, 2004.

Discussion of Segment Operations

In our management's view, we operate through six operating segments that offer distinct educational services, consisting of language training and test preparation courses, primary and secondary school education, content development and distribution, online education, overseas studies consulting and post-secondary education. We have two reportable segments, namely, language training and test preparation courses and primary and secondary school education. We aggregate content development and distribution, online education, overseas studies consulting and post-secondary education as others as each of these operating segments does not exceed 10% of our total net revenues, net income or total assets.

Net revenues from our language training and test preparation courses accounted for 96.0%, 91.9% and 89.2%, respectively, of our total net revenues in the fiscal years ended May 31, 2004, 2005 and 2006. Net revenues from our primary and secondary school education accounted for 1.5%, 2.5% and 4.1%, respectively, of our total net revenues in the fiscal years ended May 31, 2004, 2005 and 2006. We recognize revenues from course fees collected for enrollment in our language training and test preparation courses proportionally as we deliver the instruction over the period of the course. We recognize revenues from school fees collected for enrollment in New Oriental China's primary and secondary school ratably over the corresponding academic year.

Cost of revenues for our language training and test preparation courses primarily consists of teaching fees and performance-linked bonuses paid to our teachers, rental payments for our schools and learning centers and, to a lesser degree, depreciation and amortization of property and equipment used in the provision of educational services. Cost of revenues for our primary and secondary school primarily consists of compensation and benefits to school teachers and depreciation and amortization of property and equipment used in the provision of educational services.

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Selling and marketing expenses for each of our reportable segments primarily consist of marketing and promotion expenses and other costs related to our selling and marketing activities for the corresponding reportable segment.

General and administrative expenses for our language training and test preparation courses primarily consist of compensation and benefits of administrative staff of our language training and test preparation courses segment, compensation and benefits of full-time teachers excluding teaching fees and performance-linked bonuses, rental and utilities payments relating to office and administrative functions of our language training and test preparation courses segment, depreciation and amortization of property and equipment used in the general and administrative activities of our language training and test preparation courses segment, and to a lesser extent, costs to develop our curriculum. General and administrative expenses for our primary and secondary school education segment primarily consist of compensation and benefits of administrative staff of our primary and secondary school, depreciation and amortization of property and equipment used in the general and administrative activities of our primary and secondary school, and to a lesser extent, costs to develop our curriculum.

The following table lists our net revenues and operating costs and expenses by reportable segment for the periods indicated.

	For the Years Ended May 31,			
	2004	2005	2006	
	RMB	RMB	RMB	US\$
<i>(in thousands)</i>				
Net revenues of reportable segments:				
Language training and test preparation courses	423,970	590,895	687,437	\$ 85,728
Primary and secondary education	6,428	15,917	31,320	\$ 3,906
Total net revenues of reportable segments	430,398	606,812	718,757	\$ 89,634
Total net revenues of our company	441,809	643,270	770,259	\$ 96,057
Operating costs and expenses of reportable segments:				
Cost of revenues:				
Language training and test preparation courses	(173,732)	(229,370)	(262,086)	\$(32,684)
Primary and secondary education	(6,632)	(12,690)	(20,714)	\$(2,583)
Selling and marketing:				
Language training and test preparation courses	(31,782)	(38,282)	(59,639)	\$(7,437)
Primary and secondary education	(588)	(251)	(360)	\$(45)
General and administrative:				
Language training and test preparation courses	(116,109)	(148,978)	(144,123)	\$(17,973)
Primary and secondary education	(8,227)	(12,346)	(20,097)	\$(2,506)
Total operating costs and expenses of reportable segments	(337,070)	(441,917)	(507,019)	\$(63,228)
Total operating costs and expenses of our company	(396,090)	(532,173)	(706,100)	\$(88,056)

Fiscal Year Ended May 31, 2006 Compared to Fiscal Year Ended May 31, 2005

Net Revenues of Reportable Segments.

- *Language Training and Test Preparation Courses.* Net revenues from our language training and test preparation courses increased by 16.3% from RMB590.9 million for the fiscal year ended May 31, 2005 to RMB687.4 million (US\$85.7 million) for the fiscal year ended May 31, 2006, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2006 Compared to Fiscal Year Ended May 31, 2005—Net Revenues—Educational Programs and Services.”
- *Primary and Secondary School Education.* Net revenues from our primary and secondary school education increased by 96.8% from RMB15.9 million for the fiscal year ended May 31, 2005 to RMB31.3 million (US\$3.9 million) for the fiscal year ended May 31, 2006, primarily due to an increase in the number of students as we offered additional grade years and classes.

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Operating Costs and Expenses of Reportable Segments.

Cost of Revenues

- *Language Training and Test Preparation Courses.* Cost of revenues for our language training and test preparation courses increased by 14.3% from RMB229.4 million for the fiscal year ended May 31, 2005 to RMB262.1 million (US\$32.7 million) for the fiscal year ended May 31, 2006, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2006 Compared to Fiscal Year Ended May 31, 2005—Operating Costs and Expenses—Cost of Revenues” except for the completion of construction of our primary and secondary school.
- *Primary and Secondary School Education.* Cost of revenues for our primary and secondary school education increased by 63.2% from RMB12.7 million for the fiscal year ended May 31, 2005 to RMB20.7 million (US\$2.6 million) for the fiscal year ended May 31, 2006, primarily due to an increase in compensation and benefits to teachers as we hired additional teachers in the fiscal year ended May 31, 2006. The increase was also attributable to an increase in depreciation and amortization expenses as we completed the construction of the primary and secondary school in Yangzhou.

Selling and Marketing Expenses.

- *Language Training and Test Preparation Courses.* Selling and marketing expenses for our language training and test preparation courses increased by 55.8% from RMB38.3 million for the fiscal year ended May 31, 2005 to RMB59.6 million (US\$7.4 million) for the fiscal year ended May 31, 2006, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2006 Compared to Fiscal Year Ended May 31, 2005—Operating Costs and Expenses—Selling and Marketing Expenses.”
- *Primary and Secondary School Education.* Selling and marketing expenses for our primary and secondary school education increased by 43.4% from RMB0.3 million for the fiscal year ended May 31, 2005 to RMB0.4 million (US\$0.1 million) for the fiscal year ended May 31, 2006, primarily due to the increased marketing expenses in connection with the new grade years offered by the primary and secondary school during the fiscal year ended May 31, 2006.

General and Administrative Expenses

- *Language Training and Test Preparation Courses.* General and administrative expenses for our language training and test preparation courses decreased by 3.3% from RMB149.0 million for the fiscal year ended May 31, 2005 to RMB144.1 million (US\$18.0 million) for the fiscal year ended May 31, 2006, primarily because we implemented a refined accounting process in allocating our operating expense line items in the fiscal year ended May 31, 2006 and some of the personnel and other expenses which were included in our general and administrative expenses in the fiscal year ended May 31, 2005 were included in our selling and marketing expenses, and to a lesser extent, our cost of revenues, in the fiscal year ended May 31, 2006.
- *Primary and Secondary School Education.* General and administrative expenses for our primary and secondary school education increased by 62.8% from RMB12.3 million for the fiscal year ended May 31, 2005 to RMB20.1 million (US\$2.5 million) for the fiscal year ended May 31, 2006, primarily due to an increase in the total compensation and benefits to our administrative staff of the primary and secondary school as a result of the increased headcount and an increase of depreciation and amortization expenses as we completed the construction of the buildings used for general and administrative functions of the primary and secondary school in the fiscal year ended May 31, 2006.

Fiscal Year Ended May 31, 2005 Compared to Fiscal Year Ended May 31, 2004

Net Revenues of Reportable Segments.

- *Language Training and Test Preparation Courses.* Net revenues from our language training and test preparation courses increased by 39.4% from RMB424.0 million for the fiscal year ended May 31, 2004 to RMB590.9 million for the fiscal year ended May 31, 2005, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2005 Compared to Fiscal Year Ended May 31, 2004—Net Revenue—Educational Programs and Services.”
- *Primary and Secondary School Education.* Net revenues from our primary and secondary school education increased by 147.6% from RMB6.4 million for the fiscal year ended May 31, 2004 to RMB15.9 million for the fiscal year ended May 31, 2005, primarily due to an increase in the number of students as we offered additional grade years and classes.

Operating Costs and Expenses of Reportable Segments.

Cost of Revenues

- *Language Training and Test Preparation Courses.* Cost of revenues for our language training and test preparation courses increased by 32.0% from RMB173.7 million for the fiscal year ended May 31, 2004 to RMB229.4 million for the fiscal year ended May 31, 2005, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2005 Compared to Fiscal Year Ended May 31, 2004—Operating Costs and Expenses—Cost of Revenues.”
- *Primary and Secondary School Education.* Cost of revenues for our primary and secondary school education increased by 91.3% from RMB6.6 million for the fiscal year ended May 31, 2004 to RMB12.7 million for the fiscal year ended May 31, 2005, primarily due to an increase in compensation and benefits to teachers as we hired additional teachers in the fiscal year ended May 31, 2005. The increase was also attributable to an increase in depreciation and amortization expenses as we continued to expand our primary and secondary school.

Selling and Marketing Expenses

- *Language Training and Test Preparation Courses.* Selling and marketing expenses for our language training and test preparation courses increased by 20.4% from RMB31.8 million for the fiscal year ended May 31, 2004 to RMB38.3 million for the fiscal year ended May 31, 2005, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2005 Compared to Fiscal Year Ended May 31, 2004—Operating Costs and Expenses—Selling and Marketing Expenses.”
- *Primary and Secondary School Education.* Selling and marketing expenses for our primary and secondary school education decreased by 57.3% from RMB0.6 million for the fiscal year ended May 31, 2004 to RMB0.3 million for the fiscal year ended May 31, 2005, primarily because we opened the primary and secondary school in 2002 and incurred more marketing expenses during its early years of operations.

General and Administrative Expenses

- *Language Training and Test Preparation Courses.* General and administrative expenses for our language training and test preparation courses increased by 28.3% from RMB116.1 million for the fiscal year ended May 31, 2004 to RMB149.0 million for fiscal year ended May 31, 2005, primarily due to an increase in the total compensation and benefits to our full-time teachers excluding teaching fees and

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performance-linked bonuses as a result of the increased headcount in the fiscal year ended May 31, 2005.

- *Primary and Secondary School Education.* General and administrative expenses for our primary and secondary school education increased by 50.1% from RMB8.2 million for the fiscal year ended May 31, 2004 to RMB12.3 million for the fiscal year ended May 31, 2005, primarily due to an increase in the total compensation and benefits to our administrative staff of the primary and secondary school as a result of the increased headcount in the fiscal year ended May 31, 2005.

Critical Accounting Policies

We prepare financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the end of each fiscal period and the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policy involves the most significant judgments and estimates used in the preparation of our financial statements.

Share-based Compensation

Prior to January 2006, we did not issue any share options to our employees, directors and consultants. In January 2006, we adopted the 2006 Share Incentive Plan under which we have granted a total of 8,719,500 share options. Accordingly, we recorded share-based compensation based on the SFAS 123(R) grant date fair value requirements.

We estimated the fair value of share options granted using the Black-Scholes option pricing formula and a single option award approach. The fair value was then amortized on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods. This option-pricing model requires the input of highly subjective assumptions, including the option's expected life, estimated forfeitures and the price volatility of the underlying stock. Changes in the subjective input assumptions may materially affect the fair value estimate. In management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the share options.

Liquidity and Capital Resources

Our principal sources of liquidity have been cash generated from operating activities and financing activities, which consisted of our private placement of preferred shares to investors and bank borrowings. As of May 31, 2006, we had RMB261.9 million (US\$32.7 million) in cash and cash equivalents. Our cash and cash equivalents consist of cash on hand and liquid investments that are unrestricted as to withdrawal or use, have maturities of three months or less and are placed with banks and other financial institutions. Although we consolidate the results of New Oriental China and its subsidiaries, we do not have direct access to the cash and cash equivalents or future earnings of New Oriental China. However, a portion of the cash balances of New Oriental China and its subsidiaries is paid to us pursuant to our contractual arrangements with New Oriental

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China and its subsidiaries for our technical and teaching support, enrollment system development and other services. See “Related Party Transactions—Contractual Arrangements with New Oriental China and Its Subsidiaries and Shareholders.”

We expect to require cash to fund our ongoing business needs, particularly the rent and other costs and expenses relating to opening new schools and learning centers. We opened 10 new schools in fiscal year 2006 and plan to open six to eight new schools in fiscal year 2007 depending on local market conditions of the new markets we plan to enter. We expect to incur capital expenditures ranging from approximately RMB1.0 million to RMB4.0 million per new school depending primarily on the size and geographic location of the school. Other cash needs include the installation of a new enrollment system to timely track course enrollments and other relevant operating data across our school network. We have not encountered any difficulties in meeting our cash obligations to date. We believe that our current cash and cash equivalents, anticipated cash flow from operations, as well as the net proceeds we expect to receive from this offering will be sufficient to meet our anticipated cash needs for the foreseeable future.

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

	For the Years Ended May 31,			
	2004	2005	2006	
	RMB	RMB	RMB	US\$
<i>(in thousands)</i>				
Net cash provided by operating activities	113,004	143,966	202,185	25,215
Net cash used in investing activities	(117,205)	(298,587)	(117,540)	(14,657)
Net cash (used in) provided by financing activities	(15,957)	264,347	(160,450)	(20,011)
Effect of exchange rate changes	—	—	(81)	(10)
Net change in cash and cash equivalents	(20,158)	109,726	(75,886)	(9,463)
Cash and cash equivalents at beginning of period	248,172	228,014	337,740	42,118
Cash and cash equivalents at end of period	228,014	337,740	261,854	32,655

Operating Activities

We have financed our operating activities and our growth primarily through cash generated from operations. We currently anticipate that we will be able to meet our needs to fund operations beyond the next twelve months with operating cash flow, existing cash balances and the portion of the net proceeds from this offering remaining after repayment of our indebtedness.

Net cash provided by operating activities amounted to RMB202.2 million (US\$25.2 million) in the fiscal year ended May 31, 2006, as compared to RMB144.0 million in the fiscal year ended May 31, 2005 and RMB113.0 million in the fiscal year ended May 31, 2004. Net cash provided by operating activities in the fiscal year ended May 31, 2006 was primarily attributable to the following factors (i) net income of RMB49.4 million (US\$6.2 million), (ii) an add-back of non-cash items, such as RMB41.3 million (US\$5.1 million) in depreciation and amortization and RMB64.5 million (US\$8.0 million) in share-based compensation expense, and (iii) an increase in deferred revenues in the amount of RMB54.9 million (US\$6.8 million) due to the increased amount of course fees received during the period. We had cash provided by operating activities in the amount of RMB144.0 million in the fiscal year ended May 31, 2005, primarily as a result of the following factors: (i) net income of RMB142.0 million, (ii) an add-back of non-cash items including RMB23.9 million in depreciation and amortization, and (iii) an increase in deferred revenues in the amount of RMB19.0 million due to the increased amount of course fees received during the period, offset in part by an RMB26.9 million increase in prepaid expenses and other current assets, such as prepaid rent, and an RMB22.4 million increase in net accounts receivables. We had cash provided by operating activities in the amount of RMB113.0 million in the fiscal year ended May 31, 2004 primarily as a result of the following factors: (i) net income of RMB52.4 million, (ii) an increase in deferred revenues in the amount of RMB24.4 million due to the increased amount of course fees received during the period, (iii) an increase in accounts payable in the amount of RMB21.4 million, and (iv) an add-back of non-cash items such as RMB18.0 million in depreciation and amortization and RMB16.8 million in share-based compensation expenses, offset in part by an RMB21.7 million increase in inventory, which consisted primarily of course materials and other items.

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Investing Activities

We lease all of our facilities except for part of the premises for the Beijing, Xi'an, Tianjin and Yangzhou schools, which we own. Our cash used in investing activities is primarily related to our purchase of land use rights and the premises for the Beijing, Xi'an, Tianjin and Yangzhou schools and equipment used in our operations and our investment in term deposits.

Net cash used in investing activities amounted to RMB117.5 million (US\$14.7 million) in the fiscal year ended May 31, 2006, as compared to RMB298.6 million and RMB117.2 million in the fiscal years ended May 31, 2005 and 2004, respectively. Net cash used in investing activities in the fiscal year ended May 31, 2006 primarily related to our purchase of property, plant and equipment in the amount of RMB94.3 million (US\$11.8 million) in connection with the expansion of our school network. Net cash used in investing activities in the fiscal year ended May 31, 2005 primarily related to our purchase of property, plant and equipment in the amount of RMB345.0 million in connection with the construction of the primary and secondary school in Yangzhou and the premises for our new headquarter in Beijing. Net cash used in investing activities in the fiscal year ended May 31, 2004 mainly related to our purchase of property, plant and equipment in the amount of RMB233.5 million, partially offset by term deposit withdrawal in the amount of RMB111.6 million.

Financing Activities

Our financing activities consist of issuance and sale of Series A convertible preferred shares to investors and bank borrowings. Net cash used in financing activities amounted to RMB160.5 million (US\$20.0 million) in the fiscal year ended May 31, 2006, as compared to net cash provided by financing activities in the amount of RMB264.3 million in the fiscal year ended May 31, 2005 and net cash used in financing activities in the amount of RMB16.0 million in the fiscal year ended May 31, 2004. Net cash used in financing activities in the fiscal year ended May 31, 2006 was primarily attributable to our repayment of short-term and long-term debt in the amount of RMB145.9 million (US\$18.2 million), our payment of dividend in the amount of RMB64.7 million (US\$8.1 million) to our shareholders, partially offset by the RMB40.0 million (US\$5.0 million) proceeds from short-term borrowings. Net cash provided by financing activities in the fiscal year ended May 31, 2005 was primarily attributable to (i) the proceeds from our issuance and sale of preferred shares in the amount of RMB182.9 million and (ii) the RMB164.4 million long-term debt we incurred primarily to finance the acquisition of the premises for our new headquarter building in Beijing and the buildings for our schools in Xi'an and Tianjin, as well as the construction of the Yangzhou school. This was offset in part by the dividend we paid to our shareholders in a total amount of RMB65.5 million and repayment of short-term debt in the amount of RMB70.0 million. Net cash used in financing activities in the fiscal year ended May 31, 2004 was primarily attributable to a refund of deposit from a potential investor in the amount of RMB100.0 million and the dividend we paid to our shareholders in the amount of RMB27.3 million, partially offset by the proceeds from our short-term and long-term borrowings in the amount of RMB104.5 million.

The following table sets forth a summary of our outstanding short-term borrowings and long-term debt as of May 31, 2006:

<u>Bank Name</u>	<u>Date of Loan Initiation</u>	<u>Due Date</u>	<u>Type of Loan</u>	<u>Principal (In RMB)</u>	<u>Interest Rate</u>
CITIC Bank	01/28/2006	01/28/2007	Line of credit	15,000,000	5.58%
China Minsheng Bank	03/31/2005	03/31/2015	Mortgage	115,740,222	6.12%
Bank of Communications	10/10/2002	10/10/2006	Mortgage	10,000,000	5.58%
Bank of Communications	12/03/2003	10/10/2006	Guaranteed Loan	24,500,000	5.58%
Bank of Beijing	03/31/2006	03/30/2007	Guaranteed Loan	20,000,000	5.58%

Capital Expenditures

Our capital expenditures are incurred primarily in connection with facility acquisitions, leasehold improvements and investments in equipment, technology and operating systems. Our capital expenditures were

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RMB279.1 million, RMB382.5 million and RMB120.8 million (US\$15.1 million) in the fiscal years ended May 31, 2004, 2005 and 2006, respectively. Our operating results in the years ended May 31, 2005 and 2006 have been affected by capital expenditures relating to our acquisition of land use rights and the premises to build our new headquarter in Beijing and new schools and learning centers in Beijing, Xi'an, Tianjin and Yangzhou. The rapid expansion of our network of schools, learning centers and bookstores has also required significant investment. We expect to incur capital expenditures in the amount of approximately RMB40.0 million (US\$4.9 million) in the fiscal year ending May 31, 2007 in connection with our proposed investments in facilities, equipment, technology and operating systems to meet the expected growth of our operations. We intend to cost-efficiently allocate our capital resources by leasing most of our new facilities in the foreseeable future. We may also make acquisitions of businesses and properties that complement our operations when suitable opportunities arise. We believe that we will be able to fund our capital needs in the foreseeable future through cash generated from our operating activities.

Contractual Obligations

The following table sets forth our contractual obligations as of May 31, 2006:

<i>(in RMB thousands)</i>	Payment Due by May 31,					
	Total	2007	2008	2009	2010	Thereafter
Long-Term Debt Obligations ⁽¹⁾	182,462	54,960	19,017	18,215	17,413	72,857
Operating Lease Obligations ⁽²⁾	298,609	69,817	64,859	53,914	45,878	64,141
Purchase Obligations	4,958	4,958	—	—	—	—
Short-term Borrowings	35,000	35,000	—	—	—	—
	521,029	164,735	83,876	72,129	63,291	136,998

(1) Includes accrued interests.

(2) Includes lease obligations under our facility leases.

Holding Company Structure

We are a holding company with no material operations of our own. We conduct our operations primarily through our three wholly owned subsidiaries in China, Beijing Hewstone, Beijing Decision and Beijing Judgment, and our affiliated PRC entity, New Oriental China, and its subsidiaries. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid by our wholly owned subsidiaries and license and service fees paid by New Oriental China and its subsidiaries. If our wholly owned subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly owned subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and affiliated entities in China (excluding our schools) are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reached 50% of its registered capital, and to further set aside a portion of its after-tax profits to fund the employee welfare fund at the discretion of the board. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation of the companies.

Moreover, New Oriental China owns many private schools in China. At the end of each fiscal year, every private school in China is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school,

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while in the case of a private school that does not require reasonable returns, this amount shall be equivalent to no less than 25% of the annual increase in the net assets of the school, if any. See “Risk Factors—Risks Related to our Corporate Structure—New Oriental China and its subsidiaries may be subject to significant limitations on their ability to operate private schools or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations.”

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders’ 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. 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.

Inflation

Inflation in China has not materially impacted our results of operations in recent years. According to the National Bureau of Statistics of China, the change of consumer price index in China was 1.2%, 3.9% and 1.8% in 2003, 2004 and 2005, respectively.

Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest rates for our outstanding debt and the interest income generated by excess cash invested in liquid investments with original maturities of three months or less. As of May 31, 2006, our total outstanding loans amounted to RMB185.2 million (US\$23.1 million) with interest rates varying from 5.58% to 6.12%. Each of our loans is subject to a fixed interest rate. A 1% increase in each applicable interest rate would add RMB1.5 million (US\$0.2 million) to our interest expense in our fiscal year 2007. We intend to use a portion of the net proceeds from this offering to repay the outstanding loans. See “Use of Proceeds.” We have not used any derivative financial instruments to manage our interest risk exposure. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. However, our future interest income may be lower than expected due to changes in market interest rates.

Foreign Exchange Risk

Substantially all of our revenues and most of our expenses are denominated in RMB. Our exposure to foreign exchange risk primarily relates to cash and cash equivalent denominated in U.S. dollars as a result of our past issuances of preferred shares through a private placement and proceeds from this offering. We do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the foreign exchange rate between U.S. dollars and RMB because the value of our business is effectively denominated in RMB, while the ADSs will be traded in U.S. dollars.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China’s political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People’s Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under

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the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 2.5% appreciation of the RMB against the U.S. dollar by the end of 2005. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar. To the extent that we need to convert U.S. dollars we receive from this offering into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Assuming we had converted the U.S. dollar denominated cash balance of US\$1.2 million as of May 31, 2006 into RMB at the exchange rate of US\$1.00 for RMB8.0188 as of May 31, 2006, this cash balance would have been RMB9.6 million. Assuming a further 1.0% appreciation of the RMB against the U.S. dollar, this cash balance would have decreased to RMB9.5 million as of May 31, 2006. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency exchange risk.

Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Instruments—an amendment of FASB Statements 133 and 140," which is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The statement improves financial reporting by eliminating the exemption from applying SFAS No. 133 to interests in securitized financial assets so that similar instruments are accounted for similarly regardless of the form of the instruments. The statement also improves financial reporting by allowing a preparer to elect fair value measurement at acquisition, at issuance, or when a previously recognized financial instrument is subject to a re-measurement event, on an instrument-by-instrument basis, in cases in which a derivative would otherwise have to be bifurcated, if the holder elects to account for the whole instrument on a fair value basis. We are currently evaluating the impact, if any, of this statement on the consolidated combined financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections," which replaces Accounting Principles Board Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements—An Amendment of APB Opinion No. 28." SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not anticipate that the adoption of this statement will have a material effect on our financial position or results of operations.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs—an amendment of ARB No. 43, Chapter 4." SFAS No. 151 clarifies the accounting that requires abnormal amounts of idle facility expenses, freight, handling costs, and spoilage costs to be recognized as current-period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 will be effective for inventory costs incurred on or after July 1, 2005. We do not anticipate that the adoption of this standard will have a material effect on our financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29," which amends Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions," to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 is effective for nonmonetary assets exchanges occurring in fiscal periods beginning after June 15, 2005. We do not anticipate that the adoption of this standard will have a material effect on our financial position or results of operations.

BUSINESS

Overview

We are the largest provider of private educational services in China based on the number of program offerings, total student enrollments and geographic presence. We offer a wide range of educational programs, services and products consisting primarily of English and other foreign language training, test preparation courses for admissions and assessment tests in the United States, the PRC and Commonwealth countries, primary and secondary school education, development and distribution of educational content, software and other technology, and online education. We provide educational services under our “New Oriental” brand, which is the best brand in China’s English language education market according to a report published in June 2005 by SSIC. We believe our “New Oriental” brand is the leading consumer brand in China’s private education sector, as evidenced by awards we received from many national print and online media sources in China, including the “Most Influential Education Brand in 2005” from Southern China Metropolitan Daily, a newspaper with nationwide circulation, which granted the award to us based on the results of a survey jointly conducted by eleven newspapers and Internet companies to evaluate teaching quality, resources and methods as well as facilities of over 200 educational organizations in China; and the “2004 Top Ten Largest Private Educational Organizations in China” from China Fortune, one of the leading finance journals in China, which granted the award to us based on its evaluation of all major private educational organizations in China in terms of their contribution to China’s private education industry.

Since our inception in 1993, we have had over three million cumulative student enrollments. In the fiscal year ended May 31, 2006, we had over 872,000 student enrollments, including approximately 497,000 student enrollments in our language training programs and approximately 375,000 student enrollments in our test preparation courses. We deliver our educational programs, services and products to students through an extensive physical network of 25 schools, 111 learning centers and 13 bookstores operated by us as of May 31, 2006, over 5,000 third-party bookstores and approximately 1,700 teachers in 24 cities, as well as through our virtual online network, which has approximately two million registered users.

We have experienced significant growth in our business in recent years. Our total net revenues increased from RMB441.8 million for the fiscal year ended May 31, 2004 to RMB770.3 million (US\$96.1 million) for the fiscal year ended May 31, 2006, representing a CAGR of 32.0%. Net revenues from our language training and test preparation courses accounted for 96.0%, 91.9% and 89.2%, respectively, of our total net revenues in the fiscal years ended May 31, 2004, 2005 and 2006. Our net income increased from RMB52.4 million in the fiscal year ended May 31, 2004 to RMB142.0 million in the fiscal year ended May 31, 2005, but decreased to RMB49.4 million (US\$6.2 million) in the fiscal year ended May 31, 2006 primarily due to the RMB64.5 million (US\$8.0 million) share-based compensation expenses we incurred in the year.

Market Opportunity

China’s education market is large and growing as a result of several factors, including favorable demographic trends, rapid economic growth and the increasing importance of higher education and English proficiency for career development and advancement.

According to China Statistical Yearbook (2005), in 2004, approximately 457 million people in China were between the ages of five and 29, which included typical school age students and young adults who actively pursue education opportunities. Approximately 550 million people in China lived in urban areas in 2005 and this number is expected to reach 680 million by 2015, according to Asia Demographics Limited. The growing trend toward urbanization is expected to result in more people seeking job and career advancement opportunities in urban areas. As stated in China Demographics Yearbook (2005), China had eight cities each with a population of over four million, 50 cities each with a population of over one million and 131 cities each with a population of over 500,000 in 2004. We primarily target students between the ages of five and 29 living in these urban areas in China.

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According to the International Monetary Fund, China was the fourth largest economy in the world in 2005 in terms of GDP, which amounted to over US\$2.2 trillion. China's GDP per capita has increased at a CAGR of 11.4% from approximately US\$340 in 1990 to approximately US\$1,700 in 2005, according to the International Monetary Fund. As a result of this economic growth, Chinese consumers have greater amounts of disposable income and have significantly increased their spending.

The size of the education market in China was approximately RMB580 billion (US\$72 billion) in 2004, according to China Education and Training Industry Research Report (2005 – 2006). In addition to the historical and cultural emphasis on education and self-improvement, urban citizens are increasingly recognizing that higher education leads to greater rewards in terms of income and career opportunities. According to a survey conducted by ChinaHR.com, a college graduate in China on average earns more than twice the initial income of a high school graduate who does not possess a college or other higher education degree. This has motivated more people to choose to continue their education, with enrollment in institutions of higher education increasing at a CAGR of 14.3% from approximately 2.1 million in 1990 to approximately 13.3 million in 2004, according to China Statistical Yearbook (2005). English proficiency is tested as a major subject for admission to colleges and graduate schools in China.

Public schools in China are generally required to use government-approved curricula. In contrast, private schools in China, while also heavily regulated, have greater flexibility to teach additional subjects and emphasize specific subjects, such as English language, to meet students' needs, and to deliver education in a small-group setting. As a result, there is a strong demand for high-quality private education and training among urban citizens in China.

English Language Training

Demand for English language training is growing rapidly in China. According to China Education and Training Industry Research Report (2005 – 2006), the English language training market in China was valued at approximately RMB15 billion (US\$1.9 billion) in 2004 and is expected to grow to approximately RMB30 billion (US\$3.7 billion) in 2010, at a CAGR of 12.3%. The belief that English language proficiency is essential for career development and advancement is gaining increasing acceptance in China.

This demand is primarily driven by China's accelerating integration into the global economy, which has resulted in increasing career opportunities for native Chinese speakers who are able to communicate effectively in English. According to China Statistical Yearbook (2005), over 240,000 foreign-invested enterprises had been established in China as of 2004. In addition, trade between China and the rest of the world has grown significantly with China's total imports and exports growing at a CAGR of 17.9% from US\$115.4 billion in 1990 to US\$1.2 trillion in 2004, according to China Statistical Yearbook (2005). As English is widely accepted as the international language of business, English proficiency has become an important skill for native Chinese speakers to pursue the best career development opportunities at foreign-invested enterprises and other enterprises in China that are involved in cross-border transactions. English proficiency can have a significant impact on salaries in China. According to a survey conducted by ChinaHR.com, the average salaries of Chinese employees with advanced and intermediate levels of English are 72.5% and 24.3% higher than those with basic levels of English, respectively. In addition, as China's economy continues to grow, China has attracted and is expected to continue to attract a large number of international business and leisure travelers, especially in conjunction with the 2008 Summer Olympics in Beijing and the 2010 World Expo in Shanghai. According to China National Tourism Administration, or CNTA, the number of foreign travelers visiting China grew at a CAGR of 17.7% from approximately 1.7 million in 1990 to 20.3 million in 2005. This trend is expected to continue and in turn will create additional job opportunities in the tourism industry and other industries in which English proficiency is necessary or useful.

Test Preparation

As urban citizens in China are increasingly recognizing that higher education leads to greater rewards in terms of income and career opportunities, demand for test preparation courses for admissions and assessment tests required by higher educational institutions in China and abroad is expected to continue to increase.

Since 2002, over 100,000 Chinese students traveled overseas each year to pursue higher education degrees according to China Statistical Yearbook (2005). To gain admission into colleges and graduate schools in the United States and many other countries, applicants typically must take admissions and assessment tests that test English proficiency such as the TOEFL and IELTS, and other admissions and assessment tests such as SAT, LSAT, GMAT and GRE for admission into colleges, graduate schools or professional schools.

English proficiency is also tested as a major subject for admission to colleges and graduate schools in China. In addition, college students in many regions of China are required to pass CET 4 as a condition for earning a bachelor's degree, and graduate students in many regions of China are required to pass CET 6 as a condition for earning a master's degree. Furthermore, English has been included as one of the major subjects of entrance exams for admission to middle schools and high schools in many cities in China.

Private Primary and Secondary Schools with an Emphasis on English

Compared to public primary and secondary schools in China, which are required to use government-approved curricula with English as one of the many subjects required, private schools in China, while also heavily regulated, have more flexibility to teach additional subjects and emphasize specific subjects, such as English language training at an early age, to meet students' needs, and to deliver education in a small-group setting. In addition, the "single child" policy that the PRC government has imposed for nearly three decades has resulted in the widely known "little emperor" phenomenon, in which Chinese families spend a high percentage of their disposable income investing in their only child's future. Recognizing the importance of English and the advantage of teaching children multiple languages at a very young age, many parents are increasingly demanding school curricula that are taught in both Chinese and English to give their children a competitive advantage. This demand has driven the emergence and growth of high-quality private primary and secondary schools with an emphasis on English in China.

Content Development and Distribution

Successful content development has enhanced and will continue to enhance the successful development of the private education industry in China, as students expect a complementary mix of content offerings to choose from to best fit their needs and achieve their goals. According to Access Asia, approximately seven billion books were distributed in China in 2003. To establish and maintain a leading market position and to successfully compete against national and regional competitors, a private educational service provider in China must have access to high-quality content, update and enhance existing content and license and localize content from leading international content providers, as well as distribute such content through extensive distribution channels across the nation.

Online Education

With the growth of Internet use and the improvement of online payment systems in China, online education and training programs represent an attractive growth market opportunity. Online education, which provides students with flexibility to take interactive courses at times and locations most convenient to them, is particularly attractive to working adults and their employers. Online education also enables educational service providers to leverage the Internet-based platform to reach and serve a broader base of students without substantial incremental costs. According to the China Education and Training Industry Research Report (2005 – 2006), China's online

education market was valued at approximately RMB14 billion (US\$1.7 billion) in 2004 and is expected to grow to RMB30 billion (US\$3.7 billion) by 2007.

Post-Secondary Education

The market for post-secondary education in China is expected to grow due to various demands, including demand from employers for professionals, demand from an increasing number of high school and college graduates seeking entry-level employment positions which require professional certifications, and demand from working professionals who wish to further achieve their career and salary advancement potential. According to China Education and Training Industry Research Report (2005 – 2006), the career education and management education markets were valued at approximately RMB32 billion (US\$4.0 billion) and RMB15 billion (US\$1.9 billion), respectively, in 2004, and are expected to grow to approximately RMB299 billion (US\$37 billion) and RMB135 billion (US\$16.9 billion), respectively in 2010. Currently, the post-secondary private education market in China is highly fragmented, with no one provider controlling significant market share.

Our Strengths

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

Most Recognized Private Education Brand in China. With a 13-year history, our “New Oriental” brand is a well-recognized, award-winning consumer brand in China. The “New Oriental” brand has received numerous awards and recognitions, including the best brand in China’s English language education market, as recognized by SSIC in a report published in June 2005, which summarized the results of a survey of the English language education market in eight major cities in China, including Beijing, Shanghai, Guangzhou and Wuhan; the “Most Influential Education Brand in 2005” awarded by the Southern China Metropolitan Daily, a newspaper with nationwide circulation, which granted the award to us based on the results of a survey jointly conducted by eleven newspapers and Internet companies to evaluate teaching quality, resources and methods as well as facilities of over 200 educational organizations in China; and the “2004 Top Ten Largest Private Educational Organizations in China” from China Fortune, one of the leading finance journals in China, which granted the award to us based on its evaluation of all major private educational organizations in China in terms of their contribution to China’s private education industry. We believe that our established “New Oriental” brand allows us to further expand our market share in existing markets and target new markets and areas of private education.

Leading Market Position in Multiple High Growth Areas of Education. We are the largest provider of private educational services in China, based on number of program offerings, total student enrollments and geographic presence. We believe that our strong brand, extensive program, service and product offerings, unparalleled national scale and network, innovative and inspirational instruction, successful track record and experienced management team have enabled us to become the leading national player in the highly fragmented private education industry.

In the fiscal year ended May 31, 2006, we had approximately 497,000 student enrollments in our language training programs and had approximately 375,000 student enrollments in our test preparation courses. According to China Statistical Yearbook (2005), over 100,000 Chinese students traveled overseas each year to pursue higher education degrees since 2002. We believe a substantial majority of these students took our test preparation courses to gain admissions into colleges, graduate schools and professional schools abroad. We started offering TOEFL preparation courses in 1993 and became a market leader in admissions test preparation courses within a relatively short period of time thereafter. Leveraging on our success in test preparation courses, we introduced our first English language training program in 1996 and, since then, we have substantially expanded our program, service and product offerings and established a leading position in the geographic markets where we have a presence.

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We believe our excellent reputation in English language training and test preparation courses and our established operational platform have enabled us to launch new programs, services and products in new markets and quickly gain market share and establish our strong competitive position in these new markets. For example, New Oriental China established its first primary and secondary school with a full curriculum in Yangzhou in 2002. This school has been regarded as one of the best primary and secondary schools in the local market since shortly after its inception. In 2005, the Yangzhou school accepted 780 students out of over 2,000 applicants from the local market as well as from elsewhere in China.

Extensive Program, Service and Product Offerings. We offer a wide range of educational programs, services and products to a varied student population with diverse academic and career development needs. Our offerings primarily consist of various levels and types of English language training programs to primary and middle school students, college students and other adults and other foreign language training programs, test preparation courses for students taking major admissions and assessment tests in the U.S., the PRC and Commonwealth countries, a full-curriculum primary and secondary school with an emphasis on English, educational content development and distribution, online education targeted at working professionals and college students, as well as post-secondary education and certain education-related consulting services. As of May 31, 2006, we had over 150 programs available for enrollment, and authored, localized and distributed more than three million print and software titles on education-related topics. We have schools and learning centers in every city in China with a population of over four million. We believe the breadth and the diversity of our programs, services and products increase our addressable markets and enhance our overall revenue stability.

Unparalleled National Scale and Network. We have an unparalleled national scale and network as compared to other providers of private educational services in China. We deliver our educational programs, services and products through an extensive physical network of 25 schools, 111 learning centers and 13 bookstores operated by us as of May 31, 2006, over 5,000 third-party bookstores, and approximately 1,700 teachers in 24 cities, as well as through our virtual online network, which has approximately two million registered users. All of our schools, learning centers and bookstores operate under our established “New Oriental” brand. We typically cluster our schools and learning centers in and around selected major cities, which serve as regional hubs to provide management, teaching, marketing and administrative support to schools and learning centers in adjacent satellite cities. We believe clustering allows us to leverage and efficiently allocate teaching, marketing and administrative resources of the main school in a regional hub among, and maintain centralized management over, all of the schools and learning centers within the same regional hub.

Through a subsidiary of New Oriental China, we cooperate with qualified PRC publishing companies to publish our self-developed teaching materials and other content and have arrangements with third-party distributors, including over 5,000 bookstores, to distribute books authored or licensed and localized by us. In addition, as we have had over three million cumulative student enrollments since our inception, we have an extensive network of students and alumni. This network has proven helpful in promoting our brand and our programs, services and products by word-of-mouth referrals and through our students’ and alumni’s academic and career achievements. Our national scale and network have enabled us to gain significant competitive advantage in an industry in which brand recognition, reputation, consumer confidence and referrals play important roles in attracting and retaining students and increasing student enrollments. It also allows us to leverage our extensive experience and know-how to reach a broad base of students.

Innovative and Inspirational Instruction. In our New Oriental schools and learning centers, we differentiate ourselves through our New Oriental way of innovative and inspirational instruction. We are committed to training the next generation of business and community leaders by educating and inspiring our students to achieve their potential, build self-confidence and develop a global vision with an understanding and appreciation of both traditional Chinese culture and the modern world, as well as boosting our students’ enthusiasm for learning. This commitment is reflected in our company culture which encourages teachers to maintain creativity and continued passion for education, in educational materials developed and distributed by us, in our teaching methods and in our teacher selection, training and retention process. Our content experts design innovative

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curriculum for most of the courses offered by us. We have well-developed methods for hiring, training and retaining qualified teachers, which include a strict recruiting process, periodic training in teaching methods, skills, school culture and philosophy, as well as competitive base salary coupled with performance-based bonuses. We believe that our relatively high base salaries compared to our competitors, performance-based bonuses, career advancement opportunities, team spirit and continuous training allow us to recruit and retain qualified teachers. In each of 2003 through 2005, less than 10% of applicants were hired as our teachers.

Successful Track Record. We were founded in 1993 by our Chairman and Chief Executive Officer, Michael Minhong Yu, to offer TOEFL preparation courses. Since then, we have transformed ourselves from primarily a language training and test preparation company to China's largest provider of a wide range of educational programs, services and products to a varied student population with diverse academic and career development needs in China. We have demonstrated significant growth in our business since our inception, especially in recent years. Our physical school network increased from three schools in 2001 to 25 schools as of May 31, 2006, and our total cumulative student enrollments increased from over 552,000 by the end of 2001 to over three million by May 31, 2006. Our total net revenues increased from RMB441.8 million for the fiscal year ended May 31, 2004 to RMB770.3 million (US\$96.1 million) for the fiscal year ended May 31, 2006, representing a CAGR of 32.0%.

Experienced Management Team with a Passion for Education. Our senior management team has over 65 years of combined experience and an average of approximately eight years of experience in the education industry. Our founders are committed to and passionate about education. They are familiar with the private education sector and relevant regulatory environment in China and continue to be actively involved in our management and strategic planning. In particular, Michael Minhong Yu, our Chairman and Chief Executive Officer, is a renowned expert in English language teaching with over 20 years of experience in the education industry and is a leader in the education community in China. He has served as the Vice Chairman of the Education Committee of the Central Committee of the China Democratic League. We believe that our management team's passion for education and extensive experience in the private education sector and relevant regulatory environment in China have enabled us to successfully manage our operations and growth, promote our brand and achieve our goals.

Our Strategy

Our goal is to strengthen our position as the largest provider of private educational services in China. We believe our leading market position in multiple high growth areas of education, established and highly recognized "New Oriental" brand, extensive program, service and product offerings, unparalleled national scale and network, innovative and inspirational instruction, successful track record and experienced management team provide us with a significant competitive advantage and facilitates our continuing growth.

We intend to leverage our brand and extensive national network to achieve our goal by pursuing the following strategies:

Establish New Schools and Learning Centers. We plan to open six to eight new schools in our fiscal year 2007, and will continue to open new schools and learning centers in cities that exhibit strong enrollment potential. According to China Demographics Yearbook (2005), China had 50 cities each with a population of over one million and 131 cities each with a population of greater than 500,000 in 2004, which presents opportunities for our further expansion. In addition to new schools, we plan to open new smaller "Pop Kids" English learning centers for students in kindergarten through grade six and high-end "Elite English" centers in major cities for high-income adults and children of high-income families.

Increase Student Enrollments and Course Fees at Our Existing Schools and Learning Centers. As of May 31, 2006, we had 25 schools and 111 learning centers, of which 13 schools and 48 learning centers have

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been in operation for more than two years. We plan to increase student enrollments and profitability at our existing facilities by offering additional classes for both new and existing programs, and by continuing market-based increases of course fees. We also intend to develop, license and localize additional high-quality educational content to enrich our content offering and attract students with diverse academic and career development needs. In addition, we intend to pursue aggressive marketing efforts to reach a broader base of students, parents and other adults in order to further enhance our brand recognition and increase new student enrollments.

Expand Our Program, Service and Product Offerings. We believe the strength of our reputation and brand name is directly attributable to the quality and breadth of our programs, services and products, and we expect to continue to devote significant resources to enhancing our current offerings and developing new high-quality programs, services and products that are responsive to the evolving market needs. We currently have a full-time staff of approximately 30 people involved in our centralized product and curriculum development process. We plan to continue to replicate successful programs by taking the curriculum for an existing program at one school and introducing it to other schools across our network.

We also plan to continuously evaluate new, high-growth areas of education that are in demand by students, parents and employers and develop new programs, services and products in these areas. For example, we have recently begun offering English summer camps for primary and middle school students and post-secondary English language training certification programs to capture the growth opportunity in these areas. We also plan to expand our online education and post-secondary education businesses. As the Internet continues to gain widespread use and acceptance throughout China, we believe there are significant online growth opportunities for new and complementary online programs, services and products in language training, test preparation and other areas. Similarly, we believe there are tremendous opportunities in the post-secondary education market and we plan to expand our post-secondary programs, services and products to meet the rising demand from employers for skilled professionals.

Continue to Leverage and Expand Our Content Distribution Channels. We have established a variety of content distribution channels across China, consisting of our bookstores and third-party distributors, including over 5,000 bookstores. We believe successful content development has been and will continue to be important for the success of our private education business in China, as students expect a complementary mix of content offerings to choose from to best fit their needs and achieve their goals. In 2005, we distributed approximately three million books authored or licensed by us in China. We intend to continuously enhance the quality and breadth of our content offerings through developing our own content and licensing and localizing content from leading international content providers. We also intend to continue to distribute content and expand our content distribution channels to reach a broader base of current and prospective students as well as parents and employers who may sponsor our students' educations.

Continue to Strengthen Existing, and Pursue New, Strategic Relationships with Education Content Providers and Other Complementary Businesses. We have arrangements with international education content providers and publishers such as Pearson Education, The McGraw-Hill Companies and Cambridge University Press, or their respective authorized Chinese publishers, to develop and distribute localized versions of selected educational materials in China bearing both our logo and the original publisher's logo. We believe that strategic relationships with leading education content providers and other complementary businesses will enable us to further enhance the quality of our content offerings, expand revenue sources and expedite our time-to-market in distributing new content. We also believe that our excellent reputation and extensive content distribution channels are particularly attractive to international education content providers who wish to penetrate the China market. Accordingly, we intend to continue to strengthen existing, and actively pursue new, strategic relationships with leading international education content providers and other complementary businesses in an effort to strengthen our leading market position in the private education industry in China.

Our Network

We deliver our education programs, services and products to students through an extensive physical network of 25 schools, over 110 learning centers, 13 bookstores operated by us and approximately 1,700 teachers in 24 cities, as well as through our virtual online network with approximately two million registered users. We also have arrangements with third-party distributors, including over 5,000 bookstores in China, to distribute books authored or licensed or localized by us. In addition, as we have had over three million cumulative student enrollments since our inception, we have an extensive network of students and alumni. This network has been essential in promoting our brand and our programs, services and products by word-of-mouth referrals and through our students' and alumni's academic and career achievements. We will continue to open new schools and learning centers in cities that exhibit strong enrollment potential.

The following map sets forth the geographic coverage of our network of schools, learning centers and bookstores as of May 31, 2006:



All of our schools, learning centers and bookstores operate under our “New Oriental” brand. Our hub schools in major cities consist of classrooms and administrative facilities with full student and administrative services while our schools in satellite cities and our learning centers consist primarily of classroom facilities and limited course registration and management capabilities. We select new locations based on various factors, including demographics and the number of colleges in, and the economic condition of, the particular region. We have opened bookstores in our established schools to primarily sell educational materials relating to our courses and also sell self-help, know-how, inspirational and other books.

We lease all of our facilities except for part of the premises for the Beijing, Xi'an, Tianjin and Yangzhou schools, which we own. The following table sets forth information concerning the locations of our schools, learning centers and bookstores as of May 31, 2006.

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<u>City</u>	<u>Number of schools</u>	<u>Number of learning centers</u>	<u>Number of bookstores</u>
Beijing	2	28	1
Shanghai	1	17	1
Guangzhou	1	7	1
Wuhan	1	6	1
Tianjin	1	5	1
Chongqing	1	5	1
Shenyang	1	5	1
Xi'an	1	5	1
Chengdu	1	5	1
Nanjing	1	4	1
Zhengzhou	1	3	1
Changsha	1	2	1
Harbin	1	1	1
Jinan	1	3	—
Xiangfan	1	3	—
Shenzhen	1	2	—
Taiyuan	1	2	—
Zhuzhou	1	2	—
Changchun	1	1	—
Hangzhou	1	1	—
Langfang	1	1	—
Shijiazhuang	1	1	—
Suzhou	1	1	—
Yangzhou	1	1	—
Total	25	111	13

Our Programs, Services and Products

We provide a wide variety of educational services and products intended to address the needs of our students. We deliver education to our students primarily in traditional classroom settings and also through online instruction. With the exception of the full-time primary and secondary school in Yangzhou and a school that provides post-secondary education, our classroom-based courses are generally designed to be completed in 2 to 16 weeks. Course fees are determined based on the length of the course, the size and the subject of the class, the area of study and the geographic location of the school. We currently have a full-time staff of approximately 30 people involved in our centralized curriculum development process. We update and expand our course offerings frequently in response to evolving market needs. Our program, service and product offerings are generally divided into six areas: language training; test preparation; primary and secondary school; educational content, software and other technology development and distribution; online education; and other services and products.

Language Training Courses

Our language training courses primarily consist of various types of English language training courses. We also provide training courses for other foreign languages, including German, Japanese, French, Korean and Spanish. In our fiscal year ended May 31, 2006, we had approximately 497,000 student enrollments in our language training courses, of which over 95% were in our English language training courses. Our interactive courses focus not only on reading and writing, but also on teaching and improving critical listening and speaking skills.

We recognize that students progress at different rates when learning foreign languages and our large number of students allows us to offer suitable courses at many different levels of proficiency. While we offer English to

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students of all age groups and with various motivations for learning English, we generally categorize our English language training courses into the following areas: (i) English for adults; (ii) English for children, including our recently added “Pop Kids” English program; (iii) English for middle school and high schools students; and (iv) “Elite English” for high-income adults and children of high-income families.

English for Adults. Historically, this has been the primary component of our English language training courses. Many employers in China, including foreign-invested enterprises, multinational corporations’ branch offices as well as domestic enterprises involved in international business transactions or the tourism industry, require their employees to have a high level of English proficiency.

Our English for adults program offers courses designed to teach and improve college and other adult students’ English writing, reading, listening and speaking skills. Our schools and learning centers also have language labs at which our students can listen to and recite spoken passages on CDs and audio tapes to improve their listening and speaking skills. A typical course lasts for six to 12 weeks with classroom instruction one to four times per week for two to five hours per visit. We also offer more intensive and condensed versions of our courses, in particular during the summer months when many academic institutions are on summer break. Our English for adults courses typically consist of approximately 20 to 150 students per class.

In our fiscal year ended May 31, 2006, we had approximately 238,000 student enrollments in our English for adults courses. Approximately 34.2%, 12.2% and 11.1% of the total enrollments were for courses taught in Beijing, Shanghai and Guangzhou, respectively. Course fees for our English for adults courses range from RMB200 to RMB3,000 per course.

English for Children. We established our English for children program in 2002 for children in kindergarten through grade six and it has achieved rapid growth. We designed our English for children program based upon the following principles: (i) we use localized materials originally published by international education content providers and publishers while taking into account the local public schools’ curricula, the skills and abilities of the individual child and adapting to his or her particular needs; (ii) we assist students in mastering the basics of the language in various fun ways, including interactive games, activities and cultural studies; and (iii) we give children a passion for learning the language and guide and inspire them to develop their self-learning abilities. In 2004, we established our “Pop Kids” English learning centers at which we attempt to immerse young kids in a fun and interactive English-speaking environment dedicated solely to children.

Our English for children classes are divided into classes of approximately 10 to 25 students per class. Students attend class one to two times per week for 1.5 to two hours per class. We test our students to measure their progress and make sure they are progressing as needed to advance to the next book and class level without jeopardizing the fundamentals that will allow them to excel in the future.

In our fiscal year ended May 31, 2006, we had approximately 95,000 student enrollments in our English for children program. Approximately 35.1%, 18.6% and 10.5% of the enrollments took place in Wuhan, Beijing and Guangzhou, respectively. Course fees for our English for children courses range from RMB200 to RMB3,000 per course.

English for Middle School and High School Students. English proficiency is tested as a major subject of entrance exams for admission into China’s high schools, colleges and universities. Given the intense competition to gain admission into top high schools and higher education institutions in China, English exam scores can be a deciding factor in gaining admission. Our English language training courses for middle school and high school students are designed to supplement students’ regular school curricula and help students achieve better scores on English exams for admission into high schools or higher education institutions.

Our typical English courses for middle school and high school students last for eight to 16 weeks with classroom instruction one to four times per week for 90 minutes to five hours per visit. We also offer more intensive and condensed versions of our courses, in particular during the summer months when many academic institutions are on summer break. These courses typically consist of approximately 30 to 300 students per class.

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In our fiscal year ended May 31, 2006, we had approximately 145,000 student enrollments in our English language training courses for middle school and high school students. Approximately 32.6%, 9.8% and 9.7% of the enrollments took place in Beijing, Shanghai and Wuhan, respectively. Course fees for our English training courses for middle school and high school students range from RMB200 to RMB2,000 per course.

“Elite English” for High-Income Adults and Children of High-Income Families. With the recent economic growth of China and increased sophistication and frequency of international business transactions, there is a growing demand for high-end, personalized, advanced English language training for high-income working professionals and other adults in large, economically prosperous cities. China’s economic growth has led to increased personal disposable income which, coupled with the “single child” policy and the potential rewards of English proficiency, has prompted Chinese families to spend a high percentage of their disposable income investing in their children’s English language education. We started our “Elite English” programs for high-income adults and children of high income families in 2003 in response to the market demand from high-income students and parents for such personalized instruction.

While we have a standardized curriculum for our “Elite English” program, our trained teachers work closely with a small group of students to evaluate and customize the curriculum based on the progress and demands of the students. Our “Elite English” program is divided into classes of one to ten students per class.

In our fiscal year ended May 31, 2006, we had approximately 3,200 students in our “Elite English” program at our four “Elite English” centers in Beijing. The schedules of our “Elite English” classes are more flexible in order to accommodate students’ schedules and are provided in up-scale locations and environments. We plan to continue growing this area of our business and to expand into other major cities in China, such as Shanghai and Guangzhou. Enrollment fees for our “Elite English” program generally range from RMB12,000 to RMB18,000 per year.

Test Preparation Courses

We offer test preparation courses to students taking language and entrance exams used by educational institutions in the United States, the PRC and Commonwealth countries. In our fiscal year ended May 31, 2006, we had over 375,000 student enrollments in our test preparation courses, of which approximately 121,000 were in overseas test preparation courses and 254,000 were in PRC test preparation courses.

We offer test preparation courses for the following major overseas exams: TOEFL, TSE, SAT, ACT, IELTS, GRE, GMAT, LSAT, BEC and TOEIC. In addition, we offer test preparation classes for the following major PRC admissions tests: CET 4, CET 6, National English Test for Entrance into Master’s Degree Programs, National Math Test for Entrance of Master’s Degree Programs, Professional Title English Test and Public English Test System.

In our fiscal year ended May 31, 2006, approximately 39.6% and 24.4% of the total student enrollments in our overseas test preparation courses took place in Beijing and Shanghai, respectively, and approximately 37.6% of the total student enrollments in our PRC test preparation courses took place in Beijing, while approximately 9.0%, 6.6%, 6.0% and 6.0% of the total student enrollments in our domestic test preparation courses took place in Wuhan, Guangzhou, Shanghai and Xi’an, respectively.

Our test preparation courses focus on quality instruction and test-taking techniques designed to help students achieve high scores on the admissions and assessment tests. Our experienced teachers generally teach in large classes ranging from 50 students to 500 students. Our students enroll in a 20 to 160 hour program with classes meeting one to four times per week for approximately 2.5 hours per class. We also offer intensive and condensed versions of our courses, which are compacted into shorter time periods. Course fees for our test preparation courses range from RMB150 to RMB25,000 per course.

Primary and Secondary School

New Oriental China established the first full-time private primary and secondary school in Yangzhou in 2002. This is a private boarding school for students in grades one to twelve seeking a full curriculum taught in both Chinese and English, with a strong emphasis on English language training. We target parents who desire to provide their children with a global vision and an understanding and appreciation of both traditional Chinese culture and the modern world, a competitive advantage in academics and social development and English language proficiency. Our goal is to develop the Yangzhou school, and other new schools to be established in the future, into elite schools whose students consistently gain acceptance into the top universities in China and around the world.

We attempt to immerse our students in the English language at an early age through native English speaking teachers and activities designed to emphasize early and significant exposure to a bilingual environment. The Yangzhou private school has a capacity of up to 4,000 students. In 2005, we had approximately 2,300 students at the Yangzhou school, approximately 75% of whom came from Yangzhou, with the remainder from various parts of China. Our students must take an admission test and undergo an interview to gain acceptance into our school. There are over 219 teachers and 276 supporting staff at the Yangzhou school. The school has been regarded as one of the best primary and secondary schools in the local market since shortly after its inception. In 2005, the school accepted 780 students out of over 2,000 applicants from the local market as well as elsewhere in China.

The Yangzhou school has received various accreditations from local authorities. We work closely with the local educational authorities to make sure that our curriculum is compatible with public school curriculums and covers the full spectrum of required courses. We have also expanded our curriculum to include subjects, activities and techniques that teach the students to learn and think independently. There is less emphasis on memorization and recitation and greater emphasis on creative thinking and analytical activities. We use computers as a major part of our teaching and learning methods and encourage students to learn in an interactive format. In 2005, tuition at the Yangzhou school ranged from RMB5,000 to RMB10,000 per year.

Educational Content, Software and Other Technology Development and Distribution

We develop and edit content for educational materials for language training and test preparation, such as books, software, CD-ROMs, magazines and other periodicals, as well as “self-help,” “know-how” and “inspirational” books for our students and other readers. We distribute these materials through various distribution channels, consisting of our own classrooms and bookstores as well as third-party distributors, including over 5,000 bookstores in China. In our fiscal year ended May 31, 2006, we developed and edited over 80 titles and distributed approximately four million books authored or licensed by us in China. Over 95% of the materials distributed by us are education-related and include the materials that we use in our courses and also include a large number of titles that we market for use in English language area.

Our extensive distribution channels have attracted international education content providers to cooperate with us in distributing localized versions of their materials in China. We currently have arrangements with Pearson Education, The McGraw-Hill Companies and Cambridge University Press, or their respective authorized local publishers, to develop and distribute localized versions of selected educational materials in China bearing both our logo and the original publisher’s logo. We plan to establish additional strategic relationships with leading international education content providers to enrich our content offerings.

Online Education

We offer online education programs on our website www.koolearn.com. As of May 31, 2006, approximately two million users had registered accounts with us, giving them access to free informational content on our website. As of that date, we had approximately 200,000 users that paid for additional access to our

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specialized education programs. These users purchase pre-paid cards that give them the right to use our paid content for a specific period of time or for specific courses. Course fees for our online courses range from RMB10 to RMB1,500 per course.

We currently offer approximately 300 online courses in language training courses, test preparation courses, professional certification courses, and business knowledge and skills training courses in the areas of accounting, legal, management and others. Our typical online courses last for 30 hours and each session normally lasts 15 minutes or less. We have live interactive online courses as well as courses that allow students to view replays of pre-recorded video tapes.

Our online courses are particularly attractive to students who need the flexibility to prepare at any time of the day or night and on short notice. Our online tools provide more flexibility by offering our students the ability to choose their best and most convenient way of learning as they experience our programs.

Other Services

Overseas Studies Consulting. Our consultants help students through the application and admission process for overseas educational institutions and provide useful college, graduate and career counseling advice to help students to make informed decisions. We also counsel students with the immigration process for overseas studies, such as obtaining visas and student and off-campus housing. We charge each student a fee based on the scope of consulting services requested by the student.

Post-Secondary Education. We provide post-secondary educational programs to help students seek career opportunities requiring English proficiency, such as interpreters for international trade organizations. Such programs normally last for two years. Students have the flexibility to enroll in specific courses of interest or to enroll in the full program.

Marketing and Student Recruitment

We employ a variety of marketing and recruiting methods to attract students and increase enrollments. We have positioned ourselves as a provider of private educational services that inspires students to achieve their potential and build self-confidence and that boosts students' enthusiasm for learning. We believe prospective students are attracted to our schools due to our excellent brand name, the quality of our programs and our relatively long operating history in the private education sector.

We employ the following marketing methods to attract new and returning students:

Speeches and Seminars. Our management, most of whom are experienced teachers and were among our earliest teachers, and our top teachers frequently give speeches at colleges, universities, high schools and middle schools and to student groups, parent groups and educational organizations. They also participate in educational seminars and workshops. Our speeches include direct program promotion speeches during which we directly explain the merits and advantages of our programs or general English learning methods, as well as inspirational speeches designed to motivate students to reach their full potential and strive for success. In 2005, our management and teachers gave a total of over 3,800 speeches and seminars in China.

Referrals. Historically, our student enrollments have grown primarily through word-of-mouth referrals. Our student enrollments have benefited and will continue to benefit by referrals from our extensive network of students and alumni and the successful academic and professional careers that many of them have achieved.

Distribution of Marketing Materials. We use New Oriental "booths" and "information tables" to distribute free inspirational books authored by Michael Minhong Yu and others, informational brochures, posters and flyers

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at various on-campus events, educational expos, conferences and college and employment fairs. We also conduct extensive free information sessions to introduce our programs to our target markets.

Advertisements. We advertise through our own websites and also on China's leading portals, such as Sina.com and Sohu.com. We also have advertising arrangements with many Chinese national and regional newspapers and other media outlets, including school campus newspapers.

Social Events and Activities. We participate in and host community events designed to promote awareness of the virtues of education. We believe that these enhance our public image and increase brand awareness. We also host English speech competitions, English drama performances and cultural events designed to raise enthusiasm for English language learning and to further promote awareness of our brand.

Cross-Selling. As we gain footholds in many different markets, we use our programs in one market as an opportunity to advertise our programs in other markets. With a variety of programs aimed at different age groups, our goal is to create a brand name that permeates every stage of our potential students' educational, career and life progression, from English for children to English for adults to test preparation to "Elite English" to continuing professional education, and to encourage our students to introduce their children to the same system and courses. Outside of our organization, we have established cross-promotional relationships with a number of companies, to promote our programs, services and products and awareness of our brand.

Faculty and Employees

We believe that our dedicated and capable faculty is critical to our success. As our teachers interact with our students on a daily basis, they are critical to maintaining the quality of our programs, services and products and to maintaining our brand and reputation. We seek to continue to hire teachers who have a strong command of the subject areas to be taught and meet our qualifications. Equally important, we seek to hire teachers who are capable of delivering innovative and inspirational instruction. We aim to continue to recruit qualified teachers through a strict multi-step recruitment process, including lecture auditions, while offering a compensation package that is higher than the market standard.

New teachers are required to undergo a job training period, during which they receive trainings in teaching skills and techniques, subject matter of relevant courses and school culture and philosophy. We also provide continuous training so that our teachers can stay abreast of changes in student demands, admissions and assessment tests, admissions standards and other key trends necessary to teach effectively. Our teachers are evaluated by students and a majority of their overall compensation consists of bonuses based on these evaluations. We also perform periodic peer observations of a significant number of our teachers to monitor their teaching performance in the classrooms. In addition, we provide capable and experienced teachers with opportunities to be promoted to management roles. Currently, almost all of our schools are managed by the selected members of our faculty.

We believe that our relatively high base salaries compared to our competitors, performance-based bonuses, career advancement opportunities, team spirit and continuous training allow us to recruit and retain the best talent. In each of 2003 through 2005, less than 10% of applicants were hired as our teachers.

We had 1,654, 2,240 and 2,559 full time employees and 819, 1,252 and 1,488 contract teachers and staff as of May 31, 2004, 2005 and 2006, respectively.

Competition

The private education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We face competition in each major program we offer and each geographic market in which we operate. None of our competitors focuses on as broad a spectrum of programs,

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products and services as we provide. Instead, our competitors focus on targeted markets, both in terms of the particular segments of students they aim to attract and the local markets in which they operate.

For example, we face nationwide competition for our IELTS preparation courses from Global IELTS School, which offers IELTS preparation courses in many cities in China. We face regional competition for our English for children program from several competitors that focus on children's English language training in specific regions, including English First. We face competition for our "Elite English" program primarily from Wall Street Institute and English First, both of which offer English language training courses for adults in many cities in China. Wall Street Institute began providing high-end English language training courses to adults in major cities several years before we entered this market and enjoys a first-mover advantage. We also face limited competition from many competitors that focus on providing international and/or PRC test preparation courses in specific geographic markets in China.

We believe that the principal competitive factors in our markets include the following:

- brand recognition;
- overall student experience;
- ability to effectively market programs, services and products to a broad base of prospective students;
- scope and quality of program, service and product offerings; and
- alignment of programs, services and products catering to specific needs of students, parents, educators and employers.

We believe that our primary competitive advantages are our well-known "New Oriental" brand, our innovative and inspirational instruction methods and the breadth and quality of our programs, services and products. However, some of our existing and potential competitors may have more resources than we do. These competitors may be able to devote greater resources than we can to the development, promotion and sale of their programs, services and products and respond more quickly than we can to changes in student demands, testing materials, admissions standards, market needs or new technologies. In addition, we face competition from many different smaller sized organizations that focus on some of our targeted markets, which may be able to respond more promptly to changes in student preferences in these markets.

In addition, the increasing use of the Internet and advances in Internet- and computer-related technologies, such as web video conferencing and online testing simulators, are eliminating geographic and cost-entry barriers to providing private educational services. As a result, many of our international competitors that offer online test preparation and language training courses, such as The Princeton Review, Inc. and Kaplan, Inc. may be able to more effectively penetrate the China market. Many of these international competitors have strong education brands, and students and parents in China may be attracted to the offerings of international competitors based in the country that the student wishes to study in or in which the selected language is widely spoken. In addition, many smaller companies are able to use the Internet to quickly and cost-effectively offer their programs, services and products to a large number of students with less capital expenditure than previously required.

Technology

Our technology platform is designed to provide systems that help distinguish us in the marketplace, operate cost-effectively and accommodate future growth. We currently use a combination of commercially available and custom developed software and hardware systems. Our technology platform is a combination of e-learning platforms, alumni platforms, content management systems, exam platforms, e-business promotion platforms and bookstore platforms, live Internet classrooms, as well as licensed speech recognition platforms. Our investment

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in system infrastructure has several key benefits: simplification of the storage and processing of large amounts of data, facilitation of the deployment and operation of large-scale programs and services and automation of much of the administration of our business. It also provides us with the ability to scale both capacity and functionality and build large clusters seamlessly. Currently, approximately 3,000 students can use our online systems at the same time.

One of our ongoing primary objectives is to maintain reliable systems. We have implemented performance monitoring for all key web and business systems to enable us to respond quickly to potential problems. Based on cluster technology, our system can identify errors and isolate failed servers automatically so that our clients can access our services at any time. Our web sites are hosted at third party facilities in Beijing. This facility provides redundant utility systems, a backup electric generator and 24-hour a day server support. All servers have redundant power supplies and file systems to maximize system and data availability. We regularly back up our database on a server hosted at an Internet data center to minimize the impact of data loss due to system failures.

Intellectual Property

Our trademarks, copyrights, trade secrets and other intellectual property rights distinguish our services and products from those of our competitors, and contribute to our competitive advantage in our target markets. To protect our brand and other intellectual property, we rely on a combination of trademark, copyright and trade secret laws as well as confidentiality agreements with our employees, contractors and others. “新东方” and “New Oriental” are registered trademarks in China and have been recognized as the “well-known” trademarks (驰名商标) in a civil action adjudicated in China. We have also registered additional trademarks and logos, including “Pop Kids” and “Elite English” with the Trademark Office of the State Administration for Industry and Commerce in China. Our main websites are located at www.neworiental.org, www.tol24.com and www.koolearn.com. In addition, we have registered the following domain names:

www.dogwood.com.cn	www.xdf.cn	www.xindongfang.com.cn
www.gznos.org	www.51qiantu.com	popkids.com.cn
www.softabc.com	www.softabc.com.cn	www.neworiental-k12.org

In order to develop, improve, market and deliver new programs and services, we are required to obtain licenses from others from time to time. For example, we currently have arrangements with international education content providers and publishers such as Pearson Education, The McGraw-Hill Companies and Cambridge University Press or their respective authorized local publishers, to develop and distribute localized versions of specified books in China. There can be no assurance that we will be able to continue to obtain licenses on commercially reasonable terms or at all or that rights granted under any licenses will be valid and enforceable.

We cannot be sure that our efforts to protect our intellectual property rights will be adequate or that third parties will not infringe or misappropriate these rights. In addition, there can be no assurance that competitors will not independently develop similar intellectual property. If others are able to copy and use our programs and services, we may not be able to maintain our competitive position. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving and could involve substantial risks to us. If litigation is necessary to enforce our intellectual property rights or determine the scope of the proprietary rights of others, we may have to incur substantial costs or divert other resources, which could harm our business.

In addition, competitors, content providers, publishers and others may claim that we have infringed their intellectual property rights. Defending any such lawsuit, whether with or without merit, could be time-consuming, result in costly litigation or prevent us from offering our programs and services, which could harm our business. If a lawsuit against us is successful, we may lose the rights to use our products or be required to

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modify them, or we may have to pay financial damages. See “Risk Factors—Risks Related to Our Business—Third parties may bring intellectual property infringement claims against us based on the content of the books and other materials that we or our teachers author and/or distribute.”

We have recently adopted guidelines, procedures and safeguards designed to educate our employees and contractors regarding the importance of respecting the intellectual property rights of third parties, and detect and prevent any conduct or activities by our employees or contractors that infringe or have the potential to infringe upon such third-party rights. The guidelines specify certain key principles and policies that we require all of our employees and contractors to uphold as a fundamental condition of their employment. We have also begun to require our managerial employees, teachers, sales and marketing personnel as well as content development staff to attend periodic intellectual property training sessions that are tailored to their specific roles and tasks within our company. The procedures and safeguards we have implemented to ensure compliance with these principles and policies include the assignment of dedicated staff to monitor and enforce compliance with these intellectual property guidelines, including in particular our content control group, which reviews the content of our course materials to ensure that no infringing materials are used in our classrooms. We have also made efforts to ensure that our marketing materials are reviewed and approved by appropriate management before being distributed to the public. In addition, we will retain our outside counsel to conduct periodic training sessions for our managerial and other employees. We believe these guidelines, procedures and safeguards will further improve our ability to avoid infringing or potentially infringing activities, minimize our exposure to third party claims and protect our reputation as a company that respects the intellectual property rights of third parties.

Facilities

Our headquarters are located in Beijing, China, where we own approximately 14,000 square meters of office and classroom space. In addition, we lease and own an aggregate of approximately 320,000 square meters of space for our schools, learning centers and bookstores. We lease all of our facilities except for our Yangzhou school and part of the premises for our headquarters in Beijing and our schools in Xi’an and Tianjin. Our headquarters in Beijing and our Yangzhou school are subject to a mortgage for a total principal amount of RMB125.7 million (US\$15.7 million) in favor of third-party commercial lenders as of May 31, 2006. For detailed information about the locations of our facilities and the terms of our facility leases, see “—Our Network” and “Notes to the Financial Statements for the Fiscal Years Ended May 31, 2004, 2005 and 2006—Note 10”.

Legal Proceedings

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of our business. We are not currently a party to any legal proceeding or investigation which, in the opinion of our management, is likely to have a material adverse effect on our business or financial condition.

We have been subject to copyright, trademark and trade name infringement claims and legal proceedings in the past which related to, among other things, infringement of third parties’ copyrights in materials distributed by us and the unauthorized use of a third party’s name in connection with the marketing and promotion of one of our programs, and we may be subject to similar claims and legal proceedings from time to time in the future. See “Risk Factors—Risks Related to Our Business—Third parties have in the past brought intellectual property infringement claims against us based on the content of the books and other teaching or marketing materials that we or our teachers authored and/or distributed and may bring similar claims against us in the future.”

REGULATIONS

The PRC government regulates the education services industry. This section summarizes the principal PRC regulations relating to our businesses.

We operate our business in China under a legal regime consisting of the State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the Ministry of Education, or MOE, the General Administration of Press and Publication, or GAPP, the Ministry of Information Industry, or MII, the State Administration for Industry and Commerce, or SAIC, the Ministry of Civil Affairs, or MCA, and their respective authorized local counterparts.

Regulations on Private Education

The principal regulations governing private education in China consist of the Education Law of the PRC, The Law for Promoting Private Education (2003) and The Implementation Rules for the Law for Promoting Private Education (2004), and the Regulations on Chinese-Foreign Cooperation in Operating Schools. Below is a summary of relevant provisions of these regulations.

Education Law of the PRC

On March 18, 1995, the National People's Congress enacted the Education Law of the PRC. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school system of pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education and establishes and operates schools and other institutions of education and in principle, enterprises, social organizations and individuals are encouraged to operate schools and other types of educational organizations in accordance with PRC laws and regulations. Meanwhile, no organization or individual may establish or operate a school or any other institution of education for profit-making purposes. However, private schools may be operated for "reasonable returns," as described in more detail below.

The Law for Promoting Private Education (2003) and The Implementation Rules for the Law for Promoting Private Education (2004)

The Law for Promoting Private Education (2003) became effective on September 1, 2003, and The Implementation Rules for the Law for Promoting Private Education (2004) became effective on April 1, 2004. Under these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds. In addition, private schools providing certifications, pre-school education, education for self-study aid and other academic education shall be subject to approval by the education authorities, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare. A duly approved private school will be granted a Permit for operating a Private School, and shall be registered with the MCA or its local counterparts as a privately run non-enterprise institution. Each of our schools has obtained the Permit for operating a Private School and has been registered with the relevant local counterpart of the MCA.

Under the above regulations, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education which are of a special nature. Government-run schools that provide compulsory education are not permitted to be converted into private schools. In addition, the operation of a private school is highly regulated. For example, the types and amounts of fees charged by a private school providing certifications shall be approved by the governmental pricing authority and be publicly disclosed. A private school that does not provide certifications shall file its pricing information with the governmental pricing authority and publicly disclose such information. Except for the school in Yangzhou, which provides graduation certifications to students, none of the schools operated by New Oriental China provides a diploma or certification to students.

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Private education is treated as a public welfare undertaking under the regulations. Nonetheless, investors of a private school may choose to require “reasonable returns” from the annual net balance of the school after deduction of costs, donations received, government subsidies, if any, the reserved development fund and other expenses as required by the regulations. Private schools are divided into three categories: private schools established with donated funds; private schools that require reasonable returns and private schools that do not require reasonable returns.

The election to establish a private school requiring reasonable returns shall be provided in the articles of association of the school. The percentage of the school’s annual net balance that can be distributed as reasonable return shall be determined by the school’s board of directors, taking into consideration the following factors: (i) items and criteria for the school’s fees, (ii) the ratio of the school’s expenses used for educational activities and improving the educational conditions to the total fees collected; and (iii) the admission standards and educational quality. The relevant information relating to the above factors shall be publicly disclosed before the school’s board determines the percentage of the school’s annual net balance that can be distributed as reasonable returns. Such information and the decision to distribute reasonable returns shall also be filed with the approval authorities within 15 days from the decision made by the board. However, none of the current PRC laws and regulations provides a formula or guidelines for determining “reasonable returns.” In addition, none of the current PRC laws and regulations sets forth different requirements or restrictions on a private school’s ability to operate its education business based on such school’s status as a school that requires reasonable returns or a school that does not require reasonable returns.

At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount shall be equal to no less than 25% of the annual increase in the net assets of the school, if any. Private schools that do not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools requiring reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. To date, however, no regulations have been promulgated by the relevant authorities in this regard.

Regulations on Chinese-Foreign Cooperation in Operating Schools

Chinese-foreign cooperation in operating schools or training programs is specifically governed by the Regulations on Operating Chinese-foreign Schools, promulgated by the State Council in 2003 in accordance with the Education Law, the Occupational Education Law and the Law for Promoting Private Education, and the Implementing Rules for the Regulations on Operating Chinese-foreign Schools, or the Implementing Rules, which were issued by the MOE in 2004.

The Regulations on Operating Chinese-foreign Schools and its Implementing Rules encourage substantive cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education and Chinese educational organizations to jointly operate various types of schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. Chinese-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC.

Permits for Chinese-foreign Cooperation in Operating Schools shall be obtained from the relevant education authorities or the authorities that regulate labor and social welfare in the PRC.

We have not applied for a permit for Chinese-foreign Cooperation in Operating Schools at this stage since all of our schools are operated by New Oriental China.

Regulations on Online and Distance Education

Pursuant to the Administrative Regulations on Educational Websites and Online and Distance Education Schools issued by the MOE in 2000, educational websites and online education schools may provide educational services in relation to higher education, elementary education, pre-school education, teaching education, occupational education, adult education, other education and public educational information services. “Educational websites” refers to organizations providing education or education-related information services to website visitors by means of a database or online education platform connected via the Internet or an educational television station through an Internet service provider, or ISP. “Online education schools” refer to education websites providing academic education services or training services with the issuance of various certificates.

Setting up education websites and online education schools is subject to approval from relevant education authorities, depending on the specific types of education. Any education website and online education school shall, upon the receipt of approval, indicate on its website such approval information as well as the approval date and file number.

According to the Administrative License Law promulgated by the Standing Committee of the National People’s Congress, or NPC, on August 27, 2003 and effective as of July 1, 2004, only laws promulgated by the NPC and regulations and decisions promulgated by the State Council may set down administrative license. On June 29, 2004, the State Council promulgated the Decision on Setting Down Administrative Licenses for the Administrative Examination and Approval Items Really Necessary to be Retained, in which the administrative license for “online education schools” was retained, while the administrative license for “educational websites” was not retained.

Regulations on Publishing and Distribution of Publications

On December 25, 2001, the State Council promulgated the Administrative Regulations on Publication, or the Publication Regulations, which became effective on February 1, 2002. The Publication Regulations apply to publication activities, i.e., the publishing, printing, copying, importation or distribution of publications, including books, newspapers, periodicals, audio and video products and electronic publications, each of which requires approval from the relevant publication administrative authorities.

On April 13, 2005, the State Council announced a policy on private investments in China that relate to cultural matters, which affects private investments in businesses that involve publishing. The policy authorizes the Ministry of Culture and several other central government authorities to adopt detailed rules to implement the policy. In July 2005, the Ministry of Culture, together with other central government authorities, issued a regulation that prohibits private and foreign investors from engaging in the publishing business. Our subsidiaries and affiliated entities are not permitted to engage in the publishing business under this regulation. Beijing New Oriental Dogwood Cultural Communications Co., Ltd, a subsidiary of New Oriental China, has been cooperating with qualified PRC publishing companies to publish our self-developed teaching materials and other content.

Subsequent to the implementation of the Publication Regulations, the GAPP issued the Administrative Regulations on Publications Market which became effective on September 1, 2003 and which were amended on June 16, 2004. According to the Administrative Regulations on Publications Market, any organization or individual engaged in general distribution, whole sale or retail of publications shall obtain a Permit for Operating Publications. Distribution of publications in the PRC is regulated on different administrative levels. An entity engaged in general distribution of publications shall obtain such permit from the GAPP and may conduct general distribution of the publications in the PRC; an entity engaged in wholesaling of publications shall obtain such permit from the provincial counterpart of GAPP and may not engage in general distribution in the PRC; and an entity engaged in retail distribution of publications shall obtain such permit from the local counterpart of GAPP at the county level and may not conduct general distribution or wholesaling of publications in the PRC.

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In addition, pursuant to the Administrative Regulations on Publishing Audio-video Products promulgated by the State Council on December 25, 2001, which became effective as of February 1, 2002, any entity engaged in the wholesale or retail distribution of audio-video products shall secure a Permit for Operating Audio-video Products from the relevant culture authorities.

The subsidiaries of New Oriental China engaged in the wholesale and retail distribution of books, periodicals, audio-visual products and electronic publications have obtained the relevant Permits for Operating Publications and the relevant Permits for Operating Audio-video Products.

Regulations on Online Publications

GAPP and MII jointly promulgated the Tentative Internet Publishing Administrative Measures, or the Internet Publishing Measures, which took effect on August 1, 2002. The Internet Publishing Measures require Internet publishers to obtain approval from GAPP. The term “Internet publishing” is defined as an act of online dissemination whereby Internet information service providers select, edit and process works created by themselves or others (including content from books, newspapers, periodicals, audio and video products, electronic publications, and other sources that have already been formally published or works that have been made public in other media) and subsequently post the same on the Internet or transmit the same to users via the Internet for browsing, use or downloading by the public.

Xuncheng Network, a subsidiary of New Oriental China engaging in online publications, is in the process of obtaining the approval from GAPP on the online publication.

Regulations on Consulting Services for Overseas Studies or Private Matters

The Ministry of Public Security and the SAIC jointly issued the Administrative Measures on Intermediate Activities relating to Entry and Exit for Private Purpose on June 6, 2001, which requires that any entity engaged in intermediate and consulting services for Chinese citizens going abroad to visit families, relatives or friends, to reside abroad, to inherit properties, or to conduct other non-business matters other than studying, working or touring, shall obtain a license granted by the relevant provincial authority on public security. Regarding intermediate and consulting business activities relating to self-funded overseas studying, the MOE, the Ministry of Public Security and the SAIC jointly issued the Administrative Regulations on Intermediate Services for Overseas Studies with Private Funds and their Implementing Rules in 1999, which require that any intermediate service organization engaged in such services procure from the MOE the Recognition on the Intermediate Service Organization for Self-funded Overseas Studies.

Beijing New Oriental Vision Overseas Consulting Co., Ltd, a subsidiary of New Oriental China engaging in overseas studies consulting and other consulting services, has obtained the relevant licenses from the MOE and the Beijing Municipal Public Security Bureau.

Regulations on Internet Information Services

Subsequent to the State Council’s promulgation of the Telecom Regulations and the Internet Information Services Administrative Measures on September 25, 2000, or the Internet Information Measures, the MII and other regulatory authorities formulated and implemented a number of Internet-related regulations, including but not limited to the Internet Electronic Bulletin Board Service Administrative Measures, or the BBS Measures.

The Internet Information Measures require that commercial Internet content providers, or ICP providers, obtain a license for Internet information services, or ICP license, from the appropriate telecommunications authorities in order to carry on any commercial Internet information services in the PRC. ICP providers shall display their ICP license number in a conspicuous location on their home page. In addition, the Internet Information Measures also provide that ICP providers that operate in sensitive and strategic sectors, including

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news, publishing, education, health care, medicine and medical devices, must obtain additional approvals from the relevant authorities in charge of those sectors as well. The BBS Measures provide that any ICP provider engaged in providing online bulletin board services, or BBS, is subject to a special approval and filing process with the relevant telecommunications industry authorities.

In July 2006, the MII posted a notice on its website entitled “Notice on Strengthening Management of Foreign Investment in Operating Value-Added Telecom Services.” The notice prohibits PRC Internet content providers from leasing, transferring or selling their ICP licenses or providing facilities or other resources to any illegal foreign investors. The notice states that PRC Internet content providers should directly own the trademarks and domain names for websites operated by them, as well as servers and other infrastructure used to support these websites. The notice also states that PRC Internet content providers have until November 1, 2006 to evaluate their compliance with the notice and correct any non-compliance. A PRC Internet content provider’s failure to do so by November 1, 2006 may result in revocation of its ICP license.

Beijing New Oriental Xuncheng Network Technology Co., Ltd., a subsidiary of New Oriental China engaging in providing online education services, has duly obtained the ICP license.

Regulations on Internet Culture Activities

The Ministry of Culture of the PRC promulgated the Internet Culture Administration Tentative Measures, or the Internet Culture Measures, on May 10, 2003, which became effective on July 1, 2003, and which were amended on July 1, 2004. The Internet Culture Measures require ICP operators engaging in Internet culture activities to obtain an Internet culture business operations license from the Ministry of Culture in accordance with the Internet Culture Measures. The term “Internet culture activities” includes, among other things, acts of online dissemination of Internet cultural products, such as audio-visual products, games, performances of plays or programs, works of art and cartoons, and the production, reproduction, importation, sale (wholesale or retail), leasing and broadcasting of Internet cultural products.

Beijing New Oriental Xuncheng Network Technology Co., Ltd., a subsidiary of New Oriental China engaging in dissemination of audio-visual products through the Internet, is in the process of obtaining the Internet culture business operations license.

Regulation on Broadcasting Audio-Video Programs through the Internet or Other Information Network

The State Administration of Radio, Film and Television, or SARFT, promulgated the Rules for Administration of Broadcasting of Audio-Video Programs through the Internet and Other Information Networks, or the Broadcasting Rules, in 2004, which became effective on October 11, 2004. The Broadcasting Rules apply to the activities of broadcasting, integration, transmission, downloading of audio-video programs with computers, televisions or mobile phones as the main terminals and through various types of information networks. Pursuant to the Broadcasting Rules, a Permit for Broadcasting Audio-video Programs via Information Network is required to engage in these Internet broadcasting activities. On April 13, 2005, the State Council announced a policy on private investments in businesses in China that relate to cultural matters, which prohibits private investments in businesses relating to the dissemination of audio-video programs through information networks. As these regulations are relatively new, there are significant uncertainties relating to their interpretation and implementation, including the definition of “audio-video programs” as specified in these regulations. We cannot assure you that Xuncheng Network, our affiliated entity engaging in online education services, will not be determined to require a Permit for Broadcasting Audio-video Programs, which it currently does not possess.

Regulations on Protection of the Right of Dissemination through Information Networks

On May 18, 2006, the State Council promulgated the Regulations on Protection of the Right of Dissemination through Information Networks, which became effective on July 1, 2006. The new regulations require that every organization or individual who disseminates a third party’s work, performance, audio or visual recording products to the public through information networks shall obtain permission from, and pay compensation to, the legitimate copyright owner of such products, unless otherwise provided under relevant laws

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and regulations. The legitimate copyright owner may take technical measures to protect his or her right of dissemination through information networks and any organization or individual shall not intentionally avoid, destroy or otherwise assist others in avoiding such protective measures unless permissible under law. The new regulations also provide that permission from and compensation for the copyright owner are not required in the event of limited dissemination to teaching or research staff for the purpose of school teaching or scientific research only.

Regulations on Copyright and Trademark Protection

China has adopted legislation governing intellectual property rights, including copyrights and trademarks. China is a signatory 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 World Trade Organization in December 2001.

Copyright. The National People's Congress amended the Copyright Law in 2001 to widen the scope of works and rights that are eligible for copyright protection. The amended Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center.

To address the problem of copyright infringement related to the content posted or transmitted over the Internet, the National Copyright Administration and MII jointly promulgated the Administrative Measures for Copyright Protection Related to the Internet on April 30, 2005. These measures became effective on May 30, 2005.

Trademark. The PRC Trademark Law, adopted in 1982 and revised in 2001, protects the proprietary rights to registered trademarks. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks and another ten years to trademarks as requested upon expiry of the prior term. Trademark license agreements must be filed with the Trademark Office for record. We have registered “新东方学校,” the logo of “New Oriental” and the combination of “新东方” and its logo with the Trademark Office and are in the process of registering additional marks, including the logo for “Pop Kids.” In addition, if a registered trademark is recognized as a well-known trademark in a specific case, the proprietary right of the trademark holder may be extended beyond the registered sphere of products and services of the trademark in such case. Our trademarks have been recognized as well-known trademarks in a civil action adjudicated by the Intermediate People's Court of Jilin City, Jilin Province.

On November 5, 2004, the MII amended the Measures for Administration of Domain Names for the Chinese Internet, or the Domain Name Measures. The Domain Name Measures regulate the registration of domain names, such as the first tier domain name “.cn.” In February 2006, China Internet Network Information Center, or CNNIC, issued the Implementing Rules for Domain Name Registration and the Measures on Domain Name Disputes Resolution, pursuant to which CNNIC can authorize a domain name dispute resolution institution to decide disputes. We have registered many domain names with CNNIC.

Regulations on Foreign Exchange

Foreign Currency Exchange

Pursuant to the Foreign Currency Administration Rules promulgated in 1996 and amended in 1997 and various regulations issued by State Administration of Foreign Exchange, or SAFE, and other relevant PRC government authorities, RMB is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividend. Capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from SAFE or its local counterpart for conversion of RMB into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC.

Payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies must repatriate foreign currency payments received from abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local counterpart. Unless otherwise approved, domestic enterprises must convert all of their foreign currency receipts into RMB.

Foreign Exchange Registration of Offshore Investment by PRC Residents

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or SAFE Circular No. 75, issued on October 21, 2005, (i) a PRC citizen residing in the PRC, or PRC Resident, shall register with the local branch of SAFE before it establishes or controls an overseas special purpose vehicle, or SPV, for the purpose of overseas equity financing (including convertible debts financing); (ii) when a PRC Resident contributes the assets of or its equity interests in a domestic enterprise into an SPV, or engages in overseas financing after contributing assets or equity interests into an SPV, such PRC Resident shall register his or her interest in the SPV and the change thereof with the local branch of SAFE; and (iii) when the SPV undergoes a material event outside of China, such as change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of SAFE. PRC residents who are shareholders of SPVs established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006.

Under SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in the penalties, including imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the SPV.

Our beneficial owners who are PRC residents have registered with the local branch of SAFE as required under SAFE Circular No. 75.

Dividend Distribution

The principal regulations governing dividend distributions 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; and
- Sino-foreign Equity Joint Venture Enterprise Law Implementing Rules (1983), as amended.

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

MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of August 22, 2006.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Michael Minhong Yu	44	Chairman and Chief Executive Officer
Louis T. Hsieh	41	Chief Financial Officer
Chenggang Zhou	44	Director and Senior Vice President
Xiangdong Chen	35	Senior Vice President
Xiaohong Chen	36	Director
Robin Yanhong Li	37	Independent Director Appointee*
Denny Lee	37	Independent Director Appointee*

* Messrs. Li and Lee have accepted our appointment to be the independent directors of our company, effective upon the SEC's declaration of effectiveness of our registration statement on Form F-1, of which this prospectus is a part.

Mr. Michael Minhong Yu is the founder of our company and has served as the chairman of our board and our chief executive officer since 2001. He also serves as vice chairman of the Beijing Young Entrepreneurs Association and vice chairman of the Committee of Education of the Central Committee of the China Democratic League. Prior to founding our first school in 1993, Mr. Yu was an English instructor at Peking University from 1985 and 1991. Mr. Yu received his bachelor's degree in English from Peking University.

Mr. Louis T. Hsieh has served as our chief financial officer since December 2005. Mr. Hsieh was the chief financial officer of ARIO Data Networks, Inc. in San Jose, California from April 2004 until he joined us. Prior to that, Mr. Hsieh was a managing director for the private equity firm of Darby Asia Investors (HK) Limited from 2002 to 2003. From 2000 to 2002, Mr. Hsieh was managing director and Asia-Pacific tech/media/telecoms head of UBS Capital Asia Pacific, the private equity division of UBS AG. From 1997 to 2000 Mr. Hsieh was a technology investment banker at JP Morgan in San Francisco, California, where he was a vice president, and Credit Suisse First Boston in Palo Alto, California, where he was an associate. From 1990 to 1996, Mr. Hsieh was a corporate and securities attorney at White & Case LLP in Los Angeles and is a member of the California bar. Mr. Hsieh holds a B.S. degree in Industrial Engineering and Engineering Management from Stanford University, an MBA degree from the Harvard Business School, and a J.D. degree from the University of California at Berkeley.

Mr. Chenggang Zhou has served as our senior vice president since January 2006 and as our director since 2004. Mr. Zhou joined us in 2000. From 2000 to 2003, he was the president of Shanghai New Oriental School. Mr. Zhou became our vice president in 2003 and has been the president of Beijing New Oriental School since 2003. From 1998 to 2000, Mr. Zhou was a correspondent for the Asia Pacific region and a program host at BBC. Mr. Zhou received his bachelor's degree in English from Suzhou University in China and his master's degree in Communications from Macquarie University, Australia.

Mr. Xiangdong Chen has served as our senior vice president since January 2006. Mr. Chen joined us in 1999. He was promoted to be the executive assistant to our chief executive officer in 2001. From 2002 to September 2003, he was the president of Wuhan New Oriental School. Mr. Chen became our vice president in September 2003 and has been in charge of a number of departments at our head office, including short-term training system, human resources, marketing and public relationship and business development. Mr. Chen received his master's degree in Economics and Ph.D. degree in Economics from Renmin University of China. Mr. Chen attended the executive management program at the Harvard Business School in 2005.

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Ms. Xiaohong Chen has served as our director since December 2004. Ms. Chen is a managing director at Tiger Global Private Investment Partners II, L.P. In 2004, Ms. Chen was vice president at Joyo.com Limited. Prior to 2004, she worked at Veronis Suhler Stevenson from 1994 to 2003, and was promoted to be a managing director in 2003. Ms. Chen received her master's degree from Rutgers University and a bachelor's degree in History from Peking University.

Mr. Robin Yanhong Li will serve as our independent director, commencing from the SEC's declaration of effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Mr. Li is a co-founder of Baidu.com, Inc., the leading Chinese language Internet search provider listed on the Nasdaq Global Market. Mr. Li has served as the chairman of the board of directors of Baidu.com since its inception in January 2000 and as its chief executive officer since January 2004. He served as the president of Baidu.com from February 2000 to December 2003. Prior to founding Baidu.com, Mr. Li worked as an engineer at Infoseek, a pioneer in the Internet search engine industry, from July 1997 to December 1999. Mr. Li received a bachelor's degree in Information Science from Peking University and a master's degree in Computer Science from the State University of New York at Buffalo.

Mr. Denny Lee will serve as our independent director, commencing from the SEC's declaration of effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Mr. Lee has served as a director and the chief financial officer of Netease.com, Inc., a leading interactive online and wireless community in China and a major provider of Chinese language content and services listed on the Nasdaq Global Market, since April 2002. Previously, Mr. Lee was the financial controller of Netase.com since November 2001. Prior to joining Netase.com in 2001, Mr. Lee worked in the Hong Kong office of KPMG for more than ten years, culminating in the position of senior manager in one of the audit departments where he specialized in auditing international clients. During his employment with KPMG, he also worked with a number of Chinese companies with respect to accounting and other aspects of their initial public offerings on the Hong Kong Stock Exchange, due diligence work in relation to potential investments in Chinese companies and financial and operational reviews of Chinese companies in connection with proposed investments in such companies by foreign investors. Mr. Lee graduated from the Hong Kong Polytechnic University majoring in Accounting and is a member of The Hong Kong Institute of Certified Public Accountants and The Chartered Association of Certified Accountants.

Employment Agreements

We have entered into employment agreements with each of our senior executive officers. Under these agreements, each of our senior executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without notice or remuneration, for certain acts of the employee, such as a conviction or plea of guilty to a felony, negligence or dishonesty to our detriment and failure to perform agreed duties after a reasonable opportunity to cure the failure, death, or physical or mental incapacitation. We may also terminate an executive officer's employment without cause. In such case we are required to provide severance compensations as expressly required by applicable law. On the other hand, an executive officer may terminate his employment with us at any time with a one-month prior notice if there is a material reduction in his authority, duties and responsibilities or if there is a material reduction in his annual salary before the next annual salary review. An executive officer may also resign prior to the expiry of the term of his or her employment agreement if our board approves his or her resignation or agrees to an alternative arrangement with such executive officer.

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

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copyrights and other legal rights for these inventions, designs and trade secrets. In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and one year following the termination or expiry of such employment agreement. Specifically, each executive officer has agreed not to (i) approach our clients, customers or contacts or other persons or entities introduced to the executive officer for the purpose of doing business with such person or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services as a director for any of our competitors, or engage, whether as principal, partner, licensor or otherwise, in any business which is in direct or indirect competition with our business; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination.

Board of Directors

Our board of directors currently consists of three directors. A director is not required to hold any shares in the company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party.

Committees of the Board of Directors

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

Audit Committee. Our audit committee will consist of Ms. Xiaohong Chen, Mr. Robin Yanhong Li and Mr. Denny Lee, commencing from the SEC's declaration of effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Messrs. Li and Lee satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Securities Exchange Act of 1934, as amended. The audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies; and
- meeting separately and periodically with management and the independent auditors.

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Compensation Committee. Our compensation committee will consist of Ms. Xiaohong Chen, Mr. Robin Yanhong Li and Mr. Denny Lee, commencing from the SEC's declaration of effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Messrs. Li and Lee satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our Chief Executive Officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee will be responsible for, among other things:

- reviewing and approving the total compensation package for our chief executive officer;
- reviewing and recommending to the board with respect to the compensation of our directors; and
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee will consist of Ms. Xiaohong Chen, Mr. Robin Yanhong Li and Mr. Denny Lee, commencing from the SEC's declaration of effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Messrs. Li and Lee satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee will be responsible for, among other things:

- selecting 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 with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken; 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 duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. A shareholder has the right to seek damages if a duty owed by our directors is breached.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board of directors. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among

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other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; or (ii) dies or is found by our company to be or becomes of unsound mind.

Compensation of Directors and Executive Officers

For the fiscal year ended May 31, 2006, we paid an aggregate of approximately RMB4.5 million (US\$562,000) in cash to our senior executive officers, and we paid an aggregate of RMB900,000 compensation to our non-executive directors.

Share Incentives

Historical Issuance of Restricted Shares

From January 2003 to May 2006, New Oriental China granted a total of 9,000,000 restricted shares to certain employees, directors, consultants and other individuals. All of these individuals appointed Beijing Beizhi Culture and Education Co., Ltd., or Beijing Beizhi, a PRC company, as a nominee to hold these restricted shares on their behalf. In December 2004, we underwent corporate restructuring, pursuant to which these individuals agreed to receive an identical proportional interest in our company as the proportional interest that Beijing Beizhi held for them in New Oriental China. These individuals, other than those who transferred their shares to their respective overseas holding companies, caused Capital River Group Limited, or Capital River, a British Virgin Islands company, to hold in trust the common shares of our company they received as a result of the restructuring. All of the common shares held by Capital River are restricted shares, subject to transfer restrictions and without the right to vote. As of the date of this prospectus, Capital River holds approximately 7.67 million restricted shares in trust. Immediately upon the completion of this offering, the restrictions on these shares and the trust arrangement will automatically terminate and each individual will become a direct holder of his or her shares.

2006 Share Incentive Plan

On January 20, 2006, we adopted a 2006 Share Incentive Plan, or the 2006 plan, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. The maximum aggregate number of shares which may be issued pursuant to all awards (including options) is 8,000,000 shares, plus (i) 5,000,000 shares to be added on January 1, 2007, (ii) 5,000,000 shares to be added on January 1, 2008 and (iii) an annual increase on the first business day of each calendar year beginning in 2009 equal to the lesser of (x) 3,000,000 shares, (y) two percent (2%) of the number of shares outstanding as of such date, and (z) a lesser number of shares determined by the administrator of the 2006 Plan. In the event that the aggregate number of shares which may be issued pursuant to all the awards granted by us in any given year has reached the maximum amount allowed in such year, we may, during such year, grant additional awards to entitle the recipients thereto to acquire up to 2,000,000 shares, or the extra shares, provided that the maximum aggregate number of shares which may be issued pursuant to all awards for the following year will be reduced by the number of the extra shares underlying the awards granted in the previous year.

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The following table summarizes, as of the date of this prospectus, the share options granted under our 2006 plan to several of our directors and executive officers and to other individuals as a group.

<u>Name</u>	<u>Common Shares Underlying Options Granted</u>	<u>Exercise Price (US\$/Share)</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>
Louis T. Hsieh	1,000,000	US\$ 2.02	2/28/06	2/28/16
	600,000	US\$ 2.38	7/21/06	7/21/16
Chenggang Zhou	*	US\$ 2.02	2/28/06	2/28/16
Xiangdong Chen	*	US\$ 2.02	2/28/06	2/28/16
Other individuals as a group	4,979,500	US\$ 2.02	2/28/06	2/28/16
	1,020,000	US\$ 2.38	7/21/06	7/21/16

* Less than 1%.

The following paragraphs describe the principal terms of the 2006 plan.

Types of Awards. We may grant the following types of awards under our 2006 plan:

- options to purchase our common shares;
- share appreciation rights, which entitle the grantee the right to common shares or cash compensation measured by the appreciation in the value of common shares;
- dividend equivalent rights, which entitle the grantee to compensation measured by dividends paid with respect to common shares;
- restricted shares, which are common shares issued to the grantee that are subject to transfer restrictions, right of first refusal, repurchase, forfeiture, and other terms and conditions as established by our plan administrator; and
- restricted share units, which may be earned upon the passage of time or the attainment of performance criteria and which may be settled for cash, common shares or other securities, or a combination of cash, common shares or other securities as established by our plan administrator.

Plan Administration. Our board of directors, or a committee designated by our board or directors, will administer the 2006 plan. The committee or the full board of directors, as appropriate, will determine the provisions and terms and conditions of each award grant.

Award Agreement. Awards granted under our 2006 plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award. In addition, the award agreement also specifies whether the option constitutes an incentive share option, or ISO, or a non-qualifying stock option.

Eligibility. We may grant awards to our employees, directors and consultants, including those of our parent companies and subsidiaries. However, we may grant options that are intended to qualify as ISOs only to our employees and employees of our parent companies and subsidiaries.

Acceleration of Awards upon Corporate Transactions. The outstanding awards will terminate and accelerate upon occurrence of certain significant corporate transactions, including amalgamations, consolidations, liquidations or dissolutions, sales of substantially all or all of the assets, reverse takeovers or acquisitions resulting in a change of control. If the successor entity assumes or replaces our outstanding awards under the 2006 plan, such assumed or replaced awards will become fully vested and immediately exercisable and payable,

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and be released from repurchase or forfeiture rights immediately upon termination of the grantee's continuous service to us if such service is terminated by the successor entity without cause within 12 months after the effective date of the corporate transaction. Furthermore, if the successor entity does not assume or replace our outstanding awards, each outstanding award will become fully vested and immediately exercisable and payable, and will be released from any repurchase or forfeiture rights immediately before the effective date of the corporate transaction, as long as the grantee's continuous service with us has not been terminated before this date.

Exercise Price and Term of Awards. In general, the plan administrator determines the exercise price of an option and sets forth the price in the award agreement. The exercise price may be a fixed or variable price related to the fair market value of our common shares. If we grant an ISO to an employee, the exercise price may not be less than 100% of the fair market value of our common shares on the date of the grant, except that if the grantee, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of our shares, the exercise price may not be less than 110% of the fair market value of our common shares on the date of that grant. If we grant a non-qualified share option to a grantee, the exercise price may not be less than 100% of the fair market value of our common shares on the date of grant.

The term of each award under our 2006 plan will be specified in an award agreement, but shall not exceed ten years from the earlier to occur of adoption or approval of the plan, unless sooner terminated.

Vesting Schedule. One-sixth of the common shares underlying the option will vest on each six-month anniversary of the vesting commencement date specified in the option award notice. The vesting will be suspended if the grantee's leave of absence exceeds 90 days and will resume upon the grantee's return to service to us.

PRINCIPAL SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common shares, assuming conversion of all of our preferred shares into common shares, as of the date of this prospectus, by:

- each of our directors and executive officers; and
- each person known to us to own more than 5.0% of our common shares.

	Common Shares Beneficially Owned Prior to This Offering		Shares Beneficially Owned After This Offering	
	Number ⁽¹⁾	% ⁽²⁾	Number ⁽¹⁾⁽³⁾	% ⁽²⁾
Directors and Executive Officers:				
Michael Minhong Yu ⁽⁴⁾	44,000,000	39.60	44,000,000	31.18
Louis T. Hsieh ⁽⁵⁾	*	*	*	*
Chenggang Zhou ⁽⁶⁾	*	*	*	*
Xiangdong Chen ⁽⁷⁾	*	*	*	*
Xiaohong Chen ⁽⁸⁾	21,038,339	18.93	21,038,339	14.91
All Directors and Executive Officers as a Group ⁽⁹⁾	66,530,874	59.88	66,530,874	47.15
Principal Shareholders:				
Tigerstep Developments Limited ⁽¹⁰⁾	44,000,000	39.60	44,000,000	31.18
Investment entities affiliated with Tiger Global Private Investment Partners II, L.P. ⁽¹¹⁾	21,038,339	18.93	21,038,339	14.91
Capital River Group Limited ⁽¹²⁾	7,675,222	6.91	7,675,222	5.44
Peak Idea International Limited ⁽¹³⁾	7,378,696	6.64	7,378,696	5.23
Forthright Trading Limited ⁽¹⁴⁾	5,641,734	5.08	5,641,734	4.00

* Less than 1%.

- (1) Beneficial ownership of each listed person is determined assuming the conversion of all outstanding preferred shares held by such person into common shares and the shares that such person has the right to acquire within 60 days after the date of this prospectus.
- (2) The percentage of beneficial ownership of each listed person prior to this offering is based on 111,111,111 common shares outstanding as of the date of this prospectus, including common shares convertible from our preferred shares and shares that such person has the right to acquire within 60 days after the date of this prospectus. The percentage of beneficial ownership of each listed person after this offering is based on 141,111,111 shares outstanding immediately after the closing of this offering, including common shares issued in this offering and common shares issued upon the conversion of all of our preferred shares, as well as the number of shares that such person has the right to acquire within 60 days after the date of this prospectus.
- (3) Assumes that the underwriters do not exercise the over-allotment option.
- (4) Includes 44,000,000 common shares held by Tigerstep Developments Limited, a British Virgin Islands company wholly owned by Bamei Li, mother of Mr. Yu. Mr. Yu disclaims beneficial ownership of all the shares held by Tigerstep Developments Limited. The business address of Mr. Yu is No. 6 Hai Dian Zhong Street, Haidian District, Beijing 100080, People's Republic of China.
- (5) The business address of Mr. Hsieh is No. 6 Hai Dian Zhong Street, Haidian District, Beijing 100080, People's Republic of China.

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- (6) The business address of Mr. Zhou is No. 6 Hai Dian Zhong Street, Haidian District, Beijing 100080, People's Republic of China.
- (7) The business address of Mr. Chen is No. 6 Hai Dian Zhong Street, Haidian District, Beijing 100080, People's Republic of China.
- (8) Includes 11,102,144 common shares issuable upon conversion of the same number of preferred shares and 9,905,889 common shares held by Tiger Global Private Investment Partners II, L.P. and 8,967 common shares issuable upon conversion of the same number of preferred shares and 21,339 common shares held by Tiger Global II, L.P. Ms. Chen is managing director at Tiger Global Private Investment Partners II, L.P. Ms. Chen disclaims beneficial ownership of all of our shares held by the investment entities affiliated with Tiger Global Private Investment Partners II, L.P. except to the extent of her pecuniary interest therein. The business address of Ms. Chen is c/o Tiger Global Management, LLC, Suite 1007, Tower W2, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing 100738, PRC.
- (9) Includes common shares and preferred shares held by all of our directors and senior executive officers as a group.
- (10) Tigerstep Developments Limited, a company incorporated in British Virgin Islands, is wholly owned by Bamei Li, mother of Michael Minhong Yu. The registered address of Tigerstep Developments Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the British Virgin Islands.
- (11) Includes 11,102,144 common shares issuable upon conversion of the same number of preferred shares and 9,905,889 common shares held by Tiger Global Private Investment Partners II, L.P. and 8,967 common shares issuable upon conversion of the same number of preferred shares and 21,339 common shares held by Tiger Global II, L.P. The registered address of Tiger Global Private Investment Partners II, L.P. and Tiger Global II, L.P. is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the British Virgin Islands.
- (12) Capital River Group Limited, a British Virgin Islands company, holds common shares in trust for approximately 300 employees of our company. This trust arrangement will automatically terminate upon the completion of this offering. The registered address of Capital Group Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the British Virgin Islands.
- (13) Peak Idea International Limited, a company incorporated in British Virgin Islands, is affiliated with Xiaoping Xu. The registered address of Peak Idea International Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the British Virgin Islands.
- (14) Forthright Trading Limited is a company incorporated in the British Virgin Islands controlled by Zihua Du. The registered address of Forthright Trading Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the British Virgin Islands.

As of the date of this prospectus, none of our outstanding common shares and preferred shares are held of record by any persons in the United States. None of our shareholders has informed us that it is affiliated with a registered broker-dealer, or is in the business of underwriting securities.

None of our existing shareholders has different voting rights from other shareholders after the closing of this offering. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

RELATED PARTY TRANSACTIONS

Contractual Arrangements with New Oriental China and Its Subsidiaries and Shareholders

PRC laws and regulations currently require any foreign entity that invests in the education business in China to be an educational institution with relevant experience in providing education outside of China. Our Cayman Islands holding company is not an educational institution and does not provide educational services. Accordingly, our wholly owned subsidiaries in China, which are considered foreign-invested, are currently ineligible to apply for the required education licenses and permits in China. In addition, PRC laws and regulations prohibit foreign ownership of primary and middle schools for students in grades one to nine in China. We conduct our education business in China through contractual arrangements with New Oriental China and its subsidiaries and shareholders. New Oriental China is our consolidated affiliated entity directly owned by our founders and their respective affiliates, as applicable. New Oriental China's subsidiaries hold the requisite licenses and permits necessary to conduct our education business and operate our schools, learning centers and physical bookstores as well as online education business in China. We have been and are expected to continue to be dependent on New Oriental China and its subsidiaries to operate our education business until we qualify for direct ownership of an education business in China. We have entered into contractual arrangements with New Oriental China and its subsidiaries, pursuant to which we, through our wholly owned subsidiaries in China, provide exclusive teaching support, new enrollment system support and other services to New Oriental China and its subsidiaries in exchange for payments from them. In addition, we have entered into agreements with New Oriental China and each of the shareholders of New Oriental China which provide us with the substantial ability to control New Oriental China and its existing and future subsidiaries. These agreements are summarized in the following paragraphs.

Equity Pledge Agreement. Pursuant to the equity pledge agreements dated as of May 25, 2006 among New Oriental China, the shareholders of New Oriental China, Beijing Hewstone and Beijing Decision, each shareholder agreed to pledge his or its equity interests of New Oriental China to Beijing Hewstone and Beijing Decision to secure the performance of New Oriental China's or its subsidiaries' obligations under the relevant principal agreements including certain teaching support agreements, new enrollment system development service agreements, website development and use agreements, and trademark license agreements, and each of them has agreed not to transfer, sell, pledge, dispose of or otherwise create any encumbrance on his or its equity interest in New Oriental China without the prior written consent of Beijing Decision.

Exclusive Option Agreement. Pursuant to the exclusive option agreements entered into on various dates, as amended on May 25, 2006, among our company, New Oriental China and the shareholders of New Oriental China, the shareholders of New Oriental China are obligated to sell to us, and we have an exclusive, irrevocable and unconditional right to purchase, or cause our designated party to purchase, from such shareholders, in our sole discretion, part or of all of these shareholders' equity interests in New Oriental China when and to the extent that applicable PRC law permits us to own part or all of such equity interests in New Oriental China. The purchase price to be paid by us will be the minimum amount of consideration permitted by applicable PRC law at the time when such share transfer occurs.

Trademark Transfer Agreement. Pursuant to the trademark transfer agreement dated as of December 12, 2004 between New Oriental China and us, New Oriental China agreed to transfer its trademarks “新东方学校” and “新东方” to us for a consideration of US\$50,000 to be paid in five equal annual installments. Following such trademark transfer, we have an exclusive right to own, use, transfer, license, benefit from or otherwise dispose of the foregoing trademark.

Trademark License Agreements. Pursuant to (1) the trademark license agreement dated May 13, 2006 between us as the licensor and New Oriental China as the licensee, and (2) the trademark license agreement dated May 13, 2006 between us as the licensor and Beijing Hewstone as the licensee, we have licensed our trademarks to New Oriental China and Beijing Hewstone for their use in China. We have also allowed Hewstone to enter into a sub-license agreement with each subsidiary of New Oriental China and each New Oriental school pursuant to which each of these subsidiaries and schools may use our trademarks in China by paying certain licensing fees. Beijing Hewstone is authorized to collect the licensing fees from each sub-licensee and handle other related matters. The term of each of these license and sublicense agreements is ten years from its signing date.

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Website Development and Use Agreements. Pursuant to the website development and use agreements dated as of April 25, 2005 and their respective supplements entered into on January 1, 2006 between Beijing Decision and certain New Oriental schools and subsidiaries of New Oriental China, Beijing Decision agreed to provide website development and regular system maintenance services to each of these New Oriental schools and each of these subsidiaries for an annual fee calculated based upon the annual revenues of the school and the subsidiary, respectively, subject to quarterly adjustments. Beijing Decision agreed to design and create a web platform based upon the request of the school and the subsidiary, as the case may be, each of which has the exclusive right to use, benefit from or otherwise dispose of the web platform. Each of these agreements and corresponding supplements has a term of five years from the signing date of the supplement.

Teaching Support Agreements. Pursuant to the teaching support agreements dated as of April 25, 2005 and their respective supplements entered into on January 1, 2006 between Beijing Decision and certain New Oriental schools, Beijing Decision agreed to provide exclusive teaching support services to each of these New Oriental schools for an annual fee based on the school's revenues, subject to quarterly adjustments. The teaching support services include developing a curriculum for the school. Each of these agreements and their corresponding supplements has a term of five years from the signing date of the supplement.

New Enrollment System Development Service Agreements. Pursuant to the new enrollment system development service agreements dated as of April 25, 2005 and their respective supplements entered into on January 1, 2006 between Beijing Decision and certain New Oriental schools, Beijing Decision agreed to provide new enrollment system development and regular maintenance services to each of these New Oriental schools for a fee calculated based upon the number of new enrollments each month, subject to quarterly adjustments. The new enrollment system in these agreements refers to the new enrollment system designed and created by Beijing Decision. Each of these agreements and corresponding supplements has a term of five years from the signing of the supplement.

Sale of Educational Software. Since 2005, Beijing Hewstone has been selling various self-developed educational software to various New Oriental Schools, which are in turn included as part of the course materials for students enrolling in relevant courses. The sales are conducted at mutually agreed-upon prices without any written agreement between the parties.

Domain Name Transfer Agreement. Pursuant to the domain name transfer agreement dated as of December 12, 2004 between us and certain New Oriental schools and subsidiaries, these schools and subsidiaries agreed to transfer their domain names (e.g. www.neworiental.org) to us for a nominal consideration. Following such transfer, we have an exclusive right to own, use, transfer, license, benefit from or otherwise dispose of the foregoing domain name.

Building Lease. Pursuant to the building lease dated as of July 1, 2005 between the Beijing Judgment and Tianjin New Oriental School, Beijing Judgment agreed to lease its building located in Nankai District, Tianjin to Tianjin New Oriental School for the school's use in carrying out its language training and teaching business. The total annual rent paid by Tianjin New Oriental School to Beijing Judgment is approximately RMB1.8 million (US\$0.2 million). The term of this lease is five years from the date thereof.

Private Placement

In December 2004, we issued an aggregate of 11,111,111 preferred shares to the entities affiliated with Tiger Global in a private placement at a price per share equal to US\$2.025 per share for an aggregate purchase price of approximately US\$22.5 million. The price per share was determined through our arm's-length transaction with Tiger Global. Holders of our preferred shares are entitled to vote on an "as converted" basis together with the holders of common shares. Each preferred share will automatically convert into one common share upon completion of this offering.

In connection with our issuance and sale of preferred shares in December 2004, we entered into an investors' rights agreement, right of first refusal and co-sale agreement and voting agreement with Tiger Global and the holders of our common shares. The investors' rights agreement was amended and restated in May 2005.

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Investors' Rights Agreement. We have granted Tiger Global and certain holders of our common shares customary registration rights, including demand and piggyback registration rights and Form F-3 registration rights. Holders of our common shares with registration rights include Tigerstep, a company owned by a relative of our chairman and chief executive officer, and Podium International Group, Peak Idea International Limited, Easebright International Limited and Fame Gain Investments Limited, each of which is affiliated with one of our former directors. A total of 99,704,285 common shares of our company are covered by registration rights, assuming all of the outstanding preferred shares are converted into the same number of common shares. For a detailed description of these rights, see "Description of Share Capital—Registration Rights." In addition, the investors' rights agreement grants Tiger Global preemptive rights with respect to any issuance of equity securities issued by us, which provision will terminate upon the completion of this offering.

Right of First Refusal and Co-Sale Agreement. We and certain of our shareholders each have certain rights of first refusal and tag-along rights with respect to any proposed share transfers by any of our shareholders. This right of first refusal and co-sale agreement will terminate upon the completion of this offering.

Voting Agreement. The voting agreement provides that our board of directors will consist of no more than nine directors, including one individual nominated by Tiger Global so long as it continues to hold at least 50% of the preferred shares. This voting agreement will terminate upon the completion of this offering.

Transactions with Certain Related Parties

We engaged Beijing Beizhi Cultural Education Co., Ltd., or Beijing Beizhi, a corporation controlled by our director Mr. Qiang Wang, for certain consulting services relating to educational management whereby we paid Beijing Beizhi consulting fees in the amount of RMB2.4 million for the fiscal year ended May 31, 2004.

In December 2004, we entered into a share transfer agreement with our director Mr. Yongqiang Qian to transfer our 56.2% equity interest in Liandong Weiye, a former subsidiary of New Oriental China engaging primarily in the wireless application protocol business, to Mr. Qian for RMB 5.1 million (US\$0.6 million) in cash. This transfer was effected in order for us to focus our core business of educational services. The disposal was completed in March 2005, when control of Liandong Weiye was passed to Mr. Qian.

Beijing Century Friendship Education Investment Co., Ltd., or Beijing Century, a corporation controlled by our Chairman and Chief Executive Officer Mr. Michael Minhong Yu, made loans to us in the past in an aggregate amount of RMB10.0 million (US\$1.2 million) in 2004 and RMB785,000 (US\$97,894) in 2005. The loans were used to fund the establishment of a new school and our operational cash needs. The loans were unsecured, non-interest bearing and payable on demand. We repaid all the loans in full by May 31, 2006.

Share Incentives

See "Management—Share Incentives."

DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands company and our affairs are governed by our memorandum and articles of association and the Companies Law (2004 Revision) of the Cayman Islands, which is referred to as the Companies Law below.

As of the date hereof, our authorized share capital consists of 150,000,000 common shares, with a par value of US\$0.01 each and 11,111,111 preferred shares, with a par value of US\$0.01 each. As of the date hereof, there are 100,000,000 common shares issued and outstanding and 11,111,111 preferred shares issued and outstanding. All of our issued and outstanding preferred shares will automatically convert into 11,111,111 common shares immediately prior to the closing of this offering.

We will adopt an amended and restated memorandum and articles of association, which will replace the current memorandum and articles of association in its entirety upon the closing of this offering. The following are summaries of material provisions of our proposed amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our common shares that we expect will become effective upon the closing of this offering.

Common Shares

General. All of our outstanding common shares are fully paid and non-assessable. Certificates representing the common shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Dividends. The holders of our common shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law.

Voting Rights. Each common share is entitled to one vote on all matters upon which the common shares are entitled to vote. Voting at any shareholders' meeting is by show of hands unless a poll is demanded. A poll may be demanded by our chairman or any shareholder holding at least 10% of the shares given a right to vote at the meeting, present in person or by proxy.

A quorum required for a meeting of shareholders consists of at least two shareholders present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, which hold in aggregate at least one third of our voting share capital. Shareholders' meetings are held annually and may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding in aggregate at least 10% of our voting share capital. Advance notice of at least seven days is required for the convening of our annual general meeting and other shareholders' meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the common shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the common shares. A special resolution is required for important matters such as a change of name. Holders of the common shares may effect certain changes by ordinary resolution, including increasing the amount of our authorized share capital, consolidating and dividing all or any of our share capital into shares of a larger amount than our existing share capital, and cancelling any shares.

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

Our board of directors may, in its sole discretion, decline to register any transfer of any common share which is not fully paid up or on which we have a lien. Our directors may also decline to register any transfer of any common share unless (a) the instrument of transfer is lodged with us, accompanied by the certificate for the common shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer; (b) the instrument of transfer is in respect of only one class

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of common shares; (c) the instrument of transfer is properly stamped, if required; (d) in the case of a transfer to joint holders, the number of joint holders to whom the common share is to be transferred does not exceed four; (e) the shares conceded are free of any lien in favor of us; or (f) a fee of such maximum sum as may determine to be payable, or such lesser sum as our board of directors may from time to time require, is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal. The registration of transfers may, on 14 days' notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of common shares shall be distributed among the holders of the common shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

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

Redemption of Shares. Subject to the provisions of the Companies Law, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner as may be determined by special resolution.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied either with the written consent of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Inspection of Books and Records. Holders of our common shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See "Where You Can Find Additional Information."

Limitations on the Right to Own Shares. There are no limitations on the right to own our shares.

Disclosure of Shareholder Ownership. There are no provisions in our proposed amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

History of Securities Issuances

The following is a summary of securities issuances by us and share transfers among our existing shareholders during the past three years.

Common Shares. In December 2004, in connection with our corporate restructuring and the incorporation of our offshore holding company, we issued a total of 100,000,000 common shares to the beneficial owners of New Oriental China based on their pro rata interests in New Oriental China immediately prior to the restructuring.

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Preferred Shares and Common Shares to Tiger Technology. In December 2004, we issued in a private placement an aggregate of 11,111,111 preferred shares at a price of US\$2.025 per share to investment funds affiliated with Tiger Technology. Each preferred share will automatically convert into one common share immediately prior to the closing of this offering. Concurrently with the private placement of preferred shares, an existing shareholder of our company sold 5,184,164 common shares at a price of US\$1.8116 per share to investment funds affiliated with Tiger Technology. In May 2005, certain shareholders sold an aggregate of 4,743,064 common shares at a price of US\$1.936 per share to investment funds affiliated with Tiger Technology.

Option Grants. We have granted options to certain of our directors, officers, employees and consultants. As of May 31, 2006, options to purchase an aggregate of 7,099,500 common shares of our company were outstanding. See “Management—Share Incentives.”

Differences in Corporate Law

The Companies Law of the Cayman Islands is modeled after that of the United Kingdom but does not follow recent United Kingdom statutory enactments. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. Cayman Islands law does not provide for mergers as that expression is understood under United States corporate law. However, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to majority vote have been met;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such that a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a take-over offer is made and accepted by holders of 90.0% of the shares within four months, the offerer may, within a two month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

If the arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of United States corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits. We are not aware of any reported class action or derivative action having been brought in a Cayman Islands court. In principle, we will normally be the proper plaintiff and a derivative action may not

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be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting or proposing to act illegally or ultra vires;
- the act complained of, although not ultra vires, could be effected duly if authorized by more than a simple majority vote which has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

Indemnification. Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, except to the extent any such provision 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.

We intend to adopt an amended and restated memorandum and articles of association upon the closing of this offering. Under our amended and restated memorandum and articles of association, we may indemnify our directors, officers, employees and agents against expenses, 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 and not contrary 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 amended and restated memorandum and articles of association may also provide for indemnification of such person in the case of a suit initiated by our company or in the right of our company.

We intend to enter into indemnification agreements with our directors and executive officers to indemnify them to the fullest extent permitted by applicable law and our articles of association, from and against all costs, charges, expenses, liabilities and losses 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.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been advised that in the opinion of the Securities and Exchange Commission, or the SEC, such indemnification is against public policy as expressed in the Securities Act and therefore is unenforceable.

Registration Rights

Pursuant to our current investor rights agreement entered into in May 2005, we have granted certain registration rights to holders of our registrable securities, which include our preferred shares and common shares converted from our preferred shares and common shares held by certain shareholders. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. At any time commencing six months after this offering, holders of at least 50% of registrable securities have the right to demand that we file a registration statement covering the offer and sale of their securities with anticipated aggregate proceeds in excess of \$15 million. We, however, are not obligated to effect a demand registration if (1) we have already effected one demand registration, (2) during the period beginning on the 60th day prior to our good faith estimate of the filing date of, and ending on the 180th day after the effective date of, a public offering of our securities initiated by us, or (3) if the securities to be registered can be registered on Form F-3. We have the right to defer filing of a registration statement for up to 90 days if we provide the requesting holders a certificate signed by either our chief executive officer or chairman of

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the board of directors stating that in the good faith judgment of the board of directors that filing of a registration statement will be detrimental to us and our shareholders, but we cannot exercise the deferral right more than once in any 12 month period.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering of our securities other than, among other things, pursuant to an F-3 registration statement or other than relating to a stock option plan or a corporate reorganization, then we must offer holders of registrable securities an opportunity to include in the registration all or any part of their registrable securities. We must use our best efforts to cause the underwriters in any underwritten offering to permit these shareholders who so requested to include their shares on the same terms and conditions as our securities to be registered.

Form F-3 Registration Rights. When we are eligible for use of Form F-3, holders of at least 50% of registrable preferred securities or the holders of more than 35% of registrable common securities then outstanding have the right to request that we file a registration statement under Form F-3. We may defer filing of a registration statement on Form F-3 for up to 90 days if we provide the requesting holders a certificate signed by either our chief executive officer or chairman of the board of directors stating that in the good faith judgment of the board of directors that filing such a registration statement will be detrimental to us and our shareholders. We are not obligated to file a registration statement on Form F-3 if we have already effected two registrations on Form F-3 for the holders or the holders propose to sell registrable securities and such other securities (if any) at an aggregate public price of less than \$1 million, net of any underwriters' discounts or commissions.

Expenses of Registration. We will pay all expenses, other than underwriting discounts and commissions, relating to any demand, piggyback or F-3 registration, including all registration, filing and qualification fees, printers' and accounting fees, fees and disbursement of counsel for us and the reasonable fees and disbursements of one counsel for the selling holders.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Receipts

Deutsche Bank Trust Company Americas, as depositary, will issue the ADSs representing our common shares. Each ADS will represent an ownership interest in four common shares which we will deposit with the custodian under the deposit agreement among ourselves, the depositary and yourself as an ADS holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which it has not distributed directly to you. Your ADSs will be evidenced by what are known as American depositary receipts, or ADRs, in the same way a share is evidenced by a share certificate.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement of which this prospectus forms a part. You may also obtain a copy of the deposit agreement at the SEC's public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549, United States of America. You may obtain information on the operation of the Public Reference Room by calling the SEC at +1-800-732-0330. Copies of the deposit agreement and the form of ADR are also available for inspection at the corporate trust office of Deutsche Bank Trust Company Americas, currently located at 60 Wall Street, New York, New York 10005, United States of America, and at the principal office of Deutsche Bank AG, Hong Kong Branch, as the custodian, currently located at 52/F Cheung Kong Center, 2 Queens Road, Central, Hong Kong S.A.R., People's Republic of China. Deutsche Bank Trust Company Americas' principal executive office is located at 60 Wall Street, New York, New York 10005, United States of America. The depositary will keep books at its corporate trust office for the registration of ADRs and transfers of ADRs which, at all reasonable times, shall be open for inspection by ADS holders, provided that inspection shall not be for the purpose of communicating with ADS holders in the interest of a business or object other than our business or a matter related to the deposit agreement or the ADSs.

Holding the ADSs

How will I hold my ADSs?

ADSs shall be held electronically in book-entry form through The Depository Trust Company in your name or indirectly through your broker or other financial institution. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADR holders described in this section. You should consult with your broker or financial institution to find out what those procedures are. This description assumes that you hold your ADSs directly solely for the purposes of summarizing the deposit agreement.

We will not treat an ADR holder as one of our shareholders and you will not have shareholder rights. Cayman Islands law governs shareholder rights. The depositary will be the holder of the shares underlying your ADSs. As a holder of ADRs, you will have ADR holder rights. A deposit agreement among us, the depositary and you, as an ADR holder, and the beneficial owners of ADRs sets out ADR holder rights, representations and warranties as well as the rights and obligations of the depositary.

If you become a holder of ADSs, you will become a party to the deposit agreement and therefore will be bound by its terms and by the terms of the ADR that represents your ADSs. The deposit agreement and the ADR specify our rights and obligations as well as your rights and obligations as a holder of ADSs and those of the depositary bank. As an ADS holder you appoint the depositary bank to act on your behalf in certain circumstances. The deposit agreement and the ADRs are governed by New York law. However, our obligations to the holders of ordinary shares will continue to be governed by Cayman Islands law, which may be different from the laws in the US.

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its fees, charges and expenses and any taxes withheld, duties or other governmental charges. You will receive these distributions in proportion to the number of shares

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your ADSs represent as of the record date (which will be as close as practicable to the record date for our common shares) set by the depositary with respect to the ADSs.

- *Cash.* The depositary will convert any cash dividend or other cash distribution we pay on the shares or any proceeds from the sale of any shares, rights, securities or other entitlements into U.S. dollars, if it can do so in its judgment on a practicable basis and can transfer the U.S. dollars to the United States. If that is not practicable or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADR holders to whom it is practicable to do so. The depositary will hold the foreign currency it cannot convert for the account of the ADR holders who have not been paid. The depositary will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, the depositary will deduct any withholding taxes that must be paid. See “Taxation.” It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.

- *Shares.* The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution to the extent permissible by law. The depositary will only distribute whole ADSs. It will try to sell shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares.
- *Elective Distributions in Cash or Shares.* If we offer holders of our common shares the option to receive dividends in either cash or common shares, the depositary, after consultation with us and having received timely notice of such elective distribution by us, has discretion to determine to what extent such elective distribution will be made available to you as a holder of the ADSs. We must first instruct the depositary to make such elective distribution available to you and furnish it with satisfactory evidence that it is legal to do so. The depositary could decide it is not legal or reasonably practical to make such elective distribution available to you, or it could decide that it is only legal or reasonably practical to make such elective distribution available to some but not all holders of the ADSs. In such case, the depositary shall, on the basis of the same determination as is made in respect of the common shares for which no election is made, distribute either cash in the same way as it does in a cash distribution, or additional ADSs representing common shares in the same way as it does in a share distribution. The depositary is not obligated to make available to you a method to receive the elective dividend in common shares rather than in ADSs. There can be no assurance that you will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of common shares.
- *Rights to Receive Additional Shares.* If we offer holders of our securities any rights to subscribe for additional common shares or any other rights, the depositary, after consultation with us and having received timely notice of such distribution by us, has discretion to determine how these rights become available to you as a holder of ADSs. We must first instruct the depositary to do so and furnish it with satisfactory evidence that it is legal to do so. The depositary could decide it is not legal or reasonably practical to make the rights available to you, or it could decide that it is only legal or reasonably practical to make the rights available to some but not all holders of the ADSs. The depositary may decide to sell the rights and distribute the proceeds in the same way as it does with cash. If the depositary decides that it is not legal or reasonably practical to make the rights available to you or to sell the rights, the rights that are not distributed or sold could lapse. In that case, you will receive no value for them. The depositary is not responsible for a failure in determining whether or not it is legal or reasonably practical to distribute the rights. The depositary is liable for damages, however, if it acts with gross negligence or bad faith, in accordance with the provisions of the deposit agreement.

If the depositary makes rights available to you, it will exercise the rights and purchase the common shares on your behalf. The depositary will then deposit the common shares and issue ADSs to you. It will only exercise rights if you pay it the exercise price and any other fees and charges of, and expenses incurred by, the depositary and any taxes and other governmental charges the rights require you to pay.

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U.S. securities laws or laws of the Cayman Islands may restrict the sale, deposit, cancellation, and transfer of the ADSs issued after an exercise of rights. For example, you may not be able to trade the new ADSs freely in the United States. In this case, the depository may issue the new ADSs under a separate restricted deposit agreement which will contain the same provisions as the deposit agreement, except for changes needed to put the restrictions in place.

- *Other Distributions.* Subject to receipt of timely notice from us with the request to make any such distribution available to you, and provided the depository has determined such distribution is lawful and reasonably practicable and feasible and in accordance with the terms of the deposit agreement, the depository will send to you anything else we distribute on deposited securities by any means it deems practical in proportion to the number of ADSs held by you, upon receipt of applicable fees and charges of, and expenses incurred by, the depository and net of any taxes and other governmental charges withheld. If it cannot make the distribution in that way, or has not received a timely request for distribution from us, the depository has a choice. It may decide to sell by public or private sale, net of fees and charges of, and expenses incurred by, the depository and any taxes and other governmental charges, what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to dispose of such property in any way it deems reasonably practicable for nominal or no consideration. However, the depository is not required to distribute any securities (other than ADSs) to you unless it receives satisfactory evidence from us that it is legal to make that distribution.

The depository is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADRs, shares, rights or anything else to ADR holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal, impractical or infeasible for us or the depository to make them available to you.

Deposit and Withdrawal

How are ADSs issued?

The depository will deliver ADSs if you or your broker deposits shares with the custodian. Shares deposited in the future with the custodian must be accompanied by documents, including instruments showing that those shares have been properly transferred or endorsed to the person on whose behalf the deposit is being made.

The custodian will hold all deposited shares, including those being deposited by or on behalf of us in connection with this offering to which this prospectus relates, for the account of the depository. You thus have no direct ownership interest in the shares and only have the rights that are set out in the deposit agreement. The custodian also will hold any additional securities, property and cash received on, or in substitution for, the deposited shares. The deposited shares and any such additional items are all referred to as “deposited securities.”

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of, and expenses incurred by, the depository and of any taxes or charges, such as stamp taxes or share transfer taxes or fees, the depository will issue an ADR or ADRs in the name of the person entitled thereto evidencing the number of ADSs to which that person is entitled.

Except for shares deposited by us in connection with this offering, no shares will be accepted for deposit during a period of 180 days after the date of this prospectus. The 180-day lock-up period is subject to adjustment under certain circumstances as described in the deposit agreement.

How do ADS holders cancel an ADR and obtain shares?

You may surrender your ADRs through instruction provided to your broker. Upon payment of its fees and charges of, and expenses incurred by, it and of any taxes or charges, such as stamp taxes or share transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADR to you or a person you designate at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its principal New York office or any other location that it may designate as its transfer office, if feasible.

You have the right to cancel your ADSs and withdraw the underlying common shares at any time subject only to:

- temporary delays caused by closing our or the depositary's transfer books or the deposit of our common shares in connection with voting at a shareholders' meeting or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of the deposited securities.

U.S. securities laws provide that this right of withdrawal may not be limited by any other provision of the deposit agreement.

Redemption

Whenever we decide to redeem any of the shares on deposit with the custodian, we will notify the depositary. If it is reasonably practicable and if we provide all of the documentation contemplated in the deposit agreement, the depositary bank will mail notice of the redemption to the holders.

The custodian will be instructed to surrender the shares being redeemed against payment of the applicable redemption price. The depositary will convert the redemption funds received into US dollars upon the terms of the deposit agreement and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their ADSs to the depositary bank. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your ADSs. If less than all ADSs are being redeemed, the ADSs to be redeemed will be selected by lot or on a pro rata basis, as the depositary bank may determine.

Transmission of Notices to Shareholders

We will promptly transmit to the depositary those communications that we make generally available to our shareholders together with annual and other reports prepared in accordance with applicable requirements of U.S. securities laws in English. If those communications were not originally in English, we will translate them. Upon our request, and at our expense, subject to the distribution of any such communications being lawful and not in contravention of any regulatory restrictions or requirements if so distributed and made available to holders, the depositary will arrange for the timely mailing of copies of such communications to all ADS holders and will make a copy of such communications available for inspection at the depositary's Corporate Trust Office, the office of the custodian or any other designated transfer office of the depositary.

Voting Rights

How do you vote?

You may instruct the depositary to vote the shares underlying your ADSs. You could exercise your right to vote directly if you withdraw the common shares. However, you may not know about the meeting sufficiently in advance to withdraw the common shares. The voting rights of holders of common shares are described in "Description of Share Capital."

Upon receipt of timely notice from us, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. The materials will describe the matters to be voted on and explain how you, if you hold the ADSs on a date specified by the depositary, may instruct the depositary to vote the common

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shares or other deposited securities underlying your ADSs as you direct. For your instructions to be valid, the depositary must receive them in writing on or before a date specified by the depositary. The depositary will try, as far as practical, subject to any applicable law and the provisions of our memorandum and articles of association, to vote or to have its agents vote the common shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct and will not vote any shares where no instructions have been received. Furthermore, under the deposit agreement, if we do not timely procure the demand for a vote by poll with respect to any given resolution, and no other relevant party has made such a demand, the depositary shall refrain from voting and any voting instructions received from any ADS holders shall lapse.

If the depositary does not timely receive voting instructions from you, the depositary has agreed to give a discretionary proxy to a person designated by us to vote the number of deposited securities represented by your ADSs. The depositary will give such person a discretionary proxy in such circumstances to vote on all questions to be voted upon unless we inform the depositary that:

- we do not wish to receive a discretionary proxy;
- we are aware that substantial shareholder opposition exists against the outcome for which our designee would vote; or
- the outcome for which our designee would vote would materially and adversely affect shareholder rights.

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 if your common shares are not voted as you requested, you may have no recourse.

Fees and Expenses

Persons depositing shares will be charged a fee for each issuance of ADSs, including issuances resulting from distributions of shares, share dividends, share splits, bonus and rights distributions and other property, and for each surrender of ADSs in exchange for deposited securities. The fee in each case is up to \$5.00 for each 100 ADSs, or any portion thereof, issued or surrendered. The depositary will also charge a fee of up to \$2.00 per 100 ADSs for distribution of cash proceeds pursuant to a cash distribution (so long as the charging of such fee is not prohibited by any exchange upon which the ADSs are listed), sale of rights and other entitlements or otherwise. The depositary may also charge an annual fee of up to \$0.02 per ADS for the operation and maintenance costs in administering the facility. You or persons depositing shares also may be charged the following expenses:

- taxes and other governmental charges incurred by the depositary or the custodian on any ADR or shares underlying an ADR, including any applicable interest and penalties thereon, and any share transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges;
- 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 including those of a central depository for securities (where applicable);
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars;
- fees and expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to the shares, deposited securities and ADSs and
- any other fees, charges, costs or expenses that may be incurred by the depositary from time to time.

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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. We and the depositary may amend the fees described above from time to time.

Deutsche Bank Trust Company Americas, as depositary bank, has agreed with us to reimburse us for a portion of certain expenses incurred in connection with our initial public offering and the establishment and maintenance of the ADR program and to provide us with assistance in relation to our investor relations program, the training of staff and certain other matters. Further, the depositary has agreed to share with us certain fees payable to the depositary by holders of ADSs.

Neither the depositary bank nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time.

Depositary fees payable upon the issuance and cancellation of ADSs are generally paid to the depositary bank by the brokers receiving the newly issued ADSs from the depositary bank and by the brokers delivering the ADSs to the depositary bank for cancellation. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary service fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

In the case of cash distributions, service fees are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividends, rights, etc), the depositary bank charges the applicable ADS record date holder concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or in DRS), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects the fees through the settlement systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the service fees paid to the depositary banks.

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

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities underlying your ADRs. The custodian may refuse to deposit shares and the depositary may refuse to issue ADSs, deliver ADRs, register the transfer, split-up or combination of ADRs, or allow you to withdraw the deposited securities underlying your ADSs until such payment is made including any applicable interest and penalty thereon. We, the custodian or the depositary may withhold or deduct the amount of taxes owed from any distributions to you or may sell deposited securities, by public or private sale, to pay any taxes and any applicable interest and penalties owed. You will remain liable if the proceeds of the sale are not enough to pay the taxes. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any proceeds, or send to you any property remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If we take actions that affect the deposited securities, including any change in par value, split-up, cancellation, consolidation or other reclassification of deposited securities to the extent permitted by any applicable law, any distribution on the shares that is not distributed to you, and any recapitalization,

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reorganization, merger, consolidation, liquidation or sale of our assets affecting us or to which we are a party, then the cash, shares or other securities received by the depositary will become deposited securities and ADRs will, be subject to the deposit agreement and any applicable law, evidence the right to receive such additional deposited securities, and the depositary may choose to:

- distribute additional ADRs;
- call for surrender of outstanding ADRs to be exchanged for new ADRs;
- distribute cash, securities or other property it has received in connection with such actions;
- sell any securities or property received at public or private sale on an averaged or other practicable basis without regard to any distinctions among holders and distribute the net proceeds as cash; or
- treat the cash, securities or other property it receives as part of the deposited securities, and each ADS will then represent a proportionate interest in that property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason deemed necessary or desirable. You will be given at least 30 days' notice of any amendment that imposes or increases any fees or charges, except for taxes, governmental charges, delivery expenses or expenses incurred in connection with foreign exchange control regulations and other charges specifically payable by ADS holders under the deposit agreement, or which otherwise materially prejudices any substantial existing right of holders or beneficial owners of ADSs. If an ADS holder continues to hold ADSs after being so notified of these changes, that ADS holder is deemed to agree to that amendment and be bound by the ADRs and the agreement as amended. An amendment can become effective before notice is given if necessary to ensure compliance with a new law, rule or regulation.

How may the deposit agreement be terminated?

At any time, we may instruct the depositary to terminate the deposit agreement, in which case the depositary will give notice to you at least 90 days prior to termination. The depositary may also terminate the agreement if it has told us that it would like to resign or we have removed the depositary and we have not appointed a new depositary bank within 90 days; in such instances, the depositary will give notice to you at least 30 days prior to termination. After termination, the depositary's only responsibility will be to deliver deposited securities to ADS holders who surrender their ADSs upon payment of any fees, charges, taxes or other governmental charges, and to hold or sell distributions received on deposited securities. After the expiration of one year from the termination date, the depositary may sell the deposited securities which remain and hold the net proceeds of such sales, uninvested and without liability for interest, for the pro rata benefit of ADS holders who have not yet surrendered their ADSs. After selling the deposited securities, the depositary has no obligations except to account for those net proceeds and other cash. Upon termination of the deposit agreement, we will be discharged from all obligations except for our obligations to the depositary.

Books of Depositary

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADRs.

These facilities may be closed from time to time, to the extent not prohibited by law.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADRs

The deposit agreement expressly limits our and the depositary's obligations and liability.

We and the depositary, including its agents:

- are only obligated to take the actions specifically set forth in the deposit agreement without gross negligence or bad faith;
- are not liable if either of us is prevented or delayed in performing any obligation by law or circumstances beyond our control under the deposit agreement, including, without limitation, requirements of any present or future law, regulation, governmental or regulatory authority or share exchange of any applicable jurisdiction, any present or future provision of our memorandum and articles of association, on account of possible civil or criminal penalties or restraint, any provisions of or governing the deposited securities or any act of God, war or other circumstances beyond each of our control as set forth in the deposit agreement;
- are not liable if either of us exercises or fails to exercise the discretion permitted under the deposit agreement, the provisions of or governing the deposited securities or our memorandum and articles of association;
- disclaim any liability for any action/inaction on the advice or information of legal counsel, accountants, any person presenting shares for deposit, holders and beneficial owners (or authorized representatives) of ADRs, or any person believed in good faith to be competent to give such advice or information;
- disclaim any liability for inability of any holder to benefit from any distribution, offering, right or other benefit made available to holders of deposited securities but not made available to holders of ADSs;
- have no obligation to become involved in a lawsuit or other proceeding related to any deposited securities or the ADSs or the deposit agreement on your behalf or on behalf of any other party;
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party; and
- disclaim any liability for any consequential or punitive damages for any breach of the terms of the deposit agreement.

The depositary and any of its agents also disclaim any liability for any failure to carry out any instructions to vote, the manner in which any vote is cast or the effect of any vote or failure to determine that any distribution or action may be lawful or reasonably practicable or for allowing any rights to lapse in accordance with the provisions of the deposit agreement, the failure or timeliness of any notice from us, the content of any information submitted to it by us for distribution to you or for any inaccuracy of any translation thereof, any investment risk associated with the acquisition of an interest in the deposited securities, the validity or worth of the deposited securities or for any tax consequences that may result from ownership of ADSs, shares or deposited securities and for any indirect, special, punitive or consequential damage.

We have agreed to indemnify the depositary under certain circumstances. The depositary may own and deal in any class of our securities and in ADSs.

Requirements for Depositary Actions

Before the depositary will issue, deliver or register a transfer of an ADR, make a distribution on an ADR, or permit withdrawal of shares or other property, the depositary may require:

- payment of share transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any common shares or other deposited securities;

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- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary also may suspend the issuance of ADSs, the deposit of shares, the registration, transfer, split-up or combination of ADRs or the withdrawal of deposited securities, unless the deposit agreement provides otherwise, if the register for ADRs is closed or if we or the depositary decide any such action is necessary or advisable.

Deutsche Bank Trust Company Americas will keep books for the registration and transfer of ADRs at its offices. You may reasonably inspect such books, except if you have a purpose other than our business or a matter related to the deposit agreement or the ADRs.

Pre-Release of ADSs

Subject to the provisions of the deposit agreement, the depositary may issue ADSs before deposit of the underlying common shares. This is called a pre-release of the ADS. The depositary may also deliver common shares upon cancellation of pre-released ADSs, even if the ADSs are cancelled before the pre-release transaction has been closed out. A pre-release is closed out as soon as the underlying common shares are delivered to the depositary. The depositary may receive ADSs instead of common shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions:

- before or at the time of the pre-release, the person to whom the pre-release is being made must represent to the depositary in writing that it or its customer owns the common shares to be deposited, assigns all beneficial right, title and interest in such shares to the depositary for the benefit of the holders of ADSs, will not take any action with respect to such shares that is inconsistent with the transfer of beneficial ownership (including without the consent of the depositary, disposing of such shares other than in satisfaction of such pre-release) and unconditionally guarantees to deliver such shares or ADSs to the depositary or the custodian as the case may be;
- indicates the depositary as owner of such shares in its records;
- the pre-release must be fully collateralized with cash or other collateral that the depositary considers appropriate;
- the depositary must be able to close out the pre-release on not more than five business days' notice; and
- each pre-release is subject to such further indemnities and credit regulations as the depositary deems appropriate.

In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although the depositary may disregard the limit from time to time as it deems appropriate, including (i) due to a decrease in the aggregate number of ADSs outstanding that causes existing pre-release transactions to temporarily exceed the limit stated above or (ii) where otherwise required by market conditions.

The Depositary

Who is the depositary?

The depositary is Deutsche Bank Trust Company Americas. The depositary is a state chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department. The depositary was incorporated on March 5, 1903 in the State of New York. The registered office of the depositary is located at 60 Wall Street, New York, NY 10005, United States of America and the registered number is BR1026. The principal executive office of the depositary is located at 60 Wall Street, New York NY 10005, United States of America. The depositary operates under the laws and jurisdiction of the State of New York.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have outstanding 7,500,000 ADSs representing approximately 21.3% of our common shares in issue. All of the ADSs sold in this offering will be freely transferable by persons other than our “affiliates” without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our common shares or the ADSs, and while application has been made for the ADSs to be listed on the New York Stock Exchange, we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our common shares not represented by the ADSs.

Lock-Up Agreements

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to any ADSs or shares of common shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the representatives for a period of 180 days after the date of this prospectus, except issuances pursuant to the exercise of employee stock options outstanding on the date hereof or pursuant to our dividend reinvestment plan.

Our officers and directors and certain of our existing shareholders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any ADSs or shares of common shares or securities convertible into or exchangeable or exercisable for any ADSs or shares of common shares, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our ADSs, whether any of these transactions are to be settled by delivery of our ADSs or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the representatives for a period of 180 days after the date of this prospectus. After the expiration of the 180-day period, the common shares or ADSs held by our directors, executive officers or principal shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

The 180-day lock-up period is subject to adjustment under certain circumstances. If in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless the representatives waive, in writing, such an extension.

In addition, we have agreed to instruct Deutsche Bank Trust Company Americas, as depositary, not to accept any deposit of any common shares or issue any ADSs for 180 days after the date of this prospectus (other than in connection with this offering), unless we otherwise instruct. The foregoing restrictions do not apply to the deposit of common shares and the issuance of ADSs in connection with our share incentive plan. As a result, ADS holders who cancel their ADSs and withdraw the underlying common shares will not be able to re-deposit such shares for issuance of ADSs until the expiration of the 180-day period described above. The foregoing does not affect the right of ADS holders to cancel their ADSs and withdraw the underlying common shares.

Rule 144

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned our common shares for at least one year is entitled to sell within any three-month period a number of common shares that does not exceed the greater of the following:

- 1% of the then outstanding common shares, in the form of ADSs or otherwise, which will equal 1,411,111 common shares immediately after this offering; or
- the average weekly trading volume of our common shares, in the form of ADSs or otherwise, during the four calendar weeks preceding the date on which notice of the sale is filed with the Securities and Exchange Commission.

Sales under Rule 144 must be made through unsolicited brokers' transactions. They are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

Rule 144(k)

Under Rule 144(k), a person who is not our affiliate at any time during the three months preceding a sale, and who has beneficially owned the common shares, in the form of ADSs or otherwise, proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell those common shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise restricted, "144(k) shares" may be sold at any time.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our common shares from us in connection with a compensatory stock plan or other written agreement executed prior to the completion of this offering is eligible to resell such common shares in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

Registration Rights

Upon completion of this offering, certain holders of our common shares or their transferees will be entitled to request that we register their shares under the Securities Act, following the expiration of the lock-up agreements described above. See "Description of Share Capital—Registration Rights."

TAXATION

The following discussion of the material Cayman Islands 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 registration statement, all of which are subject to change. This discussion 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. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Conyers Dill & Pearman, our special Cayman Islands counsel.

Cayman Islands Taxation

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

United States Federal Income Taxation

The following discussion, to the extent that it states legal conclusions and subject to the qualifications herein, represents the opinion of Latham & Watkins LLP, our United States counsel, on the material United States federal income tax consequences of the ownership of our ADSs or common shares as of the date hereof. This discussion applies only to investors that hold the ADSs or common shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States as in effect on the date of this Registration Statement and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this Registration Statement, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- broker dealers;
- traders that elect to mark to market;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons holding an ADS or common share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting stock;
- persons holding ADSs or common shares through partnerships or other pass-through entities; or
- persons who acquired ADSs or common shares pursuant to the exercise of any employee share option or otherwise as consideration.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE AND LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF ADSS OR COMMON SHARES.

The discussion below of the United States federal income tax consequences to “U.S. Holders” will apply if you are the beneficial owner of ADSs or common shares and you are, for U.S. federal income tax purposes,

- a citizen or individual resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any State or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the U.S. and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with the terms. If you hold ADSs, you should be treated as the holder of the underlying common shares represented by those ADSs for U.S. federal income tax purposes.

The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming, by U.S. Holders of ADSs, of foreign tax credits for U.S. federal income tax purposes. Such actions would also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate U.S. Holders, as described below. Accordingly, the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders could be affected by future actions that may be taken by the U.S. Treasury.

Taxation of Distributions on the ADSs or Common Shares

Subject to the passive foreign investment company rules discussed below, the gross amount of all our distributions to you with respect to the ADSs or common shares generally will be included in your gross income as ordinary dividend income on the date of receipt by the depository, in the case of ADSs, or by you, in the case of common shares, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. Holders, including individuals, for taxable years beginning before January 1, 2011, dividends may be “qualified dividend income” which is taxed at the lower applicable capital gains rate provided that (1) the ADSs or common shares are readily tradable on an established securities market in the United States, (2) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. For this purpose, ADSs listed on the New York Stock Exchange will be considered to be readily tradable on an established securities market in the United States. You should consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to our ADSs or common shares.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes

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of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to the ADSs or common shares will be “passive income” or, in the case of certain U.S. Holders, “financial services income.” For taxable years beginning after December 31, 2006, dividends distributed by us with respect to ADSs or common shares generally will constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.”

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your ADSs or common shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Taxation of Disposition of Shares

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of an ADS or common share equal to the difference between the amount realized (in U.S. dollars) for the ADS or common share and your tax basis (in U.S. dollars) in the ADS or common share. The gain or loss generally will be capital gain or loss. If you are non-corporate U.S. Holder, including an individual, who has held the ADS or common share for more than one year, you will be eligible for reduced capital gains rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize generally will be treated as U.S. source income or loss.

Passive Foreign Investment Company

We do not expect to be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our current taxable year ending May 31, 2007. Our expectation for our current taxable year is based in part on our estimates of the value of our assets, as determined by estimates of the price of our common shares prior to our listing on the New York Stock Exchange, and the expected price of the ADSs and our common shares following the offering. Our actual PFIC status for our current taxable year will not be determinable until the close of such taxable year. Because PFIC status is a factual determination, our United States counsel expresses no opinion with respect to our PFIC status and also expresses no opinion with respect to our expectations contained in this paragraph. A Non-U.S. corporation is considered a PFIC for any taxable year if either:

- at least 75% of its gross income is passive income (the “income test”), or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “assets test”).

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

We must make a separate determination each year as to whether we are a PFIC. As a result, our PFIC status may change. In particular, because the total value of our assets for purposes of the asset test generally will be calculated using the market price of our ADSs and common shares, our passive foreign investment company status will depend in large part on the market price of our ADSs and common shares. Accordingly, our PFIC status may be determined in large part based on the market price of our ADSs and shares which is likely to fluctuate after the offering. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in this offering. If we are a PFIC for any year during which you hold ADSs or common shares, we generally will continue to be treated as a PFIC for all succeeding years during

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which you hold ADSs or common shares. However, if we cease to be a PFIC, you may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the ADSs or common shares.

If we are a PFIC for any taxable year during which you hold ADSs or common shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ADSs or common shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or common shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or common shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or common shares cannot be treated as capital, even if you hold the ADSs or common shares as capital assets.

We do not intend to prepare or provide the information that would enable you to make a qualified electing fund election.

Alternatively, a U.S. Holder of “marketable stock” in a PFIC may make a mark-to-market election for such stock of a PFIC to elect out of the tax treatment discussed above. If you make a valid mark-to-market election for the ADSs or common shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the ADSs or common shares as of the close of your taxable year over your adjusted basis in such ADSs or common shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or common shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the ADSs or common shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or common shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ADSs or common shares, as well as to any loss realized on the actual sale or disposition of the ADSs or common shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or common shares. Your basis in the ADSs or common shares will be adjusted to reflect any such income or loss amounts. If you make such a mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us (except that the lower applicable capital gains rate would not apply).

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market, as defined in applicable Treasury regulations. We expect that the ADSs will be listed on the New York Stock Exchange, which is a qualified exchange for these purposes. Consequently, assuming that the ADSs are regularly traded, if you are a holder of ADSs the mark-to-market election would be available to you were we to become a PFIC.

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If you hold ADSs or common shares in any year in which we are a PFIC, you will be required to file Internal Revenue Service Form 8621 regarding distributions received on the ADSs or common shares and any gain realized on the disposition of the ADSs or common shares.

You are urged to consult your tax advisor regarding the application of the PFIC rules to your investment in ADSs or common shares.

Information Reporting and Backup Withholding

Dividend payments with respect to ADSs or common shares and proceeds from the sale, exchange or redemption of ADSs or common shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding at a current rate of 28%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated _____, 2006, we have agreed to sell to the underwriters named below, for whom Credit Suisse Securities (USA) LLC and Goldman Sachs (Asia) L.L.C. are acting as representatives, the following respective numbers of ADSs:

Underwriters	Number of ADSs
Credit Suisse Securities (USA) LLC	
Goldman Sachs (Asia) L.L.C.	
Piper Jaffray & Co.	
Total	7,500,000

The underwriting agreement provides that the underwriters are obligated to purchase all the ADSs in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that, if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to 1,125,000 additional ADSs from us at the initial public offering price less the underwriting discounts and commissions.

The underwriters propose to offer the ADSs initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of US\$ _____ per ADS. The underwriters and selling group members may allow a discount of US\$ _____ per ADS on sales to other broker/dealers. After the initial public offering, the underwriters may change the public offering price and concession and discount to broker/dealers.

The following table summarizes the compensation and estimated expenses we will pay:

	Per ADS		Total	
	Without Over- allotment	With Over- allotment	Without Over- allotment	With Over- allotment
Underwriting discounts and commissions paid by us	US\$	US\$	US\$	US\$
Expenses payable by us	US\$	US\$	US\$	US\$

The underwriters have informed us that they do not expect sales to accounts over which the underwriters have discretionary authority to exceed 5% of the ADSs being offered.

Some of the underwriters are expected to make offers and sales both inside and outside the United States through their respective selling agents. Any offers or sales in the United States will be conducted by broker-dealers registered with the Securities and Exchange Commission. Goldman Sachs (Asia) L.L.C. is expected to make offers and sales in the United States through its selling agent, Goldman, Sachs & Co.

We have agreed that we will not offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to any ADSs or common shares or securities convertible into or exchangeable or exercisable for any ADSs or common shares, or enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of any ADSs or common shares or securities convertible into or exchangeable or exercisable for any ADSs or common shares, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position in any ADSs or common shares or securities convertible into or exchangeable or exercisable for any ADSs or common shares within the meaning of Section 16 of the Exchange Act or publicly disclose the intention to take any of the actions mentioned above, without the prior written consent of Credit Suisse Securities (USA) LLC and Goldman Sachs (Asia) L.L.C. for a period of 180 days after the date of this prospectus, except

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(1) issuance of common shares upon the conversion of convertible securities outstanding on the date of this prospectus and (2) issuances pursuant to the exercise of employee stock options outstanding on the date hereof. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse Securities (USA) LLC and Goldman Sachs (Asia) L.L.C. waive, in writing, such an extension.

Our executive officers, our directors and certain of our existing shareholders have agreed that they will not offer, sell, contract to sell, contract to purchase or grant any option, right or warrant to purchase, pledge or otherwise dispose of, directly or indirectly, any of our common shares or securities convertible into or exchangeable or exercisable for any of our common shares, or enter into any swap, hedge or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any ADSs or common shares or securities convertible into or exchangeable or exercisable for any ADSs or common shares, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position in any ADSs or common shares or securities convertible into or exchangeable or exercisable for any ADSs or common shares within the meaning of Section 16 of the Exchange Act, whether any of these transactions are to be settled by delivery of our common shares or other securities, in cash or otherwise, or publicly disclose the intention to take any of the actions mentioned above, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC and Goldman Sachs (Asia) L.L.C. for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse Securities (USA) LLC and Goldman Sachs (Asia) L.L.C. waive, in writing, such an extension.

In addition, we have agreed to instruct Deutsche Bank Trust Company Americas, as depositary, not to accept any deposit of any common shares or issue any ADSs for 180 days after the date of this prospectus (other than in connection with this offering), unless we otherwise instruct. The foregoing restrictions do not apply to the deposit of common shares and the issuance of ADSs in connection with our share incentive plan. As a result, ADS holders who cancel their ADSs and withdraw the underlying common shares will not be able to re-deposit such shares for issuance of ADSs until the expiration of the 180-day period described above. The foregoing does not affect the right of ADS holders to cancel their ADSs and withdraw the underlying common shares.

The underwriters have reserved for sale at the initial public offering price up to 320,533 ADSs for employees, directors and other persons associated with us who have expressed an interest in purchasing ADSs in the offering. The number of ADSs available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved ADSs. Any reserved ADSs not so purchased will be offered by the underwriters to the general public on the same terms as the other ADSs.

We have agreed to indemnify the underwriters against certain liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

We have applied to list the ADSs on the New York Stock Exchange under the symbol “EDU.”

In connection with the listing of the ADSs on the New York Stock Exchange, the underwriters will undertake to sell round lots of 100 shares or more to a minimum of 400 beneficial owners.

In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

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- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the shares in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the shares originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our shares or preventing or retarding a decline in the market price of the shares. As a result the price of our shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

We expect that delivery of the ADSs will be made against payment therefor on or about _____, which will be the _____ business day following the date of pricing of the ADSs (this settlement cycle being referred to as “T+ _____”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the ADSs on the date of pricing or the next _____ succeeding business days will be required, by virtue of the fact that the ADSs initially will settle in T+ _____ to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement and should consult their own advisor.

Cayman Islands

This prospectus does not constitute a public offer of the ADSs or common shares, whether by way of sale or subscription, in the Cayman Islands. We will not offer to sell any common shares or ADSs to any member of the public in the Cayman Islands.

United Kingdom

The ADSs may not be offered to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended), or the FSMA, except to legal entities which have been authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by the company of a prospectus within the meaning of the Prospectus Rules of the Financial Services Authority. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) has only been communicated or caused to be communicated and will only be communicated or caused to be communicated to persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 or in circumstances in which section 21 of the FSMA would not apply to us if we were not an authorized person. In addition, all applicable provisions of the FSMA with respect to anything done in relation to the ADSs in, from or otherwise involving the United Kingdom, have been or will be complied with.

Hong Kong

The ADSs may not be offered or sold in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong. No advertisement, invitation or document relating to the ADSs, whether in Hong Kong or elsewhere, may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Japan

The ADSs have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 235 of 1948 as amended), or the Securities Exchange Law, and disclosure under the Securities Exchange Law has not been and will not be made with respect to the ADSs. Accordingly, the ADSs may not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Cap. 289) of Singapore, or the Securities and Futures Act. Accordingly the ADSs may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of such ADSs be circulated or distributed, whether directly or indirectly, to the public or any members of the public in Singapore other than: (1) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (2) to a sophisticated investor, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (3) pursuant to, and in accordance with the conditions of any other applicable provision of the Securities and Futures Act.

Where the ADSs are subscribed or purchased under Section 275 of the SFA by a relevant person who is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

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- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (however described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs pursuant to an offer made under Section 275 of the SFA except:
 - to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
 - where no consideration is or will be given for the transfer; or
 - where the transfer is by operation of law.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), and effective as of the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), no ADSs has been offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the ADSs which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and brought to the attention of the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive. Notwithstanding the foregoing, an offer of ADSs may be made effective as of the Relevant Implementation Date to the public in that Relevant Member State at any time: (1) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (2) to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (3) in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this paragraph, the expression an "offer of ADSs to the public" in relation to any ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ADSs to be offered so as to enable an investor to decide to purchase or subscribe the ADSs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

No action may be taken in any jurisdiction other than the United States that would permit a public offering of the ADSs or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the ADSs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Some of the underwriters and their affiliates have provided, and may in the future provide, investment banking and other services to us, our officers or our directors.

Credit Suisse Securities (USA) LLC is acting as the sole global coordinator and Credit Suisse Securities (USA) LLC and Goldman Sachs (Asia) L.L.C. are acting as the joint bookrunners for this offering. The address of Credit Suisse Securities (USA) LLC is Eleven Madison Avenue, New York, NY 10010-3629 and the address of Goldman Sachs (Asia) L.L.C. is 68th Floor, Cheung Kong Center, 2 Queen's Road, Central, Hong Kong.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the ADSs in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of ADSs are made. Any resale of the ADSs in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the ADSs.

Representations of Purchasers

By purchasing the ADSs in Canada and accepting a purchase confirmation a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the ADSs without the benefit of a prospectus qualified under those securities laws,
- where required by law, that the purchaser is purchasing as principal and not as agent,
- the purchaser has reviewed the text above under Resale Restrictions, and
- the purchaser acknowledges and consents to the provision of specified information concerning its purchase of the ADSs to the regulatory authority that by law is entitled to collect the information.

Further details concerning the legal authority for this information is available on request.

Rights of Action—Ontario Purchasers Only

Under Ontario securities legislation, certain purchasers who purchase a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the ADSs, for rescission against us in the event that this prospectus ADSs contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the ADSs. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the ADSs. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the ADSs were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of ADSs should consult their own legal and tax advisors with respect to the tax consequences of an investment in the ADSs in their particular circumstances and about the eligibility of the ADSs for investment by the purchaser under relevant Canadian legislation.

EXPENSES RELATING TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the National Association of Securities Dealers, Inc. filing fee and the New York Stock Exchange listing fee, all amounts are estimates.

SEC Registration Fee	US\$	11,998
NYSE Listing Fee		150,000
National Association of Securities Dealers, Inc. Filing Fee		11,715
Printing Expenses		200,000
Legal Fees and Expenses		1,200,000
Accounting Fees and Expenses		1,100,000
Miscellaneous		300,000
Total	US\$	2,973,713

LEGAL MATTERS

The validity of the ADSs and certain other legal matters in connection with this offering will be passed upon for us by Latham & Watkins LLP. Certain legal matters in connection with this offering will be passed upon for the underwriters by Shearman & Sterling LLP. The validity of the common shares represented by the ADSs offered in this offering will be passed upon for us by Conyers Dill & Pearman. Legal matters as to PRC law will be passed upon for us by Tian Yuan Law Firm and for the underwriters by Haiwen & Partners. Latham & Watkins LLP may rely upon Conyers Dill & Pearman with respect to matters governed by Cayman Islands' law and Tian Yuan Law Firm with respect to matters governed by PRC law. Shearman & Sterling LLP may rely upon Haiwen & Partners with respect to matters governed by PRC law.

EXPERTS

The consolidated financial statements, included in this prospectus and related financial statement schedule included elsewhere in the registration statement for New Oriental Education & Technology Group Inc. have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm, as set forth in their report appearing herein, which report expressed an unqualified opinion with an explanatory paragraph which comprehended the translation of Renminbi amounts to United States dollar amounts, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The offices of Deloitte Touche Tohmatsu CPA Ltd. are located at 8/F Office Tower W2, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing 100738, People's Republic of China.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits and securities under the Securities Act with respect to underlying common shares represented by the ADSs, to be sold in this offering. We have also filed with the SEC a related registration statement on F-6 to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read the registration statement on Form F-1 and its exhibits and schedules for further information with respect to us and our ADSs.

Immediately upon completion of this offering we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be 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 of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. All information filed with the SEC 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. You may also obtain additional information over the Internet at the SEC's website at www.sec.gov.

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NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

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FOR THE YEARS ENDED MAY 31, 2004, 2005 AND 2006**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
New Oriental Education & Technology Group Inc.

We have audited the accompanying consolidated balance sheets of New Oriental Education & Technology Group Inc. and its subsidiaries (collectively the “Group”) as of May 31, 2004, 2005 and 2006 and the related consolidated statements of operations, shareholders’ equity and cash flows for the years ended May 31, 2004, 2005 and 2006, and related financial statement schedule included in Schedule 1. These financial statements and related financial statement schedule are the responsibility of the Group’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of New Oriental Education & Technology Group Inc. and its subsidiaries as of May 31, 2004, 2005 and 2006 and the results of its operations and its cash flows for the above stated periods in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

Our audits also comprehended the translation of Renminbi amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such United States dollar amounts are presented solely for the convenience of the readers.

/s/ Deloitte Touche Tohmatsu CPA Ltd.
Deloitte Touche Tohmatsu CPA Ltd.
Beijing, China
July 10, 2006

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Consolidated Balance Sheets
(In thousands, except share and per share data)

	As of May 31,			As of May 31,		
	2004	2005	2006	2006	2006	2006
	RMB	RMB	RMB	US\$	RMB	US\$
	Pro forma (Note 2)					
ASSETS						
Current assets						
Cash and cash equivalents	208,459	332,261	261,854	\$ 32,655	261,854	\$ 32,655
Restricted cash	11,837	3,721	3,000	374	3,000	374
Term deposits	23,500	—	—	—	—	—
Accounts receivable, net of allowance of nil for 2004, 2005 and 2006	1,484	2,398	3,035	378	3,035	378
Inventory	25,977	25,905	36,418	4,542	36,418	4,542
Prepaid expenses and other current assets	15,402	27,851	35,655	4,446	35,655	4,446
Current assets of discontinued operations	25,627	17,400	—	—	—	—
Total current assets	312,286	409,536	339,962	42,395	339,962	42,395
Property, plant and equipment, net	182,166	658,153	706,565	88,114	706,565	88,114
Land use right, net	26,564	26,010	25,456	3,175	25,456	3,175
Deposit for acquiring property and equipment	136,479	6,932	1,175	147	1,175	147
Amounts due from related parties	404	7,732	8,527	1,063	8,527	1,063
Deferred tax assets	984	2,912	5,163	644	5,163	644
Long term prepaid rent	1,554	1,316	1,077	134	1,077	134
Trade mark	—	—	1,637	204	1,637	204
Long-term assets of discontinued operations	2,485	721	—	—	—	—
Total assets	662,922	1,113,312	1,089,562	135,876	1,089,562	135,876
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term borrowings	80,000	75,000	35,000	4,365	35,000	4,365
Notes payable-trade	10,837	721	—	—	—	—
Accounts payable-trade	22,051	24,836	36,183	4,512	36,183	4,512
Accrued expenses and other current liabilities	53,842	113,281	91,596	11,423	91,596	11,423
Dividend payable	—	—	772	96	772	96
Income tax payable	1,183	3,285	9,151	1,141	9,151	1,141
Current portion of long-term debt	—	36,436	47,603	5,936	47,603	5,936
Amount due to related parties	10,200	988	389	49	389	49
Deferred revenue	169,914	190,617	244,524	30,494	244,524	30,494
Current liabilities of discontinued operations	28,671	2,190	—	—	—	—
Total current liabilities	376,698	447,354	465,218	58,016	465,218	58,016
Long-term debt, less current portion	54,500	179,685	102,638	12,800	102,638	12,800
Total long-term liabilities	54,500	179,685	102,638	12,800	102,638	12,800
Minority interest—continuing operations	7,950	2,147	200	25	200	25
Minority interest—discontinued operation	(106)	—	—	—	—	—
Total liabilities	439,042	629,186	568,056	70,841	568,056	70,841
Commitments (note 16)						
Shareholders' equity						
Series A convertible preferred shares (US\$0.01 par value; 11,111,111 shares authorized in 2005 and 2006; 11,111,111 and nil shares issued and outstanding in 2005 and 2006) (nil shares issued and outstanding on a pro forma basis (unaudited)) (liquidation value US\$22,500)	—	920	920	114	—	—
Common shares (US\$0.01 par value; 150,000,000 shares authorized in 2004, 2005 and 2006; 100,000,000 shares issued and outstanding in 2004, 2005 and 2006) (111,111,111 shares issued and outstanding on a pro forma basis (unaudited))	—	8,277	8,277	1,032	9,197	1,146
Additional paid-in capital	81,390	255,945	309,519	38,599	309,519	38,599
Retained earnings	142,490	218,984	202,871	25,300	202,871	25,300
Accumulated other comprehensive loss	—	—	(81)	(10)	(81)	(10)
Total shareholders' equity	223,880	484,126	521,506	65,035	521,506	65,035
Total liabilities and shareholders' equity	662,922	1,113,312	1,089,562	135,876	1,089,562	135,876

See accompanying notes to consolidated financial statements.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Consolidated Statements of Operations
(In thousands, except share)

	Year ended May 31,			
	2004	2005	2006	2006
	RMB	RMB	RMB	US\$
NET REVENUES				
Educational programs and services	430,398	606,812	721,497	\$ 89,976
Books and others	11,411	36,458	48,762	6,081
Total net revenues	441,809	643,270	770,259	96,057
Operating costs and expenses				
Cost of revenues	(191,007)	(273,690)	(320,895)	(40,018)
Selling and marketing	(41,613)	(50,716)	(82,121)	(10,241)
General and administrative	(163,470)	(207,767)	(303,084)	(37,797)
Total operating costs and expenses	(396,090)	(532,173)	(706,100)	(88,056)
OPERATING INCOME	45,719	111,097	64,159	8,001
OTHER INCOME (EXPENSE)				
Interest income	4,127	3,652	2,332	291
Interest expense	(3,088)	(6,338)	(9,837)	(1,228)
Miscellaneous income (expense)	2,541	782	136	17
Foreign exchange loss	—	—	(3,065)	(382)
Income from continuing operations before income taxes and minority interest	49,299	109,193	53,725	6,699
Income tax expense:				
Current	(3,622)	(7,772)	(16,173)	(2,016)
Deferred	985	1,928	2,250	280
Income tax expense	(2,637)	(5,844)	(13,923)	(1,736)
Minority interest, net of tax	(220)	(97)	(12)	(1)
Income from continuing operations	46,442	103,252	39,790	4,962
Discontinued operations (Note 3):				
Income from discontinued operations, net of tax of RMB447, RMB5,361 and RMB1,693	7,346	41,155	9,595	1,197
Minority interest of discontinued operations, net of tax	(1,399)	(2,433)	—	—
Income on discontinued operations	5,947	38,722	9,595	1,197
NET INCOME	52,389	141,974	49,385	6,159
Dividend in kind	—	—	(25,526)	(3,183)
Income attributable to holders of common shares	52,389	141,974	23,859	\$ 2,976
Net income per share—basic	0.52	1.42	0.24	\$ 0.03
Net income per share—diluted	0.52	1.35	0.21	\$ 0.03
Shares used in calculating basic net income per share	100,000,000	100,000,000	100,000,000	100,000,000
Shares used in calculating diluted net income per share	100,000,000	104,840,183	111,111,111	111,111,111
Dividends declared per common share	0.27	0.65	0.59	\$ 0.07
Pro forma net income per share on an as converted basis, basic (unaudited) (Note 2)			0.21	\$ 0.03
Pro forma net income per share on an as converted basis, diluted (unaudited) (Note 2)			0.21	\$ 0.03
Shares used in calculating pro forma per share amounts on an as converted basis, basic (unaudited) (Note 2)			111,111,111	111,111,111
Shares used in calculating pro forma per share amounts on an as converted basis, diluted (unaudited) (Note 2)			111,111,111	111,111,111
Share-based compensation expense included in:				
Cost of revenues	367	—	392	\$ 49
Selling and marketing	282	—	1,410	\$ 176
General and administrative	16,168	—	62,655	\$ 7,816

See accompanying notes to consolidated financial statements.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Consolidated Statements of Shareholders' Equity
and Comprehensive Income
(In thousands, except share data)

	Series A convertible preferred shares		Common shares				Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity	Comprehensive income
	Shares	RMB	Unrestricted Shares	RMB	Restricted Shares	RMB					
Balance at June 1, 2003	—	—	91,000,000	—	9,000,000	—	22,931	157,401	—	180,332	—
Increase of capital by dividend	—	—	—	—	—	—	40,000	(40,000)	—	—	—
Issuance of restricted shares to employees	—	—	—	—	—	—	18,459	—	—	18,459	—
Dividends	—	—	—	—	—	—	—	(27,300)	—	(27,300)	—
Net income	—	—	—	—	—	—	—	52,389	—	52,389	52,389
Balance at May 31, 2004	—	—	91,000,000	—	9,000,000	—	81,390	142,490	—	223,880	52,389
Issuance of common shares to Incorporate New Oriental Education & Technology Group Inc.	—	—	—	8,277	—	—	(7,449)	—	—	828	—
Issuance of Series A convertible preferred shares	11,111,111	920	—	—	—	—	182,004	—	—	182,924	—
Release of restricted shares to unrestricted share	—	—	1,324,778	—	(1,324,778)	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—	(65,480)	—	(65,480)	—
Net income	—	—	—	—	—	—	—	141,974	—	141,974	141,974
Balance at May 31, 2005	11,111,111	920	92,324,778	8,277	7,675,222	—	255,945	218,984	—	484,126	141,974
Issuance of restricted shares to employees	—	—	—	—	—	—	72,976	—	—	72,976	—
Share-based compensation expense for employee share options	—	—	—	—	—	—	6,124	—	—	6,124	—
Dividends	—	—	—	—	—	—	—	(65,498)	—	(65,498)	—
Dividend in kind	—	—	—	—	—	—	(25,526)	—	—	(25,526)	—
Net income	—	—	—	—	—	—	—	49,385	—	49,385	49,385
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(81)	(81)	(81)
Balance at May 31, 2006	11,111,111	920	92,324,778	8,277	7,675,222	—	309,519	202,871	(81)	521,506	49,304
		US\$114		US\$1,032		—	US\$ 38,599	US\$ 25,300	US\$ (10)	US\$ 65,035	US\$ 6,149

See accompanying notes to consolidated financial statements.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Consolidated Statements of Cash Flows
(In thousands)

	Years ended May 31,			
	2004	2005	2006	2006
	RMB	RMB	RMB	US\$
Operating activities				
Income attributable to holders of common shares	52,389	141,974	23,859	\$ 2,976
Dividend in kind	—	—	25,526	3,183
Net income	52,389	141,974	49,385	\$ 6,159
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	17,956	23,857	41,266	5,146
Amortization of land use right	554	554	554	69
Loss on disposal of property, plant and equipment	122	275	183	23
Share-based compensation expense	16,817	—	64,457	8,038
Minority interest in continuing operations	220	97	12	1
Minority interest in discontinued operations	1,399	2,433	—	—
Deferred income taxes	(985)	(1,928)	(2,250)	(281)
Changes in operating assets and liabilities				
Accounts receivables, net	(3,592)	(22,441)	6,399	798
Inventory	(21,664)	998	(10,513)	(1,311)
Prepaid expenses and other current assets	1,515	(26,894)	(6,913)	(862)
Accounts payable-trade	21,379	4,025	11,495	1,434
Accrued expenses and other current liabilities	1,417	(3,091)	(14,347)	(1,789)
Income tax payable	551	4,848	7,199	898
Deferred revenue	24,440	19,021	54,893	6,846
Amount due to related parties	246	—	126	16
Long-term prepaid rent	240	238	239	30
Net cash provided by operating activities	113,004	143,966	202,185	25,215
Investing activities				
Restricted cash	(9,837)	8,116	721	90
Term deposits	111,600	23,500	—	—
Purchase of trade mark	—	—	(1,637)	(204)
Purchase of property, plant and equipment	(233,538)	(345,029)	(94,263)	(11,755)
Proceeds from disposal of property, plant and equipment	320	1,457	814	101
Amounts due from related parties	—	(5,708)	(3,003)	(374)
Proceeds from a disposal of discontinued operations, net of cash disposed	—	(5,729)	(18,128)	(2,260)
Dividend received	—	24,806	—	—
Collection of amounts due from related parties	14,250	—	—	—
Acquisition of nominee owners equity interests	—	—	(2,044)	(255)
Net cash used in investing activities	(117,205)	(298,587)	(117,540)	(14,657)

See accompanying notes to consolidated financial statements.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Consolidated Statements of Cash Flows—(continued)
(In thousands)

	Years ended May 31,			
	2004	2005	2006	2006
	RMB	RMB	RMB	US\$
Financing activities				
Proceeds from issuance of common shares	—	828	—	—
Proceeds from issuance of Series A convertible preferred shares (net of issuance costs of 3,294)	—	182,924	—	—
Refund of deposit from potential investor	(100,000)	—	—	—
Proceeds from short-term borrowings	80,000	65,000	40,000	4,988
Repayments on short-term borrowings	(5,000)	(70,000)	(80,000)	(9,977)
Proceeds from long-term debt	24,500	164,360	—	—
Repayment of long-term debt	—	(2,739)	(65,880)	(8,216)
Proceeds from the issuance of restricted shares to employees	1,642	—	10,096	1,259
Dividends paid to shareholders	(27,300)	(65,480)	(64,726)	(8,072)
Amount due to related parties	10,000	—	60	7
Repayment of amount due to related parties	(3,709)	(10,646)	—	—
Capital contribution from minority shareholders	3,910	100	—	—
Net cash (used in) provided by financing activities	(15,957)	264,347	(160,450)	(20,011)
Effects of exchange rate changes	—	—	(81)	(10)
Net change in cash and cash equivalents	(20,158)	109,726	(75,886)	(9,463)
Cash and cash equivalents at beginning of year	248,172	228,014	337,740	42,118
Cash and cash equivalents at end of year	228,014	337,740	261,854	\$ 32,655
Supplement disclosure of cash flow information				
Cash paid during the year for interest (net of amount capitalized)	3,386	9,706	18,729	\$ 2,336
Income taxes paid	3,636	5,670	10,307	\$ 1,285
Non-cash investing and financing activities:				
Acquisition of property, plant and equipment in exchange for payable	45,575	37,496	26,530	\$ 3,308
Dividends payable	—	—	772	\$ 96
Dividend converted to capital	40,000	—	—	\$ —

See accompanying notes to consolidated financial statements.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006
(In thousands, except share and share data)

1. Organization and principal activities

Prior to August 18, 2004, Beijing New Oriental Education & Technology (Group) Co., Ltd., (“New Oriental China”) and its subsidiaries operated the business. On August 18, 2004, the same shareholders established New Oriental Education & Technology Group Inc. (the “Company”) with the same shareholdings under the laws of the British Virgin Islands, and changed the corporate domicile to the Cayman Islands on January 25, 2006. Through contractual agreements described below, the Company is deemed the primary beneficiary of New Oriental China resulting in New Oriental China being deemed a subsidiary of the Company under the requirements of Financial Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities.” In substance, an existing company, New Oriental China, has been reorganized as a subsidiary of a new company, New Oriental Education & Technology Group Inc. Accordingly, the financial statements are prepared by including the financial statements of New Oriental China and its subsidiaries through December 2004 and subsequently the Group’s consolidated financial statements which include the Company and its subsidiaries and variable interest entity, New Oriental China and its subsidiaries. The Company and all its subsidiaries and variable interest entity, New Oriental China and its subsidiaries are collectively referred to as the “Group.”

As of May 31, 2006, details of the Group’s subsidiaries, variable interest entity and its subsidiaries are as follows:

Name	Date of incorporation or establishment	Place of incorporation (or establishment) /operation	Percentage of ownership	Principal activity
Subsidiaries held by the Company:				
Beijing Decision Education & Consulting Company Limited (“Beijing Decision”)	April 20, 2005	PRC	100%	Educational Information system and other consulting services
Beijing Judgment Education & Company Limited (“Beijing Judgment”)	April 20, 2005	PRC	100%	Educational consulting and investing activities
Beijing Hewstone Technology Company Limited (“Beijing Hewstone”)	April 20, 2005	PRC	100%	Educational software development and distribution and other consulting services
New Oriental Education Corporation (Canada)	January, 2002	Canada	100%	Language education
Variable interest entity held by the Company:				
New Oriental China	August 2, 2001	PRC	-	Education consulting, software development and distributions and other services
Subsidiaries held by New Oriental China:				
Beijing Haidian District Privately-Funded New Oriental School	October 5, 1993	PRC	100%	Language and post-secondary education
Shanghai Yangpu District New Oriental Advanced Study School	June 1, 2000	PRC	100%	Language education
Guangzhou Haizhu District Privately-Funded New Oriental Training School	September 8, 2000	PRC	100%	Language education
Wuhan New Oriental Training School	April 24, 2002	PRC	100%	Language education
Tianjin New Oriental Training School	August 21, 2002	PRC	100%	Language education
Xi’an Yanta District New Oriental School	November 26, 2002	PRC	100%	Language education
Nanjing Gulou New Oriental Advanced Study School	November 28, 2002	PRC	100%	Language education
Shenzhen New Oriental Training School	October 15, 2003	PRC	100%	Language education
Shenyang New Oriental Foreign Language Training School	June 18, 2003	PRC	100%	Language education

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

1. Organization and principal activities (continued)

Name	Date of incorporation or establishment	Place of incorporation (or establishment) /operation	Percentage of ownership	Principal activity
Chongqing New Oriental Training School	August 15, 2003	PRC	100%	Language education
Chengdu New Oriental School	August 18, 2003	PRC	100%	Language education
Beijing Haidian District New Oriental Vocational Education Center	June 2, 2004	PRC	100%	Language education
Xiangfan New Oriental Training School	October 26, 2004	PRC	100%	Language education
Changsha Furong District New Oriental Training School	May 25, 2005	PRC	100%	Language education
Jinan New Oriental Training School	May 31, 2005	PRC	100%	Language education
Taiyuan New Oriental Training School	April 20, 2005	PRC	100%	Language education
Ha'er Bin Nangang District New Oriental Training School	May 20, 2005	PRC	100%	Language education
Changchun New Oriental Training School	July 26, 2005	PRC	100%	Language education
Hangzhou New Oriental Training School	July 21, 2005	PRC	100%	Language education
Zhengzhou New Oriental Training School	July 19, 2005	PRC	100%	Language education
Zhuzhou New Oriental Training School	April 30, 2006	PRC	100%	Language education
Shijiazhuang New Oriental Training School	April 3, 2006	PRC	100%	Language education
Suzhou New Oriental Training School	April 26, 2006	PRC	100%	Language education
Beijing New Oriental International Preparatory School	June 10, 2005	PRC	100%	Language education
Beijing New Oriental Yangzhou Bilingual School	June 6, 2002	PRC	100%	Primary and secondary school education
Beijing New Oriental Dogwood Cultural Communications Co., Ltd. ("Dogwood Cultural") (Note (i))	May 16, 2003	PRC	100%	Sales of educational materials and products
Beijing New Oriental Dogwood Book, Audio & Video Co., Ltd. ("Beijing Dogwood") (Note (i))	March 2, 2004	PRC	100%	Sales of educational materials and products
Chengdu New Oriental Dogwood Bookstore Products Co., Ltd. ("Chengdu Dogwood") (Note (i))	January 18, 2004	PRC	100%	Sales of educational materials and products
Chongqing New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd. ("Chongqing Dogwood") (Note (i))	February 25, 2004	PRC	100%	Sales of educational materials and products
Shenyang new Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd. ("Shenyang Dogwood") (Note (i))	September 18, 2003	PRC	100%	Sales of educational materials and products
Guangzhou New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd. ("Guangzhou Dogwood") (Note (i))	November 11, 2003	PRC	100%	Sales of educational materials and products
Wuhan New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd. ("Wuhan Dogwood") (Note 1)	December 16, 2003	PRC	100%	Sales of educational materials and products
Xi'an New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd. ("Xi'an Dogwood") (Note (i))	June 3, 2003	PRC	100%	Sales of educational materials and products

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

1. Organization and principal activities (continued)

Name	Date of incorporation or establishment	Place of incorporation (or establishment) /operation	Percentage of ownership	Principal activity
Shanghai New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd. ("Shanghai Dogwood") (Note (i))	September 28, 2003	PRC	100%	Sales of educational materials and products
Nanjing New Oriental Dogwood Bookstore Products Co., Ltd. ("Nanjing Dogwood") (Note (i))	April 21, 2003	PRC	100%	Sales of educational materials and products
Tianjin New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd. ("Tianjin Dogwood") (Note (i))	December 15, 2003	PRC	100%	Sales of educational materials and products
Changchun New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	October 8, 2005	PRC	100%	Sales of educational materials and products
Changsha New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	April 3, 2006	PRC	100%	Sales of educational materials and products
Ha'er Bin New Oriental Dogwood Book Bookstore & Audio-Visual Products Co., Ltd.	March 13, 2006	PRC	100%	Sales of educational materials and products
Beijing Liandong Weiye Technology Development Co., Ltd. ("Liandong Weiye") (Note (iii))	September 21, 2000	PRC	—%	Providing wireless value-added service
Beijing Tomorrow Oriental Technology Co., Ltd. ("Tomorrow Oriental")	September 29, 2000	PRC	100%	Providing technology service
Yangzhou New Oriental Education & Technology Co., Ltd. ("Yangzhou Co.") (Note (i))	January 18, 2002	PRC	100%	Investment holdings
Beijing New Oriental Vision Overseas Consultancy Co., Ltd. ("Vision Overseas") (Note (i))	February 19, 2004	PRC	100%	Consulting
Beijing New Oriental Dogwood Advertisement Co., Ltd. ("Dogwood Advertisement") (Note (ii))	January 20, 2004	PRC	80%	Advertising
Beijing New Oriental Xuncheng Network Technology Co., Ltd. ("Xuncheng") (Note (ii))	March 11, 2005	PRC	90%	On-line education

Notes:

- (i) Dogwood Cultural, Beijing Dogwood, Chengdu Dogwood, Chongqing Dogwood, Shenyang Dogwood, Guangzhou Dogwood, Wuhan Dogwood, Xi'an Dogwood, Shanghai Dogwood, Nanjing Dogwood, Tianjin Dogwood, Yangzhou Co. and Vision Overseas were established by New Oriental China and nominee owners. According to the agreement signed between New Oriental China and the nominee owners, whose investments of the foresaid entities, were done through the nominee owners' personal funds and included as a minority interest before May 31, 2006. The nominee owners does not have the ownership interest of these entities, including the right to receive dividend and other distributions, voting rights, and all other rights and benefit attaching thereto. As of May 31, 2006, all the equity interest of these entities owned by the nominee owners were transferred to New Oriental China, for an aggregate amount of RMB2,044.
- (ii) As of May 31, 2006, Dogwood Advertisement and Xuncheng are held by New Oriental China with equity interests of 80% and 99%, respectively, the remaining equity interest of each of the three entities are held by nominee owner, whose investments of RMB100 and RMB100 in Dogwood Advertisement and Xuncheng, were done through the nominee owners' personal funds and included as a minority interest. According to the agreement signed between New Oriental China and the nominee owners, the nominee owners does not have the ownership interest of these two entities, including the right to receive dividend and other distributions, voting rights, and all other rights and benefit attaching thereto.
- (iii) In 2000, the Group established Liandong Weiye and owned a 96.2% stake of Liandong Weiye before March 31, 2005. The Group disposed 56.2% of its investments in March 2005 and remaining interest of 40% in September 2005, as stated in Note 3 Discontinued Operations.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

1. Organization and principal activities (continued)

Regulations of the People's Republic of China ("PRC") restrict direct foreign ownership of business entities providing educational services in the PRC where certain licenses are required. To comply with PRC laws and regulations, the Company provides a significant portion of its services in China through its variable interest entity New Oriental China, for which the Company is the primary beneficiary. New Oriental China has the identical shareholdings as the Company. The Company, through its wholly owned subsidiaries in China, has entered into exclusive technical and other services agreements with New Oriental China in April, 2005, under which the Company provides technical and other services ("Service Agreements") to New Oriental China and its subsidiaries in exchange for significantly all of the net income of New Oriental China and its subsidiaries. As a collateral security for the prompt and complete performance of the obligations of New Oriental China under the above various contractual arrangements, the respective owners of New Oriental China have entered into an equity pledge agreement (the "Equity Pledge Agreements") in April, 2005, pursuant to which they agreed to pledge all their rights and interests, including voting rights, in New Oriental China respectively in favor of the Company's wholly owned subsidiaries. Finally, the shareholders of New Oriental China through an exclusive option agreement are obligated to sell to the Company's wholly owned subsidiaries and the Company has an exclusive, irrevocable and unconditional right to purchase, or cause the Company's designated party to purchase, from such shareholders, at Company's sole discretion part or all of these shareholders' equity interests in New Oriental China when and, to the extent that applicable PRC Law permits the Company to own part or all of such equity interests in New Oriental China. The purchase price to be paid by the Company will be the minimum amount of consideration permitted by applicable PRC Law at the time when such share transfer occurs which is referred to as the exclusive option agreement.

The Company holds all the variable interests of New Oriental China and the Company has been determined to be the most closely associated with New Oriental China. Therefore, the Company is the primary beneficiary of New Oriental China. The contractual agreements described above provide for effective control of New Oriental China to be transferred to the Group on December 15, 2004. New Oriental China had operating activities prior to entering into these agreements with the Company. As a result, the consolidated financial statements reflect the consolidation of New Oriental China starting from December 2004. Prior to December 2004, the financial statements were prepared by including the financial statements of New Oriental China and its subsidiaries.

The Group provides high quality training programs including English and other foreign language training and non-degree seeking vocational training to Chinese students. The Group also operates a full-curriculum primary and secondary boarding school. Products and services offerings of the Group also include book publishing, on-line education, career and studying-abroad advisory services and educational contents & software research and development and distribution.

2. Significant accounting policies

Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America ("US GAAP").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its majority owned subsidiaries and its variable interest entity, New Oriental China and its subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

2. Significant accounting policies (continued)

Significant risks and uncertainties

The Group participates in a young and dynamic industry and believes that changes in any of the following areas could have a material adverse effect on the Group's future financial position, results of operations or cash flows: the share market performance and public interest in companies operating in PRC that are listed on share market in the United States; competition from other competitors; regulatory or other PRC related factors; and risks associated with the Group's ability to attract and retain employees necessary to support its growth, risks associated with the Group's growth strategies; and general risks associated with the industry.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments which are unrestricted as to withdrawal or use, and which have maturities of three months or less when purchased.

Term deposits

Term deposits consist of deposits placed with financial institutions with original maturity terms of greater than three months.

Restricted cash

Restricted cash represents RMB deposit in bank account used as security for issuing a promissory note and deposit for obtaining certain licenses to conduct overseas studying consulting services business.

Inventory

Inventory is stated at the lower of cost (average weighted method) or market value.

Land use right, net

Land use right is recorded at cost less accumulated amortization. Amortization is provided over the term of the land use right agreement on a straight-line basis over the term of the agreement, which is 50 years.

Property, plant and equipment, net

Property, plant and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated on a straight line basis over the following estimated useful lives:

Buildings	50 years
Furniture and education equipment	5 years
Transportation equipment	10 years
Computer equipment and software	3 years
Leasehold improvements	Shorter of the lease term or estimated useful life

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

2. Significant accounting policies (continued)

Construction in progress

The Group constructs certain of its property, plant and equipment. In addition to cost under the construction contracts, interest cost and external costs directly related to the construction of such facilities, including equipment installation and shipping costs, are capitalized. Depreciation is recorded at the time assets are placed in service.

Impairment of long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, the Group measures impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the fair value of the assets.

Note payable-trade

Note payable-trade represents the promissory notes issued for acquiring property and equipment.

Revenue recognition

The Group recognizes net revenues as follows:

a) Educational programs and services

The educational programs and services consist of language training and test preparation courses. Tuition revenue received for educational programs and services is recognized proportionately as the instructions are delivered, and is reported net of scholarships, business taxes and related surcharges, and tuition refunds. Tuition paid in advance is recorded as deferred revenue. A course trial period commences on the date the course begins and lasts for one week. Tuition refunds are provided to students if they decide within the one-week trial period that they no longer want to take the course. Tuition refunds have been insignificant in 2004, 2005 and 2006.

The Group also sells online-learning cards primarily to distributors. Online-learning card sales represent prepaid service fees received from students for e-learning services. The prepaid service fee is recorded as deferred revenue upon receiving the upfront cash payment. Revenue is recognized upon actual using of the card by the students based on the number of minutes the students uses the e-learning services. Upon the expiration of the online-learning card, which is six months to one year from the date of the sale of the online-learning cards, the Group will recognize the remaining deferred revenue amount as revenue.

b) Books and others

The Group sells educational books and other educational materials either through its own book stores or websites or through third party distributors. Revenue from sales made through the Group's book store is recognized upon sales to customer. Revenue for distributors is recognized once the products are sold to the end customer.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

2. Significant accounting policies (continued)

b) Books and others (continued)

The Group also provides overseas studies consulting services to students. The Group charges each student a fee based on the scope of consulting services requested by the student and recognizes revenue as the services are delivered.

The total revenues are net of PRC business taxes and related surcharges, as well as scholarships, discounts and refunds which amounted to RMB14,319, RMB20,369 and RMB23,773, respectively for 2004, 2005 and 2006.

Capitalization of interest

Interest cost incurred on funds used to construct property, plant and equipment during the active construction period is capitalized. The interest capitalized is determined by applying the borrowing interest rate to the average amount of accumulated capital expenditures for the assets under construction during the period. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful life of the assets. Capitalized interest of RMB1,348, RMB2,792 and RMB4,257 in 2004, 2005 and 2006, respectively, has been added to the cost of the underlying assets during the year and is amortized over the respective useful life of the assets. During 2004, 2005 and 2006, the Group recorded amortization expenses relating to the capitalized interest of RMB11, RMB41 and RMB121, respectively.

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 are charged to the consolidated statements of operations on a straight-line basis over the shorter of the lease term or estimated useful life.

Advertising costs

The Group expenses advertising costs as incurred. Total advertising expenses were RMB16,062, RMB19,342 and RMB17,510 for the years ended May 31, 2004, 2005 and 2006, respectively, and have been included as part of selling and marketing expenses.

Government subsidies

The Group receives government subsidies from the local government authority for encouraging developing local education industry, which amounted RMB2,435, RMB300 and RMB370 for the years ended May 31, 2004, 2005, and 2006. Upon receiving the subsidy, the Group recorded the government subsidies as other income as there were no specific expenses required to be incurred by the Group to obtain the subsidies.

Foreign currency translation

The functional currency of the Group excluding the Company is the Renminbi ("RMB"). Transactions in other currencies are recorded in RMB at the rates of exchange prevailing when the transactions occur. Monetary assets and liabilities denominated in other currencies are translated into RMB at rates of exchange in effect at the balance sheet dates. Exchange gains and losses are recorded in the consolidated statements of operations.

The functional currency of the Company is the United States dollar ("US\$"). Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

2. Significant accounting policies (continued)

exchange rates and revenues, expenses gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive loss in the statement of shareholders' equity. The Group has chosen the RMB as their reporting currency.

Translation into United States Dollars

The financial statements of the Group are stated in RMB. The translation of RMB amounts at and for the year May 31, 2006 into United States dollar ("US\$") is included solely for the convenience of readers and has been made at the rate of RMB8.0188 to US\$1, the approximate free rate of exchange at May 31, 2006. Such translations should not be construed as representations that RMB amounts could be converted into US\$ at that rate or any other rate.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses in the financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements include the useful lives of and impairment for property, plant and equipment and share-based compensation. Actual results could differ from those estimates.

Fair value of financial instruments

The Group's financial instruments consist primarily of cash and cash equivalents, term deposit, restricted cash and short-term borrowings. The fair value of these financial instruments approximate their carrying amounts reported in the consolidated balance sheets due to the short-term maturity of these instruments.

Net income per share

Basic net income per share is computed by dividing income attributable to holders of common shares by the weighted average number of common shares outstanding during the year. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised into common shares. Common share equivalents are excluded from the computation of the diluted net income per share in years when their effect would be anti-dilutive.

As a result of the recapitalization relating to the incorporation of New Oriental Education Technology Group Inc., the outstanding common shares have been retroactively restated to 100,000,000 shares in the denominator for each year presented.

Income taxes

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net of operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

2. Significant accounting policies (continued)

all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

Comprehensive income

Comprehensive income includes net income and foreign currency translation adjustments. Comprehensive income is reported in the statements of shareholders' equity.

Share-based compensation

The Group has adopted SFAS No. 123R, "Share-based Payment", which requires that share-based payment transactions with employees, such as share options, be measured based on the grant-date fair value of the equity instrument issued and recognized as compensation expense over the requisite service period, with a corresponding addition to paid-in capital. Under this method, compensation cost related to employee share options or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the period during which an employee is required to provide service in exchange for the award, which generally is the vesting period.

Recently issued accounting pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Instruments—an amendment of FASB Statements 133 and 140", which is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The statement improves financial reporting by eliminating the exemption from applying SFAS No. 133 to interests in securitized financial assets so that similar instruments are accounted for similarly regardless of the form of the instruments. The statement also improves financial reporting by allowing a preparer to elect fair value measurement at acquisition, at issuance, or when a previously recognized financial instrument is subject to a re-measurement event, on an instrument-by-instrument basis, in cases in which a derivative would otherwise have to bifurcate, if the holder elects to account for the whole instrument on a fair value basis. The Group is currently evaluating the impact, if any, of this statement on the consolidated combined financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections", which replaces Accounting Principles Board Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements—An Amendment of APB Opinion No. 28." SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Group does not anticipate that the adoption of this statement will have a material effect on our financial position or results of operations.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs—an amendment of ARB No. 43, Chapter 4." SFAS No. 151 clarifies the accounting that requires abnormal amounts of idle facility expenses, freight, handling costs, and spoilage costs to be recognized as current-period charges. It also requires that

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2. Significant accounting policies (continued)

allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 will be effective for inventory costs incurred on or after July 1, 2005. The Group does not anticipate that the adoption of this standard will have a material effect on our financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29," which amends Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions," to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 is effective for nonmonetary assets exchanges occurring in fiscal periods beginning after June 15, 2005. The Group does not anticipate that the adoption of this standard will have a material effect on our financial position or results of operations.

Unaudited pro forma information

The pro forma balance sheet information as of May 31, 2006 assumes the conversion upon completion of the initial public offering of the Series A convertible preferred shares outstanding as of May 31, 2006 into common shares.

Unaudited pro forma net income per share

Pro forma basic and diluted income per common share is computed by dividing income attributable to holders of common shares by the weighted average number of common shares outstanding for the year plus the number of common shares resulting from the assumed conversion upon the closing of the planned initial public offering of the outstanding Series A convertible preferred shares.

3. Discontinued operations

In December 2004, the Group decided to dispose of its 96.2% subsidiary, Liandong Weiye. Liandong Weiye carried out all of the Group's Wireless Application Protocol ("WAP") business. The disposal was effected in order to facilitate the Group's plan to enhance its existing core business.

The disposal of Liandong Weiye was completed in two stages. The first stage was completed in March 2005 whereby the Group disposed of 56.2% equity interest to Mr. Qian Yongqiang ("Mr. Qian"), a director of the Group, for a cash consideration of RMB5,123 which represented the book value of the net assets disposed. This price was determined based on the Group's extensive negotiations with Mr. Qian and approved by all the Group's non-interested directors. Accordingly, no gain or loss was recorded on the transaction. The second stage was completed in August 2005 whereby the Group disposed of the remaining equity interest to a newly created entity which is owned by the same shareholders of the Group for nil consideration. Thus the transaction was recorded as a sale of assets between entities under common control. Accordingly, the Group recorded a dividend in kind of RMB25,526. Commencing with the initial 56.2% equity interest disposal the Group did not have any business involvement in Liandong Weiye.

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3. Discontinued operations (continued)

In accordance with Statement of Financial Accounting Standard No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets”, the assets and liabilities of Liandong Weiye have been separately presented in the accompanying consolidated balance sheets at May 31, 2004 and 2005 and consist of the following:

	As of May 31, 2004	As of May 31, 2005
	RMB	RMB
Current assets of discontinued operations:		
Cash and cash equivalents	19,555	5,479
Accounts receivable, net	3,373	11,519
Inventory	1,210	—
Prepaid expenses and other current assets	1,489	402
	<u>25,627</u>	<u>17,400</u>
Long-term assets of discontinued operations:		
Property, plant and equipment, net	<u>2,485</u>	<u>721</u>
Current liabilities of discontinued operations:		
Accounts payable-trade	903	386
Accrued expenses and other current liabilities	27,161	810
Income tax payable	607	994
	<u>28,671</u>	<u>2,190</u>

Summarized operating results from the discontinued operations included in the Group’s consolidated statement of operations were as follows for the year ended May 31, 2004, 2005 and 2006:

	Year ended May 31,		
	2004	2005	2006
	RMB	RMB	RMB
Revenues	<u>34,051</u>	<u>121,919</u>	<u>43,837</u>
Pre-tax profit from discontinued operations	7,793	46,516	11,288
Income tax expense	(447)	(5,361)	(1,693)
Income from discontinued operations, net of tax	<u>7,346</u>	<u>41,155</u>	<u>9,595</u>

The operating results from the discontinued operations reflect 100% of Liandong Weiye’s operations in 2004, 100% of Liandong Weiye’s operations for the first three months from January to March of 2005 and 40% of Liandong Weiye’s from April through the end of August 2005, reflecting the Group’s disposal of its 56.2% ownership interest in Liandong Weiye in March 2005, and 40% of Liandong Weiye’s operations from September 2005 through the end of that year, reflecting the Group’s disposal of its remaining equity interest in Liandong Weiye in August 2005.

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4. Inventory

Inventory consists of the following:

	As of May 31,		
	2004	2005	2006
	RMB	RMB	RMB
Course materials	9,774	9,162	15,687
Publications	16,203	16,743	20,731
	25,977	25,905	36,418

5. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	As of May 31,		
	2004	2005	2006
	RMB	RMB	RMB
Advances to suppliers	648	2,021	2,075
Prepaid advertising fees	20	586	769
Prepaid rent	5,687	13,128	11,945
Rental deposits	3,503	5,649	6,304
Staff advances	2,502	4,456	4,514
Value added tax recoverable	1,944	1,002	2,806
Deposit for construction of school	426	200	462
Prepaid house property tax and other tax	—	—	850
Prepaid professional service fees related to initial public offering	—	—	2,225
Others	672	809	3,705
	15,402	27,851	35,655

6. Property, plant and equipment, net

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

	As of May 31,		
	2004	2005	2006
	RMB	RMB	RMB
Buildings	60,080	223,109	590,074
Transportation equipment	16,470	21,320	23,636
Furniture and education equipment	34,683	68,477	103,429
Computer equipment and software	19,205	27,748	32,954
Leasehold improvements	16,842	27,616	49,046
	147,280	368,270	799,139
Less: accumulated depreciation and amortization	(29,855)	(55,478)	(92,574)
Construction in-progress	64,741	345,361	—
	182,166	658,153	706,565

For the years ended May 31, 2004, 2005 and 2006, depreciation and amortization expense was RMB17,956, RMB23,857 and RMB41,266, respectively.

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7. Short-term borrowings

Short-term borrowings consist of the following:

	As of May 31,		
	2004	2005	2006
	RMB	RMB	RMB
Unsecured short-term bank loans	75,000	70,000	35,000
Borrowing from a non-related party, having an interest rate of 5.31%	5,000	5,000	—
	<u>80,000</u>	<u>75,000</u>	<u>35,000</u>

As of May 31, 2004, unsecured short-term bank loans consisted of four bank loans of RMB50,000, RMB15,000, RMB5,000 and RMB5,000, repayable on February 25, 2005, October 16, 2004, April 20, 2005 and May 10, 2004 and bear interest at 5.310%, 5.544%, 5.841% and 5.841% per annum respectively.

As of May 31, 2005, unsecured short-term bank loans consisted of four bank loans of RMB20,000, RMB30,000, RMB5,000 and RMB15,000, repayable on December 22, 2005, December 17, 2005, May 7, 2006 and September 18, 2005 and bear interest at 5.580%, 5.580%, 6.696% and 5.841% per annum respectively.

As of May 31, 2006, unsecured short-term bank loans consist two bank loans of RMB20,000 and RMB15,000, repayable on March 30, 2007 and January 28, 2007, and each bears interest at 5.580% per annum. The loan of RMB20,000 has been guaranteed by New Oriental China.

As of May 31, 2004, the borrowing from a non-related party was RMB5,000 and was repaid on September 4, 2004. As of May 31, 2005, the Group had a new borrowing from the same non-related party for RMB5,000 which was repaid on September 22, 2005.

The above short-term borrowings incurred interest expense for the years ended May 31, 2004, 2005 and 2006 was RMB2,098, RMB4,374 and RMB2,765, respectively, of which RMB571, RMB872 and RMB206 was capitalized as addition to construction in-progress, respectively, for the years ended May 31, 2004, 2005 and 2006.

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8. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of May 31,		
	2004	2005	2006
	RMB	RMB	RMB
Rent payable	1,965	8,493	3,989
Accrued payroll	15,944	17,547	22,517
Accrued interests for short-term borrowings	782	223	183
Accrued interests for long-term debt	616	599	547
Payable for acquiring equipment	22,123	63,384	37,575
Business tax payable	2,217	1,970	2,425
Individual tax payable	1,170	3,934	1,742
Value added tax payable	924	30	357
Other tax payable	328	505	1,200
Welfare payable	3,367	8,051	9,853
Royalties fee payable	—	789	1,233
Advances from students	1,595	2,901	3,364
Deposit payable	—	1,404	1,088
Professional service fees	—	—	168
Others	2,811	3,451	5,355
Total	53,842	113,281	91,596

9. Dividend payable

As of May 31, 2006, the Group declared dividends to its common shareholders in the amount of RMB65,498, of which RMB64,726 was paid before May 31, 2006 and RMB772 was remaining.

10. Long-term debt

Long-term debt consists of the following:

		As of May 31,		
		2004	2005	2006
		RMB	RMB	RMB
Secured long-term bank loans, bearing an average interest from 5.58% to 6.12%	(a)	30,000	191,621	125,741
Unsecured long-term bank loan, bearing an interest rate at 5.58%	(b)	24,500	24,500	24,500
Total		54,500	216,121	150,241
Less: current portion of long-term debt		—	(36,436)	(47,603)
Non-current portion of long-term debt		54,500	179,685	102,638

(a) The secured long-term bank loan is secured by a pledge of certain of the Group's buildings and a land use right. The pledged buildings as of May 31, 2006 had a net book value of RMB270,345. The pledged land use right as of May 31, 2006 had a net book value of RMB25,456.

As of May 31, 2004, the secured long-term loan consisted of one bank loan of RMB30,000, of which RMB10,000 was repayable in October 2005, RMB10,000 was repayable in April 2006 and

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10. Long-term debt (continued)

RMB10,000 is repayable in October 2006. The interest expense incurred for the year ended May 31, 2004 was RMB1,561, of which RMB nil has been capitalized as an addition to construction-in-progress for the year ended May 31, 2004.

As of May 31, 2005, the secured long-term loans consisted of two bank loans of RMB30,000 and RMB161,621. Of the RMB30,000 loan, RMB10,000 was repayable in October 2005, RMB10,000 was repayable in April 2006 and RMB10,000 is repayable in October 2006. The RMB161,621 loan is repayable by installment over 120 months with a monthly repayment of RMB1,370 until March 2015. The interest expense incurred for the year ended May 31, 2005 was RMB3,380 of which RMB1,669 was capitalized as an addition to construction-in-progress, respectively, for the year ended May 31, 2005.

As of May 31, 2006, the secured long term loans consisted of two bank loans of RMB10,000 and RMB115,741. The RMB10,000 loan is repayable in October 2006. The RMB115,741 loan is repayable by installment over 120 months with a monthly repayment of RMB1,092 until March 2015. The interest expense incurred for the year ended May 31, 2006 was RMB11,330, of which RMB4,052 was capitalized as an addition to construction-in-progress for the year ended May 31, 2006.

- (b) The unsecured long-term bank loan of 24,500 has been guaranteed by New Oriental China. The unsecured long term loan is repayable in October 2006. The interest expense incurred for the years ended May 31, 2004, 2005 and 2006 was RMB777, RMB1,376 and RMB1,504, respectively, of which RMB777, RMB251 and RMB nil was capitalized as an addition to construction-in-progress, respectively.

Future principal repayments on the long-term debt are as follows:

	<u>RMB</u>
Year ending May 31,	
2007	47,603
2008	13,103
2009	13,103
2010	13,103
2011	13,103
Thereafter	50,226
	<u>150,241</u>
Less: current portion	(47,603)
	<u>102,638</u>

11. Convertible preferred shares

On December 24, 2004, the Company issued 11,111,111 Series A convertible preferred shares for US\$2.025 per share for total cash proceeds of US\$22,102, net of issuance costs of US\$398.

The Group has determined that there was no embedded beneficial conversion feature attributable to the Series A convertible preferred shares, since the initial conversion price of Series A convertible preferred shares is equal to the issuance price, which was negotiated and agreed between the Group and the external investor on an arm's length basis and, which was determined by management to approximated the fair value of the Group's common shares at the commitment date since there was no existence of a public or active market of the Group's common shares, nor were there any cash transactions involving the Group's common shares that occurred prior to this date.

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11. Convertible preferred shares (continued)

The rights, preferences, privileges and restrictions granted to and imposed on the Series A convertible preferred shares are as set forth below.

Dividend provisions

Any dividends or distributions shall be distributed among all holders of common shares and Series A preferred shares in proportion to the number of common shares that would be held by each such holder if all Series A convertible preferred shares were converted to common shares at the then effective conversion rate.

Notwithstanding the foregoing, the Company may declare and pay any time prior to March 31, 2005 a dividend payable to the holders of common shares in an amount not to exceed RMB40,000,000, in which the holders of Series A convertible preferred shares shall not participate.

Liquidation preference

In the event of any liquidation event, either voluntary or involuntary, the holders of Series A convertible preferred shares shall be entitled to receive, prior and in preference to any distribution of the proceeds of such liquidation event to the holders of common shares by reason of their ownership thereof, an amount per share equal to the sum of the applicable Original Issue Price which is US\$2.025 per share for such Series A convertible preferred shares, plus declared but unpaid dividends on such share.

Conversion

Each Series A preferred share shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Company or any transfer agent for such shares, into such number of fully paid and nonassessable common shares as is determined by dividing the applicable Original Issue Price for such series by the applicable Conversion Price for such series, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for each series of Series A preferred shares shall be the Original Issue Price applicable to such series.

Voting rights

Each holder of Series A preferred shares shall have the right to one vote for each common share into which such Series A preferred shares could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of common shares.

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12. Equity instrument

The following table summarizes information regarding restricted shares and share options:

Grant Date	Number of restricted shares issued	Fair value of common shares	Exercise price	Intrinsic value
		RMB	RMB	RMB
Restricted shares:				
January 1, 2003	1,450,000	6.22*	1.00	5.22
May 1, 2003	500,000	6.88*	0.00	6.88
November 1, 2003	790,000	6.80*	0.00	6.80
March 1, 2004	1,137,500	8.78*	2.00	6.78
April 1, 2004	550,000	8.78*	2.00	6.78
August 1, 2005	1,955,100	14.59*	2.00	12.59
August 1, 2005	110,000	14.59*	0.00	14.59
April 26, 2006	2,507,400	16.80**	4.00	12.80
Total	9,000,000			
Shares options:				
February 28, 2006	7,099,500	15.96*	16.20	—
July 21, 2006 (unaudited)	1,620,000	19.08**	19.08	—

* The fair value was determined based on a retrospective valuation by an independent appraiser.

** The fair value was determined based on a contemporaneous valuation by an independent appraiser.

The derived fair value of the common shares underlying the options and restricted shares was determined based on a retrospective third-party valuation conducted by American Appraisal using generally accepted valuation methodologies, including the discounted cash flow method, a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate and the guideline companies approach, which incorporates certain assumptions including the market performance of comparable listed companies as well as the financial results and growth trends of the Group, to derive the total equity value of the Group. The valuation model allocated the equity value between the common shares and the preferred shares and determined the fair value of common shares based on the option-pricing method under the enterprise value allocation method. Under this method, the common shares have value only if the funds available for distribution to shareholders exceed the value of the liquidation preference at the time of a liquidity event (for example, merger or sale). The common shares are considered to be a call option with claim on the enterprise at an exercise price equal to the remaining value immediately after the preferred shares are liquidated.

Restricted Shares:

In 2002, the Group appointed Beijing Beizhi Culture and Education Co., Ltd., or Beijing Beizhi, a PRC company, as a nominee shareholder of 9,000,000 authorized common shares on the Group's behalf. In 2004, the Group released 1,324,778 common shares from the restricted share pool to the unrestricted share pool. As of May 31, 2004, 2005 and 2006 there are 9,000,000, 7,675,222 and 7,675,222 restricted shares outstanding. These shares are subject to transfer restrictions and do not have any voting rights. Immediately upon the completion of the Group's initial public offering, the restrictions on these restricted shares will automatically terminate. During 2004, 2005 and 2006, New Oriental China through Beijing Beizhi issued 2,477,500, nil and 4,572,500 fully vested restricted shares to certain employees, directors, consultants and other individuals, respectively. Accordingly, the Group recorded compensation expense of RMB16,817, nil

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12. Equity instrument (continued)

and 58,333 respectively in 2004, 2005 and 2006 which represents the difference between the fair value of the common shares and their exercise price on the grant date.

2006 Share Option Incentive Plan

On January 20, 2006, the Group adopted 2006 Share Incentive Plan or the Plan, under which the Group may grant options to purchase up to 8,000,000 common shares of the Group, to its employees, directors and consultants, plus (i) an increase of 5,000,000 shares to be added on January 1, 2007, (ii) an increase of 5,000,000 shares to be added on January 1, 2008 and (iii) an annual increase to be added on the first business day of each calendar year beginning in 2009 equal to the lesser of (x) 3,000,000 shares, (y) two percent (2%) of the number of shares outstanding as of such date, or (z) a lesser number of shares determined by the management. In the event that the aggregate number of shares which may be issued pursuant to all the awards granted by us in any given year has reached the maximum amount allowed in such year, the management may, during such year, grant additional awards to entitle the recipients thereto to acquire up to 2,000,000 shares, or the extra shares, provided that the maximum aggregate number of shares which may be issued pursuant to all awards for the following year will be reduced by the number of the extra shares underlying the awards granted in the previous year.

(A) granted to an employee who, at the time of the grant of such Incentive Share Option owns shares representing more than 10% of the voting power of all classes of shares of the Company or any parent or subsidiary of the Company, the per share exercise price shall be not less than 110% of the fair market value per share on the date of grant; or

(B) granted to any employee other than an employee described in the preceding paragraph, the per share exercise price shall be not less than 100% of the fair market value per share on the date of grant.

(C) In the case of a non-qualified share option, the per share exercise price shall be not less than 100% of the Fair Market Value per Share on the date of grant unless otherwise determined by the management.

The term of an option shall be no more than 10 years from the date of grant thereof and generally vest ¹/₆th on each six month anniversary of the vesting commencement date for a period of 3 years. As of May 31, 2006, options to purchase 7,099,500 shares of common shares were outstanding, and options to purchase 900,500 common shares were available for future grant.

A summary of the share option activity under 2006 Share Incentive Plan is as follows:

	Number of option	Weighted average exercise price	
		RMB	US\$
Options outstanding at June 1, 2005	—	—	\$ —
Granted	7,099,500	16.20	2.02
Exercised	—	—	—
Cancelled	—	—	—
Options outstanding at May 31, 2006	7,099,500	—	\$ —

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12. Equity instrument (continued)

The per share fair value of options as of February 28, 2006, the grant date was as follows:

Common shares	RMB8.02 (US\$1.00)
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The following table summarizes information with respect to share options outstanding at May 31, 2006:

	Options outstanding				Options exercisable				
	Number of outstanding	Weighted average remaining contractual life	Weighted average exercise price		Number exercisable	Weighted average exercise price		Aggregate intrinsic value	
			RMB	US\$		RMB	US\$	RMB	US\$
Common shares: RMB8.02 (equivalent to US\$1.00)	7,099,500	10 years	16.20	2.02	—	16.20	2.02	—	—

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions.

Option grants

	May 31, 2006
Average risk-free rate of return	2.45 - 2.56%
Weighted average expected option life	5.875 years
Volatility rate	50.17 - 53.93%
Dividend yield	—

As of May 31, 2006, there was RMB51,838 of total unrecognized compensation expense related to non-vested share-based compensation arrangement under the 2006 Share Incentive Plan. That cost is expected to be recognized over a weighted-average period of 2.58 years.

13. Income taxes

Significant components of the provision for income taxes on earnings from continuing operations for the years ended May 31, 2004, 2005 and 2006, are as follows:

	Year ended May 31,		
	2004	2005	2006
	RMB	RMB	RMB
Current:			
PRC	3,622	7,772	16,173
Deferred:			
PRC	(985)	(1,928)	(2,250)
Total expense	2,637	5,844	13,923

The Company is incorporated in the Cayman Islands. Under the current law of the Cayman Islands, the Company is not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The subsidiaries of New Oriental China, which are registered as private schools (the “school-subsiaries”), are subject to income tax in according to The Law for Promoting Private Education (2003), pursuant to which, the school-subsiaries that is registered as private schools not requiring reasonable returns are treated as public schools, thereby generally not being subject to any enterprise income tax, while the preferential tax treatment policies applicable to the school-subsiaries registered as requiring reasonable

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13. Income taxes (continued)

returns shall be separately formulated by the relevant authorities under the State Council. To date, however, no separate regulations or policies have been promulgated by the relevant authorities in this regard. As a result, preferential tax treatments for school-subidiaries vary across different cities. In some cities, schools are subject to a 33% standard enterprise income tax, while in other cities, our schools are subject to a 2% to 3.5% tax on gross receipts in lieu of the 33% standard enterprise income tax or exempted from the enterprise income tax. The subsidiaries of New Oriental China other than its school-subidiaries are subjected the 33% standard enterprise income tax.

Each of New Oriental China and the three wholly owned subsidiaries of the Company in China is a certified “new or high-technology enterprise” located in a high-tech zone in Beijing. As a result, each of them is entitled to a three-year exemption from enterprise income tax beginning from its first year of operation, a 7.5% enterprise income tax rate for another three years followed by a 15% tax rate so long as it continues to qualify as a “new or high-technology enterprise.” New Oriental China was exempted from enterprise income tax in 2003 and 2004 and was subject to a 7.5% enterprise income tax from 2005 to 2007, and will be subject to an 15% enterprise income tax after 2007 as long as it continues to qualify as a “new or high-technology enterprise.” Each of the three wholly owned subsidiaries of the Company in China was established in 2005 and thus was exempted from enterprise income tax from 2005 to 2007, followed by a 7.5% enterprise income tax in 2008 and 2010 and an 15% enterprise income tax thereafter as long as it continues to qualify as a “new or high-technology enterprise.”

The Group uses the liability method to account for income taxes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Group’s deferred tax assets and liabilities arising from continuing operations are as follows as:

	Year ended May 31,		
	2004	2005	2006
	RMB	RMB	RMB
Non-current Deferred tax assets			
Net operating loss carryforwards	2,961	11,293	20,002
Pre-operating expenses	836	636	697
	<u>3,797</u>	<u>11,929</u>	<u>20,699</u>
Valuation allowance	(2,813)	(9,017)	(15,536)
	<u>984</u>	<u>2,912</u>	<u>5,163</u>

The Group operates through multiple subsidiaries and a variable interest entity and the valuation allowance is considered on each individual subsidiary and variable interest entity basis. Where a valuation allowance was not recorded, the Group believes that it is more likely than not that the deferred taxes will be realized as it expects to generate sufficient taxable income in future. The net deferred tax assets represent the tax effect of temporary differences arising from the net operating loss carryforward and pre-operating expenses available for certain subsidiaries of the Company to offset against future profits over a period of five years till 2007.

The Group did not have any temporary differences relating to deferred tax liabilities as of May 31, 2004, 2005 and 2006.

The valuation allowance from 2004 to 2006 has increased. The increase relates to the net operating losses which the Group believes will not result in income tax benefit because it is more likely than not that the related entities cannot generate future taxable income.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

13. Income taxes (continued)

The reconciliation of the reported income tax expense to the amount that would result by applying the statutory tax rate of 33% to income from continuing operations before income taxes for the years ended May 31 is as follows:

	Year ended May 31,		
	2004	2005	2006
	RMB	RMB	RMB
Tax expense at statutory rate	33.00%	33.00%	33.00%
Permanent differences	11.68	10.28	53.36
Tax effect of income taxed at different rates	8.18	3.79	(34.27)
Effect of tax exemption granted to PRC subsidiaries	(53.21)	(47.40)	(38.32)
Changes in valuation allowance	5.70	5.68	12.14
Total tax expense	5.35%	5.35%	25.91%

14. Net income per share

The following table sets forth the computation of basic and diluted income per share for the periods indicated:

	Year ended May 31,		
	2004	2005	2006
	RMB	RMB	RMB
Numerator used in basic and diluted net income per share:			
Income from continuing operations	46,442	103,252	39,790
Income on discontinued operation, net of tax	5,947	38,722	9,595
Dividend in kind	—	—	(25,526)
Income attributable to holders of common shares	52,389	141,974	23,859
Shares (denominator):			
Weighted average common shares and restricted shares outstanding used in computing basic income per share	100,000,000	100,000,000	100,000,000
Plus weighted average Series A convertible preferred shares outstanding	—	4,840,183	11,111,111
Plus incremental weighted average common shares from assumed conversion of stock options using the treasury stock method	—	—	—
Weighted average common shares outstanding used in computing diluted income per share	100,000,000	104,840,183	111,111,111
Net income per share – basic:			
Income from continuing operations	0.46	1.03	0.40
Income on discontinued operation, net of tax	0.06	0.39	0.10
Dividend in kind	—	—	(0.26)
Net income	0.52	1.42	0.24
Net income per share – diluted:			
Income from continuing operations	0.46	0.98	0.36
Income on discontinued operation, net of tax	0.06	0.37	0.08
Dividend in kind	—	—	(0.23)
Net income	0.52	1.35	0.21

As of May 31, 2006, the Group has 7,099,500 share options outstanding that could have potential diluted income per share in the future, but which were excluded in computation of diluted income per share in the period, as their exercise price was above the average fair values in such period.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

15. Related party transactions

The Group has entered into a number of transactions with related parties. The balances and transactions with these related parties for the years ended May 31, 2004, 2005 and 2006 are as follows:

(a) Transactions

(i) The Group entered into the following transactions with related parties:

Transactions	Relationship	Year ended May 31,		
		2004	2005	2006
		RMB	RMB	RMB
Consulting fees earned by Beijing Beizhi Cultural Education Co., Ltd	Principal shareholder	2,400	—	—

(ii) In December 2004, the Group entered into a sale agreement with Mr. Qian Yongqiang, a director of the Group, to transfer its 56.2% interest in Liandong Weiye to Mr. Qian. The Group disposed of its 56.2% stake of Liandong Weiye for cash consideration of RMB5,123. The disposal was completed in March 2005 when control was passed to Mr. Qian. The Group loaned Mr. Qian an aggregate amount of 5,123 for the purpose to making the purchase. As of May 31, 2006, the total remaining outstanding balance of the loan to Mr. Qian was nil.

(b) The Group had the following balances with related parties:

Relationship	Amounts due from related parties			Amounts due to related parties			
	As of May 31,						
	2004	2005	2006	2004	2005	2006	
	RMB	RMB	RMB	RMB	RMB	RMB	
Non-current							
Beijing Century Friendship Education Investment Co., Ltd.	Principal shareholder	—	—	—	10,000	785	—
Mr. Michael Yu Minghong	Director	380	—	—	200	203	203
Mr. Qian Yongqiang	Director	24	5,123	2,080	—	—	—
Ms. Li Li	Nominee shareholder	—	—	100	—	—	—
Liandong Weiye	Equity investment	—	2,609	1,798	—	—	186
Restricted shareholders	Employee	—	—	4,549	—	—	—
		404	7,732	8,527	10,200	988	389

The above non-current advances are non-interest bearing and unsecured with no fixed repayment terms.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

16. Commitments***Operating Lease***

The Group conducts significant operations from leased facilities. These facilities include the Group's corporate headquarters prior to October 2005, other office locations, classrooms and warehouse space. The terms of substantially all of these leases are ten years or less. Future minimum lease payments at May 31, 2006, by year and in the aggregate under all non-cancelable operating leases are as follows:

	<u>RMB</u>
Years ending May 31:	
2007	69,817
2008	64,859
2009	53,914
2010	45,878
2011	24,956
Thereafter	39,185
	<u>298,609</u>

Rent expense included in income from continuing operations for all cancelable and non-cancelable leases was approximately RMB65,799, RMB91,560 and RMB79,590 for the years ended May 31, 2004, 2005 and 2006, respectively. Rent expense included in income from discontinued operations for all cancelable and non-cancelable leases was approximately RMB1,562 and RMB1,351 for the years ended May 31, 2004 and May 31, 2005, respectively.

Capital commitment

	<u>RMB</u>
Capital commitment for purchase of property and equipment	122
Capital commitment for leasehold improvements	4,836

17. Segment information

The Group offers a wide range of educational programs, services and products consisting primarily of English and other foreign language training, test preparation courses for major admissions and assessment tests in the United States, the PRC and Commonwealth countries, primary and secondary school education, educational content, software and other technology development and distribution, and online education.

The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group uses the management approach to determine operating segments. The management considers the internal organization and reporting used by the Group's chief operating decision makers for making decisions resource allocations and assessing performance. Based on management assessment, the Group has determined that it has six operating segments which are language training and test preparation courses, primary and secondary school education, on-line education, content development and distribution, post-secondary education and overseas study consulting services. The six operating segments have been

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

17. Segment information (continued)

aggregated into two reportable segments which are language training and test preparation courses, primary and secondary education. The on-line education, content development and distribution, post-secondary education and overseas study consulting services operating segments have been aggregated as others as individually they do not exceed the 10% quantitative threshold.

The Group's chief operating decision maker evaluates segment performance based on net revenues operating costs and expenses and operating income.

The net revenues operating costs and expenses and operating income and total assets by segment is as follows:

For the year ended May 31, 2004

	Language training and test preparation courses	Primary and Secondary education	Others	Consolidated
	RMB	RMB	RMB	RMB
Net Revenues	423,970	6,428	11,411	441,809
Operating costs and expenses:				
Cost of revenues	(173,732)	(6,632)	(10,643)	(191,007)
Selling and marketing	(31,782)	(588)	(5,275)	(37,645)
General and administrative	(116,109)	(8,227)	(9,120)	(133,456)
Total operating cost and expenses	(321,623)	(15,447)	(25,038)	(362,108)
Unallocated corporate expenses	—	—	—	(33,982)
Operating Income	102,347	(9,019)	(13,627)	45,719
Segment assets	307,032	192,652	64,018	563,702
Unallocated corporate assets	—	—	—	71,108
Assets of discontinued operations	—	—	—	28,112
Total assets	307,032	192,652	64,018	662,922

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

17. Segment information (continued)

For the year ended May 31, 2005

	Language training and test preparation courses	Primary and Secondary education	Others	Consolidated
	RMB	RMB	RMB	RMB
Net Revenues	590,895	15,917	36,458	643,270
Operating costs and expenses:				
Cost of revenues	(229,370)	(12,690)	(31,630)	(273,690)
Selling and marketing	(38,282)	(251)	(7,892)	(46,425)
General and administrative	(148,978)	(12,346)	(19,498)	(180,822)
Total operating cost and expenses	(416,630)	(25,287)	(59,020)	(500,937)
Unallocated corporate expenses	—	—	—	(31,236)
Operating Income	174,265	(9,370)	(22,562)	111,097
Segment assets	420,497	285,289	101,384	807,170
Unallocated corporate assets	—	—	—	288,021
Assets of discontinued operation	—	—	—	18,121
Total assets	420,497	285,289	101,384	1,113,312

For the year ended May 31, 2006

	Language training and test preparation courses	Primary and Secondary education	Others	Consolidated
	RMB	RMB	RMB	RMB
Net Revenues	687,437	31,320	51,502	770,259
Operating costs and expenses:				
Cost of revenues	(262,086)	(20,714)	(37,767)	(320,567)
Selling and marketing	(59,639)	(360)	(12,077)	(72,076)
General and administrative	(144,123)	(20,097)	(26,357)	(190,577)
Total operating cost and expenses	(465,848)	(41,171)	(76,201)	(583,220)
Unallocated corporate expenses	—	—	—	(122,880)
Operating Income	221,589	(9,851)	(24,699)	64,159
Segment assets	522,184	297,063	135,136	954,383
Unallocated corporate assets	—	—	—	135,179
Assets of discontinued operation	—	—	—	135,179
Total assets	522,184	297,063	135,136	1,089,562

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Notes to Consolidated Financial Statements
For the Years Ended May 31, 2004, 2005 and 2006 — (continued)
(In thousands, except share and share data)

17. Segment information (continued)

Geographical Disclosures—The Company operates in the PRC. All the identifiable assets of the Company are located in the PRC and the Company does not allocate such assets to individual segments.

18. Mainland China contribution plan and profit appropriation

Full time employees of the Group in the PRC participate in a government-mandated multiemployer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. PRC labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. The total contributions for such employee benefits were RMB3,150, RMB5,797, and RMB10,148 for the years ended May 31, 2004, 2005 and 2006, respectively.

19. Restricted net assets

Relevant PRC statutory laws and regulations permit payments of dividends by the Group's PRC variable interest entity and subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, PRC laws and regulations require that annual appropriations of 10% of after-tax income should be set aside prior to payments of dividends as reserve fund. As a result of these PRC laws and regulations, the Group's PRC variable interest entity and subsidiaries are restricted in their ability to transfer a portion of their net assets to either in the form of dividends, loans or advances, which restricted portion amounted to approximately RMB16,198 as of May 31, 2004, RMB38,700 as of May 31, 2005, and RMB56,111 as of May 31, 2006.

BEIJING NEW ORIENTAL EDUCATION & TECHNOLOGY (GROUP) CO., LTD., (“New Oriental China”)
Additional Information—Financial Statement Schedule 1
These Financial Statements Have Been Prepared in Conformity with Accounting
Principles Generally Accepted in the United States.
Financial Information of Parent Company
Balance Sheet
(In thousands)

May 31, 2004

	RMB
Assets	
Current assets:	
Cash and cash equivalents	26,124
Restricted cash	1,000
Amounts due from subsidiaries (trade)	14,613
Amounts due from subsidiaries (non-trade)	7,204
Inventory	24
Prepaid expenses and other current assets	5,494
Total current assets	54,459
Amounts due from related party	404
Deposit for acquisition of property and equipment	132,347
Property and equipment, net	3,329
Investment in subsidiaries	181,961
Total assets	372,500
Liabilities and shareholders' equity	
Current liabilities	
Amounts due to subsidiaries (non-trade)	144,240
Accrued Expenses and other current liabilities	4,380
Total current liabilities	148,620
Paid-in capital	81,390
Retained earnings	142,490
Total shareholders' equity	223,880
Total liabilities and shareholders' equity	372,500

BEIJING NEW ORIENTAL EDUCATION & TECHNOLOGY (GROUP) CO., LTD., (“New Oriental China”)
Additional Information—Financial Statement Schedule 1
These Financial Statements Have Been Prepared in Conformity with Accounting
Principles Generally Accepted in the United States.
Financial Information of Parent Company
Statement of Operations
(In thousands)

	Year ended May 31, 2004
	RMB
Total net revenues	113,975
Operating costs and expenses	
Costs of revenue	(6,764)
General and administrative	(30,012)
Selling and marketing	(3,968)
Total operating costs and expenses	(40,744)
Operating income	73,231
Interest income	933
Equity in earnings of subsidiaries	(20,956)
Other income (expense)	(6)
Interest expense	(813)
Income before income taxes	52,389
Income tax expense	—
Net income	52,389

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BEIJING NEW ORIENTAL EDUCATION & TECHNOLOGY (GROUP) CO., LTD., (“New Oriental China”)
Additional Information—Financial Statement Schedule 1
These Financial Statements Have Been Prepared in Conformity with Accounting
Principles Generally Accepted in the United States.
Financial Information of Parent Company
Statement of Cashflows
(In thousands)

	Year ended May 31, 2004
Operating activities	
Net income	52,389
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	1,221
Loss on disposal of property, plant and equipment	7
Share-based compensation expense	16,816
Equity in earnings of subsidiaries	(20,956)
Inventory	(24)
Amounts due from subsidiaries (trade)	(14,613)
Amounts due from subsidiaries (non-trade)	(1,498)
Amounts due to subsidiaries (non-trade)	106,719
Prepaid expenses and other current assets	(4,370)
Accrued expenses and other current liabilities	(100,637)
Net cash provided by operating activities	35,054
Investing activities	
Restricted cash	1,000
Purchase of property, plant and equipment	(134,583)
Proceeds from disposal of property, plant and equipment	4
Investment in subsidiaries	1,934
Amounts due from related parties	(292)
Net cash used in investing activities	(131,937)
Financing activities	
Proceeds from the issuance of restricted shares employees	1,642
Dividend paid to shareholders	(27,300)
Net cash used in financing activities	(25,658)
Net change in cash and cash equivalents	(122,541)
Cash and cash equivalents at beginning of year	148,665
Cash and cash equivalents at end of year	26,124
Interest paid	(813)
Income tax paid	—
Non-cash investing and financing activities:	
Acquisition of property, plant and equipment in exchange for payable	32,960
Dividends payable	—
Dividend converted to capital	40,000

BEIJING NEW ORIENTAL EDUCATION & TECHNOLOGY (GROUP) CO., LTD.,
Additional Information—Financial Statement Schedule 1
These Financial Statements Have Been Prepared in Conformity with Accounting
Principles Generally Accepted in the United States.
Financial Information of Parent Company
Statement of Registered Capital
(In thousands)

	Paid in Capital	Retained Earnings	Total shareholders Equity	Comprehensive Income
	RMB	RMB	RMB	RMB
Balance at June 1, 2003	22,931	157,401	180,332	
Increase of capital by dividend	40,000	(40,000)	—	
Issuance of restricted shares to employees	18,459	—	18,459	
Dividends		(27,300)	(27,300)	
Net income	—	52,389	52,389	52,389
Balance at May 31, 2004	81,390	142,490	223,880	52,389

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Additional Information—Financial Statement Schedule 1
These Financial Statements Have Been Prepared in Conformity with Accounting
Principles Generally Accepted in the United States.
Financial Information of Parent Company
Balance Sheets
(In thousands, except share and share data)

	May 31,		
	2005	2006	
	RMB	RMB	US\$
Assets			
Current assets:			
Cash and cash equivalents	2,892	241	\$ 30
Prepaid expense and other current assets	—	124	15
Total current assets	2,892	365	45
Investment in subsidiaries	481,237	521,704	65,060
Total assets	484,129	522,069	\$ 65,105
Liabilities and shareholders' equity			
Current liabilities:			
Accrued expenses and other current liabilities	—	560	69
Due to related parties	3	3	1
Total current liabilities	3	563	70
Shareholders' equity:			
Series A convertible preferred shares (US\$0.01 par value; 11,111,111 shares authorized in 2005 and 2006; 11,111,111 and nil shares issued and outstanding in 2005 and 2006) (liquidation value US\$22,500)	920	920	\$ 114
Common shares (US\$0.01 par value; 150,000,000 shares authorized in 2005 and 2006; 100,000,000 shares issued and outstanding in 2005 and 2006)	8,277	8,277	1,032
Additional paid-in capital	255,945	309,519	38,599
Retained Earnings	218,984	202,871	25,300
Accumulated other comprehensive income	—	(81)	(10)
Total shareholders' equity	484,126	521,506	65,035
Total liabilities and shareholders' equity	484,129	522,069	\$ 65,105

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Financial Information of Parent Company
Statements of Operations
(In thousands)

	Year ended May 31,		
	2005	2006	
	RMB	RMB	US\$
Operating costs and expenses:			
General and administrative	(6)	(7,721)	\$ (964)
Total operating costs and expenses	(6)	(7,721)	(964)
Operating loss	(6)	(7,721)	(964)
Interest income	1,226	88	11
Equity in earnings of subsidiaries	140,754	57,018	7,111
Income before income taxes	141,974	49,385	6,158
Income tax expense	—	—	—
Net income	141,974	49,385	\$6,158

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Parent Company Statements of Shareholders Equity and Comprehensive Income
(In thousands, except share data)

	Series A convertible preferred shares		Common shares		Additional paid-in capital	Retained earnings	Accumulated other comprehensive Loss	Total shareholders' equity	Comprehensive income
	Shares	Amount	Shares	Amount					
		RMB		RMB					
Balance at June 1, 2004	—	—	100,000,000	—	81,390	142,490	—	223,880	
Issuance of 100,000,000 shares of common shares	—	—	—	8,277	(7,449)	—	—	828	
Issuance of 11,111,111 shares of Series A convertible preferred shares	11,111,111	920	—	—	182,004	—	—	182,924	
Dividends	—	—	—	—	—	(65,480)	—	(65,480)	
Net income	—	—	—	—	—	141,974	—	141,974	141,974
Balance at May 31, 2005	11,111,111	920	100,000,000	8,277	255,945	218,984	—	484,126	141,974
Issuance of restricted shares to employees	—	—	—	—	72,976	—	—	72,976	
Share-based compensation expense for employee share options	—	—	—	—	6,124	—	—	6,124	
Dividends	—	—	—	—	—	(65,498)	—	(65,498)	
Dividend in kind	—	—	—	—	(25,526)	—	—	(25,526)	
Net income	—	—	—	—	—	49,385	—	49,385	49,385
Foreign currency translation adjustment	—	—	—	—	—	—	(81)	(81)	(81)
Balance at May 31, 2006	11,111,111	920	100,000,000	8,277	309,519	202,871	(81)	521,506	49,304
		US\$ 114		US\$ 1,032	US\$ 38,599	US\$ 25,300	US\$ (10)	US\$ 65,035	US\$ 6,149

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
Financial Information of Parent Company
Statements of Cash Flows
(In thousands)

	Year ended May 31,		
	2005	2006	
	RMB	RMB	US\$
Operating activities:			
Net income	141,974	49,385	\$ 6,158
Adjustments to reconcile net income to net			
Equity in earnings of subsidiaries	(140,754)	(57,018)	(7,111)
Share-based compensation expense	—	6,124	764
Cash used in operating activities:			
Prepaid expenses and other current assets	—	(124)	(15)
Accrued expenses and other current liabilities	—	560	69
Changes in operating assets and liabilities Amount due to related parties	3	—	—
Net cash provided by (used in) operating activities	<u>1,223</u>	<u>(1,073)</u>	<u>(135)</u>
Investing activities:			
Investment in subsidiaries	(182,083)	—	—
Dividend received	—	35,274	4,400
Net cash provided by (used in) investing activities	<u>(182,083)</u>	<u>35,274</u>	<u>4,400</u>
Financing activities:			
Proceeds from issuance of common shares	828	—	—
Dividend paid to shareholders	—	(36,771)	(4,586)
Net proceeds from issuance of Series A convertible preferred shares	182,924	—	—
Net cash provided by (used in) financing activities	<u>183,752</u>	<u>(36,771)</u>	<u>(4,586)</u>
Effect of rate exchange	—	(81)	(10)
Net increase (decrease) in cash and cash equivalents	2,892	(2,651)	(331)
Cash and cash equivalents, beginning of year	—	2,892	\$ 361
Cash and cash equivalents, end of year	<u>2,892</u>	<u>241</u>	<u>\$ 30</u>
Interest paid	—	—	\$ —
Income tax paid	—	—	\$ —

New Oriental connects with millions...



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Through and including _____, 2006 (the 25th day after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

7,500,000 American Depositary Shares
Representing
30,000,000 Common Shares

New Oriental Education & Technology Group Inc.



PROSPECTUS

, 2006

Credit Suisse

Goldman Sachs (Asia) L.L.C.

Representatives of the Underwriters

Piper Jaffray

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision 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 or committing a crime. Our Articles of Association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except through their own willful neglect or default.

Pursuant to the form of indemnification agreements filed as Exhibit 10.2 to this Registration Statement, we will agree to indemnify our directors and officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.

During the past three years, we have issued the following securities (including options to acquire our common shares). We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act or pursuant to Section 4(2) of the Securities Act regarding transactions not involving a public offering.

<u>Purchaser</u>	<u>Date of Sale or Issuance</u>	<u>Number of Securities</u>	<u>Consideration (US\$)</u>	<u>Underwriting Discount and Commission</u>
Time Promise Investments Limited	December 24, 2004	2,010,000	Par Value	N/A
Central Plains Limited	December 24, 2004	510,000	Par Value	N/A
China Central Limited	December 24, 2004	710,000	Par Value	N/A
Tigerstep Developments Limited	December 24, 2004	45,000,000	Par Value	N/A
Capital River Group Limited	December 24, 2004	294,386	Par Value	N/A
Success Tycoon Limited	December 24, 2004	371,643	Par Value	N/A
Peak Idea International Limited	December 24, 2004	368,696	Par Value	N/A
Forthright Trading Limited	December 24, 2004	221,734	Par Value	N/A
Easebright International Limited	December 24, 2004	147,700	Par Value	N/A
Time Promise Investments Limited	December 24, 2004	74,034	Par Value	N/A
Strong Great International Limited	December 24, 2004	76,244	Par Value	N/A
Fame Gain Investments Limited	December 24, 2004	114,366	Par Value	N/A
Challenge Now Limited	December 24, 2004	18,785	Par Value	N/A
Central Plains Limited	December 24, 2004	18,785	Par Value	N/A
China Central Limited	December 24, 2004	26,150	Par Value	N/A

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<u>Purchaser</u>	<u>Date of Sale or Issuance</u>	<u>Number of Securities</u>	<u>Consideration (US\$)</u>	<u>Underwriting Discount and Commission</u>
Tiger Technology Private Investment Partners II, L.P. Entities affiliated with Tiger Technology Private Investment Partners II, L.P.	December 24, 2004	11,111,111	22,499,999.78	N/A
Entities affiliated with Tiger Technology Private Investment Partners II, L.P.	December 24, 2004	5,184,164	9,391,631.50	N/A
Capital River Group Limited	May 25, 2005	4,743,064	9,182,571.90	N/A
Success Tycoon Limited	December 24, 2004	7,380,836	Par Value	N/A
Peak Idea International Limited	December 24, 2004	9,628,357	Par Value	N/A
Forthright Trading Limited	December 24, 2004	9,010,000	Par Value	N/A
Easebright International Limited	December 24, 2004	5,420,000	Par Value	N/A
Strong Great International Limited	December 24, 2004	3,802,300	Par Value	N/A
Fame Gain Investments Limited	December 24, 2004	1,973,756	Par Value	N/A
Challenge Now Limited	December 24, 2004	2,505,000	Par Value	N/A
Employees and Directors	December 24, 2004	390,000	Par Value	N/A
	From February 28, 2006 to July 21, 2006	Options to purchase a total of 8,719,000 common shares	Exercise Price	N/A

ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1**	Form of Underwriting Agreement.
3.1*	Memorandum and Articles of Association of the Registrant, as currently in effect.
3.2**	Amended and Restated Memorandum and Articles of Association of the Registrant.
4.1**	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3).
4.2*	Registrant's Specimen Certificate for Common shares.
4.3**	Deposit Agreement, dated as of _____, 2006, among the Registrant, the depositary and holders of the American Depositary Receipts.

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4.4*	Share Purchase Agreement, dated December 24, 2004, in respect of the issue of preferred shares of the Registrant.
4.5*	First Amended and Restated Investors' Rights Agreement, dated as of May 25, 2005, among the Registrant and other parties therein.
4.6*	Voting Agreement, dated as of December 24, 2004, among the Registrant and other parties therein.
4.7*	Right of First Refusal and Co-Sale Agreement, dated as of December 24, 2004 among the Registrant and other parties therein.
5.1*	Opinion of Conyers Dill & Pearman regarding the validity of the common shares being registered.
8.1*	Opinion of Latham & Watkins LLP regarding certain U.S. tax matters.
10.1*	2006 Share Incentive Plan.
10.2*	Form of Indemnification Agreement with the Registrant's directors.
10.3*	Form of Employment Agreement between the Registrant and a Senior Executive Officer of the Registrant.
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Deloitte Touche Tohmatsu CPA Ltd., an Independent Registered Public Accounting Firm.
23.2*	Consent of Conyers Dill & Pearman.
23.3*	Consent of Latham & Watkins LLP.
23.4*	Consent of Tian Yuan Law Firm.
23.5*	Consent of American Appraisal China Limited
23.6*	Consent of Robin Yanhong Li
23.7*	Consent of Denny Lee
24.1*	Powers of Attorney (included on signature page).
99.1*	Code of Business Conduct and Ethics of the Registrant.
99.2*	English Translation of Form of Teaching Support Agreement between Beijing Decision and New Oriental schools.
99.3*	English Translation of Form of Website Development and Use Agreement between Beijing Decision and New Oriental schools.
99.4*	English Translation of Form of New Enrollment System Development Service Agreement between Beijing Decision and New Oriental schools.

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99.5*	English Translation of Form of Trademark License Agreement between Beijing Hewstone and New Oriental schools.
99.6*	English Translation of Trademark License Agreement dated May 13, 2006 between our company and New Oriental China.
99.7*	English Translation of Form of Exclusive Option Agreement among our company, New Oriental China and shareholders of New Oriental China.
99.8*	English Translation of Form of Equity Pledge Agreement among our company, New Oriental China and shareholders of New Oriental China.
99.9*	English Translation of Loan Agreement dated December 3, 2003 between Yangzhou New Oriental Education & Technology Co., Ltd. and the Bank of Communications Yangzhou Branch.
99.10*	English Translation of Loan Agreement dated September 29, 2002 between Yangzhou New Oriental Education & Technology Co., Ltd. and the Bank of Communications Yangzhou Branch.
99.11*	English Translation of Land Use Right Mortgage Agreement dated September 29, 2002 between Yangzhou New Oriental Education & Technology Co., Ltd. and the Bank of Communications Yangzhou Branch.
99.12*	English Translation of Building Mortgage and Loan Agreement dated March 31, 2005 between New Oriental China and China Minsheng Banking Corporation Ltd. Beijing Hepingli Branch.
99.13*	English Translation of Credit Facility Agreement dated February 5, 2006 between Beijing Haidian District Private-Funded New Oriental School and Bank of Beijing Co., Ltd. Haidian Road Sub-branch.
99.14*	English Translation of Maximum Amount Guarantee Agreement dated February 5, 2006 between Michael Minhong Yu and Bank of Beijing Co., Ltd. Haidian Road Sub-branch.
99.15*	English Translation of Maximum Amount Guarantee Agreement dated February 5, 2006 between New Oriental China and Bank of Beijing Co., Ltd. Haidian Road Sub-branch.
99.16*	Opinion of Tianyuan Law Firm regarding certain PRC law matters.

* Filed herewith.

** To be filed by amendment.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

ITEM 9. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Beijing, People's Republic of China, on August 22, 2006.

**NEW ORIENTAL EDUCATION & TECHNOLOGY
GROUP INC.**

By: /s/ Michael Minhong Yu

Name: Michael Minhong Yu
Title: Chairman and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Michael Minhong Yu and Louis T. Hsieh as attorneys-in-fact with full power of substitution, for him or her in any and all capacities, to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of common shares of the registrant (the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1 (the "Registration Statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Michael Minhong Yu</u> Name: Michael Minhong Yu	Chairman / Chief Executive Officer	August 22, 2006
<u>/s/ Louis T. Hsieh</u> Name: Louis T. Hsieh	Chief Financial Officer	August 22, 2006
<u>/s/ Ping Wei</u> Name: Ping Wei	Director of Finance and Controller	August 22, 2006
<u>/s/ Chenggang Zhou</u> Name: Chenggang Zhou	Director	August 22, 2006

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<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Xiaohong Chen</u> Name: Xiaohong Chen	Director	August 22, 2006
<u>/s/ Donald J. Puglisi</u> Name: Donald J. Puglisi Title: Managing Director Puglisi & Associates	Authorized U.S. Representative	August 22, 2006

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

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* Filed herewith.

** To be filed by amendment.

**THE COMPANIES LAW (REVISED)
COMPANY LIMITED BY SHARES
MEMORANDUM OF ASSOCIATION
OF
NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.**

新東方教育科技(集團)有限公司

1. The name of the Company is **NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.** 新東方教育科技(集團)有限公司.
2. The Registered Office of the Company shall be at the offices of Codan Trust Company (Cayman) Limited, Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies.
3. Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted and shall include, but without limitation:
 - (a) to act and to perform all the functions of a holding company in all its branches and to co-ordinate the policy and administration of any subsidiary company or companies wherever incorporated or carrying on business or of any group of companies of which the Company or any subsidiary company is a member or which are in any manner controlled directly or indirectly by the Company;
 - (b) to act as an investment company and for that purpose to acquire and hold upon any terms and, either in the name of the Company or that of any nominee, shares, stock, debentures, debenture stock, annuities, notes, mortgages, bonds, obligations and securities, foreign exchange, foreign currency deposits and commodities, issued or guaranteed by any company wherever incorporated or carrying on business, or by any government, sovereign, ruler, commissioners, public body or authority, supreme, municipal, local or otherwise, by original subscription, tender, purchase, exchange, underwriting, participation in syndicates or in any other manner and whether or not fully paid up, and to make payments thereon as called up or in advance of calls or otherwise and to subscribe for the same, whether conditionally or absolutely, and to hold the same with a view to investment, but with the power to vary any investments, and to exercise and enforce all rights and powers conferred by or incident to the ownership thereof, and to invest and deal with the moneys of the Company not immediately required upon such securities and in such manner as may be from time to time determined.

4. Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of The Companies Law (Revised).
5. Nothing in this Memorandum shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licensed.
6. If the Company is exempted, it shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
7. The liability of each member is limited to the amount from time to time unpaid on such member's shares.
8. The authorised capital of the Company is US\$1,611,111.00 divided into 50,000,000 common shares, each of US\$0.01 par value ("Common Shares") and 11,111,111 series A preferred shares each of US\$0.01 par value ("Series A Preferred Shares"), with power for the Company insofar as is permitted by law to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (Revised) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether stated to be preference or otherwise shall be subject to the powers hereinbefore contained.

9 Rights, Preferences and Restrictions of Series A Preferred Shares

The rights, preferences, privileges and restrictions granted to and imposed on the Series A Preferred Shares are as set forth below.

1. Dividend Provisions.

Any dividends or distributions shall be distributed among all holders of Common Shares and Series A Preferred Shares in proportion to the number of Common Shares that would be held by each such holder if all Series A Preferred Shares were converted to Common Shares at the then effective conversion rate.

2. Liquidation Preference

- (a) In the event of any Liquidation Event (as defined below), either voluntary or involuntary, the holders of Series A Preferred Shares shall be entitled to receive, prior and in preference to any distribution of the proceeds of such Liquidation Event (the “Proceeds”) to the holders of Common Shares by reason of their ownership thereof, an amount per share equal to the sum of the applicable Original Issue Price (as defined below) for such Series A Preferred Shares, plus declared but unpaid dividends on such share. If, upon the occurrence of such event, the Proceeds thus distributed among the holders of the Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire Proceeds legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Shares in proportion to the full preferential amount that each such holder is otherwise entitled to receive under this clause 9(2)(a). “Original Issue Price” shall mean US\$2.025 per share for the Series A Preferred Shares (as adjusted for any share splits, share dividends, combinations, recapitalizations or the like with respect to such Series A Preferred Shares).
- (b) Upon completion of the distribution required by subsection (a) of this subclause 2, all of the remaining Proceeds shall be distributed among the holders of Common Shares pro rata based on the number of Common Shares held by each.
- (c) Notwithstanding the above, for purposes of determining the amount each holder of Series A Preferred Shares is entitled to receive with respect to a Liquidation Event, each such holder of Series A Preferred Shares shall be deemed to have converted (regardless of whether such holder actually converted) such holder’s shares of such series into Common Shares immediately prior to the Liquidation Event if, as a result of an actual conversion, such holder would receive, in the aggregate, an amount greater than the amount that would be distributed to such holder if such holder did not convert such Series A Preferred Shares into Common Shares. If any such holder shall be deemed to have converted Series A Preferred Shares into Common Shares pursuant to this paragraph, then such holder shall not be entitled to receive any distribution that would otherwise be made to holders of Series A Preferred Shares that have not converted (or have not been deemed to have converted) into Common Shares.
- (d) (i) For purposes of this clause 9(2), a “Liquidation Event” shall include (A) the closing of the sale, transfer, or other disposition of all or substantially all of the Company’s assets, (B) the consummation of the merger or consolidation of the Company with or into another entity (except a merger or consolidation in which the holders of capital stock of the Company immediately prior to such merger or consolidation continue to hold at least 50% of the voting power of the capital stock of the Company or the surviving or acquiring entity in substantially the same proportions as held by such holders immediately prior to such merger or consolidation),

(C) the closing of the transfer (whether by merger, consolidation or otherwise), in one transaction or a series of related transactions, to a person or group of affiliated persons (other than an underwriter of the Company's securities), of the Company's securities if, after such closing, such person or group of affiliated persons would hold 90% or more of the outstanding voting shares of the Company (or the surviving or acquiring entity) or (D) a liquidation, dissolution or winding up of the Company; provided, however, that a transaction shall not constitute a Liquidation Event if its sole purpose is to change the jurisdiction of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately prior to such transaction. The treatment of any particular transaction or series of related transactions as a Liquidation Event may be waived by the vote or written consent of the holders of a majority of the outstanding Series A Preferred Shares.

- (ii) In any Liquidation Event, if the Proceeds received by the Company or its shareholders is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:
 - (A) Securities not subject to investment letter or other similar restrictions on free marketability covered by (B) below:
 - (1) If traded on a securities exchange or through the Nasdaq National Market, the value shall be deemed to be the average of the closing prices of the securities on such exchange or system over the twenty (20) trading-day period ending three (3) trading days prior to the closing of such Liquidation Event;
 - (2) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the twenty (20) trading-day period ending three (3) trading days prior to the closing of such Liquidation Event; and
 - (3) If there is no active public market, the value shall be the fair market value thereof, as mutually determined by the Company and the holders of at least a majority of the voting power of all then outstanding Series A Preferred Shares.
 - (B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a shareholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above in (A) (1), (2) or (3) to reflect the

approximate fair market value thereof, as mutually determined by the Company and the holders of at least a majority of the voting power of all then outstanding Series A Preferred Shares.

(C) The foregoing methods for valuing non-cash consideration to be distributed in connection with a Liquidation Event may be superceded by any determination of such value set forth in the definitive agreements governing such Liquidation Event.

(iii) In the event the requirements of this clause 9(2) are not complied with, the Company shall forthwith either:

(A) cause the closing of such Liquidation Event to be postponed until such time as the requirements of this clause 9(2) have been complied with; or

(B) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Series A Preferred Shares shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in clause 9(2)(d)(iv) hereof.

(iv) The Company shall give each holder of record of Series A Preferred Shares written notice of such impending Liquidation Event not later than twenty (20) days prior to the members' meeting called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this clause 9(2), and the Company shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after the Company has given the first notice provided for herein or sooner than ten (10) days after the Company has given notice of any material changes provided for herein; provided, however, that such periods may be shortened or waived upon the written consent of the holders of Series A Preferred Shares that represent at least a majority of the voting power of all then outstanding Series A Preferred Shares.

3. Redemption. The Series A Preferred Shares are not redeemable at the option of the holder.

4. Conversion. The holders of the Series A Preferred Shares shall have conversion rights as follows (the “Conversion Rights”):
- (a) Right to Convert. Each Series A Preferred Share shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Company or any transfer agent for such shares, into such number of fully paid and nonassessable Common Shares as is determined by dividing the applicable Original Issue Price for such series by the applicable Conversion Price for such series (the conversion rate for a series of Series A Preferred Shares into Common Shares is referred to herein as the “Conversion Rate” for such series), determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The initial Conversion Price per share for each series of Series A Preferred Shares shall be the Original Issue Price applicable to such series; provided, however, that the Conversion Price for the Series A Preferred Shares shall be subject to adjustment as set forth in clause 9(4)(d).
 - (b) Automatic Conversion. Each Preferred Share shall automatically be converted into Common Shares at the Conversion Rate at the time in effect for such series of Series A Preferred Shares immediately upon the earlier of (i) the Company’s sale of its Common Shares in a firm commitment underwritten public offering filed under the Securities Act of 1933, as amended, resulting in proceeds to the Company of at least US\$25,000,000 in the aggregate (a “Qualified Public Offering”) or (ii) the date specified by written consent or agreement of the holders of a majority of the then outstanding Series A Preferred Shares (voting together as a single class and on an as-converted basis).
 - (c) Mechanics of Conversion. Before any holder of Series A Preferred Shares shall be entitled to voluntarily convert the same into Common Shares, he or she shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series A Preferred Shares, and shall give written notice to the Company at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for Common Shares are to be issued. The Company shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Series A Preferred Shares, or to the nominee or nominees of such holder, a certificate or certificates for the number of Common Shares to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the Series A Preferred Shares to be converted, and the person or persons entitled to receive the Common Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Shares as of such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, as amended, the conversion may, at the option of any holder tendering Series A Preferred Shares for conversion, be

conditioned upon the closing with the underwriters of the sale of securities pursuant to such offering, in which event the persons entitled to receive the Common Shares upon conversion of the Series A Preferred Shares shall not be deemed to have converted such Series A Preferred Shares until immediately prior to the closing of such sale of securities. If the conversion is in connection with Automatic Conversion provisions of clause 9(4)(b)(ii) above, such conversion shall be deemed to have been made on the conversion date described in the shareholder consent approving such conversion, and the persons entitled to receive Common Shares issuable upon such conversion shall be treated for all purposes as the record holders of such Common Shares as of such date.

(d) Conversion Price Adjustments of Series A Preferred Shares for Certain Dilutive Issuances, Splits and Combinations. The Conversion Price of the Series A Preferred Shares shall be subject to adjustment from time to time as follows:

- (i) (A) If the Company shall issue, on or after the date upon which the Articles of Association are accepted for filing by the Registrar of International Business Companies of the Government of the British Islands (the "Filing Date"), any Additional Shares (as defined below) without consideration or for a consideration per share less than the Conversion Price applicable to a series of Series A Preferred Shares in effect immediately prior to the issuance of such Additional Shares, the Conversion Price for such series in effect immediately prior to each such issuance shall forthwith (except as otherwise provided in this clause (i)) be adjusted to a price equal to the price paid per share for such Additional Shares; provided that upon each such adjustment, the Conversion Price of the Series A Preferred Shares shall be subject to a floor (below which no further adjustment shall be made in connection with that particular issuance of Additional Shares) equal to the quotient of (X) the product (i) the Original Issue Price of the Series A Preferred Shares multiplied by (ii) the number of then outstanding Series A Preferred Shares divided by (Y) the product of (i) 0.15 multiplied by (ii) the Common Shares Outstanding (as defined below) at such time. For purposes of this clause 9(4)(d)(i)(A), the term "Common Shares Outstanding" shall mean and include the following: (1) outstanding Common Shares, (2) Common Shares issuable upon conversion of outstanding Preferred Shares (taking into account any adjustment of the Conversion Price of the Series A Preferred Shares pursuant hereto), (3) Common Shares issuable upon

exercise of outstanding options, (4) Common Shares reserved or allocated under then existing stock option or similar plans (not including Common Shares included under (3) hereof), (5) Common Shares issuable upon exercise (and, in the case of warrants to purchase Preferred Shares, conversion) of outstanding warrants and (6) the Additional Shares. Common Shares described in (1) through (6) above shall be included whether vested or unvested, whether contingent or non-contingent and whether exercisable or not yet exercisable.

- (B) No adjustment of the Conversion Price for the Series A Preferred Shares shall be made in an amount less than one cent per share, provided that any adjustments that are not required to be made by reason of this sentence shall be carried forward and shall be either taken into account in any subsequent adjustment made prior to three (3) years from the date of the event giving rise to the adjustment being carried forward, or shall be made at the end of three (3) years from the date of the event giving rise to the adjustment being carried forward. Except to the limited extent provided for in clauses 9(4)(d)(i)(E)(3) and 9(4)(d)(E)(4), no adjustment of such Conversion Price pursuant to this clause 9(4)(d)(i) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately prior to such adjustment.
- (C) In the case of the issuance of Additional Shares for cash, the consideration shall be deemed to be the amount of cash paid therefor before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof.
- (D) In the case of the issuance of the Additional Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors irrespective of any accounting treatment.
- (E) In the case of the issuance of options to purchase or rights to subscribe for Common Shares, securities by their terms convertible into or exchangeable for Common Shares or options to purchase or rights to subscribe for such convertible or exchangeable securities, the following provisions shall apply for purposes of determining the number of Additional Shares issued and the consideration paid therefor:

- (1) The aggregate maximum number of Common Shares deliverable upon exercise (assuming the satisfaction of any conditions to exercisability, including without limitation, the passage of time, but without taking into account potential antidilution adjustments) of such options to purchase or rights to subscribe for Common Shares shall be deemed to have been issued at the time such options or rights were issued and for a consideration equal to the consideration (determined in the manner provided in clauses 9(4)(d)(i)(C) and 9(4)(d)(i)(D)), if any, received by the Company upon the issuance of such options or rights plus the minimum exercise price provided in such options or rights (without taking into account potential antidilution adjustments) for the Common Shares covered thereby.
- (2) The aggregate maximum number of Common Shares deliverable upon conversion of, or in exchange (assuming the satisfaction of any conditions to convertibility or exchangeability, including, without limitation, the passage of time, but without taking into account potential antidilution adjustments) for, any such convertible or exchangeable securities or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof shall be deemed to have been issued at the time such securities were issued or such options or rights were issued and for a consideration equal to the consideration, if any, received by the Company for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by the Company (without taking into account potential antidilution adjustments) upon the conversion or exchange of such securities or the exercise of any related options or rights (the consideration in each case to be determined in the manner provided in clauses 9(4)(d)(i)(C) and 9(4)(d)(i)(D)).

- (3) In the event of any change in the number of Common Shares deliverable or in the consideration payable to the Company upon exercise of such options or rights or upon conversion of or in exchange for such convertible or exchangeable securities, including, but not limited to, a change resulting from the antidilution provisions thereof, the Conversion Price of the Series A Preferred Shares, to the extent in any way affected by or computed using such options, rights or securities, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Shares or any payment of such consideration upon the exercise of any such options or rights or the conversion or exchange of such securities.
 - (4) Upon the expiration of any such options or rights, the termination of any such rights to convert or exchange or the expiration of any options or rights related to such convertible or exchangeable securities, the Conversion Price of the Series A Preferred Shares, to the extent in any way affected by or computed using such options, rights or securities or options or rights related to such securities, shall be recomputed to reflect the issuance of only the number of Common Shares (and convertible or exchangeable securities that remain in effect) actually issued upon the exercise of such options or rights, upon the conversion or exchange of such securities or upon the exercise of the options or rights related to such securities.
 - (5) The number of Additional Shares deemed issued and the consideration deemed paid therefor pursuant to clauses 9(4)(d)(i)(E)(1) and 9(4)(d)(i)(E)(2) shall be appropriately adjusted to reflect any change, termination or expiration of the type described in either clauses 9(4)(d)(i)(E)(3) and 9(4)(d)(i)(E)(4).
- (ii) “Additional Shares” shall mean any Common Shares issued (or deemed to have been issued pursuant to clause 9(4)(d)(i)(E) by the Company on or after the Filing Date other than:
- (A) Common Shares issued pursuant to a transaction described in clause 9(4)(d)(iii) hereof;

- (B) up to 15,683,611 Common Shares (excluding shares repurchased at cost by this corporation in connection with the termination of service) issued to employees, directors, consultants and other service providers for the primary purpose of soliciting or retaining their services pursuant to plans or agreements approved by the Board of Directors, subject to an increase by Board approval (including approval by the member of the Board elected by the holders of a majority of the Series A Preferred Shares);
 - (C) Common Shares issued pursuant to the conversion or exercise of convertible or exercisable securities outstanding on the Filing Date;
 - (D) Common Shares issued in connection with a bona fide business acquisition of or by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise;
 - (E) Common Shares issued or issuable pursuant to strategic transactions entered into for primarily non-equity financing purposes and approved by the Board;
 - (F) Common Shares issued or issuable pursuant to equipment lease financings or bank credit arrangements approved by the Board; or
 - (G) Common Shares issued or deemed issued pursuant to clause 9(4)(d)(i)(E) as a result of a decrease in the Conversion Price of any series of Preferred Stock resulting from the operation of clause 9(4)(d).
- (iii) In the event the Company should at any time or from time to time after the Filing Date fix a record date for the effectuation of a split or subdivision of the outstanding Common Shares or the determination of holders of Common Shares entitled to receive a dividend or other distribution payable in additional Common Shares or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional Common Shares (hereinafter referred to as "Common Shares Equivalents") without payment of any consideration by such holder for the additional Common Shares or the Common Shares Equivalents (including the additional Common Shares issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Conversion Price of the Series A Preferred Shares shall be

appropriately decreased so that the number of Common Shares issuable on conversion of each share of such series shall be increased in proportion to such increase of the aggregate of Common Shares outstanding and those issuable with respect to such Common Shares Equivalents with the number of shares issuable with respect to Common Shares Equivalents determined from time to time in the manner provided for deemed issuances in clause 9(4)(d)(i)(E).

- (iv) If the number of Common Shares outstanding at any time after the Filing Date is decreased by a combination of the outstanding Common Shares, then, following the record date of such combination, the Conversion Price for the Series A Preferred Shares shall be appropriately increased so that the number of Common Shares issuable on conversion of each share of such series shall be decreased in proportion to such decrease in outstanding shares.
- (e) Other Distributions. In the event the Company shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by the Company or other persons, assets (excluding cash dividends) or options or rights not referred to in clause 9(4)(d)(iii), then, in each such case for the purpose of this clause 9(4)(e), the holders of the Series A Preferred Shares shall be entitled to a proportionate share of any such distribution as though they were the holders of the number of Common Shares into which their Series A Preferred Shares are convertible as of the record date fixed for the determination of the holders of Common Shares entitled to receive such distribution
- (f) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Shares (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this clause 9(4) or in clause 9(2)) provision shall be made so that the holders of the Series A Preferred Shares shall thereafter be entitled to receive upon conversion of the Series A Preferred Shares the number of shares of stock or other securities or property of the Company or otherwise, to which a holder of Common Shares deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this clause 9(4) with respect to the rights of the holders of the Series A Preferred Shares after the recapitalization to the end that the provisions of this clause 9(4) (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series A Preferred Shares) shall be applicable after that event as nearly equivalent as may be practicable.

- (g) No Fractional Shares and Certificate as to Adjustments.
- (i) No fractional shares shall be issued upon the conversion of any Series A Preferred Shares, and the aggregate number of Common Shares to be issued to particular shareholders shall be rounded down to the nearest whole share and the Company shall pay in cash the fair value of any fractional shares as of the time when entitlement to receive such fractions is determined. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of Series A Preferred Shares the holder is at the time converting into Common Shares and the number of Common Shares issuable upon such conversion.
 - (ii) Upon the occurrence of each adjustment or readjustment of the Conversion Price of the Series A Preferred Shares pursuant to this clause 9(4), the Company, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series A Preferred Shares a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of any holder of Series A Preferred Shares, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price for such series of Series A Preferred Shares at the time in effect, and (C) the number of Common Shares and the amount, if any, of other property that at the time would be received upon the conversion of a Preferred Share.
- (h) Notices of Record Date. In the event of any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, the Company shall mail to each holder of Series A Preferred Shares, at least ten (10) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution, and the amount and character of such dividend or distribution.
- (i) Reservation of Shares Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued Common Shares, solely for the purpose of effecting the conversion of the Series A Preferred Shares, such number of its Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred Shares; and if at any time the number of authorized but unissued Common Shares shall not be sufficient to effect the conversion of all then outstanding Series A Preferred Shares, in addition to such other remedies as shall be available to the holder of such Series A Preferred Shares, the

Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Common Shares to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to the Articles of Association.

- (j) Notices. Any notice required by the provisions of this clause 9(4) to be given to the holders of Series A Preferred Shares shall be deemed given if deposited in the mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of the Company.
- (k) Waiver of Adjustment to Conversion Price. Notwithstanding anything herein to the contrary, any downward adjustment of the Conversion Price of any series of the Series A Preferred Shares may be waived, either prospectively or retroactively and either generally or in a particular instance, by the consent or vote of the holders of a majority of the outstanding Series A Preferred Shares. Any such waiver shall bind all future holders of Series A Preferred Shares.

5. Voting Rights

- (a) General Voting Rights. Each holder of Series A Preferred Shares shall have the right to one vote for each Common Share into which such Series A Preferred Shares could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Common Shares, and shall be entitled, notwithstanding any provision hereof, to notice of any shareholders' meeting in accordance with the Articles of Association of the Company, and except as provided in clause 9(5)(b) below with respect to the election of directors by the separate class vote of the holders of Common Stock, shall be entitled to vote, together with holders of Common Shares, with respect to any question upon which holders of Common Shares have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as-converted basis (after aggregating all shares into which Series A Preferred Shares held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).
- (b) Voting for the Election of Directors.
 - (i) The holders of outstanding Series A Preferred Shares shall have the exclusive right to appoint one (1) director of the Company at any election of directors. The right of holders of Series A Preferred Shares to appoint a director under this clause (i) shall terminate and be of no further force or effect upon (a) the Company's sale of its

Common Shares in a firm commitment underwritten public offering where the Company's shares are subsequently primarily trade on the Nasdaq Stock Market's National Market, the New York Stock Exchange or another comparable exchange or marketplace approved by the Board, including the director appointed by holders of Series A Preferred Shares, (b) the consummation of a Liquidation Event (as defined herein), (c) action by the Board (by vote or written consent, as provided by law) that any holder of Series A Preferred Shares has participated in an equity financing of another corporation or entity that is determined by the Board (excluding the director appointed by holders of Series A Preferred Shares) to be a competitor of the Company (excluding an investment in any publicly-traded company or entity).

- (ii) The holders of Series A Preferred Shares and Common Shares (voting together as a single class and not as separate series, and on an as-converted basis) shall have the right to appoint any remaining directors of the Company.
- (iii) Any vacancy, including newly created directorships resulting from any increase in the authorized number of directors or amendment of the Articles of Association, and vacancies created by removal or resignation of a director, may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced; provided, however, that where such vacancy occurs among the directors elected by the holders of a class or series of Shares, the holders of shares of such class or series may override the Board of Director's action to fill such vacancy by (i) voting for their own designee to fill such vacancy at a meeting of the Company's shareholders or (ii) written consent, if the consenting members hold a sufficient number of shares to elect their designee at a meeting of the members. Any director may be removed during his or her term of office, either with or without cause, by, and only by, the affirmative vote of the holders of the shares of the class or series entitled to elect such director or directors, given either at a special meeting of such members duly called for that purpose or pursuant to a written consent of members, and any vacancy thereby created may be filled by a majority of the holders of that class or series represented at the meeting or pursuant to written consent.

6. Protective Provisions

- (a) So long as any Series A Preferred Shares are outstanding, notwithstanding any provisions to the contrary in the Memorandum or the Articles and in

addition to any approvals required by law, the Company shall not (by amendment, merger, consolidation or otherwise) without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding Series A Preferred Shares:

- (i) alter or change the rights, preferences or privileges of the Series A Preferred Shares so as to affect adversely the shares;
- (ii) increase or decrease (other than by redemption or conversion) the total number of authorized Series A Preferred Shares or Common Shares of the Company; or
- (iii) authorize or issue, or obligate itself to issue, any equity security (including any other security convertible into or exercisable for any such equity security) having a preference over, or being on a parity with, the Series A Preferred Shares with respect to dividends, liquidation, redemption or voting.
- (iv) The Company shall not without first obtaining the approval (by vote or written consent, as provided by law) of the Board, including the director appointed by the holders of the Series A Preferred Shares, reserve for issuance more than 15,683,611 Common Shares for issuance under the Company's stock option plans or any other similar plan (including the four million two hundred thousand (4,572,500) currently reserved for issuance under the Company's stock option plans).

7. Status of Converted Shares. In the event any Series A Preferred Shares shall be converted pursuant to clause 9(4) hereof, the shares so converted shall be cancelled and shall not be issuable by the Company. Upon the occurrence of such event, the Memorandum of Association and Articles of Association of the Company shall be appropriately amended to effect the corresponding reduction in the Company's authorized capital.

B. Rights, Preferences and Restructures of the Common Shares

Common Shares. The rights, preferences, privileges and restrictions granted to and imposed on the Common Shares are as set forth below in this clause 9(B).

- (1) Dividend Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Shares shall be entitled to receive, when, as and if declared by the Board of Directors, out of any assets of the Company legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

- (2) Liquidation Rights. Upon the liquidation, dissolution or winding up of the Company, the assets of the Company shall be distributed as provided in clause9(B)(2) hereof.
- (3) Redemption. The Common Shares are not redeemable at the option of the holder.
- (4) Voting Rights. The holder of Common Shares shall have the right to one vote for each such share, and shall be entitled to notice of any shareholders' meeting in accordance with the Articles of Association of the Company, and shall be entitled to vote upon such matters and in such manner as may be provided herein and by law.

THE COMPANIES LAW (REVISED)
COMPANY LIMITED BY SHARES
ARTICLES OF ASSOCIATION
OF
NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
新東方教育科技(集團)有限公司

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THE COMPANIES LAW (REVISED)
COMPANY LIMITED BY SHARES
ARTICLES OF ASSOCIATION

OF

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

新東方教育科技(集團)有限公司

1. Table A

1(1) The regulations in Table A in the Schedule to the Companies Law (Revised) do not apply to the Company.

2. Interpretation

2(1) In these Articles where the context permits:

“Alternate Director” means an alternate Director appointed in accordance with these Articles;

“Articles” means these Articles of Association as altered from time to time;

“Auditors” means the auditors for the time being of the Company and includes any person or partnership;

“Board” means the Board of Directors appointed or elected pursuant to these Articles and acting by resolution in accordance with the Law and these Articles or the Directors present at a meeting of Directors at which there is a quorum;

“class meeting” means a separate meeting of the members of a class of shares;

“clear days” in relation to notice of a meeting means days falling after the day on which notice is given or deemed to be given and before the day of the meeting;

“Company” means the company for which these Articles are approved and confirmed;

“Director” means a director, including a sole director, for the time being of the Company and shall include an Alternate Director;

“Law” means The Companies Law (Revised) of the Cayman Islands and every modification or reenactment thereof for the time being in force;

“Member” means the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons as the context so requires;

“month” means calendar month;

“notice” means written notice as further defined in these Articles unless otherwise specifically stated;

“Officer” means any person appointed by the Board to hold an office in the Company;

“ordinary resolution” means a resolution passed at a general meeting (or, if so specified, a class meeting) of the Company by a simple majority of the votes cast, or a written resolution;

“paid-up” means paid-up or credited as paid-up;

“Register of Directors and Officers” means the Register of Directors and Officers referred to in these Articles;

“Register of Members” means the register of members of the Company;

“Registered Office” means the registered office for the time being of the Company;

“Seal” means the common seal or any official or duplicate seal of the Company;

“Secretary” means the person appointed to perform any or all duties of secretary and includes any deputy or assistant secretary;

“share” includes a fraction of a share;

“special resolution” means a resolution passed at a general meeting (or, if so specified, a class meeting) of the Company by a majority of not less than two thirds of the votes cast, as provided in the Law, or a written resolution;

“year” means calendar year.

2(2) In these Articles where not inconsistent with the context:

- (a) words denoting the plural number include the singular number and vice versa;
- (b) words denoting the masculine gender include the feminine gender and vice versa;
- (c) words importing persons include companies or associations or bodies of persons, corporate or not;

- (d) the word “may” shall be construed as permissive; the word “shall” shall be construed as imperative;
- (e) a reference to a statutory provision shall be deemed to include any amendment or re-enactment thereof.

2(3) Subject as aforesaid, words defined or used in the Law have the same meaning in these Articles.

2(4) Expressions referring to writing or written shall unless the contrary intention appears, include facsimile, printing lithography, photography and other modes of representing words in a visible form.

2(5) The headings in these Articles are for ease of reference only and shall not affect the construction or interpretation of these Articles.

BOARD OF DIRECTORS

3. Board of Directors

The business of the Company shall be managed and conducted by the Board.

4. Management of the Company

(1) In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by statute or by these Articles, required to be exercised by the Company in general meeting subject, nevertheless, to these Articles, the provisions of any statute and to such regulations as may be prescribed by the Company in general meeting.

(2) No regulation or alteration to these Articles pursuant to a special resolution shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

(3) The Board may procure that the Company pays all expenses incurred in promoting and incorporating the Company.

5. Power to appoint managing director or chief executive officer

The Board may from time to time appoint one or more Directors to the office of managing director or chief executive officer of the Company who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company.

6. Power to appoint manager

The Board may appoint a person to act as manager of the Company’s day to day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business.

7. Power to authorise specific actions

The Board may from time to time and at any time authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company.

8. Power to appoint attorney

The Board may from time to time and at any time by power of attorney appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such attorney may, if so authorised under the seal of the Company, execute any deed or instrument under such attorney's personal seal with the same effect as the affixation of the seal of the Company.

9. Power to delegate to a committee

The Board may delegate any of its powers to a committee appointed by the Board and every such committee shall conform to such directions as the Board shall impose on them. Subject to any directions or regulations made by the directors for this purpose, the meetings and proceedings of such committees shall be governed by the provisions of these Articles covering the meetings and proceedings of the Directors, including provisions for written resolutions.

10. Power to appoint and dismiss employees

The Board may appoint, suspend or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties.

11. Power to borrow and charge property

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party.

12. Exercise of power to purchase shares of the Company

(1) Subject to the Law, the Company is hereby authorised to issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or a Member; but, save for shares declared to be redeemable by the Memorandum of Association, the Directors shall not issue redeemable shares without the sanction of an ordinary resolution.

(2) The Board may exercise all the powers of the Company to purchase all or any part of its own shares pursuant to the Law. Shares purchased by the Company shall be cancelled and shall cease to confer any right or privilege on the Member from whom the shares are purchased.

(3) The Company is hereby authorised to make payments in respect of the redemption of its shares out of capital or out of any other account or fund which can be authorised for this purpose in accordance with the Law.

(4) Unless fixed by the ordinary resolution sanctioning its issue the redemption price of a redeemable share, or the method of calculation thereof, shall be fixed by the Directors at or before the time of issue.

(5) Unless otherwise provided or directed by the ordinary resolution sanctioning the issue of the shares concerned:

- (a) every share certificate representing a redeemable share shall indicate that the share is redeemable;
- (b) in the case of shares redeemable at the option of a Member a redemption notice from a Member may not be revoked without the agreement of the Directors;
- (c) at the time or in the circumstances specified for redemption the redeemed shares shall be cancelled and shall cease to confer on the relevant Member any right or privilege, without prejudice to the right to receive the redemption price, which price shall become payable so soon as it can with due despatch be calculated, but subject to surrender of the relevant share certificate for cancellation (and reissue in respect of any balance);
- (d) the redemption price may be paid in any manner authorised by these Articles for the payment of dividends;
- (e) a delay in payment of the redemption price shall not affect the redemption but, in the case of a delay of more than thirty days, interest shall be paid for the period from the due date until actual payment at a rate which the Directors, after due enquiry, estimate to be representative of the rates being offered by class A banks in the Cayman Islands for thirty day deposits in the same currency;
- (f) the Directors may exercise as they think fit the powers conferred on the Company by Section 37(5) of the Law (payment out of capital) but only if and to the extent that the redemption could not otherwise be made (or not without making a fresh issue of shares for this purpose);

- (g) subject as aforesaid, the Directors may determine, as they think fit all questions that may arise concerning the manner in which the redemption of the shares shall or may be effected;
- (h) no share may be redeemed unless it is fully paid-up.

13. Discontinuation

The Board may exercise all the powers of the Company to discontinue the Company to a named country or jurisdiction outside the Cayman Islands pursuant to Section 226 of the Law.

14. Election of Directors

(1) The first director or directors of the Company shall be elected by the subscriber to the Memorandum and the first director or directors may at its or their first meeting of directors elect any number of additional directors as it or they may determine up to the maximum number set by this Article 14. Thereafter, subject to clause 9 of the Memorandum, the directors shall be elected by the members for such term as the members determine.

(2) The minimum number of directors shall be one and the maximum number shall be nine.

(3) Subject to clause 9 of the Memorandum, each director shall hold office for the term, if any, fixed by resolution of members or until his earlier death, resignation or removal.

(4) A director may be removed from office, with or without cause, by a resolution of members.

(5) A director may resign his office by giving written notice of his resignation to the Company and the resignation shall have effect from the date the notice is received by the Company or from such later date as may be specified in the notice.

(6) Subject to clause 9 of the Memorandum, a vacancy in the board of directors may be filled by a resolution of members or by a resolution of the remaining directors or director.

(7) With the prior or subsequent approval by a resolution of members, the directors may, by a resolution of directors, fix the emoluments of directors with respect to services to be rendered in any capacity to the Company.

(8) A director shall not require a share qualification, and may be an individual or a company.

15. Defects in appointment of Directors

All acts done bona fide by any meeting of the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

16. Alternate Directors and Proxies

(1) A Director may at any time appoint any person (including another Director) to be his Alternate Director and may at any time terminate such appointment. An appointment and a termination of appointment shall be by notice in writing signed by the Director and deposited at the Registered Office or delivered at a meeting of the Directors.

(2) The appointment of an Alternate Director shall determine on the happening of any event which, if he were a Director, would cause him to vacate such office or if his appointor ceases for any reason to be a Director.

(3) An Alternate Director shall be entitled to receive notices of meetings of the Directors and shall be entitled to attend and vote as a Director at any such meeting at which his appointor is not personally present and generally at such meeting to perform all the functions of his appointor as a Director; and for the purposes of the proceedings at such meeting these Articles shall apply as if he (instead of his appointor) were a Director, save that he may not himself appoint an Alternate Director or a proxy.

(4) If an Alternate Director is himself a Director or attends a meeting of the Directors as the Alternate Director of more than one Director, his voting rights shall be cumulative.

(5) Unless the Directors determine otherwise, an Alternate Director may also represent his appointor at meetings of any committee of the Directors on which his appointor serves; and the provisions of this Article shall apply equally to such committee meetings as to meetings of the Directors.

(6) An Alternate Director may join in a written resolution of the Directors adopted pursuant to these Articles and his signature of such resolution shall be as effective as the signature of his appointor.

(7) Save as provided in these Articles an Alternate Director shall not, as such, have any power to act as a Director or to represent his appointor and shall not be deemed to be a Director for the purposes of these Articles.

(8) A Director who is not present at a meeting of the Directors, and whose Alternate Director (if any) is not present at the meeting, may be represented at the meeting by a proxy duly appointed, in which event the presence and vote of the proxy shall be deemed to be that of the Director. All the provisions of these Articles regulating the appointment of proxies by members shall apply equally to the appointment of proxies by Directors.

17. Vacancies on the Board

(1) The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Articles as the quorum necessary for the transaction of business at meetings of the Board, the continuing Directors or Director may act for the purpose of (i) increasing the number of Directors to the requisite number (ii) summoning a general meeting of the Company or (iii) preserving the assets of the Company.

(2) The office of Director shall be vacated if the Director:-

- (a) is removed from office pursuant to the Memorandum of Association and these Articles or is prohibited from being a Director by law;
- (b) is or becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (c) is or becomes of unsound mind or an order for his detention is made under the Mental Health Law or any analogous law of a jurisdiction outside the Cayman Islands or dies;
- (d) resigns his or her office by notice in writing to the Company.

18. Notice of meetings of the Board

(1) A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Board.

(2) Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director verbally in person or by telephone or otherwise communicated or sent to such Director by post, cable, telex, telecopier, facsimile or other mode of representing words in a legible and non-transitory form at such Director's last known address or any other address given by such Director to the Company for this purpose.

19. Quorum at meetings of the Board

The quorum necessary for the transaction of business at a meeting of the Board shall be two Directors, provided that if there is only one Director for the time being in office the quorum shall be one.

20. Meetings of the Board

(1) The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit.

(2) Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

(3) A resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

21. Unanimous written resolutions

A resolution in writing signed by all the Directors which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution to be effective on the date on which the last Director signs the resolution.

22. Contracts and disclosure of Directors' interests

(1) Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in a professional capacity for the Company and such Director or such Director's firm, partner or such company shall be entitled to remuneration for professional services as if such Director were not a Director, provided that nothing herein contained shall authorise a Director or Director's firm, partner or such company to act as Auditor of the Company.

(2) A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest.

(3) Following a declaration being made pursuant to this Article, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

23. Remuneration of Directors

The remuneration, (if any) of the Directors shall subject to any direction that may be given by the Company in general meeting shall be determined by the Directors as they may from time to time determine and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.

OFFICERS

24. Officers of the Company

The Officers of the Company shall consist of a Chairman and a Secretary and such additional Officers as the Board may from time to time determine all of whom shall be deemed to be Officers for the purposes of these Articles.

25. Appointment of Officers

(1) The Board shall appoint a Chairman who shall be a Director.

(2) The Secretary and additional Officers, if any, shall be appointed by the Board from time to time.

26. Remuneration of Officers

The Officers shall receive such remuneration as the Board may from time to time determine.

27. Duties of Officers

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

28. Chairman of meetings

Unless otherwise agreed by a majority of those attending and entitled to attend and vote thereat, the Chairman, if there be one, shall act as chairman at all meetings of the Members and of the Board at which such person is present. In his absence a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

29. Register of Directors and Officers

(1) The Board shall cause to be kept in one or more books at its registered office a Register of Directors and Officers in accordance with the Law and shall enter therein the following particulars with respect to each Director and Officer:

(a) first name and surname; and

(b) address.

(2) The Board shall, within the period of thirty days from the occurrence of -

(a) any change among its Directors and Officers; or

- (b) any change in the particulars contained in the Register of Directors and Officers,

cause to be entered on the Register of Directors and Officers the particulars of such change and the date on which such change occurred, and shall notify the Registrar of Companies of any such change that takes place.

30. Register Of Mortgages And Charges

- (1) The Directors shall cause to be kept the register of mortgages and charges required by the Law.

(2) The Register of Mortgages and Charges shall be open to inspection at the office of the Company on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection.

MINUTES

31. Obligations of Board to keep minutes

The Board shall cause minutes to be duly entered in books provided for the purpose:-

- (a) of all elections and appointments of Officers;
- (b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and
- (c) of all resolutions and proceedings of general meetings of the Members, meetings of the Board, meetings of managers and meetings of committees appointed by the Board.

INDEMNITY

32. Indemnification of Directors and Officers of the Company

The Directors, Officers and Auditors of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and every former director, officer, auditor or trustee and their respective heirs, executors, administrators and personal representatives (each of such persons being referred to in this Article as an "indemnified party") shall be indemnified out of the assets of the Company from and against all actions, proceedings, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duties in their respective offices or trusts, except any which an indemnified party shall incur or sustain by or through his own wilful neglect or default; no indemnified party shall be answerable for the acts, omissions, neglects or defaults of any other Director, officer, Auditor or trustee, or for joining in any receipt for the sake of conformity, or for the solvency or honesty of any banker or other persons with whom any moneys or effects belonging to the Company may be lodged or deposited for safe custody, or for any insufficiency of any security upon which any monies of the Company may be invested, or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his office or trust unless the same shall happen through the wilful neglect or default of such indemnified party.

33. Waiver of claim by Member

Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or Officer.

MEETINGS

34. Notice of annual general meeting

(1) The Company shall in each year hold a general meeting as its annual general meeting, provided that, if the Company is an exempted company, it may by ordinary resolution determine that no annual general meeting need be held in a particular year or years or indefinitely.

(2) Subject to paragraph (1) the annual general meeting of the Company shall be held in each year other than the year of incorporation at such time and place as the Chairman or any two Directors or any Director and the Secretary or the Board shall appoint. At least five days notice of such meeting shall be given to each Member stating the date, place and time at which the meeting is to be held and if different, the record date for determining members entitled to attend and vote at general meeting, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.

35. Notice of extraordinary general meeting

(1) General meetings other than annual general meetings shall be called extraordinary general meetings.

(2) The Chairman or any two Directors or any Director and the Secretary or the Board may convene an extraordinary general meeting of the Company whenever in their judgment such a meeting is necessary, upon not less than five days' notice which shall state the date, time, place and the general nature of the business to be considered at the meeting.

36. Accidental omission of notice of general meeting

The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

37. Meeting called on requisition of Members

(1) Notwithstanding anything herein, the Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings of the Company, forthwith proceed to convene a extraordinary general meeting of the Company to be effective the requisition shall state the objects of the meeting, shall be in writing, signed by the requisitionists, and shall be deposited at the Registered Office. The requisition may consist of several documents in like form each signed by one or more requisitionists.

(2) If the Directors do not within twenty-one days from the date of the requisition duly proceed to call an extraordinary general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an extraordinary general meeting; but any meeting so called shall not be held more than ninety days after the requisition. An extraordinary general meeting called by requisitionists shall be called in the same manner, as nearly as possible, as that in which general meetings are to be called by the Directors.

38. Short notice

A general meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in these Articles, be deemed to have been properly called if it is so agreed by all the Members entitled to attend and vote thereat in the case of an annual general meeting, or in the case of an extraordinary general meeting, by seventy-five percent of the members entitled to attend and vote thereat.

39. Postponement of meetings

The Board may postpone any general meeting called in accordance with the provisions of these Articles provided that notice of postponement is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of these Articles.

40. Quorum for general meeting

At any general meeting of the Company two persons present in person and representing in person or by proxy in excess of 50% of the total issued voting shares in the Company throughout the meeting shall form a quorum for the transaction of business, PROVIDED that if the Company shall at any time have only one Member, one Member present in person or by proxy shall form a quorum for the transaction of business at any general meeting of the Company held during such time. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Board may determine.

41. Adjournment of meetings

The chairman of a general meeting may, with the consent of the Members at any general meeting at which a quorum is present (and shall if so directed), adjourn the meeting. Unless the meeting is adjourned for more than sixty days fresh notice of the date, time and place for the resumption of the adjourned meeting shall be given to each Member in accordance with the provisions of these Articles.

42. Attendance at meetings

Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

43. Written resolutions

(1) Anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members of the Company, may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Members who at the date of the resolution would be entitled to attend the meeting and vote on the resolution.

(2) A resolution in writing may be signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Members, or any class thereof, in as many counterparts as may be necessary.

(3) For the purposes of this Article, the date of the resolution is the date when the resolution is signed by, or, in the case of a Member that is a corporation whether or not a company within the meaning of the Law, on behalf of, the last Member to sign and any reference in any Article to the date of passing of a resolution is, in relation to a resolution made in accordance with this Article, a reference to such date.

(4) A resolution in writing made in accordance with this Article is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Article to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly.

(5) A resolution in writing made in accordance with this Article shall constitute minutes for the purposes of the Law.

44. Attendance of Directors

The Directors of the Company shall be entitled to receive notice of and to attend and be heard at any general meeting.

45. Voting at meetings

(1) Subject to the provisions of the Law and these Articles, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of these Articles and in the case of an equality of votes the resolution shall fail.

(2) No Member shall be entitled to vote at any general meeting unless such Member has paid all the calls on all shares held by such Member.

46. Voting on show of hands

At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to the provisions of these Articles, every Member present in person and every person holding a valid proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his or her hand.

47. Decision of chairman

At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Articles, be conclusive evidence of that fact.

48. Demand for a poll

(1) Notwithstanding the provisions of the immediately preceding two Articles, at any general meeting of the Company, in respect of any question proposed for the consideration of the Members (whether before or on the declaration of the result of a show of hands as provided for in these Articles), a poll may be demanded by the Chairman or at least one Member.

(2) Where, in accordance with the provisions of subparagraph (1) of this Article, a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted in the manner set out in sub-paragraph (4) of this Article or in the case of a general meeting at which one or more Members are present by telephone in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands.

(3) A poll demanded in accordance with the provisions of subparagraph (1) of this Article, for the purpose of electing a chairman or on a question of adjournment, shall be taken forthwith and a poll demanded on any other question shall be taken in such manner and at such time and place as the chairman may direct and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

(4) Where a vote is taken by poll, each person present and entitled to vote shall be furnished with a ballot paper on which such person shall record his or her vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialled or otherwise marked so as to identify the voter and the registered member in the case of a proxy. At the conclusion of the poll, the ballot papers shall be examined and counted by a committee of not less than two Members or proxy members appointed by the chairman for the purpose and the result of the poll shall be declared by the chairman.

49. Seniority of joint holders voting

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

50. Instrument of proxy

The instrument appointing a proxy shall be in writing in the form, or as near thereto as circumstances admit, of Form "A" in the Schedule hereto, under the hand of the appointor or of the appointor's attorney duly authorised in writing, or if the appointor is a corporation, either under its seal, or under the hand of a duly authorised officer or attorney. The decision of the chairman of any general meeting as to the validity of any instrument of proxy shall be final.

51. Representation of corporations at meetings

A corporation which is a Member may, by written instrument, authorise such person as it thinks fit to act as its representative at any meeting of the Members and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member. Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he or she thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

SHARE CAPITAL AND SHARES

52. Rights of shares

Subject to any resolution of the Members to the contrary and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the share capital of the Company shall be divided into shares of a single class the holders of which shall, subject to the provisions of these Articles:-

- (a) be entitled to one vote per share;

- (b) be entitled to such dividends as the Board may from time to time declare;
- (c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
- (d) generally be entitled to enjoy all of the rights attaching to shares.

53. Power to issue shares

(1) Subject to these Articles and to any resolution of the Members to the contrary and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have power to issue any unissued shares of the Company on such terms and conditions as it may determine and any shares or class of shares (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of shares) may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Board may prescribe, provided that no share shall be issued at a discount except in accordance with the Law.

(2) The Board shall, in connection with the issue of any share, have the power to pay such commission and brokerage as may be permitted by law.

(3) The Company may from time to time do any one or more of the following things:

- (a) make arrangements on the issue of shares for a difference between the Members in the amounts and times of payments of calls on their shares;
- (b) accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up;
- (c) pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others; and
- (d) issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding up.

54. Alteration of Capital

(1) Subject to the Law the Company may from time to time by ordinary resolution alter the conditions of its Memorandum of Association to increase its share capital by new shares of such amount as it thinks expedient or, if the Company is exempted and has shares without par value, increase its share capital by such number of shares without nominal or par value, or increase the aggregate consideration for which its shares may be issued, as it thinks expedient.

(2) Subject to the Law, the Company may from time to time by ordinary resolution alter the conditions of its Memorandum of Association to:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum of Association; or
- (c) cancel shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled or, in the case of shares without par value, diminish the number of shares into which its capital is divided.

(3) For the avoidance of doubt it is declared that sub-paragraphs 2(a) and 2(b) above do not apply if the shares of the Company have no par value.

(4) Subject to the Law, the Company may from time to time by special resolution reduce its share capital in any way or alter any conditions of its Memorandum of Association relating to share capital.

55. Alteration of registered office, name and objects

Subject to the Law, the Company may by resolution of its Directors change the location of its Registered Office.

Subject to the Law, the Company may from time to time by special resolution change its name or alter its objects or make any other alteration to its Memorandum of Association for which provision has not been made elsewhere in these Articles.

56. Variation of rights, alteration of share capital and purchase of shares of the Company.

(1) Any preference shares may be issued or converted into shares that, at a determinable date or at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by resolution of the Members determine.

(2) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

57. Registered holder of shares

(1) The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable or other claim to, or interest in, such share on the part of any other person.

(2) No person shall be entitled to recognition by the Company as holding any share upon any trust and the Company shall not be bound by, or be compelled in any way to recognise, (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any other right in respect of any share except an absolute right to the entirety of the share in the holder. If, notwithstanding this Article, notice of any trust is at the holder's request entered in the Register or on a share certificate in respect of a share, then, except as aforesaid:

- (a) such notice shall be deemed to be solely for the holder's convenience;
- (b) the Company shall not be required in any way to recognise any beneficiary, or the beneficiary, of the trust as having an interest in the share or shares concerned;
- (c) the Company shall not be concerned with the trust in any way, as to the identity or powers of the trustees, the validity, purposes or terms of the trust, the question of whether anything done in relation to the shares may amount to a breach of trust or otherwise; and
- (d) the holder, shall keep the Company fully indemnified against any liability or expense which may be incurred or suffered as a direct or indirect consequence of the Company entering notice of the trust in the Register or on a share certificate and continuing to recognise the holder as having an absolute right to the entirety of the share or shares concerned.

(3) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members or, in the case of joint holders, to such address of the holder first named in the Register of Members, or to such person and to such address as the holder or joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

58. Death of a joint holder

Where two or more persons are registered as joint holders of a share or shares then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

59. Share certificates

(1) Every Member shall be entitled to a certificate under the seal of the Company (or a facsimile thereof) specifying the number and, where appropriate, the class of shares held by such Member and whether the same are fully paid up and, if not, how much has been paid thereon. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

(2) The Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the person to whom such shares have been allotted.

(3) If any such certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

(4) Share certificates may not be issued in bearer form.

60. Calls on shares

(1) The Board may from time to time make such calls as it thinks fit upon the Members in respect of any monies unpaid on the shares allotted to or held by such Members and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

(2) The Board may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

61. Forfeiture of shares

(1) If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward to such Member a notice in the form, or as near thereto as circumstances admit, of Form "B" in the Schedule hereto.

(2) If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine.

(3) A Member whose share or shares have been forfeited as aforesaid shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture and all interest due thereon.

REGISTER OF MEMBERS

62. Contents of Register of Members

The Board shall cause to be kept in one or more books a Register of Members which may be kept outside the Cayman Islands at such place as the Directors shall appoint and shall enter therein the following particulars:-

- (a) the name and address of each Member, the number and, where appropriate, the class of shares held by such Member and the amount paid or agreed to be considered as paid on such shares;
- (b) the date on which each person was entered in the Register of Members; and
- (c) the date on which any person ceased to be a Member for one year after such person so ceased.

63. Determination of record dates

Notwithstanding any other provision of these Articles, the Board may fix any date as the record date for:-

- (a) determining the Members entitled to receive any dividend; and
- (b) determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

but, unless so fixed, the record date shall be as follows:

- (a) as regards the entitlement to receive notice of a meeting or notice of any other matter, the date of despatch of the notice;
- (b) as regards the entitlement to vote at a meeting, and any adjournment thereof, the date of the original meeting;
- (c) as regards the entitlement to a dividend or other distribution, the date of the Directors' resolution declaring the same.

TRANSFER OF SHARES

64. Instrument of transfer

(1) An instrument of transfer shall be in the form or as near thereto as circumstances admit of Form "C" in the Schedule hereto or in such other common form as the Board may accept. Such instrument of transfer shall be signed by or on behalf of the transferor and transferee provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

(2) The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

65. Restriction on transfer

(1) The Board may in its absolute discretion and without assigning any reason therefor refuse to register the transfer of a share.

(2) If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

66. Transfers by joint holders

The joint holders of any share or shares may transfer such share or shares to one or more of such joint holders, and the surviving holder or holders of any share or shares previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

TRANSMISSION OF SHARES

67. Representative of deceased Member

In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of Section 52 of the Law, for the purpose of this Article, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may in its absolute discretion decide as being properly authorised to deal with the shares of a deceased Member.

68. Registration on death or bankruptcy.

Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in the form, or as near thereto as circumstances admit, of Form "D" in the Schedule hereto. On the presentation thereof to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member but the Board shall, in either case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

DIVIDENDS AND OTHER DISTRIBUTIONS

69. Declaration of dividends by the Board

(1) The Board may, subject to these Articles and any direction of the Company in general meeting declare a dividend to be paid to the Members, in proportion to the number of shares held by them and paid up by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets PROVIDED that if the shares have no par value, then the dividends shall be paid equally on a per share basis.

(2) Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed, or not in the same amount. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Law.

(3) No dividend shall bear interest against the Company.

(4) With the sanction of an ordinary resolution of the Company the Directors may determine that a dividend shall be paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and may settle all questions concerning such distribution. Without limiting the foregoing generality the Directors may fix the value of such specific assets, may determine that cash payments shall be made to some members in lieu of specific assets and may vest any such specific assets in trustees on such terms as the Directors think fit.

(5) With the sanction of an ordinary resolution of the Company (or, as regards a dividend payable in respect of a class of shares, an ordinary resolution passed at a class meeting) the Directors may determine that:

- (a) the persons entitled to participate in the dividend shall have a right of election to accept shares of the Company credited as fully paid in satisfaction of all or (if the Directors so specify or permit) part of their dividend entitlement; or
- (b) a dividend shall be satisfied in whole or specified part by an issue of shares of the Company credited as fully paid up, subject to a right of election on the part of persons entitled to participate in the dividend to receive their dividend entitlement wholly or (if the Directors so permit) partly in cash;

and in either event the Directors may determine all questions that arise concerning the right of election, notification thereof to members, the basis and terms of issue of shares of the Company and otherwise.

70. Other distributions

The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company.

71. Reserve fund

The Board may from time to time before declaring a dividend set aside, out of the surplus or profits of the Company, such sum as it thinks proper as a reserve fund to be used to meet contingencies or for equalising dividends or for any other special purpose. Pending application, such sums may be employed in the business of the Company or invested, and need not be kept separate from other assets of the Company. The Directors may also, without placing the same to reserve, carry forward any profit which they decide not to distribute.

72. Deduction of Amounts due to the Company

The Board may deduct from the dividends or distributions payable to any Member all monies due from such Member to the Company on account of calls or otherwise.

CAPITALISATION

73. Issue of bonus shares

(1) The Board may resolve to capitalise any part of the amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members.

(2) The Board may resolve to capitalise any sum standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full partly paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.

SHARE PREMIUM ACCOUNT

Subject to any direction from the Company in general meeting, the Directors may on behalf of the Company exercise all the powers and options conferred on the Company by the Law in regard to the Company's share premium account, save that unless expressly authorised by other provisions of these Articles the sanction of an ordinary resolution shall be required for any application of the share premium account in paying dividends to members.

74. Records of account

(1) The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:-

- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;
- (b) all sales and purchases of goods by the Company; and
- (c) the assets and liabilities of the Company.

Such records of account shall be kept and proper books of account shall not be deemed to be kept with respect to the matters aforesaid if these are not kept such books as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions at such place as the Board thinks fit.

(2) No member (not being a Director) shall have any right of inspecting any account or book or document of the Company.

(3) Subject to any waiver by the Company in general meeting of the requirements of this Article, the Directors shall lay before the Company in general meeting, or circulate to members, financial statements in respect of each financial year of the Company, consisting of:

- (a) a profit and loss account giving a true and fair view of the profit or loss of the Company for the financial year; and
- (b) a balance sheet giving a true and fair view of the state of affairs of the Company at the end of the financial year;

together with a report of the Board reviewing the business of the Company during the financial year. The financial statements and the Directors' report, together with the auditor's report, if any, shall be laid before the Company in general meeting, or circulated to members, no later than one hundred and eighty days after the end of the financial year.

(4) The financial year end of the Company shall be the 31st December in each year but, subject to any direction of the Company in general meeting, the Board may from time to time prescribe some other period to be the financial year, provided that the Board may not without the sanction of an ordinary resolution prescribe or allow any financial year longer than eighteen months.

AUDIT

75. Appointment of Auditor

(1) The Company may in general meeting appoint Auditors to hold office until the conclusion of the next annual general meeting or at a subsequent extraordinary general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor of the accounts of the Company. Such Auditor may be a Member but no Director, Officer or employee of the Company shall, during his or her continuance in office, be eligible to act as an Auditor of the Company.

(2) Whenever there are no Auditors appointed as aforesaid the Directors may appoint Auditors to hold office until the conclusion of the next annual general meeting or earlier removal from office by the Company in general meeting. Unless fixed by the Company in general meeting the remuneration of the Auditors shall be as determined by the Directors. Nothing in this Article shall be construed as making it obligatory to appoint Auditors.

(3) The Auditors shall make a report to the members on the accounts examined by them and on every set of financial statements laid before the Company in general meeting, or circulated to members, pursuant to this Article during the Auditors' tenure of office.

(4) The Auditors shall have right of access at all times to the Company's books, accounts and vouchers and shall be entitled to require from the Company's Directors and Officers such information and explanations as the Auditors think necessary for the performance of the Auditors' duties; and, if the Auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit, they shall state that fact in their report to the members.

(5) The Auditors shall be entitled to attend any general meeting at which any financial statements which have been examined or reported on by them are to be laid before the Company and to make any statement or explanation they may desire with respect to the financial statements.

(6) The financial statements provided for by these Articles shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the Members in general meeting.

NOTICES

76. Notices to Members of the Company

A notice may be given by the Company to any Member either by delivering it to such Member in person or by sending it to such Member's address in the Register of Members or to such other address given for the purpose. For the purposes of this Article, a notice may be sent by mail, courier service, cable, telex, telecopier, facsimile or other mode of representing words in a legible and non-transitory form.

77. Notices to joint Members

Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

78. Service and delivery of notice

Any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile or other method as the case may be.

SEAL OF THE COMPANY

79. The seal

(1) The Seal shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors in that behalf; and, until otherwise determined by the Directors, the Seal shall be affixed in the presence of a Director or the Secretary or an assistant secretary or some other person authorised for this purpose by the Directors or the committee of Directors.

(2) Notwithstanding the foregoing the Seal may without further authority be affixed by way of authentication to any document required to be filed with the Registrar of Companies in the Cayman Islands, and may be so affixed by any Director, Secretary or assistant secretary of the Company or any other person or institution having authority to file the document as aforesaid.

(3) The Company may have one or more duplicate Seals, as permitted by the Law; and, if the Directors think fit, a duplicate Seal may bear on its face the name of the country, territory, district or place where it is to be used.

WINDING-UP

80. Winding-up/distribution by liquidator

(1) The Company may be voluntarily wound-up by a special resolution of Members.

(2) If the Company shall be wound up the liquidator may, with the sanction of a special resolution, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he or she deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

ALTERATION OF ARTICLES

81. Alteration of Articles

Subject to the Law, the Company may from time to time by special resolution alter or amend these Articles in whole or in part.

SCHEDULE - FORM A

P R O X Y

I

of

the holder of _____ share in the above-named Company hereby appoint _____ or failing him/her _____ or failing him/her _____ as my proxy to vote on my behalf at the general meeting of the Company to be held on the _____ day of _____, 20____, and at any adjournment thereof.

Dated this _____ day of _____, 20____

*GIVEN under the seal of the company

*Signed by the above-named

Witness

* Delete as applicable.

SCHEDULE - FORM B

NOTICE OF LIABILITY TO FORFEITURE FOR NON PAYMENT OF CALL

You have failed to pay the call of [amount of call] made on the __ day of _____, 20__ last, in respect of the [number] share(s) [numbers in figures] standing in your name in the Register of Members of the Company, on the __ day of _____, 20__ last, the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of _____ per annum computed from the said __ day of _____, 20__ last, on or before the __ day of _____, 20__ next at the place of business of the said Company the share(s) will be liable to be forfeited.

Dated this __ day of _____, 20__

[Signature of Secretary]

By order of the Board

SCHEDULE - FORM C
TRANSFER OF A SHARE OR SHARES

FOR VALUE RECEIVED _____ [amount] _____ [transferor] hereby sell assign and transfer unto _____
[transferee] of _____ [address] _____ [number of shares] shares of _____ [name of Company]

Dated _____

(Transferor)

In the presence of:

(Witness)

(Transferee)

In the presence of:

(Witness)

SCHEDULE - FORM D

TRANSFER BY A PERSON BECOMING ENTITLED ON DEATH/BANKRUPTCY
OF A MEMBER

I/We having become entitled in consequence of the [death/bankruptcy] of [name of the deceased Member] to [number] share(s) numbered [number in figures] standing in the register of members of [Company] in the name of the said [name of deceased Member] instead of being registered myself/ourselves elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee his or her executors administrators and assigns subject to the conditions on which the same were held at the time of the execution thereof; and the Transferee does hereby agree to take the said share(s) subject to the same conditions.

WITNESS our hands this ___ day of _____, 20__

Signed by the above-named)
[person or persons entitled])
in the presence of:)

Signed by the above-named)
[transferee])
in the presence of:)

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

SHARE PURCHASE AGREEMENT

December 24, 2004

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SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (the "Agreement") is made as of the 24th day of December, 2004, by and among New Oriental Education & Technology Group Inc., an International Business Company under the laws of the British Virgin Islands (the "Company"), Capital River Group Limited, an International Business Company under the laws of the British Virgin Islands ("Capital River Group" and, together with the Company, the "Sellers"), the investors (severally and not jointly, listed on Schedule A hereto, each of which is herein referred to as an "Investor" and collectively as the "Investors"), Beijing New Oriental Education and Technology (Group) Co., Ltd. ("GroupCo") and the founders listed on Schedule B hereto (each of which is herein referred to as a "Founder" and collectively as the "Founders").

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Purchase and Sale of Shares.

1.1 Sale and Issuance of Series A Preferred Shares.

(a) The Company shall adopt and file with the Registrar of Companies in the British Virgin Islands on or before the Closing (as defined below in Section 1.2) the Amended and Restated Memorandum of Association in the form attached hereto as Exhibit A (the "Restated Memorandum") and the Amended and Restated Articles of Association in the form attached hereto as Exhibit A-1 (the "Restated Articles").

(b) On or prior to the Closing, the Company shall have authorized (i) the sale and issuance to the Investors of 11,111,111 shares of its Series A Preferred Shares (as defined below in Section 2.2(a)) and (ii) the issuance of the Common Shares to be issued upon conversion of the Series A Preferred Shares (the "Conversion Shares"). The Series A Preferred Shares and the Conversion Shares shall have the rights, preferences, privileges and restrictions set forth in the Restated Memorandum and the Restated Articles.

(c) Subject to the terms and conditions of this Agreement and the Escrow Agreement (as defined below), each Investor agrees, severally and not jointly, to purchase at the Closing and the Company agrees to sell and issue to each Investor at the Closing that number of Series A Preferred Shares set forth opposite such Investor's name on Schedule A hereto for US\$2.025 per share (the "Series A Purchase Price").

(d) Subject to the terms and conditions of this Agreement, each Investor agrees, severally and not jointly, to purchase at the Closing and Capital River Group agrees to sell to each Investor at the Closing that number of Common Shares set forth opposite such Investor's name on Schedule A hereto for US\$1.8116 per share (the "Common Purchase Price" and, together with the Series A Purchase Price, the "Purchase Price").

1.2 Closing. The purchase and sale of the Series A Preferred Shares shall take place at the offices of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP ("Gunderson Dettmer"), 220 West 42nd Street, 20th Floor, New York, New York, at 10:00 A.M. (local time), on December 24, 2004, or at such other time and place as the Company and Investors agree upon orally or in writing (which time and place are designated as the "Closing"). At the Closing (a) Capital River Group shall deliver to each Investor certificates representing the Common Shares that such Investor is purchasing against payment of the purchase price therefor by wire transfer and (b) the Company shall deliver to each Investor certificates representing the Series A Preferred Shares that such Investor is purchasing against payment of the purchase price therefor by wire transfer to the Escrow Agent (as defined below).

1.3 At the Closing, the Company, the Investors and Codan Trust Company (Cayman) Limited (the "Escrow Agent") shall enter into an Escrow Agreement (the "Escrow Agreement") with terms substantially consistent with those in the form on Exhibit H. As used herein, the term "Escrow Deposit" shall mean the payments to be made by the Investors into escrow pursuant to Section 1.2(b). The Escrow Deposit shall be deposited with the Escrow Agent pursuant to Section 1.2(b) as security for the establishment of the Management WFOE, the Tech WFOE and the Investment WFOE (each as defined in the Restructuring Plan attached hereto as Exhibit F (the "Restructuring Plan") and the execution of Share Pledge Agreements between each shareholder of GroupCo and the Management WFOE pursuant to Section 3 of the Restructuring Plan within one hundred twenty (120) days of the date hereof (the "Escrow Obligations") and the Escrow Agent shall hold, invest, disburse and otherwise deal with the Escrow Deposit pursuant to the terms and conditions set forth in the Escrow Agreement.

The Company and the Investors agree that the Escrow Agent shall release the Escrow Deposit as follows: (a) promptly following, and in any event within five (5) business days of, receipt of written instructions from Tianyuan Law Office in the form of the certificate attached as Exhibit A of the Escrow Agreement, the Escrow Agent will release the Escrow Deposit to the Company, (b) upon receipt of joint instructions from the Investors and the Company in the form of the certificate attached as Exhibit B to the Escrow Agreement the Escrow Agent will release the Escrow Deposit to the Investors or the Company as indicated in the certificate, (c) on the one year anniversary of the Closing, the Escrow Agent will release any remaining portion of the Escrow Deposit to the Investors so long as there is no ongoing good faith dispute between the Company and the Investors regarding disbursement of the Escrow Deposit, and (d) in the event there is a good faith dispute between the parties at such time, upon the resolution of such dispute, the Escrow Agent will release any remaining portion of the Escrow Deposit pursuant to an executed agreement signed by the Company and the Investors that resolves such dispute, all in accordance with the Escrow Agreement. The Investors and the Company shall pursue the resolution of any dispute in good faith and as promptly as practicable.

2. Representations and Warranties of the Sellers, GroupCo and the Founders. The Sellers, GroupCo and the Founders (severally and not jointly) hereby represent and warrant to each Investor that, except as set forth on the disclosure letter of even date herewith (the "Disclosure Letter") furnished to each Investor and special counsel for the Investors, which exceptions shall be deemed to be representations and warranties as if made hereunder:

2.1 Organization, Good Standing and Qualification.

(a) The Company is an international business company duly organized, validly existing and in good standing under the laws of British Virgin Islands and has all requisite corporate power and authority to carry on its business as now conducted and as currently proposed to be conducted. To the Company and the Founders' knowledge, the Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on the business or properties of the Company.

(b) GroupCo is a limited liability company duly organized, validly existing and in good standing under the laws of the People's Republic of China (the "PRC") and has all requisite corporate power and authority to carry on its business as now conducted and as currently proposed to be conducted. To the Company's, GroupCo's and the Founders' knowledge, GroupCo is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on the business or properties of the Company.

(c) New Oriental Education Corporation (the "Subsidiary") is a wholly-owned subsidiary of the Company and is duly established and validly existing under all applicable laws, ordinances, rules and regulations, as well as judicial interpretations and decisions, of British Columbia. The Subsidiary has full corporate power and authority to (i) enter into the agreements to which it is a party, to carry out its obligations thereunder and to consummate the transactions contemplated thereby, and all such agreements have been duly authorized by all necessary corporate action on the part of the Subsidiary, (ii) to possess all governmental licenses, permits, authorizations and approvals necessary to enable it to own, operate, lease or otherwise hold its respective properties and assets now owned, operated, leased or otherwise held by it and (iii) to carry on its respective business as it is currently conducted and proposed to be conducted as of the date hereof. To the Company and the Founders' knowledge, the Subsidiary is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on the business or properties of the Subsidiary. True and complete copies of the articles of association of the Subsidiary, in effect on the date hereof, have been made available by the Company to the Investors. True and complete copies of all shareholder consents of the Subsidiary have been made available by the Company to the Investors.

2.2 Capitalization and Voting Rights of the Company. The authorized capital of the Company consists of:

(a) Preferred Shares. Eleven Million One Hundred Eleven Thousand One Hundred Eleven (11,111,111) Preferred Shares, par value \$0.01 (the "Preferred Shares"), all of which have been designated Series A Preferred Shares (the "Series A Preferred Shares") and all of which may be sold pursuant to this Agreement. The rights, privileges and preferences of the Series A Preferred Shares will be as stated in the Restated Memorandum and the Restated Articles.

(b) Common Shares. 150,000,000 Common Shares, par value \$0.01 (the "Common Shares"), of which 100,000,000 are issued and outstanding.

(c) The outstanding securities of the Company are owned by the security holders in the numbers specified in Exhibit B hereto.

(d) The outstanding capital shares of the Company are all duly and validly authorized and issued, fully paid and nonassessable, and were issued in accordance with all applicable securities laws, rules and regulations, or pursuant to valid exemptions therefrom.

(e) Except for (i) the conversion privileges of the Series A Preferred Shares to be issued under this Agreement and (ii) the rights provided in Section 2.4 of that certain Investors' Rights Agreement in the form attached hereto as Exhibit C (the "Investors' Rights Agreement"), there are not outstanding any options, warrants, rights (including conversion or preemptive rights) or agreements for the purchase or acquisition from the Company of its capital shares. In addition, the Company has reserved an additional eleven million eleven hundred eleven thousand one hundred eleven (11,111,111) Common Shares for purchase upon exercise of options to be granted in the future under the Company's Option Plan (the "Option Plan"). Except for as disclosed in Disclosure Letter and except for the Voting Agreement (as defined below in Section 2.7 hereof), the Company is not a party or subject to any agreement or understanding, and, to the Company's and the Founders' knowledge, there is no agreement or understanding between any persons and/or entities, which affects or relates to the voting or giving of written consents with respect to any security or by a director of the Company.

(f) All outstanding securities of the Company, including, without limitation, all outstanding capital shares of the Company, all capital shares of the Company issuable upon the conversion or exercise of all convertible or exercisable securities and all other securities that the Company is obligated to issue, are subject to a one hundred eighty (180) day "market stand-off" restriction upon an initial public offering of the Company's securities pursuant to Section 4 of the Right of First Refusal and Co-Sale Agreement (as defined in Section 2.7 hereof).

(g) The Disclosure Letter sets forth a complete list of each security of the Company owned by any officer, director or, in the Company's reasonable belief, key employee of the Company, the Subsidiary or any of the PRC Entities (as defined in Section 2.5 hereof), or by any affiliate or any member of the immediate family of any such individual, together with a description of the material terms of the vesting provisions and, to the Company's and the Founders' knowledge, the rights of first refusal and rights of repurchase applicable to each such security other than, in each case, those vesting provisions and first refusal and repurchase rights set forth in the Ancillary Agreements (as defined in Section 2.7 hereof). Except as set forth in the Ancillary Agreements, no share plan, share purchase, share option or other agreement or understanding between the Company and any holder of any securities or rights exercisable or convertible for securities provides for acceleration or other changes in the vesting provisions or other terms of such agreement or understanding as the result of the occurrence of any event, other than the passage of time.

2.3 Capitalization and Voting Rights of GroupCo.

(a) The registered capital of GroupCo totals RMB50,000,000 (the “GroupCo Equity”). The rights and privileges of the GroupCo Equity will be as stated in GroupCo’s articles of association, as amended and restated.

(b) The outstanding equity interests of GroupCo are owned by the security holders in the numbers specified in Exhibit B hereto.

(c) The GroupCo Equity is all duly and validly authorized and issued and fully paid, and was issued in accordance with all applicable securities laws, rules and regulations, or pursuant to valid exemptions therefrom.

(d) Except as set forth in the Disclosure Letter, GroupCo is not a party or subject to any agreement or understanding, and, to the Company’s and GroupCo’s knowledge, there is no agreement or understanding between any persons and/or entities, which affects or relates to the voting or giving of written consents with respect to any security or by a director of GroupCo, except as set forth on the Disclosure Letter.

2.4 Capitalization and Voting Rights of the Subsidiary.

(a) The issued and outstanding capital of the Subsidiary totals C\$250,000 (the “Equity”), all of which is contributed to, and held by, the Company. The rights and privileges of the Equity will be as stated in the Subsidiary’s articles of association, as amended and restated.

(b) The Subsidiary is wholly owned by, and is the only subsidiary of, the Company. The Company is the sole legal and beneficial owner of the entire issued share capital of the Subsidiary, there being no other share or loan capital in the Subsidiary or any share or loan capital under option (actual, contingent or otherwise) to purchase or subscribe.

(c) The Equity is all duly and validly authorized and issued and fully paid, and was issued in accordance with all applicable securities laws, rules and regulations, or pursuant to valid exemptions therefrom.

(d) Neither the Subsidiary nor the Company is a party or subject to any agreement or understanding, and, to the Company’s knowledge, there is no agreement or understanding between any persons and/or entities, which affects or relates to the voting or giving of written consents with respect to any security or by a director of the Subsidiary, except for the Voting Agreement further described in Section 4.12 hereof.

2.5 Subsidiaries. Other than the Subsidiary and the PRC Entities (as defined in Section 2.6 hereof), the Company does not presently own or control, directly or indirectly, any interest in any other corporation, association, or other business entity. The Company is not a participant in any joint venture, partnership, or similar arrangement, other than with respect to the PRC Entities.

2.6 Organization of the PRC Entities.

(a) Except where otherwise indicated on Schedule 2.6(a), each of the parties set forth on Schedule 2.6(a) hereto (the “PRC Entities”) is a limited liability company duly established and validly existing under the laws of the PRC (the “PRC Laws”). Each of the PRC Entities has all requisite corporate power and authority to enter into the agreements to which it is a party, to carry out its obligations thereunder and to consummate the transactions contemplated thereby, and all such agreements have been duly authorized by all necessary corporate action on the part of each of the respective PRC Entities.

(b) Except as set forth in the Disclosure Letter, each of the PRC Entities has full corporate power and authority to possess all governmental licenses, permits, authorizations and approvals necessary to enable it to own, lease or otherwise hold its respective properties and assets and own, operate or lease the properties and assets now owned, operated or leased by it and to carry on its respective business as it is currently conducted and proposed to be conducted as of the date hereof. True and complete copies of the articles of association of each of the PRC Entities, each as in effect on the date hereof, have been made available by the Company to the Investors. True and complete copies of all shareholder consents of each of the PRC Entities have been made available by the Company to the Investors. Except as set forth in the Disclosure Letter, each of the PRC Entities is duly qualified to do business in each jurisdiction where the nature of its respective business or the ownership or leasing of its respective properties make such qualification necessary.

(c) Schedule 2.6(c) hereto lists the capitalization for each of the PRC Entities and sets forth a true and complete list of all direct and indirect subsidiaries of each of the PRC Entities, including details such as its name, type of entity, the jurisdiction and date of its organization and its registered capital, the number and type of its issued and outstanding shares or similar ownership interests and the current ownership of such shares or similar ownership interests. The registered capital of each of the PRC Entities has been fully paid and is non-assessable.

(d) The equity interests of each of the PRC Entities were duly and validly issued and were issued in accordance with all applicable laws, rules and regulations or pursuant to exemptions therefrom. Except as set forth in the Disclosure Letter, the equity interests in each of the PRC Entities are not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any PRC Law, the articles of association or any contract to which any of the PRC Entities is a party or otherwise bound. There are not any bonds, debentures, notes or other indebtedness of any of the PRC Entities having the right to vote (or convertible) into, or exchangeable for, securities having the right to vote) on any matters on which holders of equity interests of any PRC Entity may vote. Except in connection with Restructuring, there are no voting trusts, shareholder agreements, proxies or other agreements or understandings in effect with respect to the voting or transfer of any of the equity interests to which any PRC Entity is a party or is otherwise bound.

(e) Other than the subsidiaries of each of the PRC Entities listed in the Disclosure Letter, there are no other corporations, partnerships, joint ventures, associations or other entities in which any of the PRC Entities owns, of record or beneficially, any direct or indirect equity or other interest or any right (contingent or otherwise) to acquire the same.

(f) There are no options, warrants, convertible securities, subscriptions or other rights, agreements, arrangements or commitments of any character relating to the equity interests of any subsidiary of any of the PRC Entities or obligating any of the PRC Entities to issue or sell any portion of the equity interests of, or any other interest in, any such subsidiary.

(g) Except as set forth in the Disclosure Letter, no order has been made or petition presented or resolution passed for the winding up of any of the PRC Entities, and no distress, execution or process has been levied against any of the PRC Entities or any of its property.

(h) None of the PRC Entities are insolvent or unable to pay its debts and there is no unfulfilled decree or court order outstanding against any of the PRC Entities.

2.7 Authorization. All corporate action on the part of the Sellers and their respective officers, directors, shareholders and affiliates necessary for the authorization, execution and delivery of this Agreement, the Investors' Rights Agreement, that certain First Refusal and Co-Sale Agreement in the form attached hereto as Exhibit D (the "First Refusal and Co-Sale Agreement") and that certain Voting Agreement in the form attached hereto as Exhibit E (the "Voting Agreement", and together with the Investors' Rights Agreement and the Right of First Refusal and Co-Sale Agreement, the "Ancillary Agreements"), the performance of all obligations of the Company hereunder and thereunder, and the authorization, issuance (or reservation for issuance), sale and delivery of the Series A Preferred Shares and Common Shares being sold hereunder and the Conversion Shares has been taken or will be taken prior to the Closing, and this Agreement and the Ancillary Agreements constitute valid and legally binding obligations of the Company and the Founders, enforceable in accordance with their respective terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (b) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, and (c) to the extent the indemnification provisions contained in the Investors' Rights Agreement may be limited by applicable foreign, United States or state securities laws.

2.8 Valid Issuance of Preferred and Common Shares. The Series A Preferred Shares and Common Shares being purchased by the Investors hereunder, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid, and nonassessable, and will be free of restrictions on transfer other than restrictions on transfer under this Agreement and the Ancillary Agreements and under applicable state and United States securities laws. The Conversion Shares have been duly and validly reserved for issuance and, upon issuance in accordance with the terms of the Restated Articles, will be duly and validly issued, fully paid, and nonassessable and will be free of restrictions on transfer other than restrictions on transfer under this Agreement and the Ancillary Agreements and under applicable foreign and United States securities laws.

2.9 Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any United States, local or foreign governmental authority on the part of the Company, GroupCo the Subsidiary or any of the PRC Entities is required in connection with the consummation of the transactions contemplated by this Agreement, except (a) the filing of the Restated Articles with the Registrar of Companies of the British Virgin Islands ; (b) such other post-closing filings as may be required in the United States; or (c) any approvals or filings required by PRC governmental authorities pursuant to the Restructuring Plan.

2.10 Offering. Subject in part to the truth and accuracy of each Investor's representations set forth in Section 3 of this Agreement the offer, sale and issuance of the Series A Preferred Shares as contemplated by this Agreement are exempt from the registration requirements of any applicable foreign or United States securities laws.

2.11 Litigation. Except as set forth in the Disclosure Letter there is no material action, suit, proceeding or investigation pending or, to the Seller's, Company's, GroupCo's and the Founders' knowledge, currently threatened in writing against the Seller, the Company, the Subsidiary, GroupCo, any of the PRC Entities or any of the Founders nor is the Seller, Company, GroupCo or any of the Founders aware that there is any basis for the foregoing. The foregoing includes, without limitation, actions, suits, proceedings or investigations pending or threatened in writing (or any basis therefor known to the Seller, the Company, GroupCo or any of the Founders) involving the prior employment of any of the Company's, GroupCo's, the Subsidiary's or any of the PRC Entities' employees, and either (a) their use in connection with the Company's, GroupCo's, the Subsidiary's or any of the PRC Entities' businesses of any information or techniques allegedly proprietary to any of their former employers, or (b) their obligations under any agreements with prior employers. None of the Seller, the Company, GroupCo, the Subsidiary or any of the Founders is a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality. There is no action, suit, proceeding or investigation by the Seller, the Company, the Subsidiary, GroupCo or any of the PRC Entities currently pending or that the Seller, the Company, GroupCo, the Subsidiary or any of the PRC Entities intends to initiate

2.12 Employment Agreements. Each present employee and officer of the Company, GroupCo, the Subsidiary and the PRC Entities has executed an employment agreement in substantially the forms provided to special counsel for the Investors, except where the failure to do so would not have a material adverse effect on the business and conditions of the Company. The Founders and each senior employee (as reasonably determined by the Investors) of the Company, GroupCo and the Subsidiary has executed an Employment Agreement in the form attached hereto as Exhibit G. Each consultant of the Company has executed a Consulting Agreement in substantially the form provided to special counsel to the Investors except where the failure to do so would not have a material adverse effect on the business and conditions of the Company. None of the Company, GroupCo or any of the Founders is aware that any of the Company's, GroupCo's or the Subsidiary's current or former employees, officers or consultants are in violation thereof, and the Company and GroupCo will use its diligent efforts to prevent any such violation.

2.13 Intellectual Property. Except as set forth on the Disclosure Letter, the Company and the Subsidiary have sufficient title and ownership of or licenses to, or can obtain on commercially reasonable terms, all patents, trademarks, service marks, trade names, domain names, copyrights, trade secrets, information, proprietary rights and processes (the “Intellectual Property.”) necessary for or currently used in the business of the Company, GroupCo, the Subsidiary and each of the PRC Entities as now conducted and as currently proposed to be conducted without, to the Company’s, GroupCo’s and the Founders’ knowledge with respect to patents, trademarks, service marks and trade names only (but without having conducted any special investigation or patent or trademark search), any violation or infringement of, or other conflict with, the rights of others. The Disclosure Letter contains a complete list of patents and pending patent applications and registrations and applications for trademarks, copyrights and domain names of, or exclusively licensed to, the Company or its affiliates. Other than pursuant to the employment agreement previously provided to special counsel to the Investors and except as set forth in the Disclosure Letter, there are no outstanding options, licenses, agreements, claims, encumbrances or shared ownership of interests of any kind relating to anything referred to above in this Section 2.13 that is to any extent owned by or licensed to the Company, GroupCo, the Subsidiary or any of the PRC Entities, nor is the Company, GroupCo, the Subsidiary or any of the Founders bound by or a party to any options, licenses, agreements, claims or encumbrances of any kind with respect to the Intellectual Property of any other person or entity, except, in either case, for intercompany agreements between the Company, GroupCo, the Subsidiary and the PRC Entities, standard end-user, object code, internal-use software license and support/maintenance agreements or as set forth in the Disclosure Letter. None of the Company, GroupCo, the Subsidiary, any of the PRC Entities or any of the Founders has received any communications alleging that the Company, GroupCo, the Subsidiary, any of the PRC Entities or any of the Founders has violated or, by conducting its business as currently proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity and none of the Company, GroupCo or any of the Founders is aware of any reasonable basis for such an allegation or of any reason to believe that such an allegation may be forthcoming. None of the Company, GroupCo or any of the Founders is aware that any of the Company’s, GroupCo’s, the Subsidiary’s or any of the PRC Entities’ employees are obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his or her best efforts to promote the interests of the Company, GroupCo or the Subsidiary or that would conflict with the Company’s, GroupCo’s, the Subsidiary’s or any of the PRC Entities’ businesses as presently conducted or as currently proposed to be conducted. Neither the execution nor delivery of this Agreement or the Ancillary Agreements, nor the carrying on of the Company’s, GroupCo’s or the Subsidiary’s businesses by the employees of the Company, GroupCo, the Subsidiary or any of the PRC Entities, nor the conduct of the Company’s, GroupCo’s, the Subsidiary’s or any of the PRC Entities’ business as currently proposed, will, to the Company’s, GroupCo’s and the Founders’ knowledge, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any of such employees is now obligated. None of the Company, GroupCo or any of the Founders believes it is or will be necessary to utilize any inventions of any of the Company’s, GroupCo’s, the Subsidiary’s or any of the PRC Entities’ employees (or people the Company, GroupCo, the Subsidiary or any of the PRC Entities currently intend to hire) made prior to or outside the scope of their employment by the Company, GroupCo, the Subsidiary or any of the PRC Entities except where the failure to utilize such inventions would not have a material adverse effect on the business or prospects of the Company, GroupCo, the Subsidiary or any of the PRC Entities amounting individually or in the aggregate to \$500,000 or more (a “Material Adverse Effect”).

2.14 Compliance with Other Instruments. The Company is not in violation or default of any provision of (i) its Restated Articles, (ii) any judgment, order, writ, decree or material contract to which it is a party or by which it is bound, or (iii) to the Company's, GroupCo's and the Founders' knowledge, any provision of any United States, local or foreign statute, rule or regulation applicable to the Company, which, with respect to clauses (ii) and (iii), default or violation would have a Material Adverse Effect. GroupCo is not in violation or default of any provision of (i) its articles of association, as amended and restated, (ii) any judgment, order, writ, decree or material contract to which it is a party or by which it is bound, or (iii) to the Company's, GroupCo's and the Founders' knowledge, any provision of any PRC Law applicable to GroupCo, which, with respect to clauses (ii) and (iii), default or violation would have a Material Adverse Effect. The Subsidiary is not in violation or default of any provision of (i) its articles of association, as amended and restated, (ii) any judgment, order, writ, decree or material contract to which it is a party or by which it is bound, or (iii) to the Company's, GroupCo's and the Founders' knowledge, any provision of any PRC Law applicable to the Subsidiary, which, with respect to clauses (ii) and (iii), default or violation would have a Material Adverse Effect. None of the PRC Entities is in violation or default of any provision of (i) articles of association, as amended and restated, (ii) any judgment, order, writ, decree or material contract to which it is a party or by which it is bound, or (iii) to the Company's, GroupCo's and the Founders' knowledge, any provision of PRC Law applicable to the Company, including, without limitation, those relating to telecommunication, internet content providers, advertising and ticketing business, occupational health, safety and the environment which, with respect to clauses (ii) and (iii), default or violation would have a Material Adverse Effect. None of the Company, GroupCo, the Subsidiary or any of the PRC Entities have received any written notice from any regulatory body or authority that the Company, GroupCo, the Subsidiary or any of the PRC Entities has committed any criminal, illegal or unlawful act or any violation of or default with respect to any ordinance, statute, regulation, order, decree or judgment of any court of government agency of relevant jurisdiction which, if committed by the Company, GroupCo, the Subsidiary or any of the PRC Entities may have a Material Adverse Effect. The execution, delivery and performance of this Agreement and the Ancillary Agreements, and the consummation of the transactions contemplated hereby and thereby will not result in any such violation or default or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision, judgment, order, writ, decree or material contract or an event that results in the creation of any lien, charge or encumbrance upon any assets of the Company, GroupCo, the Subsidiary or any of the PRC Entities or the suspension, revocation, impairment, forfeiture, or non-renewal of any material permit, license, authorization, or approval applicable to the Company, GroupCo, the Subsidiary or any of the PRC Entities their respective businesses or operations or any of their respective assets or properties.

2.15 Agreements and Actions.

(a) Except for agreements explicitly contemplated hereby and by the Ancillary Agreements, including without limitation, all employment agreements and proprietary information and inventions agreements entered into by the Company, GroupCo or the Subsidiary and set forth on the Disclosure Letter, and except as otherwise set forth in the Disclosure Letter, there are no agreements, understandings or proposed transactions between the Company, GroupCo, the Subsidiary, any of the PRC Entities and their respective officers, directors, affiliates or any affiliate thereof.

(b) Except as set forth in the Disclosure Letter there are no agreements, understandings, instruments, contracts, proposed transactions, judgments, orders, writs or decrees to which the Company, GroupCo, the Subsidiary or any of the PRC Entities is a party or by which such party is bound that may involve (i) obligations (contingent or otherwise) of, or payments to such party in excess of, RMB 10,000,000 per annum, or (ii) any license of any patent, copyright, trade secret or other proprietary right to or from the Company, GroupCo, the Subsidiary or any of the PRC Entities (other than the license to the Company, GroupCo, the Subsidiary or any of the PRC Entities of standard, generally commercially available, "off-the-shelf" third party products that are not and will not to any extent be part of, or influence development of, or require payment with respect to, any product, service or intellectual property offering of the Company, GroupCo, the Subsidiary or any of the PRC Entities), or (iii) provisions materially restricting or affecting the development, manufacture or distribution of the Company's, GroupCo's, the Subsidiary's or any of the PRC Entities' products or services, or (iv) indemnification by the Company, GroupCo, the Subsidiary or any of the PRC Entities with respect to infringements of proprietary rights.

(c) Except as set forth in Disclosure Letter, none of the Company, GroupCo, the Subsidiary or any of the PRC Entities has (i) declared or paid any dividends or authorized or made any distribution upon or with respect to any class or series of its capital shares, (ii) incurred any indebtedness for money borrowed or any other liabilities individually in excess of \$150,000 or, in the case of indebtedness and/or liabilities individually less than \$150,000, in excess of \$150,000 in the aggregate other than trade payables, (iii) made any loans or advances to any person, other than ordinary advances for travel expenses, or (iv) sold, exchanged or otherwise disposed of any of its assets or rights, other than the sale of its inventory in the ordinary course of business.

(d) For the purposes of subsections (b) and (c) above, all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity (including persons or entities the Company has reason to believe are affiliated therewith) shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsections.

(e) Neither the Company nor any of its affiliates has engaged during the past two years in any discussion (i) with any representative of any corporation or corporations regarding the consolidation or merger of the Company, GroupCo, the Subsidiary or any of the PRC Entities with or into any such corporation or corporations, (ii) with any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of the Company, GroupCo, the Subsidiary or any of the PRC Entities or a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company, GroupCo, the Subsidiary or any of the PRC Entities is disposed of, or (iii) regarding any other form of acquisition, liquidation, dissolution or winding up of the Company, GroupCo, the Subsidiary or any of the PRC Entities.

2.16 Related-Party Transactions. Except as set forth in Disclosure Letter, no employee, officer, director or shareholder of the Company, GroupCo or the Subsidiary (a “Related Party”) or member of such Related Party’s immediate family, or any corporation, partnership or other entity in which such Related Party is an officer, director or partner, or in which such Related Party has significant ownership interests or otherwise controls, is indebted to the Company, GroupCo or the Subsidiary, nor is the Company, GroupCo or the Subsidiary indebted (or committed to make loans or extend or guarantee credit) to any of them other than (a) for payment of salary for services rendered, (b) reimbursement or advances for reasonable expenses incurred on behalf of the Company, GroupCo or the Subsidiary, and (c) for other standard employee benefits made generally available to all employees (including Share Option agreements outstanding under any shares plan approved by the Company’s Board of Directors (the “Board of Directors”) and share purchase agreements approved by the Board of Directors). Except as set forth in the Disclosure Letter, to the Company’s, GroupCo’s and the Founders’ knowledge, none of such persons has any direct or indirect ownership interest in any firm or corporation with which the Company, GroupCo or the Subsidiary is affiliated or with which the Company, GroupCo or the Subsidiary has a business relationship, or any firm or corporation that competes with the Company or the Subsidiary, except that employees, officers, or directors of the Company, GroupCo and the Subsidiary and members of such Related Parties’ immediate families may own shares in publicly traded companies that may compete with the Company, GroupCo or the Subsidiary. To the knowledge of the Company, GroupCo and the Founders, no Related Party or member of their immediate family is directly or indirectly interested in any material contract with the Company or the Subsidiary other than pursuant to the Restructuring Plan.

2.17 Permits. Except as set forth in the Disclosure Letter, each of the Company, GroupCo, the Subsidiary and the PRC Entities has all franchises, permits, licenses, and any similar authority necessary for the conduct of its respective business as now being conducted by it, the lack of which could materially and adversely affect the respective business, properties, prospects or financial condition of the Company, GroupCo, the Subsidiary or any of the PRC Entities, and each of the Company and the Founders believes in good faith that the Company, GroupCo, the Subsidiary and each of the PRC Entities can obtain, without undue burden or expense, any similar authority for the conduct of the business of the Company, GroupCo, the Subsidiary and each of the PRC Entities as planned to be conducted.

2.18 Environmental and Safety Laws. To the Company’s, GroupCo’s and the Founders’ knowledge, none of the Company, GroupCo, the Subsidiary or any of the PRC Entities’ is in material violation of any applicable statute, law or regulation relating to the environment or occupational health and safety, and to the Company’s, GroupCo’s and the Founders’ knowledge, no material expenditures are or will be required in order to comply with any such existing statute, law or regulation.

2.19 Manufacturing, Marketing and Development Rights. Except as set forth in Disclosure Letter, none of the Company, GroupCo, the Subsidiary or any of the PRC Entities has granted rights to manufacture, produce, assemble, license, market, or sell their respective products to any other person and is not bound by any agreement that affects the Company’s, GroupCo’s, the Subsidiary’s or any of the PRC Entities exclusive rights to develop, manufacture, assemble, distribute, market or sell their respective products.

2.20 Disclosure. The Company has fully provided each Investor with all the information that such Investor has requested in connection with deciding whether to purchase the Series A Preferred Shares. None of this Agreement (including the Disclosure Letter), any of the Ancillary Agreements, or any statements or certificates made or delivered in connection herewith or therewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading in light of the circumstances under which they were made. No part of any document or information provided to the Investors throughout the course of the parties' communications and negotiations leading up to the Closing was provided with any intention to mislead the Investors and the Company, GroupCo and the Founders have each acted in good faith and with due and careful consideration in providing such documents and information, and believing the same to be true in all material aspects at the time of provision of such documents and information.

2.21 Registration Rights. Except as provided in the Investors' Rights Agreement, none of the Company, GroupCo, the Subsidiary or any of the PRC Entities has granted or agreed to grant any registration rights, including piggyback rights, to any person or entity.

2.22 Corporate Documents. Except for amendments necessary to satisfy the representations, warranties or conditions contained in this Agreement (the form of which amendments has been approved by the Investors) and in connection with the Restructuring Plan, the Restated Articles, the articles of association of GroupCo, the articles of association of the Subsidiary and the articles of association of each of the PRC Entities are in the form previously provided to special counsel for the Investors.

2.23 Title to Property and Assets. Except as set forth in the Disclosure Letter, each of the Company, GroupCo, the Subsidiary and the PRC Entities has good and marketable title to its property and assets free and clear of all mortgages, liens, loans and encumbrances, except such encumbrances and liens that arise in the ordinary course of business and do not materially impair the ownership or use of such property or assets by the Company, the Subsidiary or any of the PRC Entities, as the case may be. With respect to the property and assets it leases, each of the Company, GroupCo, the Subsidiary and the PRC Entities is in material compliance with such leases and holds a valid leasehold interest free of any liens, claims or encumbrances. None of the Company, GroupCo or the Subsidiary owns or currently holds any right, by contract or otherwise, to acquire any real property. Except as set forth in Disclosure Letter, none of the Company, GroupCo, the Subsidiary or any of the PRC Entities currently holds a leasehold interest or any right, by contract or otherwise, to acquire a leasehold interest in the United States.

2.24 Financial Statements. GroupCo has delivered to each Investor its un-audited consolidated financial statements (balance sheet and income and cash flow statements, including notes thereto) at December 31, 2003 and for the fiscal year then ended, and its un-audited consolidated financial statements (balance sheet and income statement) as at and for the nine-month period ended September 30, 2004 (the “Financial Statements”). The Financial Statements have been prepared in accordance with the People’s Republic of China generally accepted accounting principles (“PRC GAAP”) applied on a consistent basis throughout the periods indicated and with each other, except that the unaudited consolidated Financial Statements may not contain all footnotes required by PRC GAAP. The Financial Statements fairly present the financial condition and operating results of GroupCo as of the dates, and for the periods, indicated therein, subject in the case of the unaudited Financial Statements to normal year-end audit adjustments. Except as set forth in the Financial Statements, GroupCo has no material liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to September 30, 2004 (the “Financial Statement Date”) and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under PRC GAAP to be reflected in the Financial Statements, which, in both cases, individually or in the aggregate, are not material to the financial condition or operating results of GroupCo. Except as disclosed in the Financial Statements, GroupCo is not a guarantor or indemnitor of any indebtedness of any other person, firm or corporation. GroupCo maintains and will continue to maintain a standard system of accounting established and administered in accordance with PRC GAAP.

2.25 Changes. Except as set forth in the Disclosure Letter, since the Financial Statement Date there has not been:

(a) any change in the assets, liabilities, financial condition or operating results of the Company, GroupCo, the Subsidiary or any of the PRC Entities from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been, in the aggregate, materially adverse;

(b) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the assets, properties, financial condition, operating results, prospects or business of the Company, GroupCo, the Subsidiary and the PRC Entities as a whole (as such businesses are currently conducted and are proposed to be conducted);

(c) any waiver by the Company, by GroupCo, by the Subsidiary or by any of the PRC Entities of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company, GroupCo, the Subsidiary or any of the PRC Entities, except in the ordinary course of business and that is not material to the assets, properties, financial condition, operating results or business of the Company, GroupCo, the Subsidiary and the PRC Entities as a whole (as such businesses are currently conducted and are proposed to be conducted);

(e) any material change or amendment to a material contract or arrangement by which the Company, GroupCo, the Subsidiary, any of the PRC Entities or any of their respective assets or properties is bound or subject;

(f) any material change in any compensation arrangement or agreement with any employee, officer, director or shareholder;

(g) any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets;

(h) any resignation or termination of employment of any key officer of the Company, the Subsidiary or any of the PRC Entities; and none of the Company, GroupCo or any of the Founders knows of the impending resignation or termination of employment of any such officer or key employee;

(i) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of the Company, by GroupCo, by the Subsidiary or by any of the PRC Entities;

(j) any mortgage, pledge, transfer of a security interest in, or lien, created by the Company, GroupCo, the Subsidiary or by any of the PRC Entities, with respect to any of their respective material properties or assets, except liens for taxes not yet due or payable and liens that arise in the ordinary course of business and do not materially impair the Company's, GroupCo's, the Subsidiary's or any of the PRC Entities' ownership or use of such property or assets and purchase money mortgages and leased equipment;

(k) any loans or guarantees made by the Company, GroupCo, the Subsidiary or any of the PRC Entities to or for the benefit of their respective employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(l) any declaration, setting aside or payment or other distribution in respect of any of the Company's, GroupCo's, the Subsidiary's or any of the PRC Entities' capital stock, or any direct or indirect redemption, purchase or other acquisition of any of such stock by the Company, GroupCo, or by the Subsidiary;

(m) to the Company's, GroupCo's or the Founders' knowledge, any other event or condition of any character that might materially and adversely affect the assets, properties, financial condition, operating results or business of the Company, GroupCo, the Subsidiary or any of the PRC Entities (as such businesses are currently conducted and are proposed to be conducted);

(n) any incurrence by the Company, GroupCo, the Subsidiary or any of the PRC Entities of any capital expenditure or any capital commitment in excess of US\$100,000;

(o) material change by the Company, GroupCo, the Subsidiary or any of the PRC Entities in accounting methods, principles or practice; or

(p) any agreement or commitment by the Company to do any of the things described in this Section 2.26.

2.26 Employee Benefit Plans and Employee Agreements.

(a) The Disclosure Letter contains a list of all benefit plans, benefit programs, insurance arrangements, share purchase, share option or other equity plans, fringe benefits, perquisites and any superannuation fund, retirement benefit or other pension schemes or arrangements that the Company, GroupCo, the Subsidiary or any of the PRC Entities maintain, sponsor or contribute to and that benefit any current or former employee, officer, director or consultant of the Company or the Subsidiary other than statutory employee welfare, unemployment, medical and housing plans (each, a "Benefit Plan").

(b) The Company has made available the Investors with a true and complete copy of each Benefit Plan (or a written summary of any Benefit Plan that is not in writing) and a true and complete copy of each material document, if any, prepared in connection with such Benefit Plan, including without limitation (i) a copy of each trust agreement or other funding arrangement, (ii) each summary or other document delivered to participants, (iii) all forms of participation agreement, share purchase agreement, share option agreement or other agreement with participants, (iv) all documents filed with any governmental agency and (v) all documents received from any governmental agency.

(c) None of the Benefit Plans is subject to the U.S. Employee Retirement Income Security Act of 1974, as amended.

(d) Each Benefit Plan is now and always has been operated in all material respects in accordance with its terms and the requirements of all applicable laws. No material lawsuit, legal action, administrative proceeding or claim is pending or, to the knowledge of the Company GroupCo, or Subsidiary, threatened with respect to any Benefit Plan (other than claims for benefits in the ordinary course). To the knowledge of Sellers, no fact or event exists that could give rise to any such lawsuit, action, proceeding or claim.

(e) Each Benefit Plan may be amended, terminated or otherwise discontinued at any time without material liability to the participants, the Investors, the Company, GroupCo, the Subsidiary or any of the PRC Entities, other than ordinary administration expenses, except as provided to the contrary in employment agreements with employees.

(f) The Company has made available to the Investors all employment agreements, consulting agreements and other agreements and contracts between (i) the Company, GroupCo or the Subsidiary and (ii) any current senior employee or officer, director or consultant of the Company, GroupCo or the Subsidiary (each, an "Employment Agreement").

(g) The Company has made available to the Investors with a true and complete copy of (i) each Employment Agreement and (ii) each form of employee handbook currently used by the Company, GroupCo, the Subsidiary or any of the PRC Entities (each, an "Employee Handbook").

(h) Except as set forth in the Disclosure Letter, each Employment Agreement and each Employee Handbook complies with the requirements of all applicable laws. No employee, officer, director or consultant has commenced or, to the knowledge of the Company and GroupCo, threatened a lawsuit, legal action, administrative proceeding or claim against the Company, the Subsidiary or any of the PRC Entities. To the Company's, GroupCo's and Founders' knowledge, no fact or event exists that could give rise to any such lawsuit, action, proceeding or claim.

2.27 Labor Agreements and Actions; Employee Compensation.

(a) None of the Company, GroupCo, the Subsidiary or any of the PRC Entities is bound by or subject to (and none of their respective assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the Company's, GroupCo's and the Founders' knowledge, has sought to represent any of the employees, representatives or agents of the Company, GroupCo, the Subsidiary or any of the PRC Entities. There is no strike or other labor dispute involving the Company, GroupCo, the Subsidiary or any of the PRC Entities pending, or to the Company's and the Founders' knowledge, threatened, that could have a Material Adverse Effect, none of the Company or any of the Founders is aware of any labor organization activity involving the Company's, GroupCo's, the Subsidiary or any of the PRC Entities' employees.

(b) The employment of each officer and employee of the Company, GroupCo, the Subsidiary and each of the PRC Entities is terminable by the Company, GroupCo, the Subsidiary or the PRC Entities, as the case may be; in accordance with PRC Laws.

(c) To the Company's, GroupCo's and the Founders' knowledge, GroupCo, the Subsidiary and each of the PRC Entities has complied in all material respects with all applicable PRC Laws related to employment. Except as described in Section 2.26(a) or 2.27(a) or the Disclosure Letter, (i) none of the Company, GroupCo, the Subsidiary or any of the PRC Entities is a party to or bound by any currently effective employment contract, deferred compensation agreement, bonus plan, incentive plan, profit sharing plan, retirement agreement, vacation, severance, disability, death benefit, hospitalization, medical or other plan, policy, trust or arrangement or other employee compensation agreement, and (ii) there are no employment, indemnification, severance or termination agreements or arrangements between the Company, GroupCo, the Subsidiary or any of the PRC Entities and any person or entity.

(d) None of the Company, GroupCo, the Subsidiary or the PRC Entities has any liability whatsoever (whether legally binding or not) to make any payment to or for the benefit of any employee, officer, consultant, independent contractor or agent in respect of past service, pension or the termination of the employment or engagement of that or any other person (including, without limitation, payments for wrongful or unfair dismissal, loss of office or redundancy), other than in respect to current month payroll expenses and related deductions in relation to employee and employer contributions.

(e) The Company, GroupCo, the Subsidiary and the PRC Entities have no current employees, executive officers or directors who are employed by any of the PRC Entities or providing services for any of the PRC Entities in the United States.

(f) The PRC Entities have obtained the Social Security Registration Certificate issued by the relevant local PRC labor bureau, and has duly performed all of its legal obligations to make social security (including basic pension, basic medical insurance, unemployment insurance and work-related injury insurance) and housing fund contributions for their employees in full and on time, except where the failure to do so would not have a Material Adverse Effect.

2.28 Tax Returns, Payments and Elections. Each of the Company, GroupCo, the Subsidiary and the PRC Entities has timely filed all Tax (as defined below) returns, statements, reports, declarations and other forms and documents (including without limitation estimated Tax returns and reports and material information returns and reports) (“Tax Returns”) required pursuant to applicable law to be filed with any Tax Authority (as defined below), all such Tax Returns are accurate, complete and correct in all material respects, and each of the Company, GroupCo, the Subsidiary and the PRC Entities has timely paid all Taxes due. None of the Company, GroupCo or the Subsidiary or any of the PRC Entities has made any elections pursuant to any applicable Tax laws, rules and regulations (other than elections that relate solely to methods of accounting, depreciation or amortization) that would have a material effect on a consolidated basis on the Company, GroupCo or the Subsidiary or any of the PRC Entities, their respective financial condition, their respective business as presently conducted or proposed to be conducted or any of their respective properties or material assets. Since their respective dates of incorporation, none of the Company, GroupCo or the Subsidiary or any of the PRC Entities has incurred any taxes, assessments or governmental charges other than in the ordinary course of business, and each of the Company, GroupCo, the Subsidiary and the PRC Entities has made adequate provisions on its respective books of account (in accordance with PRC GAAP, except in the case of the PRC Entities) for all actual and contingent Taxes with respect to its consolidated business, properties and operations for such period. Each of the Company, GroupCo, the Subsidiary and the PRC Entities has withheld or collected from each payment made to each of its employees, the amount of all Taxes (including, but not limited to, United States income taxes and other foreign taxes) required to be withheld or collected therefrom, and has paid the same to the proper Tax Authority. Each of the Company, GroupCo, the Subsidiary and the PRC Entities is not a “Controlled Foreign Corporation” as defined in the United States Internal Revenue Code of 1986, as amended (the “Code”). For purposes of this Agreement, the following terms have the following meanings: “Tax” (and, with correlative meaning, “Taxes” and “Taxable”) means any and all taxes including, without limitation, (i) any net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, value added, net worth, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any United States, local or foreign governmental authority or regulatory body responsible for the imposition of any such tax (domestic or foreign) (a “Tax Authority”), (ii) any liability for the payment of any amounts of the type described in (i) as a result of being a member of an affiliated, consolidated, combined or unitary group for any taxable period or as the result of being a transferee or successor thereof and (iii) any liability for the payment of any amounts of the type described in (i) or (ii) as a result of any express or implied obligation to indemnify any other person.

2.29 Insurance. The Company, GroupCo, the Subsidiary and each of the PRC Entities has in full force and effect fire and property insurance policies, with extended coverage, sufficient in amount (subject to reasonable deductibles) to allow them to replace any of their properties that might be damaged or destroyed.

2.30 Minute Books. The minute books of the Company, GroupCo, the Subsidiary and each of the PRC Entities made available to the Investors contain a complete summary of all meetings of directors and shareholders since their respective times of formation which would materially affect the Company and reflect all transactions referred to in such minutes accurately in all material respects.

2.31 Brokers. None of the Company, GroupCo, the Subsidiary or any of the PRC Entities has any contract, arrangement or understanding with any broker, finder or similar agent with respect to the transactions contemplated by this Agreement.

2.32 Significant Customers and Suppliers. No customer or supplier that was material to the Company, GroupCo, the Subsidiary or any of the PRC Entities during the last six (6) calendar months has terminated, materially reduced or threatened to terminate or materially reduce its purchases from, or provision of products or services to, the Company, GroupCo, the Subsidiary or the PRC Entities, as the case may be.

2.33 Ownership of Shares. Capital River Group owns all right, title and interest (legal and beneficial) in and to all of the Common Shares being sold by it pursuant to this Agreement free and clear of all liens, including, but not limited to, any lien, pledge, claim, security interest, encumbrance, mortgage, assessment, charge, restriction or limitation of any kind, whether arising by agreement, operation of law or otherwise. Capital River Group has the full power and authority to sell, transfer, convey, assign and deliver to such Purchaser the Common Shares being sold by it to such Investor, and upon delivery and payment for such Common Shares at the Closing, such Investor shall acquire valid and unencumbered title to such Common Shares to be delivered by Capital River Group hereunder. Capital River Group is not indebted to the Company; no amount is recorded on the books of the Company as being payable to the Company from it. Except as set forth in the Disclosure Letter, no person has any agreement, option, understanding or commitment (oral or in writing) with Capital River Group, or any right or privilege capable of becoming an agreement, option or commitment for the purchase from Capital River Group of any of its Common Shares.

3. Representations and Warranties of the Investors. Each Investor, severally and not jointly, hereby represents and warrants, that:

3.1 Authorization. Such Investor has full power and authority to enter into this Agreement and the Ancillary Agreements and each such Agreement constitutes the valid and legally binding obligation, enforceable in accordance with its terms except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (b) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, and (c) to the extent the indemnification provisions contained in the Investors' Rights Agreement may be limited by applicable United States securities laws.

3.2 Purchase Entirely for Own Account. This Agreement is made with such Investor in reliance upon such Investor's representation to the Company, which by such Investor's execution of this Agreement such Investor hereby confirms that the Securities will be acquired for investment for such Investor's own account for investment only, and not with a view to the resale or distribution of any part thereof.

3.3 Disclosure of Information. Such Investor believes it has received all the information it considers necessary or appropriate for deciding whether to purchase the Series A Preferred Shares. Such Investor further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Series A Preferred Shares and the business, properties, prospects and financial condition of the Company. The foregoing, however, does not limit or modify the representations and warranties of the Company and the Founders in Section 2 of this Agreement or the right of the Investors to rely thereon.

3.4 Investment Experience. Such Investor is an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Series A Preferred Shares. If other than an individual, such Investor also represents it has not been organized for the purpose of acquiring the Series A Preferred Shares.

3.5 Accredited Investor; Non-US Investor. Such Investor either (a) is an “accredited investor” within the meaning of Rule 501 under the Securities Exchange Act of 1934, as amended or (b) is not a “US Person,” and is not acquiring the securities for the account or benefit of any U.S. person, within the meaning of Regulation S under the Securities Act of 1933, as amended (the “Act”). If such Investor is not a U.S. Person, such Investor agrees to resell such securities only in accordance with the provisions of Regulation S under the Act, pursuant to registration under the Act, or pursuant to an available exemption from registration, and agrees not to engage in hedging transactions with regard to such securities unless in compliance with the Act.

3.6 Further Limitations on Disposition. Without in any way limiting the representations set forth above, such Investor further agrees not to make any disposition of all or any portion of the Securities unless and until:

(a) There is then in effect a Registration Statement under the Act covering such proposed disposition and such disposition is made in accordance with such Registration Statement; or

(b) (i) Such Investor shall have provided ten (10) days prior notice to the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (ii) if reasonably requested by the Company, such Investor shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company that such disposition will not require registration of such shares under the Act. It is agreed that the Company will not require opinions of counsel for transactions made pursuant to Rule 144 except in unusual circumstances.

(c) Notwithstanding the provisions of subsections (a) and (b) above, no such registration statement or opinion of counsel shall be necessary for a transfer (i) by an Investor that is a partnership to a partner of such partnership or a retired partner of such partnership who retires after the date hereof or to the estate of any such partner or retired partner or the transfer by gift, will or intestate succession of any partner to his or her spouse or to the siblings, lineal descendants or ancestors of such partner or his or her spouse, (ii) by an Investor that is a limited liability company to a member of such limited liability company or a retired member of such limited liability company who retires after the date hereof or to the estate of any such member of retired member or the transfer by gift, will or intestate succession of any member to his or her spouse or to the siblings, lineal descendants or ancestors of such member or his or her spouse, or (iii) by an Investor to an affiliate or related individual or to the estate of any such affiliate or related individual or the transfer by gift, will or intestate succession of any affiliate or related individual to his or her spouse or to the siblings, lineal descendants or ancestors of such affiliate or related individual or his or her spouse, provided, however, in any such event, the Investor shall give the Company ten (10) days' prior notice of such transfer and the prospective transferee agrees in all such instances in writing to be subject to the terms hereof to the same extent as if he, she or it were an original Investor hereunder.

4. Conditions of Investors' Obligations at the Closing. The obligations of each Investor under subsection 1.1(c) of this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions, the waiver of which shall not be effective against any Investor who does not consent thereto:

4.1 Representations and Warranties. The representations and warranties of the Sellers, GroupCo and the Founders contained in Section 2 shall be true on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of such Closing.

4.2 Performance. The Sellers, GroupCo and each of the Founders shall have performed and complied with all agreements, obligations and material conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

4.3 Compliance Certificates. A director of the Company shall deliver to each Investor at the Closing a certificate stating that the conditions specified in Sections 4.1 and 4.2 have been fulfilled and stating that there shall have been no material adverse change in the business, affairs, prospects, operations, properties, assets or financial condition of the Company or the Subsidiary since December 31, 2003. The Founders shall deliver to each Investor at the Closing a certificate stating that the conditions specified in Sections 4.1 and 4.2, with respect to each of the Founders, have been fulfilled. Capital River Group shall deliver to each Investor at the Closing a certificate stating that the conditions specified in Sections 4.1 and 4.2, with respect to it, have been fulfilled. GroupCo shall deliver to each Investor at the Closing a certificate stating that the conditions specified in Sections 4.1 and 4.2, with respect to GroupCo, have been fulfilled.

4.4 Qualifications. All authorizations, approvals, or permits, if any, of any foreign, United States or local governmental authority or regulatory body that are required in connection with the lawful issuance and sale of the Series A Preferred Shares pursuant to this Agreement shall be duly obtained and effective as of the Closing.

4.5 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to the special counsel for the Investors, and they shall have received all such counterpart original and certified or other copies of such documents as they may reasonably request.

4.6 Director's Certificate. A director of the Company shall deliver to each Investor at the Closing a certificate stating that the copies of (a) the Restated Articles and the Restated Memorandum and (b) the Board of Director and Company's shareholder resolutions relating to the sale of the Series A Preferred Shares attached thereto, are true and complete copies of such documents and resolutions.

4.7 Board of Directors. The Restated Articles shall provide that the Board shall consist of nine members, which shall be Minhong Yu, Qiang Wang, Xiaoping Xu, Fanyi Bao, Yongqiang Qian, Chenggang Zhou, Mingfu Wang, Zhuang Yang and Xiaohong Chen.

4.8 Opinion of Counsel to the Sellers. Each Investor shall have received from Conyers Dill & Pearman, counsel for the Sellers, an opinion, dated as of the Closing, in the form attached hereto as Exhibit I. Each Investor shall have received from Tianyuan Law Office, counsel for the Sellers, an opinion, dated as of the Closing, in the form attached hereto as Exhibit J.

4.9 Investors' Rights Agreement. The Company, each Investor, each Common Holder (as such term is defined therein) and each Founder shall have entered into the Investors' Rights Agreement in the form attached as Exhibit C.

4.10 First Refusal and Co-Sale Agreement. The Company, each Investor, each Common Holder (as such term is defined therein) and each Founder shall each have entered into a First Refusal and Co-Sale Agreement in the form attached hereto as Exhibit D.

4.11 Voting Agreement. The Company, each Investor, each Common Holder (as such term is defined therein) and each Founder shall each have entered into a Voting Agreement in the form attached hereto as Exhibit E.

4.12 Indemnification Agreements. The Company shall have entered into indemnification agreements with each director in the form previously provided to and approved by special counsel to the Investors.

4.13 Corporate Records. The corporate records of the Company, GroupCo, the Subsidiary and the PRC Entities shall be in the form previously provided to and approved by special counsel to the Investors.

4.14 Confidentiality and Non-Compete Agreements. Each of the parties listed on Schedule 4.15 attached hereto shall have entered into the Confidentiality and Non-Compete Agreement in the form attached as Exhibit K.

4.15 Intellectual Property. The evidence of the proper ownership of the Intellectual Property shall be provided to the satisfaction of the Investors and their special counsel.

4.16 Restructuring Plan. Each item listed in Section 2 of the Restructuring Plan titled “Pre-Closing Stage” shall have been completed. All agreements listed in Appendix II of the Restructuring Plan shall have been executed and delivered and shall constitute valid and legally binding obligations of each party thereto, enforceable in accordance with their respective terms.

5. Conditions of the Company’s, GroupCo’s and the Founders’ Obligations at Closing. The obligations of each of the Sellers, GroupCo and the Founders to each Investor under this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions by each Investor:

5.1 Representations and Warranties. The representations and warranties of the Investors contained in Section 3 shall be true on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the Closing.

5.2 Payment of Purchase Price. The Investor shall have delivered the purchase price as specified in Section 1.1(c).

5.3 Qualifications. All authorizations, approvals, or permits, if any, of any applicable governmental authority or regulatory body that are required in connection with the lawful issuance and sale of the Series A Preferred Shares pursuant to this Agreement shall be duly obtained and effective as of the Closing.

6. Agreements of the Company. The Sellers, GroupCo, the Subsidiary and each Founder covenant and agree with each of the Investors, for the benefit of the Investors, that:

6.1 Preservation of Existence. Unless approved by the Board of Directors, including the director elected by the Investors (the “Preferred Director”), if any, each of the Company and GroupCo shall, and shall cause each of the Subsidiary and the PRC Entities to:

(a) preserve and maintain in full force and effect its existence and good standing under the laws of its jurisdiction of formation or organization where the failure to so preserve and maintain would have a Material Adverse Effect (as such businesses are currently conducted and are proposed to be conducted);

(b) preserve and maintain in full force and effect all rights, privileges, qualifications, applications, licenses, permits and franchises where the failure to so preserve and maintain would have a Material Adverse Effect (as such businesses are currently conducted and are proposed to be conducted);

(c) use its reasonable commercial efforts to preserve its business organization;

(d) conduct its business in the ordinary course in accordance with sound business practices, keep its properties in good working order and condition (normal wear and tear excepted), and from time to time make all needed repairs to, renewals of or replacements of its properties to the extent commercially reasonable so that the efficiency of its business operation shall be reasonably maintained and preserved;

(e) comply in all material respects with all applicable laws, ordinances, rules and regulations, as well as judicial interpretations and decisions and with the directions of any governmental authority or regulatory body having jurisdiction over the Company, the Subsidiary, any of the PRC Entities or their respective businesses or properties, where the failure to so comply would have a Material Adverse Effect (as such businesses are currently conducted and are proposed to be conducted);

(f) keep true books and records and accounts in which full and correct entries will be made of all of its business transactions, and to reflect in its financial statements adequate accruals and appropriations to reserves all in accordance with PRC GAAP and consistent with prior business practice; and

(g) file or cause to be filed in a timely manner all reports, applications, estimates and licenses that shall be required by a governmental authority or regulatory body and that, if not timely filed, would have a Material Adverse Effect (as such businesses are currently conducted and are proposed to be conducted).

6.2 Related Party Transactions. Except for such transactions that take place in the ordinary course of business and that occur at arms length, the Company shall not enter into any transactions with a Related Party or member of such Related Party's immediate family, or any corporation, partnership or other entity in which such Related Party or family member is an officer, director or partner, or in which such Related Party or family member has significant ownership or economic interests or otherwise controls, unless (a) at least twenty (20) days prior to the entry into such transaction, the Related Party notifies each member of the Board of Directors, including the Preferred Director, that such transaction is a "Related Party" transaction subject to this Section 6.2 and (b) the terms of such transaction are equivalent to the terms that could be obtained in a bona fide arms length transaction or are approved by the Board of Directors, including the Preferred Director.

6.3 Fundamental Changes. Unless approved by the Board of Directors, including the Preferred Director, if any, the Company shall not, and shall cause each of GroupCo, the Subsidiary and the PRC Entities not to, directly or indirectly, enter into any transaction or series of related transactions of merger, amalgamation, consolidation or combination where the existing shareholders of such entity immediately prior to such merger, amalgamation, consolidation or combination do not retain a majority of the voting power in the surviving entity, or liquidate, windup or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, sublease, transfer or otherwise dispose of, in one transaction or in a series of transactions all or substantially all of its business, property or assets, whether now owned or hereafter acquired.

6.4 Tax.

(a) For so long as Tiger Technology Private Investment Partners II, L.P. (“Tiger”) holds the Series A Preferred Shares or the Conversion Shares, the Company shall not, without the written consent of Tiger and, so long as it is under common control with Tiger, Tiger Technology II, L.P., issue shares in the Company to any investor if following such issuance the Company, in the determination of counsel or accountants for Tiger, would be a “Controlled Foreign Corporation” (a “CFC”) as defined in the Code with respect to the shares held by any Investor. No later than two (2) months following the end of each Company taxable year, the Company shall provide the Company’s capitalization table as of the end of the last day of such taxable year to the Investors. In addition, the Company shall provide the Investors with reasonable access to such other Company information as may be reasonably required by such Investors to determine the Company’s status as a CFC, to determine whether each such Investor is required to report its pro rata portion of the Company’s “Subpart F income” (as defined in the Code) on its United States federal income tax return, or to allow such Investors to otherwise comply with applicable United States federal income tax laws.

(b) The Company shall use its commercially reasonable efforts to avoid being a “passive foreign investment company” within the meaning of Section 1297 of the Code (or any successor thereto). In connection with a “Qualified Electing Fund” election made by Investor pursuant to Section 1295 of the Code (or any successor thereto) or the filing of a “Protective Statement” pursuant to the implementing regulations thereto, the Company shall provide annual financial information to Investors in the PFIC Annual Information Statement (substantially in the form attached hereto as Exhibit L) and shall provide Investors with reasonable access to such other Company information as may be required for purposes of filing United States federal income tax returns in connection with such Qualified Electing Fund election or Protective Statement, as applicable.

(c) The Company shall obtain representations, warranties and covenants from each entity in which it invests or has invested substantially to the effect of the representations, warranties and covenants contained in the foregoing Sections 6.4(a) and (b) and such additional representations, warranties and covenants as shall be necessary to allow the Company to comply with the provisions of the foregoing Sections 6.4(a) and (b).

(d) Except to the extent that the Tiger elects otherwise, the Company shall take such actions, including making an election to be treated as a corporation or refraining from making an election to be treated as a partnership, as may be required to ensure that at all times the Company is treated as a corporation for United States federal income tax purposes.

6.5 Indemnification by the Company. After the date hereof, the Investors and their respective affiliates, officers, directors, employees, agents, successors and assigns (collectively, the “Company Indemnified Parties”) shall be indemnified and held harmless by the Company for any and all liabilities, losses, damages of any kind, diminution in value, claims, costs, expenses, fines, fees, deficiencies, interest, awards, judgments, amounts paid in settlement and penalties (including, without limitation, reasonable attorneys’, consultants’ and experts’ fees and expenses and other costs of defending, investigating or settling claims) suffered, incurred, accrued (in accordance with PRC GAAP) or paid by them (including, without limitation, in connection with any action brought or otherwise initiated by any of them) (hereinafter, a “Loss”), without adjustment for any insurance recovery or tax deduction relating thereto, arising out of or resulting from any tax liabilities owed to employees of the Company or the PRC Entities as a result of remuneration received by such employees before the date hereof. As used herein, “Losses” are not limited to matters asserted by third parties, but include Losses incurred or sustained by the Company Indemnified Parties in the absence of claims by third parties.

6.6 Use of Proceeds. The Company shall use the proceeds from the sale of the Series A Preferred Shares for general corporate purposes.

6.7 Insurance Policies. The Company shall use commercially reasonable efforts to obtain and/or maintain a directors and officers liability insurance policy; provided such insurance policy is reasonably acceptable to Tiger.

6.8 Board of Directors Seat. Upon the occurrence of the earlier of the following (i) the Company obtains a directors and officers liability insurance policy pursuant to Section 6.7 hereof or (ii) the Company receives a written waiver from Tiger of the provisions of Section 6.7 hereof, the Company shall cause the director that is chosen by the majority holders of the Series A Preferred Stock (the "Series A Director") to be elected as a director of the Company. Notwithstanding the foregoing, the provisions of this Section 6.8 shall terminate and be of no further effect upon the earlier of (i) the consummation by the Company of a firm commitment underwritten public offering of its Common Shares where the shares are subsequently primarily traded on the Nasdaq Stock Market's National Market, the New York Stock Exchange or another comparable exchange or marketplace approved by the Board of Directors, (ii) the date on which Tiger ceases to own any securities of the Company or (iii) Tiger's participation in an equity financing of another corporation or entity that is determined by the Board (excluding the Preferred Director, if any) to be a competitor of the Company (excluding an investment in any-publicly traded corporation or entity) or the consummation of a Liquidation Event (as defined in the Restated Articles).

6.9 Restructuring Plan. The Company, GroupCo and the Founders shall comply with the Restructuring Plan, including the completion of the items listed in the Restructuring Plan, including the items listed in Section 3 titled "Post-Closing Stage," and the Company shall execute all of the agreements listed in Appendix III of the Restructuring Plan within the timeframe set forth therein, provided, that, all items in the Restructuring Plan shall be completed within sixty (60) days of the Closing. The Company shall promptly reimburse the reasonable fees and expenses up to \$7,500 incurred by Tiger, including the reasonable fees and out-of-pocket expenses of its special counsel, in connection with the Company's and the Founders' compliance with this Section 6.9.

6.10 GroupCo Distributions. GroupCo shall not make any distributions to any of its shareholders, unless such distribution is approved by the Company's Board of Directors, which approval must include the written consent of the Preferred Director, if any. To the extent permitted under applicable law, GroupCo and its subsidiaries (excluding Beijing Lian Dong Wei Ye Technology Development Co., Ltd., and Beijing Mingri Dong Fang Technology Co., Ltd.) shall utilize all their revenues (less reasonable expenses) to purchase technical, consulting, logistic and any other applicable services as well as to license Intellectual Property rights from wholly-owned subsidiaries of the Company in the PRC.

6.11 Hu Min Share Transfer. Minhong Yu, Capital River Group, GroupCo and the Company shall cause Beijing Highlights Culture Communications Co., Ltd and Minhong Yu to consummate the share transfers with Hu Min and Beijing Shiji Youhao Education Investment Co., Ltd pursuant to (a) that certain share transfer agreement dated December 22, 2004 between Beijing Shiji Youhao Education Investment Co., Ltd and Beijing Highlights Culture Communications Co., Ltd, whereby Beijing Highlights Culture Communications Co., Ltd will transfer all of its shares in GroupCo to Beijing Shiji Youhao Education Investment Co., Ltd and (b) that certain share transfer agreement dated December 22, 2004 between Minhong Yu and Hu Min, whereby Hu Min will transfer all of his shares in GroupCo to Minhong Yu, within sixty (60) days of the signing date of the share transfer agreements referred to above.

6.12 PRC Trustee Agreement. The Sellers, GroupCo and the Founders shall cause a Confirmation Agreement to be entered into by (a) all of the registered shareholders of GroupCo, including, without limitation, Beijing Shiji Youhao Education Investment Co., Ltd, Beijing Beizhi Culture & Education Co., Ltd, Beijing Jinshuitu Science & Trade Co., Ltd, Beijing Jinfan Fengdu Culture Development Co., Ltd, Xu Xiaoping, Duzihua, Bao Fanyi, He Qingquan, Qian Yongqiang and Yangji, within seven (7) days following the Closing, and (b) all of the shadow shareholders of GroupCo, within thirty (30) days following the Closing, pursuant to which such registered shareholders shall agree to the substitution of the term "Little Thing Company" with "Capital River Group Limited" in that certain Agreement Regarding the Acquisition and Holding of Equity Interests dated December 22, 2004, and such shadow shareholders shall agree to the same in the Trustee Agreement of the same date.

7. Miscellaneous.

7.1 Survival of Warranties; Limitation of Liability. The warranties and representations of the parties hereto contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall terminate after two years following the Closing and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of the Investors or the Company. Except when another time period is specified herein, all of the covenants in this Agreement (including for indemnification) shall survive until they have been performed in full or waived in writing by the party hereto entitled to the benefit of such performance.

7.2 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

7.3 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New York as applied to agreements among New York residents entered into and to be performed entirely within New York.

7.4 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.5 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

7.6 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (c) ten (10) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) two (2) days after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective parties at the addresses set forth on the signature pages attached hereto (or at such other addresses as shall be specified by notice given in accordance with this Section 7.6).

7.7 Finder's Fee. Each party represents that it neither is nor will be obligated for any finders' fee or commission in connection with this transaction. Each Investor agrees to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finders' fee (and the costs and expenses of defending against such liability or asserted liability) for which such Investor or any of its officers, partners, employees, or representatives is responsible.

The Company agrees to indemnify and hold harmless each Investor from any liability for any commission or compensation in the nature of a finders' fee (and the costs and expenses of defending against such liability or asserted liability) for which the Company, or any of its officers, employees or representatives is responsible.

7.8 Expenses. The Company shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of this Agreement. If the Closing is effected, the Company shall, at the Closing, by way of deduction from gross proceeds, pay the reasonable fees and out-of-pocket expenses up to \$400,000 of Gunderson Dettmer, LLP, special counsel for the Investors and TransAsia Lawyers, PRC counsel to the Investors and other expenses incurred by the Investors, including the reasonable fees and out-of-pocket expenses of Pricewaterhouse Coopers LLP (the "Investor Expenses"). In the event that the Escrow Deposit is returned to the Investors pursuant to the Escrow Agreement, the Company shall reimburse the Investors for \$100,000 of the Investor Expenses otherwise deducted from the Purchase Price pursuant to the preceding sentence. The Investors acknowledge that payment of Gunderson Dettmer, LLP's and TransAsia Lawyers' fees by the Company raises a potential conflict of interest and hereby consents to the payment arrangement set forth herein. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the Ancillary Agreements or the Restated Articles, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

7.9 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of a majority of the Conversion Shares issued or issuable upon conversion of the Series A Preferred Shares purchased hereunder. Any amendment or waiver effected in accordance with this section shall be binding upon each holder of any securities purchased under this Agreement at the time outstanding (including securities into which such securities are convertible), each future holder of all such securities, and the Company.

7.10 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

7.11 Aggregation of Shares. All Preferred Shares held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

7.12 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement among the parties and no party shall be liable or bound to any other party in any manner by any warranties, representations, or covenants except as specifically set forth herein or therein.

7.13 Arbitration. Any dispute or controversy between the Parties hereto involving any claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, will be submitted to and be settled by final and binding arbitration in accordance with the UNCITRAL Arbitration Rules as currently in effect and as such may be amended by the rest of this Section 7.13, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Such arbitration shall be administered in Hong Kong at the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the HKIAC Procedures for Arbitration in effect as of the date hereof, including such additions to the UNCITRAL Arbitration Rules contained therein. Such arbitration shall be conducted by three (3) arbitrators chosen by the Company and the Investors, or failing such agreement, an arbitrator appointed by the HKIAC. The language to be used in the arbitral proceedings shall be English.

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FOUNDERS:

/s/

Minhong Yu

Address: _____

Qiang Wang

Address: _____

/s/

Xiaoping Xu

Address: _____

/s/

Qingquan He

Address: _____

/s/

Li Li

Address: _____

**SIGNATURE PAGE TO SERIES A PREFERRED SHARES PURCHASE AGREEMENT
FOR NEW ORIENTAL EDUCATIONAL & TECHNOLOGY GROUP INC.**

/s/

Yongqiang Qian

Address: _____

/s/

Fanyi Bao

Address: _____

/s/

Hao Song

Address: _____

/s/

Wei Du

Address: _____

/s/

Du, Zihua

Address: _____

**SIGNATURE PAGE TO SERIES A PREFERRED SHARES PURCHASE AGREEMENT
FOR NEW ORIENTAL EDUCATIONAL & TECHNOLOGY GROUP INC.**

INVESTORS:

TIGER TECHNOLOGY PRIVATE INVESTMENT PARTNERS II, L.P.

By: Tiger Technology PIP Performance II, L.L.C., its
General Partner

By: /s/

Name: Xiaohong Chen

Title: Managing Director

Address: Turner & Roulson Management Ltd.
Strathvale House, P.O. Box 2636GT
George Town, Grand Cayman
Cayman Islands

TIGER TECHNOLOGY II, L.P.

By: Tiger Technology Performance, L.L.C., its General
Partner

By: /s/

Name: Xiaohong Chen

Title: Managing Director

Address: Walker House, P.O. Box 908GT
George Town, Grand Cayman
Cayman Islands

**SIGNATURE PAGE TO SERIES A PREFERRED SHARES PURCHASE AGREEMENT
FOR NEW ORIENTAL EDUCATIONAL & TECHNOLOGY GROUP INC.**

Schedule A
Schedule of Investors

Closing Date: December 24, 2004

<u>Name</u>	<u>Number of Series A Preferred Shares Purchased</u>	<u>Total Purchase Price of Series A Shares</u>	<u>Number of Common Shares Purchased</u>	<u>Total Purchase Price of Common Shares</u>
Tiger Technology Private Investment Partners II, L.P.	11,102,144	\$22,481,841.60	5,179,980	\$9,050,661.23
Tiger Technology II, L.P.	8,967	\$ 18,158.18	4,184	\$ 7,309.78
TOTAL	11,111,111	\$22,499,999.78	5,184,164	\$9,057,971.01

Schedule B
Schedule of Founders

Yu, Minhong
Wang, Qiang
Xu, Xiaoping
He, Qingquan
Li, Li
Qian, Yongqiang
Bao, Fanyi
Song, Hao
Du, Wei

Schedule 2.6(a)
Schedule of PRC Entities

The PRC Entities

- 1) Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
(北京新东方大愚文化传播有限公司)
- 2) Beijing Liandong Weiye Technology Development Co., Ltd.
(北京联东伟业科技发展有限公司)
- 3) Beijing Tomorrow Oriental Technology Co., Ltd.
(北京明日东方科技有限公司)
- 4) Beijing New Oriental Qiantu Chuguo Consultancy Co., Ltd.
(北京新东方前途出国咨询有限公司)
- 5) Beijing New Oriental Feihua Information Technology Co., Ltd.
(北京新东方飞华信息技术有限责任公司)
- 6) Beijing New Oriental Dogwood Advertisement Co., Ltd.
(北京新东方大愚广告有限公司)
- 7) Shenyang New Oriental Dogwood Bookstore Co., Ltd.
(沈阳新东方大愚书店有限公司)
- 8) Tianjin Dogwood Book Trading Co., Ltd.
(天津大愚图书商贸有限公司)
- 9) Chengdu New Oriental Dogwood Bookstore Co., Ltd.
(成都新东方大愚图书有限公司)
- 10) Chongqing New Oriental Dogwood Bookstore Co., Ltd.
(重庆新东方大愚书店有限公司)
- 11) Shanghai North Book, Audio & Video Co., Ltd.
(上海诺思图书音像有限责任公司)
- 12) Xi'an Oriental Star Book, Audio & Video Co., Ltd.
(西安东方之星图书音像有限公司)
- 13) Yangzhou New Oriental Education & Technology Co., Ltd.
(扬州新东方教育科技有限公司)
- 14) Nanjing Bright Oriental Book, Audio & Video Co., Ltd.
(南京璀璨东方图书音像有限公司)
- 15) Guangzhou Xinsilu Book, Audio & Video Co., Ltd.
(广州市鑫思录图书音像有限公司)
- 16) Wuhan Oriental Star Book, Audio & Video Co., Ltd.
(武汉东方之星图书音像有限公司)
- 17) Beijing New Oriental Dogwood Book, Audio & Video Co., Ltd.
(北京新东方大愚图书音像有限公司)
- 18) Beijing New Oriental Yangzhou Bilingual School
(北京新东方扬州外国语学校)

- 19) Beijing Haidian District New Oriental Vocational Education Center
(北京市海淀区新东方职业教育中心)
- 20) Shenyang New Oriental Foreign Language Training School
(沈阳新东方外语培训学校)
- 21) Shenzhen New Oriental Training School
(深圳新东方培训学校)
- 22) Chongqing New Oriental Training School
(重庆新东方培训学校)
- 23) Chengdu New Oriental School
(成都新东方学校)
- 24) Xi'an Yanta District New Oriental School
(西安市雁塔区新东方学校)
- 25) Nanjing Gulou New Oriental Advanced Study School
(南京鼓楼新东方进修学校)
- 26) Wuhan New Oriental Training School
(武汉新东方培训学校)
- 27) Guangzhou Haizhu District Privately-Funded New Oriental Training School
(广州海珠区私立新东方培训学校)
- 28) Tianjin New Oriental Training School
(天津新东方培训学校)
- 29) Shanghai Yangpu District New Oriental Advanced Study School
(上海杨浦区新东方进修学校)
- 30) Beijing Haidian District Privately-Funded New Oriental School
(北京市海淀区私立新东方学校, "**Beijing New Oriental School**")
- 31) Beijing Chongwen District Privately-Funded New Oriental School
(北京市崇文区私立新东方学校)
- 32) Beijing Xicheng District Privately-Funded New Oriental School
(北京市朝阳区私立新东方学校)
- 33) Beijing Chaoyang District Privately-Funded New Oriental School
(北京市朝阳区私立新东方学校)
- 34) Beijing New Oriental International Preparatory School
(北京新东方国际预备学校)
- 35) Xiangfan New Oriental Training School (襄樊市新东方培训学校) (governmental approval for establishment has been obtained but the registration formalities are still being processed.)
- 36) Jinan New Oriental Training School (济南市新东方培训学校) (governmental approval for establishment has been obtained but the registration formalities are still being processed.)

The PRC Entities listed from 18) through 36) are not in the form of limited liability company.

Schedule 2.6(c).**Schedule of Capitalization of PRC Entities**

I. The following PRC Entities are established in the form of limited liability company under the law of the PRC.

<u>No.</u>	<u>Subsidiaries</u>	<u>Registered Capital (RMB)</u>	<u>Date of Organization</u>	<u>Shareholder (of record)</u>	<u>Contributed Amount (RMB)</u>	<u>Ownership Percentage</u>
1	Beijing New Oriental Dogwood Cultural Communications Co., Ltd. (北京新东方大愚文化传播有限公司)	10,000,000	May 16, 2003	GroupCo Shiji Youhao (holding shares on behalf of GroupCo)	8,000,000 2,000,000	80% 20%
2	Beijing Liandong Weiye Technology Development Co., Ltd. (北京联东伟业科技发展有限公司)	10,000,000	September 21, 2000	GroupCo Mr. Yu Minhong Mr. Qian Yongqiang	9,432,200 190,500 377,300	94.33% 1.90% 3.77%
3	Beijing Tomorrow Oriental Technology Co., Ltd. (北京明日东方科技有限公司)	2,500,000	September 29, 2000	GroupCo Mr. Wu Qiang (general manager) Mr. Huang Binliang (deputy general manager)	2,050,000 250,000 200,000	82% 10% 8%
4	Beijing New Oriental Qiantu Chuguo Consultancy Co., Ltd. (北京新东方前途出国咨询有限公司)	5,000,000	February 19, 2004	GroupCo Shiji Youhao (holding shares on behalf of GroupCo)	4,000,000 1,000,000	80% 20%
5	Beijing New Oriental Feihua Information Technology Co., Ltd. (北京新东方飞华信息技术有限责任公司)	1,000,000	April 4, 2002	GroupCo Mr. Zhou Huaijun	900,000 100,000	90% 10%

6	Beijing New Oriental Dogwood Advertisement Co., Ltd. (北京新东方大愚广告有限公司)	500,000	January 20, 2004	Beijing New Oriental Dogwood Cultural Communications Co., Ltd. Shiji Youhao (holding shares on behalf of GroupCo)	400,000 100,000	80% 20%
7	Shenyang New Oriental Dogwood Bookstore Co., Ltd. (沈阳新东方大愚书店有限公司)	400,000	September 18, 2003	Beijing New Oriental Dogwood Cultural Communications Co., Ltd. Ms. Li Li (holding shares on behalf of GroupCo)	320,000 80,000	80% 20%
8	Tianjin Dogwood Book Trading Co., Ltd. (天津大愚图书商贸有限公司)	400,000	December 15, 2003	Beijing New Oriental Dogwood Cultural Communications Co., Ltd. Ms. Li Li (holding shares on behalf of GroupCo)	360,000 40,000	90% 10%
9	Chengdu New Oriental Dogwood Bookstore Co., Ltd. (成都新东方大愚图书有限公司)	400,000	January 18, 2004	Beijing New Oriental Dogwood Cultural Communications Co., Ltd. Ms. Li Li (holding shares on behalf of GroupCo)	360,000 40,000	90% 10%
10	Chongqing New Oriental Dogwood Bookstore Co., Ltd. (重庆新东方大愚书店有限公司)	500,000	February 25, 2004	Beijing New Oriental Dogwood Cultural Communications Co., Ltd. Ms. Li Li (holding shares on behalf of GroupCo)	450,000 50,000	90% 10%
11	Shanghai North Book, Audio & Video Co., Ltd. (上海诺思图书音像有限责任公司)	300,000	September 28, 2003	GroupCo Ms. Li Li (holding shares on behalf of GroupCo)	270,000 30,000	90% 10%
12	Xi'an Oriental Star Book, Audio & Video Co., Ltd. (西安东方之星图书音像有限公司)	300,000	June 3, 2003	GroupCo Ms. Li Li (holding shares on behalf of GroupCo)	270,000 30,000	90% 10%

13	Yangzhou New Oriental Education & Technology Co., Ltd. (扬州新东方教育科技有限公司)	30,000,000	January 18, 2002	GroupCo Shiji Youhao (holding shares on behalf of GroupCo)	27,000,000 3,000,000	90% 10%
14	Nanjing Bright Oriental Book, Audio & Video Co., Ltd. (南京璀璨东方图书音像有限公司)	300,000	April 21, 2003	GroupCo Ms. Li Li (holding shares on behalf of GroupCo)	27,000,000 30,000	90% 10%
15	Guangzhou Xinsilu Book, Audio & Video Co., Ltd. (广州市鑫思录图书音像有限公司)	300,000	November 11, 2003	GroupCo Ms. Li Li (holding shares on behalf of GroupCo)	270,000 30,000	90% 10%
16	Wuhan Oriental Star Book, Audio & Video Co., Ltd. (武汉东方之星图书音像有限公司)	300,000	December 16, 2003	GroupCo Ms. Li Li (holding shares on behalf of GroupCo)	270,000 30,000	90% 10%
17	Beijing new Oriental Dogwood Book, Audio & Video Co., Ltd. (北京新东方大愚图书音像有限公司)	3,000,000	March 2, 2004	Beijing New Oriental Dogwood Cultural Communications Co., Ltd. Shiji Youhao (holding shares on behalf of GroupCo)	2,400,000 600,000	80% 20%

II. The following PRC Entities are 100% funded by GroupCo.

<u>Name of School</u>	<u>Date of Organization</u>	<u>Location</u>	<u>Startup Capital (RMB)</u>
Beijing New Oriental Yangzhou Bilingual School (北京新东方扬州外国语学校)	June 6, 2002	扬州市扬州湾头镇联合村	10,000,000
Beijing Haidian District New Oriental Vocational Education Center (北京市海淀区新东方职业教育中心)	June 2, 2004	北京市海淀区知春路136号太平洋国际大厦6层	2,500,000

Shenyang New Oriental Foreign Language Training School (沈阳新东方外语培训学校)	June 18, 2003	沈阳市皇姑区岐山中路一号甲	2,500,000
Shenzhen New Oriental Training School (深圳新东方培训学校)	October 15, 2003	深圳市福田区同心路6号深圳市博物馆院内	2,500,000
Chongqing New Oriental Training School (重庆新东方培训学校)	August 15, 2003	重庆市沙坪坝区南开中学劳技楼	2,500,000
Chengdu New Oriental School (成都新东方学校)	August 18, 2003	成都市武侯区浆洗街利民综合楼	2,500,000
Xi'an Yanta District New Oriental School (西安市雁塔区新东方学校)	November 26, 2002	西安雁塔区含光南路213号	2,500,000
Nanjing Gulou New Oriental Advanced Study School (南京鼓楼区新东方进修学校)	November 28, 2002	南京鼓楼区水佐岗45号	2,500,000
Wuhan New Oriental Training School (武汉新东方培训学校)	April 24, 2002	武汉市武昌区石牌岭路8号	2,500,000
Guangzhou Haizhu District Privately-Funded New Oriental Training School (广州海珠区私立新东方培训学校)	September 8, 2000	广州市怡乐路23-29号怡景湾楼2楼	2,500,000

Tianjin New Oriental Training School (天津新东方培训学校)	August 21, 2002	天津市南开区西市大街风荷新园2号楼	2,500,000
Shanghai Yangpu District New Oriental Advanced Study School (上海杨浦区新东方进修 学校)	June 1, 2000	上海市国定路309号	2,500,000
Beijing Haidian District Privately-Funded New Oriental School (北京市海淀区私立新东 方学校)	November 16, 1993	北京市海淀区中关村路15号	5,000,000
Beijing Chongwen District Privately-Funded New Oriental School (北京市崇文区私立新东 方学校)	November 3, 2003	北京市崇文区东珠市口大街155号	500,000
Beijing Xicheng District Privately-Funded New Oriental School (北京市西城区私立新东 方学校)	February 23, 2004	北京市西城区展览路北露园二号楼 (万方 实业总公司)	500,000
Beijing Chaoyang District Privately-Funded New Oriental School (北京市朝阳区私立新东 方学校)	March 8, 2004	北京市朝阳区西坝河中里11号	500,000
Beijing New Oriental International Preparatory School (北京新东方国际预备学 校)	See Section 2.6(b) of the Disclosure Schedule		
Xiangfan New Oriental Training School (襄樊市新东方培训学校)	To be established		
Jinan New Oriental Training School (济南市新东方培训学校)	To be established		

Schedule 4.14

Schedule of Parties to Confidentiality and Non-Compete Agreement

Zhou Chenggang
Chen Xiangdong
Yu Minhong
Qian Yongqiang
Wang Qiang
Bao Fanyi
Xu Xiaoping
Wei Ping

Exhibit A

Second Amended and Restated Memorandum of Association

Exhibit A-1

Second Amended and Restated Articles of Association

Exhibit B
List of Shareholders

Company

<u>Shareholder</u>	<u>Shares Owned</u>
Tigerstep Developments Limited	46,657,477
Capital River Group Limited	12,859,386
Success Tycoon Limited	10,461,643
Peak Idea International Limited	10,378,696
Forthright Trading Limited	6,241,734
Easebright International Limited	4,157,700
Time Promise Investments Limited	2,084,034
Strong Great International Limited	2,146,244
Fame Gain Investments Limited	3,219,366
Challenge Now Limited	528,785
Central Plains Limited	528,785
China Central Limited	736,150
Total	100,000,000

GroupCo

<u>Shareholder</u>	<u>Shares Owned</u>
Beijing Shiji Youhao Education Investment Co., Ltd.	45,000,000
Beijing Beizhi Culture & Education Co. Ltd.	19,000,000
Xu, Xiaoping	10,000,000
Beijing Highlights Culture Communications Co., Ltd.	8,000,000
Du, Zihua	6,000,000
Bao, Fanyi	4,000,000
He, Qingquan	2,000,000
Beijing Jinshuitu Science & Trade Co. Ltd.	2,000,000
Qian, Yongqiang	2,500,000
Song, Hao	500,000
Beijing Tianyiyang Science & Technology Development Co., Ltd.	500,000
Qingdao Feixiang Language Services Co., Ltd.	500,000
Total	100,000,000

Note: Included in Beijing Beizhi are 9% employee shadow shares, some of such shares are also allocated to the aforementioned persons or persons owning or controlling the aforementioned companies

Exhibit C
Investors' Rights Agreement

Exhibit D

First Refusal and Co-Sale Agreement

Exhibit E
Voting Agreement

Exhibit F
Restructuring Plan

Exhibit G
Form of Employment Agreement

Exhibit H
Escrow Agreement

Exhibit I

Opinion of BVI Counsel for the Company

Exhibit J

Opinion of PRC Counsel for the Company

Exhibit K

Form of Confidentiality and Non-Compete Agreement

Exhibit L
PFIC Exhibit

Annual Information Statement

The undersigned authorized representative of New Oriental Education & Technology Group Inc. (the "Company"), on behalf of the Company, hereby represents and covenants that:

(1) _____ This Annual Information Statement applies to the taxable year of the Company beginning on January 1, 20___, and ending on December 31, 20___.

(2) The Company has permitted Tiger Technology Private Investment Partners II L.P. and Tiger Technology II, L.P (collectively, "Tiger") to examine the books of account, records, and other documents of the foreign corporation for Tiger to calculate the amounts of the Company's ordinary earnings and the net capital gain according to U.S. federal income tax accounting principles and to calculate the Tiger's pro rata shares of the Company's ordinary earnings and net capital gain.

(3) The amount of cash and fair market value of other property distributed or deemed distributed by Company to Tiger during the taxable year specified in paragraph 1. is as follows:

TIGER TECHNOLOGY PRIVATE INVESTMENT PARTNERS II, L.P.

Cash: _____
Fair Market Value of Property: _____

TIGER TECHNOLOGY II, L.P.

Cash: _____
Fair Market Value of Property: _____

(4) Company will permit Tiger to inspect and copy Company's permanent books of account, records, and such other documents as may be maintained by Company that are necessary to establish that PFIC ordinary earnings and net capital gain, as provided in Section 1293(e) of the U.S. Internal Revenue Code of 1986, as amended (or any successor provision thereto), are computed in accordance with U.S. income tax principles.

New Oriental Education & Technology Group Inc.

Signature

Name: _____

Title: _____

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

FIRST AMENDED AND RESTATED

INVESTORS' RIGHTS AGREEMENT

May 25, 2005

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**FIRST AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT**

THIS FIRST AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT (the "Agreement") is made as of the 25th day of May, 2005, by and among New Oriental Education & Technology Group Inc., an International Business Company under the laws of the British Virgin Islands (the "Company"), the investors listed on Schedule A hereto, each of which is herein referred to as an "Investor" and collectively as the "Investors", and the holders of Common Shares listed on Schedule B hereto, each of which is referred to herein as a "Common Holder" and collectively as the "Common Holders".

RECITALS

WHEREAS, the Company and the Investors are parties to that certain New Oriental Education & Technology Group Inc. Investors' Rights Agreement, dated as of December 24, 2004 (the "Prior Agreement");

WHEREAS, the Prior Agreement may be amended, and any provision therein waived, with the written consent of the Company and the holders of a majority of the Registrable Securities (as such term is defined in the Prior Agreement), including a majority of the Registrable Securities held by the Investors;

WHEREAS, the Investors as holders of a majority of the outstanding Registrable Securities (as such term is defined in the Prior Agreement) desire to terminate the Prior Agreement and to accept the rights created pursuant hereto in lieu of the rights granted to them under the Prior Agreement; and

WHEREAS, the Investors and certain of the Common Holders are parties to the Share Purchase Agreement of even date herewith, which provides that as a condition to the closing of the sale of Common Shares thereunder, this Agreement must be executed and delivered by the Investors, the Common Holders and the Company;

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Investors, the Common Holders and the Company hereby agree that the Prior Agreement shall be superseded and replaced in its entirety by this Agreement, and the parties hereto further agree as follows:

1. Registration Rights. The Company covenants and agrees as follows:

1.1 Definitions. For purposes of this Agreement:

- (a) The term "Act" means the Securities Act of 1933, as amended.
- (b) The term "Common Shares" means Common Shares of the Company.

(c) The term “Form F-3” means such form under the Act as in effect on the date hereof or any registration form under the Act subsequently adopted by the SEC that permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(d) The term “Holder” means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.11 hereof; provided, however, that the Common Holders shall not be deemed to be Holders for the purposes of Sections 1.2(a), 1.12 and 3.7.

(e) The term “Initial Offering” means the Company’s first firm commitment underwritten public offering of its Common Shares where the shares are subsequently traded primarily on the Nasdaq Stock Market’s National Market, the New York Stock Exchange or another comparable exchange or marketplace approved by the Board of Directors of the Company (the “Board of Directors”).

(f) The term “1934 Act” means the Securities Exchange Act of 1934, as amended.

(g) “Preferred Shares” means Series A Preferred Shares of the Company.

(h) The terms “register,” “registered,” and “registration” refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

(i) The term “Registrable Common Securities” means (i) Common Shares issued to the Investors and Common Holders and (ii) any Common Shares issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the shares referenced in (i) above, excluding in all cases, however, any Registrable Common Securities sold by a person in a transaction in which his rights under this Section 1 are not assigned; provided, however, that Registrable Common Securities shall not include Registrable Preferred Securities.

(j) The term “Registrable Preferred Securities” means (i) the Preferred Shares issued to the Investors, (ii) the Common Shares issuable or issued upon conversion of the Preferred Shares and (iii) any Common Shares issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the shares referenced in (i) and (ii) above, excluding in all cases, however, any Registrable Preferred Securities sold by a person in a transaction in which his rights under this Section 1 are not assigned.

(k) The term “Registrable Securities” means Registrable Preferred Securities and Registrable Common Securities.

(l) The number of shares of Registrable Preferred Securities then outstanding shall be determined by the number of Common Shares outstanding that are, and the number of Common Shares issuable pursuant to then exercisable or convertible securities that are, Registrable Preferred Securities.

(m) The term “Rule 144” shall mean Rule 144 under the Act.

(n) The term “Rule 144(k)” shall mean subsection (k) of Rule 144 under the Act.

(o) The term “SEC” shall mean the Securities and Exchange Commission.

1.2 Request for Registration.

(a) Subject to the conditions of this Section 1.2, if the Company shall receive at any time after six (6) months after the effective date of the Initial Offering, a written request from the Holders of more than fifty percent (50%) of the Registrable Preferred Securities then outstanding and held by the Investors (for purposes of this Section 1.2, the “Initiating Holders”) that the Company file a registration statement under the Act covering the registration of Registrable Securities with anticipated aggregate proceeds in excess of \$15,000,000, then the Company shall, within twenty (20) days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 1.2, use all commercially reasonable efforts to effect, as soon as practicable, the registration under the Act of all Registrable Securities that the Holders request to be registered in a written request received by the Company within twenty (20) days of the mailing of the Company’s notice pursuant to this Section 1.2(a).

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2 and the Company shall include such information in the written notice referred to in Section 1.2(a). In such event the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Agreement, if the underwriter advises the Company that marketing factors require a limitation of the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto and all Holders of Registrable Common Securities exercising rights under Section 1.3 hereof, and the number of shares that may be included in the underwriting shall be allocated (i) first, pro rata among the selling Holders of Registrable Preferred Securities based on the number of Registrable Preferred Securities held by all such selling Holders (or in such other proportions as shall mutually be agreed to by all such selling Holders), and (ii) second, pro rata among the selling Holders of Registrable Common Securities based on the number of Registrable Common Securities held by all such selling Holders (or in such other proportions as shall mutually be agreed to by all such selling Holders); provided, however, that in no event shall any Registrable Preferred Securities be excluded from such underwriting unless all other securities are first excluded. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration. For purposes of the second preceding sentence concerning apportionment, for any selling shareholder that is a Holder of Registrable Securities and that is a venture capital fund, partnership or corporation, the affiliated venture capital funds, partners, retired partners and shareholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single “selling Holder,” and any pro rata reduction with respect to such “selling Holder” shall be based upon the aggregate amount of Registrable Securities owned by all such related entities and individuals.

(c) The Company shall not be required to effect a registration pursuant to this Section 1.2:

(i) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Act; or

(ii) after the Company has effected one (1) registration pursuant to this Section 1.2, and such registration has been declared or ordered effective (and has not been subject to a “stop order” or otherwise withdrawn); or

(iii) during the period starting with the date sixty (60) days prior to the Company’s good faith estimate of the date of the filing of, and ending on a date one hundred eighty (180) days following the effective date of, a Company-initiated registration subject to Section 1.3 below, provided that the Company is actively employing in good faith all commercially reasonable efforts to cause such registration statement to become effective; or

(iv) if the Initiating Holders propose to dispose of Registrable Preferred Securities that may be registered on Form F-3 pursuant to Section 1.4 hereof; or

(v) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.2, a certificate signed by the Company’s Chief Executive Officer or Chairman of the Board stating that in the good faith judgment of the Board of Directors, it would be seriously detrimental to the Company and its shareholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders, provided that such right shall be exercised by the Company not more than once in any twelve (12)-month period and provided further that the Company shall not register any securities for the account of itself or any other shareholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Preferred Securities, or a registration in which the only Common Shares being registered are Common Shares issuable upon conversion of debt securities that are also being registered).

1.3 Company Registration.

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for shareholders other than the Holders) any of its stock or other securities under the Act in connection with the public offering of such securities (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Shares being registered are Common Shares issuable upon conversion of debt securities that are also being registered), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within twenty (20) days after mailing of such notice by the Company in accordance with Section 3.5, the Company shall, subject to the provisions of Section 1.3(c), use all commercially reasonable efforts to cause to be registered under the Act all of the Registrable Securities that each such Holder has requested to be registered.

(b) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 1.7 hereof.

(c) Underwriting Requirements. In connection with any offering involving an underwriting of the Company's shares, the Company shall not be required under this Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters) and enter into an underwriting agreement in customary form with such underwriters, and then only in such quantity as the underwriters determine in their sole reasonable discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by shareholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole reasonable discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, that the underwriters determine in their sole discretion will not jeopardize the success of the offering. In no event shall any Registrable Securities be excluded from such offering unless all other shareholders' securities are first excluded. In the event that the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be apportioned (i) first, pro rata among the selling Holders of Registrable Preferred Securities based on the number of Registrable Preferred Securities held by all such selling Holders (or in such other proportions as shall mutually be agreed to by all such selling Holders), and (ii) second, pro rata among the selling Holders of Registrable Common Securities based on the number of Registrable Common Securities held by all such selling Holders (or in such other proportions as shall mutually be agreed to by all such selling Holders); it being understood that no Registrable Common Securities shall be included in such offering unless all Registrable Preferred Securities requested to be registered are included in such offering. Notwithstanding the foregoing, in no event shall the amount of securities of the selling Holders included in the offering be reduced below thirty percent (30%) of the total amount of securities included in such offering, unless such offering is the Initial Offering, in which case the selling Holders may be excluded if the underwriters make the determination described above and no other stockholder's securities are included in such offering. For purposes of the second preceding sentence concerning apportionment, for any selling stockholder that is a Holder of Registrable Securities and that is a venture capital fund, partnership or corporation, the affiliated venture capital funds, partners, retired partners and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate amount of Registrable Securities owned by all such related entities and individuals.

1.4 Form F-3 Registration. In case the Company shall receive from the Holders of more than fifty percent (50%) of the Registrable Preferred Securities or the Holders of more than thirty-five percent (35%) of the Registrable Common Securities (for purposes of this Section 1.4, the "Initiating Holders") a written request or requests that the Company effect a registration on Form F-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company shall:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) use all commercially reasonable efforts to effect, as soon as practicable, such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company, provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this section 1.4:

(i) if Form F -3 is not available for such offering by the Holders;

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than \$1,000,000;

(iii) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.4, a certificate signed by the Company's Chief Executive Officer or Chairman of the Board stating that in the good faith judgment of the Board of Directors, it would be seriously detrimental to the Company and its shareholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders, provided that such right shall be exercised by the Company not more than once in any twelve (12) month period and provided further that the Company shall not register any securities for the account of itself or any other shareholder during such ninety (90) day period (other than a registration relating solely to the sale of securities of participants in a Company stock plan, a registration relating to a corporate reorganization or transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, or a registration in which the only Common Shares being registered are Common Shares issuable upon conversion of debt securities that are also being registered);

(iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two registrations on Form F-3 for the Holders pursuant to this Section 1.4; or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance except as may be required by the Act.

(c) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.4 and the Company shall include such information in the written notice referred to in Section 1.4(a). In such event the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). If the total amount of securities, including Registrable Securities, requested by the Holders to be included in such offering exceeds the amount of securities that the underwriters determine in their sole reasonable discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, that the underwriters determine in their sole discretion will not jeopardize the success of the offering. In no event shall any Registrable Securities be excluded from such offering unless all other securities are first excluded. In the event that the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be apportioned (i) first, pro rata among the selling Holders of Registrable Preferred Securities based on the number of Registrable Preferred Securities held by all such selling Holders (or in such other proportions as shall mutually be agreed to by all such selling Holders), and (ii) second, pro rata among the selling Holders of Registrable Common Securities based on the number of Registrable Common Securities held by all such selling Holders (or in such other proportions as shall mutually be agreed to by all such selling Holders); it being understood that no Registrable Common Securities shall be included in such offering unless all Registrable Preferred Securities requested to be registered are included in such offering. For purposes of the preceding sentence concerning apportionment, for any selling stockholder that is a Holder of Registrable Securities and that is a venture capital fund, partnership or corporation, the affiliated venture capital funds, partners, retired partners and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate amount of Registrable Securities owned by all such related entities and individuals.

(d) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Initiating Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as requests for registration effected pursuant to Sections 1.2.

1.5 Obligations of the Company. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all commercially reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the Registration Statement has been completed;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement;

(c) furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(d) use all commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering;

(f) notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) cause all such Registrable Securities registered pursuant to this Section 1 to be listed on a national exchange or trading system and on each securities exchange and trading system on which similar securities issued by the Company are then listed; and

(h) provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

Notwithstanding the provisions of this Section 1, the Company shall be entitled to postpone or suspend, for a reasonable period of time (provided that such right shall be exercised by the Company not more than once in any twelve (12) month period) the filing, effectiveness or use of, or trading under, any registration statement if the Company shall determine that any such filing or the sale of any securities pursuant to such registration statement would:

(i) in the good faith judgment of the Board of Directors, materially impede, delay or interfere with any material pending or proposed financing, acquisition, corporate reorganization or other similar transaction involving the Company for which the Board of Directors has authorized negotiations;

(ii) in the good faith judgment of the Board of Directors, materially adversely impair the consummation of any pending or proposed material offering or sale of any class of securities by the Company; or

(iii) in the good faith judgment of the Board of Directors, require disclosure of material nonpublic information that, if disclosed at such time, would be materially harmful to the interests of the Company and its shareholders; provided, however, that during any such period all executive officers and directors of the Company are also prohibited from selling securities of the Company (or any security of any of the Company's subsidiaries or affiliates).

In the event of the suspension of effectiveness of any registration statement pursuant to this Section 1.5, the applicable time period during which such registration statement is to remain effective shall be extended by that number of days equal to the number of days during which the effectiveness of such registration statement was suspended.

1.6 Information from Holder. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be reasonably required to effect the registration of such Holder's Registrable Securities.

1.7 Expenses of Registration. All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications pursuant to Sections 1.2, 1.3 and 1.4, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Holders shall be borne by the Company. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 or Section 1.4 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless, in the case of a registration requested under Section 1.2, the Holders of a majority of the Registrable Preferred Securities held by the Investors agree to forfeit their right to one demand registration pursuant to Section 1.2 and provided, however, that if at the time of such withdrawal, Holders have learned of a material adverse change in the condition, business, or prospects of the Company from that known to such Holders at the time of their request and have withdrawn the request with reasonable promptness following disclosure by the Company of such material adverse change, then the Holders shall not be required to pay any of such expenses and shall retain their rights pursuant to Section 1.2 or 1.4.

1.8 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.9 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, members, officers, directors and shareholders of each Holder, legal counsel and accountants for each Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the 1934 Act, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a “Violation”): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading or (iii) any violation or alleged violation by the Company of the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws, and the Company will reimburse each such Holder, underwriter, controlling person or other aforementioned person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the indemnity agreement contained in this subsection 1.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter, controlling person or other aforementioned person; provided further, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Holder or underwriter or other aforementioned person, or any person controlling such Holder or underwriter, from whom the person asserting any such losses, claims, damages or liabilities purchased shares in the offering, if a copy of the most current prospectus was not sent or given by or on behalf of such Holder or underwriter or other aforementioned person to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the shares to such person, and if the prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Act, legal counsel and accountants for the Company, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any person intended to be indemnified pursuant to this subsection 1.9(b) for any legal or other expenses reasonably incurred by such person in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the indemnity agreement contained in this subsection 1.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld), and provided that in no event shall any indemnity under this subsection 1.9(b) exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests (as reasonably determined by the indemnified party) between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of liability to the indemnified party under this Section 1.9 to the extent of such prejudice, but the omission to so deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.9.

(d) If the indemnification provided for in this Section 1.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations; provided, however, that no contribution by any Holder, when combined with any amounts paid by such Holder pursuant to Section 1.9(b), shall exceed the net proceeds from the offering received by such Holder. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.9 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.10 Reports Under the 1934 Act. With a view to making available to the Holders the benefits of Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form F-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144, at all times after the effective date of the Initial Offering;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act; and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form F-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, provided, however, that if the SEC has granted confidential treatment for any exhibits filed with any such filings, the Company need only provide to the Holders the redacted form of such exhibits as approved by the SEC, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to such form.

1.11 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee of such securities that (i) is a subsidiary, parent, member, partner, limited partner, retired partner or shareholder of a Holder, (ii) is a Holder's family member or trust for the benefit of an individual Holder, or (iii) after such assignment or transfer, holds at least 1,000,000 shares of Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations and other recapitalizations), provided: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; (b) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement; and (c) such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Act.

1.12 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Preferred Securities held by the Investors, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (a) to include such securities in any registration filed under Section 1.2, Section 1.3 or Section 1.4 hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the amount of the Registrable Securities of the Holders that are included or (b) to demand registration of their securities.

1.13 Termination of Registration Rights. No Holder shall be entitled to exercise any right provided for in this Section 1 (i) after five (5) years following the consummation of the Initial Offering or (ii) as to any Holder, such earlier time after the Initial Offering at which such Holder (a) can sell all shares held by it in compliance with Rule 144(k) or (b) holds one percent (1%) or less of the Company's outstanding Common Shares and all Registrable Securities held by such Holder (together with any affiliate of the Holder with whom such Holder must aggregate its sales under Rule 144) can be sold in any nine (9) month period without registration in compliance with Rule 144.

2. Covenants of the Company.

2.1 Delivery of Financial Statements. The Company shall use best efforts to deliver to each Investor (or transferee of an Investor):

(a) as soon as practicable, but in any event within one-hundred twenty days (120) days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company and statement of shareholders' equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with United States generally accepted accounting principles ("GAAP"), and audited and certified by independent public accountants of recognized standing in the PRC and internationally selected by the Company;

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited income statement, statement of cash flows for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter.

(c) as soon as practicable, but in any event at least thirty (30) days prior to the end of each fiscal year, a budget and business plan for the next fiscal year, prepared on a monthly basis, including balance sheets, income statements and statements of cash flows for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company;

(d) with respect to the financial statements called for in subsection (b) of this Section 2.1, an instrument executed by the Chief Financial Officer or President of the Company certifying that such financials were prepared in accordance with GAAP consistently applied with prior practice for earlier periods (with the exception of footnotes that may be required by GAAP) and fairly present the financial condition of the Company and its results of operation for the period specified, subject to year-end audit adjustment; and

(e) such other information relating to the financial condition, business or corporate affairs of the Company as the Investors may from time to time reasonably request, provided, however, that the Company shall not be obligated under this subsection (e) or any other subsection of Section 2.1 to provide information that it deems in good faith to be a trade secret or similar confidential information.

2.2 Inspection. The Company shall permit each Investor, at such Investor's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Investor; provided, however, that the Company shall not be obligated pursuant to this Section 2.2 to provide access to any information that it reasonably considers to be a trade secret or similar confidential information.

2.3 Termination of Information and Inspection Covenants. The covenants set forth in Sections 2.1 and 2.2 shall terminate and be of no further force or effect when the Initial Offering is consummated or when the Company first becomes subject to the periodic reporting requirements of Sections 12(g) or 15(d) of the 1934 Act, whichever event shall first occur.

2.4 Right of First Offer. Subject to the terms and conditions specified in this Section 2.4, the Company hereby grants to each Investor (each a "Participating Investor") a right of first offer with respect to future sales by the Company of its Shares (as hereinafter defined). For purposes of this Section 2.4, the term Participating Investor includes any general partners and affiliates of an Investor. A Participating Investor shall be entitled to apportion the right of first offer hereby granted it among itself and its partners and affiliates in such proportions as it deems appropriate.

Each time the Company proposes to offer any shares of, or securities convertible into or exchangeable or exercisable for any shares of, any class of the Company's shares ("Shares"), the Company shall first make an offering of such Shares to each Participating Investor in accordance with the following provisions:

(a) The Company shall deliver a notice in accordance with Section 3.5 ("Notice") to the Participating Investors stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered, and (iii) the price and terms upon which it proposes to offer such Shares.

(b) By written notification received by the Company within twenty (20) calendar days after receipt of the Notice, each Participating Investor may elect to purchase or obtain, at the price and on the terms specified in the Notice, up to that portion of such Shares that equals the proportion that the number of shares of Registrable Securities issued and held by such Participating Investor bears to the total number of Common Shares then outstanding (assuming full conversion of the Preferred Shares and exercise of all outstanding options, warrants or other convertible securities). The Company shall promptly, in writing, inform each Participating Investor that elects to purchase all the Shares available to it (a "Fully-Exercising Investor") of any other Participating Investor's failure to do likewise. During the ten (10) day period commencing after such information is given, each Fully-Exercising Investor may elect to purchase that portion of the Shares for which Participating Investors were entitled to subscribe but which were not subscribed for by the Participating Investors that is equal to the proportion that the number of shares of Registrable Securities issued and held by such Fully-Exercising Investor bears to the total number of Common Shares then outstanding (assuming full conversion and exercise of all convertible and exercisable securities then outstanding).

(c) If all Shares that Investors are entitled to obtain pursuant to subsection 2.4(b) are not elected to be obtained as provided in subsection 2.4(b) hereof, the Company may, during the ninety (90) day period following the expiration of the period provided in subsection 2.4(b) hereof, offer the remaining unsubscribed portion of such Shares to any person or persons at a price not less than that, and upon terms no more favorable to the offeree than those, specified in the Notice. If the Company does not enter into an agreement for the sale of the Shares within such period, or if such agreement is not consummated within sixty (60) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Participating Investors in accordance herewith.

(d) The right of first offer in this Section 2.4 shall not be applicable to (i) the sale of 15,311,111 shares of Common Shares reserved for employees, subject to increase upon the approval of the Board (including the member of the Board that is elected by the holders of a majority of Preferred Shares); (ii) Common Shares issued pursuant to a stock split or similar reorganization; (iii) Common Shares issued or issuable upon conversion of Preferred Shares; (iv) securities issued in connection with a bona fide business acquisition of the Company; (v) securities issued or issuable pursuant to strategic transactions entered into for primarily non-equity financing purposed and approved by the Board or (vi) securities issued or issuable pursuant to equipment lease financings or bank credit arrangements approved by the Board. In addition to the foregoing, the right of first offer in this Section 2.4 shall not be applicable with respect to any Participating Investor and any subsequent offering of Shares if (i) at the time of such offering, the Participating Investor is not an "accredited investor," as that term is then defined in Rule 501(a) of the Act and (ii) such offering of Shares is otherwise being offered only to accredited investors.

(e) The rights provided in this Section 2.4 may not be assigned or transferred by any Participating Investor; provided, however, that a Participating Investor that is a venture capital fund may assign or transfer such rights to an affiliated venture capital fund and provided further, that the affiliated venture capital fund executes the necessary documents to become party to the same agreements as those previously governing the rights and obligations of the Participating Investor.

(f) The covenants set forth in this Section 2.4 shall terminate and be of no further force or effect upon the consummation of the sale of securities pursuant to a bona fide, firmly underwritten public offering of Common Shares registered under the Act.

2.5 Employee Agreements. Unless approved by the Board of Directors, all future employees of the Company who shall purchase, or receive options to purchase, Common Shares following the date hereof shall be required to execute stock purchase or option agreements providing for (i) vesting of shares over a three (3) year period with the first 25% of such shares vesting following twelve (12) months of continued employment or services, and the remaining shares vesting in equal monthly installments over the following 36 months thereafter and (ii) a 180-day lockup period in connection with the Company's initial public offering. The Company shall retain a right of first refusal on transfers until the Initial Offering and the right to repurchase unvested shares at cost.

2.6 Proprietary Information and Inventions Agreement. The Company shall require all employees and consultants with access to confidential information, including the members of the Board of Directors, to execute and deliver an employment agreement in substantially the form provided to the Company by TransAsia Lawyers, special counsel for the Investors.

2.7 Termination of Certain Covenants. The covenants set forth in Section 2.5 shall terminate and be of no further force or effect upon the consummation of the sale of securities pursuant to a bona fide, firmly underwritten public offering of Common Shares registered under the Act.

3. Miscellaneous.

3.1 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any shares of Registrable Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.2 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New York as applied to agreements among New York residents entered into and to be performed entirely within New York. Any dispute or controversy between the parties hereto involving any claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, will be submitted to and be settled by final and binding arbitration in accordance with the UNCITRAL Arbitration Rules as currently in effect and as such may be amended by the rest of this Section 3.2, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Such arbitration shall be administered in Hong Kong at the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the HKIAC Procedures for Arbitration in effect as of the date hereof, including such additions to the UNCITRAL Arbitration Rules contained therein. Such arbitration shall be conducted by three (3) arbitrators chosen by the Company and the Investors, or failing such agreement, an arbitrator appointed by the HKIAC. The language to be used in the arbitral proceedings shall be English.

3.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.4 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.5 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) ten (10) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) two (2) days after deposit with a internationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective parties at the addresses set forth on the signature pages attached hereto (or at such other addresses as shall be specified by notice given in accordance with this Section 3.5).

3.6 Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

3.7 Entire Agreement; Amendments and Waivers. This Agreement (including the Exhibits hereto, if any) constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof. Any term of this Agreement (other than Sections 2.1, 2.2, 2.3 and 2.4) may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the holders of a majority of the Registrable Preferred Securities, including the written consent of the holders of a majority of the Registrable Securities then held by the Investors. The provisions of Sections 2.1, 2.2 and 2.3 may be amended or waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the holders of a majority of the Registrable Securities then held by the Investors. The provisions of Section 2.4 may be amended or waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the holders of a majority of the Registrable Securities then held by Investors. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities, each future holder of all such Registrable Securities, and the Company.

3.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision(s) shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

3.9 Aggregation of Shares. All shares of Registrable Securities held or acquired by affiliated entities (including affiliated venture capital funds) or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

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INVESTORS:

TIGER TECHNOLOGY PRIVATE INVESTMENT PARTNERS II, L.P.

By: Tiger Technology PIP Performance II,
L.L.C., its General Partner

By: /s/

Name: Xiaohong Chen

Title: Managing Director

Address: Turner & Roulstone Management Ltd.
Strathvale House, PO Box 2636GT
George Town, Grand Cayman
Cayman Island

TIGER TECHNOLOGY II, L.P.

By: Tiger Technology Performance, L.L.C.,
its General Partner

By: /s/

Name: Xiaohong Chen

Title: Managing Director

Address: Walker House, P.O. Box 908GT
George Town, Grand Cayman
Cayman Islands

**SIGNATURE PAGE TO
FIRST AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT
FOR NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.**

Schedule A

Investors

Tiger Technology Private Investment Partners II, L.P.
Tiger Technology II, L.P.

Schedule B
Common Holders

Tigerstep Developments Limited
Success Tycoon Limited
Peak Idea International Limited
Forthright Trading Limited
Easebright International Limited
Strong Great International Limited
Fame Gain Investments Limited
China Central Limited

Schedule C
Power of Attorney

VOTING AGREEMENT

THIS VOTING AGREEMENT (the "Agreement") is made and entered into as of December 24, 2004, by and among New Oriental Education & Technology Group Inc., an International Business Company under the laws of the British Virgin Islands (the "Company"), the holders of the Company's Series A Preferred Shares (the "Series A Shares") listed on the Schedule of Investors attached as Schedule A hereto (collectively, the "Investors") and the holders of Common Shares of the Company (the "Common Shares") listed on the Schedule of Common Holders attached as Schedule B hereto (the "Common Holders"). The Company, the Investors and the Common Holders are individually each referred to herein as a "Party" and are collectively referred to herein as the "Parties." The Company's Board of Directors is referred to herein as the "Board."

WITNESSETH:

WHEREAS, the Company and the Investors have entered into that certain Series A Preferred Shares Purchase Agreement of even date herewith (the "Purchase Agreement"), which provides for, among other things, the purchase by the Investors of the Company's Series A Shares;

WHEREAS, the Company's Amended and Restated Memorandum of Association and Articles of Association, as amended from time to time (the "Restated Articles"), provide that holders of Series A Shares shall elect one (1) member of the Board (the "Series A Director") and the remaining directors of the Board (the "Remaining Directors") shall be elected by the holders of Common Shares and Series A Shares voting together; and

WHEREAS, to induce the Investors to enter into the Purchase Agreement and purchase Series A Shares thereunder, the Company and the Common Holders desire to enter into this Agreement with such Investors.

NOW, THEREFORE, in consideration of the foregoing premises and certain other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Agreement to Vote. Each Investor, as a holder of Series A Shares, hereby agrees on behalf of itself and any transferee or assignee of such Series A Shares, to hold all such Series A Shares registered in its name (and any securities of the Company issued with respect to, upon conversion of, or in exchange or substitution of the Series A Shares, and any other voting securities of the Company subsequently acquired by such Investor) (hereinafter collectively referred to as the "Investor Shares") subject to, and to vote the Investor Shares at a regular or special meeting of shareholders (or by written consent) in accordance with, the provisions of this Agreement. Each Common Holder, as a holder of Common Shares of the Company, hereby agrees on behalf of itself and any transferee or assignee of any such Common Shares, to hold all of such Common Shares and any other voting securities of the Company subsequently acquired by such Common Holder (and any securities of the Company issued with respect to, upon conversion of, or in exchange or substitution for such securities) (the "Common Holder Shares") subject to, and to vote the Common Holder Shares at a regular or special meeting of shareholders (or by written consent) in accordance with, the provisions of this Agreement.

2. Size of Board. The holders of Investor Shares and Common Holder Shares shall vote at a regular or special meeting of shareholders (or by written consent) such shares that they own (or as to which they have voting power) to ensure that the size of the Board shall be set and remain at nine (9) directors; provided, however, that the size of the Board may be subsequently increased or decreased pursuant to an amendment of this Agreement in accordance with Section 16 hereof.

3. Election of Directors. For as long as Tiger Technology Private Investment Partners II, L.P. (“Tiger”) together with its affiliates owns at least fifty percent (50%) of the Series A Shares purchased by Tiger pursuant to the Purchase Agreement (as adjusted for share splits, share dividends, recapitalizations or the like), in any election of directors of the Company to elect the Series A Director, the Parties holding Series A Shares shall each vote at any regular or special meeting of shareholders (or by written consent) such number of Series A Shares then owned by them (or as to which they then have voting power) as may be necessary to elect one (1) director nominated by Tiger, which director shall initially be Xiaohong Chen.

4. Removal. Any director of the Board, or any Company subsidiary or affiliate’s board (or comparable governing body), may be removed in the manner allowed by law and the Restated Articles and the Company’s Bylaws, or the comparable charter documents of a Company subsidiary or affiliate, as applicable, but with respect to a director designated for the Board or the board of directors (or comparable governing body) of any subsidiary or affiliate pursuant to subsections 3(a) or 3(b) above, such director may only be removed with the affirmative vote, written consent or approval of the Company’s shareholders who are entitled to nominate such director for the Board.

5. Legend on Share Certificates. Each certificate representing any Investor Shares or Common Holder Shares shall be endorsed by the Company with a legend reading substantially as follows:

“THE SHARES EVIDENCED HEREBY ARE SUBJECT TO A VOTING AGREEMENT (A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST FROM THE ISSUER), AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF SAID VOTING AGREEMENT, INCLUDING THE RESTRICTIONS ON TRANSFER SET FORTH THEREIN.”

6. Covenants of the Company. The Company agrees to use its best efforts to ensure that the rights granted hereunder are effective and that the Parties enjoy the benefits thereof. Such actions include, without limitation, the use of the Company's best efforts to cause the nomination, election and appointment of the directors as provided above. The Company will not, by any voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be performed hereunder by the Company but will at all times in good faith assist in the carrying out of all of the provisions of this Agreement and in the taking of all such actions as may be necessary, appropriate or reasonably requested by the Investors holding at least a majority of the outstanding voting securities held by all of the Investors (assuming conversion of all outstanding securities) in order to protect the rights of the Investors hereunder against impairment.

7. No Liability for Election of Recommended Directors. Neither the Parties nor any officer, director, shareholder, partner, retired partner, member, retired member, shareholder, employee, agent or related individual of any Party, makes any representation or warranty as to the fitness or competence of the nominee of any Party hereunder to serve on the Board or any other board or comparable governing body by virtue of such Party's execution of this Agreement or by the act of such Party in voting for such nominee pursuant to this Agreement.

8. Grant of Proxy. Upon the failure of any Party to vote their Investor Shares or Common Holder Shares, as applicable, in accordance with the terms of this Agreement, such Party hereby grants to a shareholder designated by the Board a proxy coupled with an interest in all Investor Shares and Common Holder Shares owned by such Party, which proxy shall be irrevocable until this Agreement terminates pursuant to its terms or this Section 8 is amended to remove such grant of proxy in accordance with Section 16 hereof, to vote all such Investor Shares and Common Holder Shares in the manner provided in Sections 2 and 3 hereof.

9. Director Expenses. The Company shall reimburse all non-employee directors of the Board and any other Company subsidiary or affiliate board or comparable governing body for all reasonable documented expenses incurred in their service as directors on any such governing body.

10. Specific Enforcement. It is agreed and understood that monetary damages would not adequately compensate an injured Party for the breach of this Agreement by any Party, that this Agreement shall be specifically enforceable, and that any breach or threatened breach of this Agreement shall be the proper subject of a temporary or permanent injunction or restraining order. Further, each Party hereto waives any claim or defense that there is an adequate remedy at law for such breach or threatened breach.

11. Execution by the Company. The Company, by its execution in the space provided below, agrees that it will cause the certificates issued after the date hereof evidencing the Investor Shares and Common Holder Shares, as applicable, to bear the legend required by Section 5 hereof, and it shall supply, free of charge, a copy of this Agreement to any holder of a certificate evidencing shares of capital stock of the Company upon written request from such holder to the Company, at its principal office. The parties hereto do hereby agree that the failure to cause the certificates evidencing the Investor Shares and Common Holder Shares to bear the legend required by Section 5 hereof and/or failure of the Company to supply, free of charge, a copy of this Agreement as provided under this Section 11 shall not affect the validity or enforcement of this Agreement.

12. Captions. The captions, headings and arrangements used in this Agreement are for convenience only and do not in any way limit or amplify the terms and provisions hereof.

13. Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) ten (10) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) two (2) days after deposit with a internationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective parties at the addresses set forth on the signature pages attached hereto (or at such other addresses as shall be specified by notice given in accordance with this Section 13).

14. Term. This Agreement shall terminate and be of no further force or effect upon (a) the Company's sale of its Common Shares in a firm commitment underwritten public offering where the Company's shares are subsequently primarily traded on the Nasdaq Stock Market's National Market, the New York Stock Exchange, or another comparable exchange or marketplace approved by the Board, including the Series A Director, (b) the consummation of a Liquidation Event (as that term is defined in the Restated Articles (as amended from time to time)), (c) action by the Board (by vote or written consent, as provided by law) that the Investor has participated in an equity financing of another corporation or entity that is determined by the Board (excluding the nominee of Series A Shares) to be a competitor of the Company (excluding an investment in any publicly-traded company or entity), (d) the required written consent pursuant to Section 16 hereof or (e) the Investor ceasing to own any securities of the Company.

15. Manner of Voting. The voting of shares pursuant to this Agreement may be effected in person, by proxy, by written consent, or in any other manner permitted by applicable law.

16. Amendments and Waivers. Any term hereof may be amended and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of (a) the Company, (b) the holders of a majority of the then outstanding Common Shares (consenting together as a single class and not as separate classes) held by the parties hereto, and (c) the Investors holding at least a majority of the then outstanding Investor Shares held by all of the Investors. Any amendment or waiver so effected shall be binding upon the Parties hereto.

17. Share Splits, Share Dividends, etc. In the event of any issuance of shares of the Company's voting securities hereafter to any of the Parties hereto (including, without limitation, in connection with any share split, share dividend, recapitalization, reorganization, or the like), such shares shall become subject to this Agreement and shall be endorsed with the legend set forth in Section 5.

18. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

19. Restrictions on Transferability; Binding Effect. In addition to any restriction on transfer that may be imposed by any other agreement by which any Party hereto may be bound, this Agreement shall be binding upon the Parties, their respective heirs, successors, transferees and assigns and to such additional individuals or entities that may become shareholders of the Company and that desire to become Parties hereto; provided that for any such transfer to be deemed effective, the transferee shall have executed and delivered an Adoption Agreement substantially in the form attached hereto as Exhibit A. Upon the execution and delivery of an Adoption Agreement by any transferee reasonably acceptable to the Investors, such transferee shall be deemed to be a Party hereto as if such transferee's signature appeared on the signature pages hereto. By their execution hereof or any Adoption Agreement, each of the Parties hereto appoints the Company as its attorney-in-fact for the purpose of executing any Adoption Agreement which may be required to be delivered hereunder.

20. Governing Law; Arbitration. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without reference to New York conflicts of law provisions. Any dispute or controversy between the Parties hereto involving any claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, will be submitted to and be settled by final and binding arbitration in accordance with the UNCITRAL Arbitration Rules as currently in effect and as such may be amended by the rest of this Section 7.13, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Such arbitration shall be administered in Hong Kong at the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the HKIAC Procedures for Arbitration in effect as of the date hereof, including such additions to the UNCITRAL Arbitration Rules contained therein. Such arbitration shall be conducted by three (3) arbitrators chosen by the Company and the Investors, or failing such agreement, an arbitrator appointed by the HKIAC. The language to be used in the arbitral proceedings shall be English.

21. Entire Agreement. This Agreement is intended to be the sole agreement of the Parties as it relates to this subject matter and does hereby supersede all other agreements of the Parties relating to the subject matter hereof.

22. Additional Common Holders. Notwithstanding anything to the contrary contained herein, if the Company shall issue additional Common Shares, any purchaser (who is not already a party to this Agreement or an Investor) of such Common Shares shall become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement and upon execution and delivery thereof shall be deemed a Common Holder hereunder.

23. Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one (1) and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

COMPANY:

**NEW ORIENTAL EDUCATION & TECHNOLOGY
GROUP INC.**

By: /s/

Name: Minhong Yu

Title: CEO

Address:

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

INVESTORS:

TIGER TECHNOLOGY PRIVATE INVESTMENT PARTNERS II, L.P.

By: Tiger Technology PIP Performance II, L.L.C.,
its General Partner

By: /s/ _____

Name: Xiaohong Chen

Title: Managing Director

Address: Turner & Roulstone Management Ltd.
Strathvale House, PO Box 2636GT
George Town, Grand Cayman
Cayman Islands

TIGER TECHNOLOGY II, L.P.

By: Tiger Technology Performance, L.L.C.,
its General Partner

By: /s/ _____

Name: Xiaohong Chen

Title: Managing Director

Address: Walker House, P.O. Box 908GT
George Town, Grand Cayman
Cayman Islands

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

Tigerstep Developments Limited

Print exact name of shareholder

By: /s/ _____

Minhong Yu

Print Name

Director

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

Capital River Group Limited

Print exact name of shareholder

By: /s/ _____

Minhong Yu

Print Name

Director

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

Success Tycoon Limited

Print exact name of shareholder

By: /s/ _____

Wang Qiang

Print Name

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

Peak Idea International Limited

Print exact name of shareholder

By: /s/ _____

Print Name

Director

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

Forthright Trading Limited

Print exact name of shareholder

By: /s/ _____

Print Name

Director

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

Easebright International Limited

Print exact name of shareholder

By: /s/ _____

Bao Fanyi

Print Name

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

Time Promise Investments Limited

Print exact name of shareholder

By: /s/ _____

Qingquan He

Print Name

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

Strong Great International Limited

Print exact name of shareholder

By: /s/ _____

Li Li

Print Name

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

Fame Gain Investments Limited

Print exact name of shareholder

By: /s/ _____

Yong Qiang Qian

Print Name

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

Challenge Now Limited

Print exact name of shareholder

By: /s/ _____

Song Hao

Print Name

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

Central Plains Limited

Print exact name of shareholder

By: /s/ _____

Yang Ji

Print Name

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

COMMON HOLDERS:

If an individual:

Signature

Print exact name of shareholder

Address: _____

If an entity:

China Central Limited

Print exact name of shareholder

By: /s/ _____

Du Wei

Print Name

Title

Address: _____

**NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
SIGNATURE PAGE TO VOTING AGREEMENT**

SCHEDULE A
LIST OF INVESTORS

TIGER TECHNOLOGY PRIVATE INVESTMENT PARTNERS II, L.P.
TIGER TECHNOLOGY II, L.P.

SCHEDULE B

LIST OF COMMON HOLDERS

Tigerstep Developments Limited
Capital River Group Limited
Success Tycoon Limited
Peak Idea International Limited
Forthright Trading Limited
Easebright International Limited
Time Promise Investments Limited
Strong Great International Limited
Fame Gain Investments Limited
Challenge Now Limited
Central Plains Limited
China Central Limited

EXHIBIT A
ADOPTION AGREEMENT

This Adoption Agreement ("Adoption Agreement") is executed by the undersigned (the "Transferee") pursuant to the terms of that certain Voting Agreement dated as of August __, 2004 (the "Agreement") by and among the Company and certain of the Company's shareholders. Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Agreement. By the execution of this Adoption Agreement, the Transferee agrees as follows:

Acknowledgment. Transferee acknowledges that Transferee is acquiring certain shares of the Company (the "Shares"), subject to the terms and conditions of the Agreement.

Agreement. Transferee (i) agrees that the Shares acquired by Transferee shall be bound by and subject to the terms of the Agreement, and (ii) hereby adopts the Agreement with the same force and effect as if Transferee were originally a Party thereto.

Notice. Any notice required or permitted by the Agreement shall be given to Transferee at the address listed beside Transferee's signature below.

EXECUTED AND DATED this __ day of _____, 20__.

TRANSFEE:

By: _____
Name and Title

Address: _____

Fax: _____

Accepted and Agreed:

COMPANY:

By: _____

Title: _____

FIRST REFUSAL AND CO-SALE AGREEMENT

This **FIRST REFUSAL AND CO-SALE AGREEMENT** (the "Agreement") is entered into as of the 24th day of December, 2004 by and among New Oriental Education & Technology Group Inc., an International Business Company under the laws of the British Virgin Islands (the "Company"), the parties listed on Exhibit A (each a "Common Holder" and together the "Common Holders") and the parties listed on Exhibit B (the "Investors") who are holders of Preferred Shares of the Company (the "Preferred Shares").

RECITALS

WHEREAS, each Common Holder is the beneficial owner of the number of Common Shares of the Company set forth opposite such Common Holder's name on Exhibit A hereto;

WHEREAS, the Company and the Investors have entered into that certain Series A Preferred Shares Purchase Agreement of even date herewith (the "Purchase Agreement"), which provides for, among other things, the purchase by the Investors of the Preferred Shares;

WHEREAS, the Company and the Common Holders wish to provide further inducement to the Investors to purchase the Preferred Shares;

NOW, THEREFORE, in consideration of the foregoing premises and certain other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions.

(a) Delivery. For purposes of this Agreement, the term "Delivery" shall have the meaning set forth in Section 7 below.

(b) Equity Securities. For purposes of this Agreement, the term "Equity Securities" shall mean any securities now or hereafter owned or held by a Common Holder (or a transferee in accordance with Section 2.4 herein) having voting rights in the election of the Board of Directors of the Company, or any securities evidencing an ownership interest in the Company, or any securities convertible into or exercisable for any shares of the foregoing.

(c) Preferred Holders. For purposes of this Agreement, the term "Preferred Holders" shall mean the Investors or persons who have acquired shares from any of the Investors or their transferees or assignees in accordance with the provisions of this Agreement.

(d) Parties. For purposes of this Agreement, the term "Parties" shall mean the Company, the Investors and the Common Holders, and the term "Party" shall mean any one of them.

(e) Transfer. For purposes of this Agreement, the term “Transfer” shall include any sale, assignment, encumbrance, hypothecation, pledge, conveyance in trust, gift, transfer by bequest, devise or descent, or other transfer or disposition of any kind, including, but not limited to, transfers pursuant to divorce or legal separation, transfers to receivers, levying creditors, trustees or receivers in bankruptcy proceedings, transfers or sales of the ownership interest of the entity holding Equity Securities or general assignees for the benefit of creditors, whether voluntary, involuntarily or by operation of law, directly or indirectly, of any of the Equity Securities.

2. Agreements Among the Company, the Investors and the Common Holders.

2.1 Rights of Refusal.

(a) Transfer Notice. If at any time a Common Holder proposes to Transfer Equity Securities (a “Selling Shareholder”), the Selling Shareholder shall promptly give the Company, the other Common Holders (the “Non-Selling Common Holders”) and the Preferred Holders written notice of the Selling Shareholder’s intention to make the Transfer (the “Transfer Notice”). The Transfer Notice shall include (i) a description of the Equity Securities to be transferred (the “Offered Shares”; provided that Equity Securities being transferred in accordance with Section 2.4 shall not be considered Offered Shares), (ii) the name(s) and address(es) of the prospective transferee(s), (iii) the consideration and (iv) the material terms and conditions upon which the proposed Transfer is to be made. The Transfer Notice shall be substantially in the form attached hereto as Exhibit C and shall certify that the Selling Shareholder has received a firm offer from the prospective transferee(s) and in good faith believes a binding agreement for the Transfer is obtainable on the terms set forth in the Transfer Notice. The Transfer Notice shall also include a copy of any written proposal, term sheet or letter of intent or other agreement relating to the proposed Transfer. In the event that the transfer is being made pursuant to the provisions of Section 2.4, the Transfer Notice shall state under which specific subsection the Transfer is being made.

(b) Company’s Right of First Refusal. The Company shall have an option for a period of ten (10) days from Delivery of the Transfer Notice to elect to purchase the Offered Shares at the same price and subject to the same material terms and conditions as described in the Transfer Notice. The Company may exercise such purchase option and purchase all or any portion of the Offered Shares by notifying the Selling Shareholder in writing before expiration of such ten (10) day period as to the number of such shares that it wishes to purchase. If the Company gives the Selling Shareholder notice that it desires to purchase such shares, then payment for the Offered Shares shall be by check or wire transfer, against delivery of the Offered Shares to be purchased at a place agreed upon between the parties and at the time of the scheduled closing therefor, which shall be no later than forty-five (45) days after Delivery to the Company of the Transfer Notice, unless the Transfer Notice contemplated a later closing with the prospective third-party transferee(s) or unless the value of the purchase price has not yet been established pursuant to Section 2.1(e). If the Company fails to purchase any or all of the Offered Shares by exercising the option granted in this Section 2.1(b) within the period provided, the remaining Offered Shares shall be subject to the options granted to the Preferred Holders pursuant to Section 2.1(d).

(c) Additional Transfer Notice. Subject to the Company's option set forth in Section 2.1(b), if at any time the Selling Shareholder proposes a Transfer, then, within five (5) days after the Company has declined to purchase all, or a portion of, the Offered Shares or the Company's option to so purchase the Offered Shares has expired, the Selling Shareholder shall give each Common Holder and Preferred Holder an "Additional Transfer Notice" that shall include all of the information and certifications required in a Transfer Notice and shall additionally identify the Offered Shares that the Company has declined to purchase (the "Remaining Shares") and briefly describe the Non-Selling Common Holders' and Preferred Holders' rights of first refusal and co-sale rights with respect to the proposed Transfer.

(d) Common Holders' and Preferred Holders' Right of First Refusal. (i) Each Common Holder and Preferred Holder shall have an option for a period of fifteen (15) days from the Delivery of the Additional Transfer Notice from the Selling Shareholder set forth in Section 2.1(c) to elect to purchase its respective pro rata share of the Remaining Shares at the same price and subject to the same material terms and conditions as described in the Additional Transfer Notice. Each Common Holder and Preferred Holder may exercise such purchase option and purchase all or any portion of his, her or its pro rata share of the Remaining Shares (a "Participating Holder" for the purposes of Section 2.1(d) and 2.1(e)), by notifying the Selling Shareholder and the Company in writing, before expiration of the fifteen (15) day period as to the number of such shares that he, she or it wishes to purchase (the "Participating Holder Notice"). Each Participating Holder's pro rata share of the Remaining Shares shall be a fraction of the Remaining Shares, the numerator of which shall be the number of Common Shares (including Common Shares issuable upon conversion of Preferred Shares) owned by such Participating Holder on the date of the Transfer Notice and the denominator of which shall be the total number of Common Shares (including Common Shares issuable upon conversion of Preferred Shares) held by all Common Holders and Preferred Holders on the date of the Transfer Notice.

(ii) In the event any Non-Selling Common Holder or Preferred Holder elects not to purchase its pro rata share of the Remaining Shares available pursuant to its rights under subsection 2.1(d)(i) within the time period set forth therein, then the Selling Shareholder shall promptly give written notice (the "Overallocation Notice") to each Participating Holder that has elected to purchase all of its pro rata share of the Remaining Shares (each a "Fully Participating Holder"), which notice shall set forth the number of Remaining Shares not purchased by the other Common Holders and Preferred Holders and shall offer the Fully Participating Holders the right to acquire the unsubscribed shares. Each Fully Participating Holder shall have five (5) days after Delivery of the Overallocation Notice to deliver a written notice to the Selling Shareholder (the "Participating Holders Overallocation Notice") of its election to purchase its pro rata share of the unsubscribed shares on the same terms and conditions as set forth in the Additional Transfer Notice and indicating the maximum number of the unsubscribed shares that it will purchase in the event that any other Fully Participating Holder elects not to purchase its pro rata share of the unsubscribed shares. For purposes of this Section 2.1(d)(ii), the numerator shall be the same as that used in Section 2.1(d)(i) above and the denominator described in clause (i) of this Section 2.1(d) shall be the total number of Common Shares (including Common Shares issuable upon conversion of Preferred Shares) owned by all Fully Participating Holders on the date of the Transfer Notice. Each Participating Holder shall be entitled to apportion Remaining Shares to be purchased among its partners and affiliates (including in the case of a venture capital fund other venture capital funds affiliated with such fund), provided that such Participating Holder notifies the Selling Shareholder of such allocation, and such partners and affiliates become party to the same agreements as those governing the rights and obligations of the Participating Holder.

(e) Payment. (i) The Participating Holders shall effect the purchase of the Remaining Shares with payment by check or wire transfer, against delivery of the Remaining Shares to be purchased at a place agreed upon between the parties and at the time of the scheduled closing therefor, which shall be no later than forty-five (45) days after Delivery to the Company of the Transfer Notice, unless the Transfer Notice contemplated a later closing with the prospective third-party transferee(s) or unless the value of the purchase price has not yet been established pursuant to this Section 2.1(e).

(ii) Should the purchase price specified in the Transfer Notice or Additional Transfer Notice be payable in property other than cash or evidences of indebtedness, the Company (and the Participating Holders, as applicable) shall have the right to pay the purchase price in the form of cash equal in amount to the fair market value of such property. If the Selling Shareholder and the Company (or the Participating Holders, as applicable) cannot agree on such cash value within ten (10) days after Delivery to the Company of the Transfer Notice (or the Delivery of the Additional Transfer Notice to the Preferred Holders and Common Holders, as applicable), the valuation shall be made by an appraiser of recognized standing selected by the Selling Shareholder and the Company (and the Participating Holders, as applicable) or, if they cannot agree on an appraiser within twenty (20) days after Delivery to the Company of the Transfer Notice (or the Delivery of the Additional Transfer Notice to the Preferred Holders and Common Holders, as applicable), each shall select an appraiser of recognized standing within ten (10) days thereafter and the two appraisers shall within the following fifteen (15) days designate a third appraiser of recognized standing, who shall be directed to render a written appraisal within thirty (30) days of his designation and whose appraisal shall be determinative of such value. The cost of such appraisal shall be shared equally by the Selling Shareholder and the Company (and the Participating Holders, as applicable), with half of the cost borne by the Company and the Participating Holders pro rata by each, based on the number of shares such parties have expressed an interest in purchasing pursuant to this Section 2. If the time for the closing of the Company's purchase or the Participating Holders' purchase has expired but the determination of the value of the purchase price offered by the prospective transferee(s) has not been finalized, then such closing shall be held on or prior to the fifth business day after such valuation shall have been made pursuant to this subsection. If the parties fail to designate an appraiser as provided herein, or the appraiser fails to render the written appraisal, any party may submit the valuation dispute to the American Arbitration Association in New York, New York, to be resolved in accordance with the Commercial Arbitration Rules thereof.

2.2 Right of Co-Sale.

(a) To the extent the Company, the Non-Selling Common Holders and the Preferred Holders do not exercise their respective rights of refusal as to all of the Offered Shares pursuant to Section 2.1, then each Preferred Holder and Non-Selling Common Holder (each such Preferred Holder or Non-Selling Common Holder, a “Selling Holder” for purposes of this Section 2.2) that notifies the Selling Shareholder in writing within twenty (20) days after Delivery of the Additional Transfer Notice referred to in Section 2.1(c), shall have the right to participate in such sale of Equity Securities on the same terms and conditions as specified in the Transfer Notice but with no obligation other than to transfer the shares and make customary representations and warranties; provided that the indemnification amount in connection with a breach of such representations and warranties shall be limited to the purchase price received. Such Selling Holder’s notice to the Selling Shareholder shall indicate the number of shares of capital stock of the Company that the Selling Holder wishes to sell under his, her or its right to participate. To the extent one or more of the Preferred Holders or Non-Selling Common Holders exercise such right of participation in accordance with the terms and conditions set forth below, the number of shares of Equity Securities that the Selling Shareholder may sell in the Transfer shall be correspondingly reduced.

(b) Each Selling Holder may sell all or any part of that number of shares of capital stock of the Company equal to the product obtained by multiplying (i) the aggregate number of shares of Equity Securities covered by the Transfer Notice that have not been subscribed for pursuant to Section 2.1 by (ii) a fraction, the numerator of which is the number of Common Shares (including Common Shares issuable upon conversion of Preferred Shares) owned by the Selling Holder on the date of the Transfer Notice and the denominator of which is the total number of Common Shares (including Common Shares issuable upon conversion of Preferred Shares) owned by the Selling Shareholder and all of the Selling Holders on the date of the Transfer Notice.

(c) Each Selling Holder shall effect its participation in the sale by promptly delivering to the Selling Shareholder for transfer to the prospective purchaser one or more certificates, properly endorsed for transfer, which represent:

(i) the type and number of shares of capital stock of the Company that such Selling Holder elects to sell; or

(ii) that number of shares of capital stock of the Company that are at such time convertible into the number of Common Shares that such Selling Holder elects to sell; provided, however, that if the prospective third-party purchaser objects to the delivery of such shares of capital stock of the Company in lieu of Common Shares, such Selling Holder shall convert such shares of capital stock of the Company into Common Shares and deliver Common Shares as provided in this Section 2.2. The Company agrees to make any such conversion concurrent with the actual transfer of such shares to the purchaser and contingent on such transfer.

(d) The share certificate or certificates that the Selling Holder delivers to the Selling Shareholder pursuant to Section 2.2(c) shall be transferred to the prospective purchaser in consummation of the sale of the Equity Securities pursuant to the terms and conditions specified in the Transfer Notice, and the Selling Shareholder shall concurrently therewith remit to such Selling Holder that portion of the sale proceeds to which such Selling Holder is entitled by reason of its participation in such sale. To the extent that any prospective purchaser or purchasers prohibits such assignment or otherwise refuses to purchase shares or other securities from a Selling Holder exercising its rights of co-sale hereunder, the Selling Shareholder shall not sell to such prospective purchaser or purchasers any Equity Securities unless and until, simultaneously with such sale, the Selling Shareholder shall purchase such shares or other securities from such Selling Holder for the same consideration and on the same terms and conditions as the proposed transfer described in the Transfer Notice.

2.3 Non-Exercise of Rights. To the extent that the Company, the Common Holders and Preferred Holders have not exercised their rights to purchase the Offered Shares or the Remaining Shares within the time periods specified in Section 2.1 and the Preferred Holders and Non-Selling Common Holders have not exercised their rights to participate in the sale of the Remaining Shares within the time periods specified in Section 2.2, the Selling Shareholder shall have a period of thirty (30) days from the expiration of such rights in which to sell the Offered Shares or the Remaining Shares, as the case may be, upon terms and conditions (including the purchase price) no more favorable than those specified in the Transfer Notice to the third-party transferee(s) identified in the Transfer Notice. The third-party transferee(s) shall acquire the Offered Shares or the Remaining Shares, as the case may be, free and clear of subsequent rights of first refusal and co-sale rights under this Agreement. In the event the Selling Shareholder does not consummate the sale or disposition of the Offered Shares or Remaining Shares, as the case may be, within the thirty (30) day period from the expiration of these rights, the Company's first refusal rights and the Common Holders' and Preferred Holders' first refusal rights and co-sale rights shall continue to be applicable to any subsequent disposition of the Offered Shares or the Remaining Shares, as the case may be, by the Selling Shareholder until such right lapses in accordance with the terms of this Agreement. Furthermore, the exercise or non-exercise of the rights of the Company, the Common Holders and the Preferred Holders under this Section 2 to purchase Equity Securities from the Selling Shareholder or participate in sales of Equity Securities by the Selling Shareholder, as applicable, shall not adversely affect their rights to make subsequent purchases from the Selling Shareholder of Equity Securities or subsequently participate in sales of Equity Securities by the Selling Shareholder.

2.4 Limitations to Rights of Refusal and Co-Sale.

(a) Notwithstanding the provisions of Section 2.1 and 2.2 of this Agreement, the first refusal rights of the Company and the first refusal rights and the co-sale rights of the Common Holders and the Preferred Holders, as applicable, shall not apply to (a) the Transfer of Equity Securities to any spouse or member of a Common Holder's immediate family, or to a custodian, trustee (including a trustee of a voting trust), executor, or other fiduciary for the account of the Common Holder's spouse or members of the Common Holder's immediate family, or to a trust for the Common Holder's own self, (b) any sale of Equity Securities to the public pursuant to a registration statement filed with, and declared effective by, the U.S. Securities and Exchange Commission under the U.S. Securities Act of 1933, as amended, (the "Securities Act"), (c) a Transfer of Equity Securities by a Common Holder that is an entity to the current or former shareholders, partners or members of such entity, or (d) transfer by Capital River Group Limited of up to 7,675,222 Common Shares to current or former employees of the Company; provided, however, that in the event of any Transfer made pursuant to one of the exemptions provided by clauses (a), (b), (c) or (d), (i) the Common Holder shall inform the Investors of such Transfer prior to effecting it and (ii) each such transferee or assignee, prior to the completion of the Transfer, shall have executed documents assuming the obligations of the Common Holder under this Agreement with respect to the transferred Equity Securities. Such transferred Equity Securities shall remain "Equity Securities" hereunder, and such pledgee, transferee or donee shall be treated as the "Common Holder" for purposes of this Agreement.

2.5 Prohibited Transfers.

(a) Except as otherwise provided in this Agreement, each Common Holder will not sell, assign, transfer, pledge, hypothecate, or otherwise encumber or dispose of in any way, directly or indirectly, all of any part of or any interest in the Equity Securities. Any sale, assignment, transfer, pledge, hypothecation or other encumbrance or disposition of Equity Securities not made in conformance with this Agreement shall be null and void, shall not be recorded on the books of the Company and shall not be recognized by the Company.

(b) In the event any Common Holder should sell any Equity Securities in contravention of the co-sale rights of the Preferred Holders and the Non-Selling Common Holders under Section 2.2 (a "Prohibited Transfer"), the Preferred Holders and the Non-Selling Common Holders, in addition to such other remedies as may be available at law, in equity or hereunder, shall have the put option provided below under subsection (c), and such Common Holder shall be bound by the applicable provisions of such option.

(c) In the event of a Prohibited Transfer, each Preferred Holder and Non-Selling Common Holder shall have the right to sell to such Common Holder the type and number of shares of Equity Securities equal to the number of shares each Preferred Holder would have been entitled to transfer to the third-party transferee(s) under Section 2.2 hereof had the Prohibited Transfer been effected pursuant to and in compliance with the terms hereof. Such sale shall be made on the following terms and conditions:

(i) The price per share at which the shares are to be sold to the Common Holder shall be equal to the price per share paid by the third-party transferee(s) to the Common Holder in the Prohibited Transfer. The Common Holder shall also reimburse each Preferred Holder and Non-Selling Common Holder for any and all fees and expenses, including legal fees and expenses, incurred pursuant to the exercise or the attempted exercise of each such Preferred Holder's and Non-Selling Common Holder's rights under Section 2.2.

(ii) Within ninety (90) days after the later of the date on which the Preferred Holder (A) receives notice of the Prohibited Transfer or (B) otherwise becomes aware of the Prohibited Transfer, each Preferred Holder and Non-Selling Common Holder shall, if exercising the option created hereby, deliver to such Common Holder the certificate or certificates representing shares to be sold, each certificate to be properly endorsed for transfer.

(iii) The Common Holder shall, upon receipt of the certificate or certificates for the shares to be sold by a Preferred Holder or Non-Selling Common Holder, pursuant to this Section 2.5, pay the aggregate purchase price therefor and the amount of reimbursable fees and expenses, as specified in subparagraph 2.5(c)(i), in cash or by other means acceptable to such Preferred Holder or Non-Selling Common Holder.

3. Assignments and Transfers; No Third Party Beneficiaries. This Agreement and the rights and obligations of the parties hereunder shall inure to the benefit of, and be binding upon, their respective successors, assigns and legal representatives, but shall not otherwise be for the benefit of any third party. The rights of Preferred Holders hereunder are only assignable (i) to any other Preferred Holder, (ii) to a partner, a member, affiliate or related party of such Preferred Holder, or (iii) to an assignee or transferee who acquires at least one million (1,000,000) Common Shares (including Common Shares issuable upon conversion of Preferred Shares).

4. Market Stand-Off

(a) Each Preferred Holder and Common Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the Company's Initial Offering (as defined below) and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, or otherwise transfer any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Common Shares or any securities convertible into or exercisable for Common Shares held immediately prior to the effectiveness of the Registration Statement for such offering, or (ii) enter into any swap or other arrangement that transfers to another, in whole or part, any of the economic consequences of ownership of the Common Shares or such other securities, whether any such transaction described in clause (i) or (ii) above is settled by delivery of Common Shares or other securities, in cash or otherwise. The foregoing provisions of this Section 4(a) shall apply only to the Company's Initial Offering, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall only be applicable to the Preferred Holder and Common Holder if all officers, directors and greater than one percent (1%) shareholders of the Company enter into similar agreements. Each Preferred Holder and Common Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in the Company's Initial Offering that are consistent with this Section 4(a) or that are necessary to give further effect thereto.

(b) In order to enforce the foregoing covenant, the Company may impose stop transfer instructions with respect to the Common Shares or other securities of each Common Holder and Preferred Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

(c) The term "Initial Offering" means the Company's first firm commitment underwritten public offering of its Common Shares where the shares are subsequently primarily traded on the Nasdaq Stock Market's National Market, the New York Stock Exchange or another comparable exchange or marketplace approved by the Board of Directors of the Company.

5. Legends. Each existing or replacement certificate for Equity Securities now owned or hereafter acquired by a Common Holder shall bear the following legends:

"THE SALE, PLEDGE, HYPOTHECATION, ASSIGNMENT OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN FIRST REFUSAL AND CO-SALE AGREEMENT BY AND BETWEEN THE SHAREHOLDER, THE COMPANY AND CERTAIN HOLDERS OF SHARES OF THE COMPANY. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY."

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK UP PERIOD OF UP TO 180 DAYS AFTER THE EFFECTIVE DATE OF THE ISSUER’S REGISTRATION STATEMENT FILED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE ISSUER’S PRINCIPAL OFFICE. SUCH LOCK UP PERIOD IS BINDING ON TRANSFEREES OF THESE SHARES.”

“WITH REGARD TO UNITED STATES LAW, THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM.”

The Company agrees to remove such legend and reissue new certificates as soon as practicable when such legend is no longer required under the Securities Act.

6. Effect of Change in Company’s Capital Structure. Appropriate adjustments shall be made in the number and class of shares in the event of a share dividend, share split, share combination, reclassification or like change in the capital structure of the Company.

7. Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the Party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) two (2) days after deposit with an internationally recognized overnight courier, with written verification of receipt. The occurrence of the events set forth in subsections (i) through (iv) above shall constitute “Delivery” of notice. All communications shall be sent to the respective parties at the addresses set forth on the signature pages attached hereto (or at such other addresses as shall be specified by notice given in accordance with this Section 7).

8. Further Instruments and Actions; Additional Transfer Restrictions. The parties agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement. Each Preferred Holder and each Common Holder agrees to cooperate affirmatively with the Company, the Investors, the other Common Holders and the Preferred Holders, to enforce the rights and obligations pursuant hereto.

9. Term. This Agreement shall terminate and be of no further force or effect upon (a) the consummation of a qualified initial public offering or (b) the consummation of a Liquidation Event, as that term is defined in the Company's Amended and Restated Memorandum and Articles of Association.

10. Entire Agreement; Governing Law; Arbitration. This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all other agreements between or among any of the parties with respect to the subject matter hereof. This Agreement shall be interpreted under the laws of the State of New York without reference to New York conflicts of law provisions. Any dispute or controversy between the Parties hereto involving any claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, will be submitted to and be settled by final and binding arbitration in accordance with the UNCITRAL Arbitration Rules as currently in effect and as such may be amended by the rest of this Section 7.13, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Such arbitration shall be administered in Hong Kong at the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the HKIAC Procedures for Arbitration in effect as of the date hereof, including such additions to the UNCITRAL Arbitration Rules contained therein. Such arbitration shall be conducted by three (3) arbitrators chosen by the Company and the Investors, or failing such agreement, an arbitrator appointed by the HKIAC. The language to be used in the arbitral proceedings shall be English.

11. Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of (i) the Company, (ii) Common Holders holding at least a majority of the Common Shares of the Company then held by the Common Holders and (iii) Investors holding at least a majority of the Common Shares issuable or issued upon conversion of the Preferred Shares. Any amendment or waiver effected in accordance with this paragraph shall be binding upon all Common Holders and all Preferred Holders and their respective successors and assigns.

12. Severability. If one or more provisions of this Agreement is held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

13. Attorney's Fees. In the event that any dispute among the parties to this Agreement should result in litigation, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

14. Aggregation of Shares. For the purposes of determining the availability of any rights under this Agreement, the holdings of any transferee and assignee of an individual or a partnership who is a spouse, ancestor, lineal descendant or sibling of such individual or partners or retired partners of such partnership or affiliates of such partnership (including spouses and ancestors, lineal descendants and siblings of such partners or spouses who acquire securities by gift, will or intestate succession) shall be aggregated together with the individual or partnership, as the case may be, for the purpose of exercising any rights or taking any action under this Agreement.

15. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

**NEW ORIENTAL EDUCATION & TECHNOLOGY
GROUP INC.**

By: /s/
Name: Minhong Yu
Title: CEO

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: Tigerstep Developments Limited

Title: Director

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: Capital River Group Limited

Title: Director

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: Success Tycoon Limited

Title: _____

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: Peak Idea International Limited

Title: _____

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: Forthright Trading Limited

Title: Director

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: Easebright International Limited

Title: _____

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: Time Promise Investments Limited

Title: _____

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: Strong Great International Limited

Title:

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: Fame Gain Investments Limited

Title: _____

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: Challenge Now Limited

Title: _____

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: Central Plains Limited

Title: _____

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

COMMON HOLDERS:

By: /s/

Name: China Central Limited

Title: _____

Address:

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

INVESTORS:

TIGER TECHNOLOGY PRIVATE INVESTMENT PARTNERS II, L.P.

By: Tiger Technology PIP Performance II, L.L.C., its
General Partner

By: /s/

Name: Xiaohong Chen

Title: Managing Director

Address: Turner & Roulstone Management Ltd.
Strathvale House, PO Box 2636GT
George Town, Grand Cayman
Cayman Island

TIGER TECHNOLOGY II, L.P.

By: Tiger Technology Performance,
L.L.C., its General Partner

By: /s/

Name: Xiaohong Chen

Title: Managing Director

Address: Walker House, P.O. Box 908GT
George Town, Grand Cayman
Cayman Islands

**SIGNATURE PAGE TO NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
FIRST REFUSAL AND CO-SALE AGREEMENT**

Exhibit A

Common Shares of the Company Beneficially Owned by the Common Holders

<u>Shareholder</u>	<u>Shares Owned</u>
Tigerstep Developments Limited	46,657,477
Capital River Group Limited	7,675,222
Success Tycoon Limited	10,461,643
Peak Idea International Limited	10,378,696
Forthright Trading Limited	6,241,734
Easebright International Limited	4,157,700
Time Promise Investments Limited	2,084,034
Strong Great International Limited	2,146,244
Fame Gain Investments Limited	3,219,366
Challenge Now Limited	528,785
Central Plains Limited	528,785
China Central Limited	736,150
Total	94,815,836

Exhibit B

Investors

Tiger Technology Private Investment Partners II, L.P.
Tiger Technology II, L.P.

Exhibit C
FORM OF
TRANSFER NOTICE

New Oriental Education & Technology Group Inc.

Ladies and Gentlemen:

This Transfer Notice is provided pursuant to Section 2.1 of the First Refusal and Co-Sale Agreement among New Oriental Education & Technology Group Inc. and certain of its shareholders dated as of _____, 2004.

The undersigned proposes to transfer securities of New Oriental Education & Technology Group Inc. as described below:

Securities proposed to be transferred:

Name and address of proposed transferee:

Consideration:

Material terms and conditions of proposed transfer:

Very truly yours,

[Exact name of shareholder]

Conyers Dill & Pearman

ATTORNEYS AT LAW

CRICKET SQUARE, HUTCHINS DRIVE, P.O. BOX 2681 GT, GEORGE TOWN, GRAND CAYMAN, BRITISH WEST INDIES
TEL: (345) 945 3901 FAX: (345) 945 3902 EMAIL: CAYMAN@CONYERSDILLANDPEARMAN.COM
WWW.CONYERSDILLANDPEARMAN.COM

22 August, 2006

New Oriental Education & Technology Group Inc.
No.6 Hai Dian Zhong Street
9th Floor
Haidian District, Beijing 100080
People's Republic of China

DIRECT LINE: 2842 9556
E-MAIL: Christopher.bickley@conyersdillandpearman.com
OUR REF: CWHB/WL/ot/220552 (M# 870574)
YOUR REF:

Dear Sirs,

New Oriental Education & Technology Group Inc. (the "Company")

We have acted as special Cayman legal counsel to the Company in connection with a public offering of certain common shares in the Company in the form of American Depositary Shares (the "Shares") as described in the prospectus contained in the Company's registration statement on Form F-1 (the "Registration Statement" which term does not include any exhibits thereto) to be filed by the Company under the United States Securities Act 1933 (the "Securities Act") with the United States Securities and Exchange Commission (the "Commission").

For the purposes of giving this opinion, we have examined and relied upon copies of the following documents:

- (i) the Registration Statement; and
- (ii) a draft of the prospectus (the "Prospectus") contained in the Registration Statement.

We have also reviewed and relied upon (1) the memorandum of association and the articles of association of the Company, (2) copies of written resolutions passed by the directors of the Company on 21 July 2006, (3) the register of members of the Company, and (4) such other documents and made such enquiries as to questions of law as we have deemed necessary in order to render the opinion set forth below.

Bermuda British Virgin Islands Cayman Islands Dubai Hong Kong London Singapore

Advising on the jurisdictions of Bermuda, British Virgin Islands and Cayman Islands

New Oriental Education & Technology Group Inc.
22 August, 2006

We have assumed (i) the genuineness and authenticity of all signatures, stamps and seals and the conformity to the originals of all copies of documents (whether or not certified) examined by us and the authenticity and completeness of the originals from which such copies were taken; (ii) the accuracy and completeness of all factual representations made in the Prospectus and Registration Statement and other documents reviewed by us, (iii) that there is no provision of the law of any jurisdiction, other than the Cayman Islands, which would have any implication in relation to the opinions expressed herein; (iv) the validity and binding effect under the laws of the United States of America of the Registration Statement and the Prospectus and that the Registration Statement will be duly filed with or declared effective by the Commission; and (v) that the Prospectus, when published, will be in substantially the same form as that examined by us for purposes of this opinion.

We have made no investigation of and express no opinion in relation to the laws of any jurisdiction other than the Cayman Islands. This opinion is to be governed by and construed in accordance with the laws of the Cayman Islands and is limited to and is given on the basis of the current law and practice in the Cayman Islands.

On the basis of and subject to the foregoing, we are of the opinion that:

- (1) The Company is duly incorporated and existing under the laws of the Cayman Islands.
- (2) The issue of the Shares has been duly authorised, and when the Shares have been issued, delivered and paid for in the manner described in and pursuant to the terms of the Prospectus and Registration Statement will be validly issued, fully paid and non-assessable (meaning that no further sums are payable to the Company with respect to the holding of such Shares).

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement and to the references to us under the headings "Taxation", "Enforcement of Civil Liabilities" and "Legal Matters" in the Prospectus contained in the Registration Statement. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act, or the Rules and Regulations of the Commission thereunder.

Yours faithfully,

/s/ Conyers Dill & Pearman
Conyers Dill & Pearman

53rd at Third
 885 Third Avenue
 New York, New York 10022-4834
 Tel: (212) 906-1200 Fax: (212) 751-4864
 www.lw.com

LATHAM & WATKINS LLP

August 22, 2006

FIRM /AFFILIATE OFFICES
 Brussels New York
 Chicago Northern Virginia
 Frankfurt Orange County
 Hamburg Paris
 Hong Kong San Diego
 London San Francisco
 Los Angeles Shanghai
 Milan Silicon Valley
 Moscow Singapore
 Munich Tokyo
 New Jersey Washington, D.C.

New Oriental Education & Technology Group Inc.
 No. 6 Hai Dian Zhong Street, 9th Floor
 Haidian District, Beijing 100080
 People's Republic of China

Re: 7,500,000 American Depositary Shares of New Oriental Education & Technology Group, Inc. (the "Company").

Ladies and Gentlemen:

In connection with the public offering on the date hereof of 7,500,000 American Depositary Shares ("ADSs"), each of which represents four common shares, par value \$0.01 per share (the "Common Shares"), of the Company pursuant to the registration statement on Form F-1 under the Securities Act of 1933, as amended (the "Act"), filed by the Company with the Securities and Exchange Commission (the "Commission") on August 22, 2006, as amended to date (the "Registration Statement"), you have requested our opinion concerning the statements in the Registration Statement under the caption "Taxation—United States Federal Income Taxation."

The facts, as we understand them, and upon which with your permission we rely in rendering the opinion herein, are set forth in the Registration Statement.

In our capacity as counsel to the Company, we have made such legal and factual examinations and inquiries, including an examination of originals or copies certified or otherwise identified to our satisfaction of such documents, corporate records and other instruments as we have deemed necessary or appropriate for purposes of this opinion. In our examination, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures thereon, the legal capacity of natural persons executing such documents and the conformity to authentic original documents of all documents submitted to us as copies. For the purpose of our opinion, we have not made an independent investigation, or audit of the facts set forth in the above-referenced documents.

We are opining herein as to the effect on the subject transaction only of the federal income tax laws of the United States and we express no opinion with respect to the applicability thereto, or the effect thereon, of other federal laws, the laws of any state or any other jurisdiction or as to any matters of municipal law or the laws of any other local agencies within any state.

LATHAM & WATKINS LLP

Based on such facts and subject to the limitations set forth in the Registration Statement, the statements of law or legal conclusions in the Registration Statement under the caption “Taxation—United States Federal Income Taxation” constitute the opinion of Latham & Watkins LLP as to the material tax consequences of an investment in the ADSs.

No opinion is expressed as to any matter not discussed herein.

This opinion is rendered to you as of the date of this letter, and we undertake no obligation to update this opinion subsequent to the date hereof. This opinion is based on various statutory provisions, regulations promulgated thereunder and interpretations thereof by the Internal Revenue Service and the courts having jurisdiction over such matters, all of which are subject to change either prospectively or retroactively. Also, any variation or difference in the facts from those set forth in the Registration Statement may affect the conclusions stated herein.

This opinion is furnished to you, and is for your use in connection with the transactions set forth in the Registration Statement. This opinion may not be relied upon by you for any other purpose. However, this opinion may be relied upon by persons entitled to rely on it pursuant to applicable provisions of federal securities law.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the captions “Legal Matters” and “Taxation — United States Federal Income Taxation” in the prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules or regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Latham & Watkins LLP

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

2006 SHARE INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are to attract and retain the best available personnel, to provide additional incentives to Employees, Directors and Consultants and to promote the success of the Company's business.

2. Definitions. The following definitions shall apply as used herein and in the individual Award Agreements except as defined otherwise in an individual Award Agreement. In the event a term is separately defined in an individual Award Agreement, such definition shall supercede the definition contained in this Section 2.

(a) "Administrator" means the Board or any of the Committees appointed to administer the Plan.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(c) "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate and securities laws of the jurisdiction in which the Company is incorporated, the Code, the rules of any applicable stock exchange or national market system, and the rules of any jurisdiction applicable to Awards granted to residents therein.

(d) "Assumed" means that pursuant to a Corporate Transaction either (i) the Award is expressly affirmed by the Company or (ii) the contractual obligations represented by the Award are expressly assumed (and not simply by operation of law) by the successor entity or its Parent in connection with the Corporate Transaction with appropriate adjustments to the number and type of securities of the successor entity or its Parent subject to the Award and the exercise or purchase price thereof which at least preserves the compensation element of the Award existing at the time of the Corporate Transaction as determined in accordance with the instruments evidencing the agreement to assume the Award.

(e) "Award" means the grant of an Option, SAR, Dividend Equivalent Right, Restricted Share, Restricted Share Unit or other right or benefit under the Plan.

(f) "Award Agreement" means the written agreement evidencing the grant of an Award executed by the Company and the Grantee, including any amendments thereto.

(g) "Board" means the Board of Directors of the Company.

(h) "Cause" means, with respect to the termination by the Company or a Related Entity of the Grantee's Continuous Service, that such termination is for "Cause" as such term is expressly defined in a then-effective written agreement between the Grantee and the Company or such Related Entity, or in the absence of such then-effective written agreement and definition, is based on, in the determination of the Administrator, the Grantee's: (i) performance of any act or failure to perform any act in bad faith and to the detriment of the Company or a Related Entity; (ii) dishonesty, intentional misconduct or material breach of any agreement with the Company or a Related Entity; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person.

(i) "Change in Control" means a change in ownership or control of the Company after the Registration Date effected through either of the following transactions:

(i) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's shareholders which a majority of the Continuing Directors who are not Affiliates or Associates of the offeror do not recommend such shareholders accept, or

(ii) a change in the composition of the Board over a period of twelve (12) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors.

(j) "Code" means the Internal Revenue Code of 1986, as amended.

(k) "Committee" means any committee composed of members of the Board or individuals appointed by the Board to administer the Plan.

(l) "Company" means New Oriental Education & Technology Group Inc., an International Business Company organized under the laws of the British Virgin Islands or any successor corporation that adopts the Plan in connection with a Corporate Transaction.

(m) "Consultant" means any person (other than an Employee or a Director, solely with respect to rendering services in such person's capacity as a Director) who is engaged by the Company or any Related Entity to render consulting or advisory services to the Company or such Related Entity.

(n) "Continuing Directors" means members of the Board who either (i) have been Board members continuously for a period of at least twelve (12) months or (ii) have been Board members for less than twelve (12) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

(o) “Continuous Service” means that the provision of services to the Company or a Related Entity in any capacity of Employee, Director or Consultant is not interrupted or terminated. In jurisdictions requiring notice in advance of an effective termination as an Employee, Director or Consultant, Continuous Service shall be deemed terminated upon the actual cessation of providing services to the Company or a Related Entity notwithstanding any required notice period that must be fulfilled before a termination as an Employee, Director or Consultant can be effective under Applicable Laws. A Grantee’s Continuous Service shall be deemed to have terminated either upon an actual termination of Continuous Service or upon the entity for which the Grantee provides services ceasing to be a Related Entity. Continuous Service shall not be considered interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Related Entity, or any successor, in any capacity of Employee, Director or Consultant, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Director or Consultant (except as otherwise provided in the Award Agreement). An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave. For purposes of each Incentive Share Option granted under the Plan, if such leave exceeds three (3) months, and reemployment upon expiration of such leave is not guaranteed by statute or contract, then the Incentive Share Option shall be treated as a Non-Qualified Share Option on the day three (3) months and one (1) day following the expiration of such three (3) month period.

(p) “Corporate Transaction” means any of the following transactions, provided, however, that the Administrator shall determine under parts (iv) and (v) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(i) an amalgamation, arrangement or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated;

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(iii) the complete liquidation or dissolution of the Company;

(iv) any reverse takeover or series of related transactions culminating in a reverse takeover (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company is the surviving entity but (A) the Ordinary Shares outstanding immediately prior to such takeover are converted or exchanged by virtue of the takeover into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than forty percent (40%) of the total combined voting power of the Company’s outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such takeover or the initial transaction culminating in such takeover, but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction; or

(v) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction.

(q) "Director" means a member of the Board or the board of directors of any Related Entity.

(r) "Disability" means as defined under the long-term disability policy of the Company or the Related Entity to which the Grantee provides services regardless of whether the Grantee is covered by such policy. If the Company or the Related Entity to which the Grantee provides service does not have a long-term disability plan in place, "Disability" means that a Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Grantee will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Administrator in its discretion.

(s) "Dividend Equivalent Right" means a right entitling the Grantee to compensation measured by dividends paid with respect to Ordinary Shares.

(t) "Employee" means any person, including an Officer or Director, who is in the employ of the Company or any Related Entity, subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance. The payment of a director's fee by the Company or a Related Entity shall not be sufficient to constitute "employment" by the Company.

(u) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(v) "Fair Market Value" means, as of any date, the value of Ordinary Shares determined as follows:

(i) If the Ordinary Shares are listed on one or more established stock exchanges or national market systems, including without limitation The Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Ordinary Shares are listed (as determined by the Administrator) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Ordinary Shares are regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such shares as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of an Ordinary Share shall be the mean between the high bid and low asked prices for the Ordinary Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Ordinary Shares of the type described in (i) and (ii), above, the Fair Market Value thereof shall be determined by the Administrator in good faith.

(w) “Grantee” means an Employee, Director or Consultant who receives an Award under the Plan.

(x) “Incentive Share Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code

(y) “Non-Qualified Share Option” means an Option not intended to qualify as an Incentive Share Option.

(z) “Officer” means a person who is an officer of the Company or a Related Entity within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(aa) “Option” means an option to purchase Shares pursuant to an Award Agreement granted under the Plan.

(bb) “Ordinary Share” means a common share of nominal or par value, of the Company, or, if applicable, the number or fraction of American Depositary Receipt representing an Ordinary Share.

(cc) “Parent” means a “parent corporation”, whether now or hereafter existing, as defined in Section 424(e) of the Code.

(dd) “Plan” means this 2006 Share Incentive Plan.

(ee) “Registration Date” means the first to occur of (i) the closing of the first sale to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended, of (A) the Ordinary Shares or (B) the same class of securities of a successor corporation (or its Parent) issued pursuant to a Corporate Transaction in exchange for or in substitution of the Ordinary Shares; and (ii) in the event of a Corporate Transaction, the date of the consummation of the Corporate Transaction if the same class of securities of the successor corporation (or its Parent) issuable in such Corporate Transaction shall have been sold to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended, on or prior to the date of consummation of such Corporate Transaction.

(ff) “Related Entity” means any Parent or Subsidiary of the Company.

(gg) “Replaced” means that pursuant to a Corporate Transaction the Award is replaced with a comparable share or stock award or a cash incentive program of the Company, the successor entity (if applicable) or Parent of either of them which preserves the compensation element of such Award existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same (or a more favorable) vesting schedule applicable to such Award. The determination of Award comparability shall be made by the Administrator and its determination shall be final, binding and conclusive.

(hh) “Restricted Share” means a Share issued under the Plan to the Grantee for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions as established by the Administrator.

(ii) “Restricted Share Units” means an Award which may be earned in whole or in part upon the passage of time or the attainment of performance criteria established by the Administrator and which may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator.

(jj) “Rule 16b-3” means Rule 16b-3 promulgated under the Exchange Act or any successor thereto.

(kk) “SAR” means a share appreciation right entitling the Grantee to Shares or cash compensation, as established by the Administrator, measured by appreciation in the value of Ordinary Shares.

(ll) “Share” means an Ordinary Share of the Company.

(mm) “Subsidiary” means a “subsidiary corporation”, whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Shares Subject to the Plan.

(a) Subject to the provisions of Section 10, below, the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Share Options) is 8,000,000 Shares, plus (i) an increase of 5,000,000 Shares to be added on January 1, 2007, (ii) an increase of 5,000,000 Shares to be added on January 1, 2008 and (iii) an annual increase to be added on the first business day of each calendar year beginning in 2009 equal to the lesser of (x) 3,000,000 Shares, (y) two percent (2%) of the number of Shares outstanding as of such date, or (z) a lesser number of Shares determined by the Administrator. The Shares to be issued pursuant to Awards may be authorized, but unissued Ordinary Shares.

(b) Any Shares covered by an Award (or portion of an Award) which is forfeited, canceled or expires (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the maximum aggregate number of Shares which may be issued under the Plan. Shares that actually have been issued under the Plan pursuant to an Award shall not be returned to the Plan and shall not become available for future issuance under the Plan, except that if unvested Shares are forfeited or repurchased by the Company at their original issue price, such Shares shall become available for future grant under the Plan.

4. Administration of the Plan.

(a) Plan Administrator.

(i) Administration with Respect to Directors and Officers. With respect to grants of Awards to Directors or Employees who are also Officers or Directors of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws and to permit such grants and related transactions under the Plan to be exempt from Section 16(b) of the Exchange Act in accordance with Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board.

(ii) Administration With Respect to Consultants and Other Employees. With respect to grants of Awards to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. The Board may authorize one or more Officers to grant such Awards and may limit such authority as the Board determines from time to time.

(iii) Administration Errors. In the event an Award is granted in a manner inconsistent with the provisions of this subsection (a), such Award shall be presumptively valid as of its grant date to the extent permitted by the Applicable Laws.

(b) Powers of the Administrator. Subject to Applicable Laws and the provisions of the Plan (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board, the Administrator shall have the authority, in its discretion:

- (i) to select the Employees, Directors and Consultants to whom Awards may be granted from time to time hereunder;
- (ii) to determine whether and to what extent Awards are granted hereunder;
- (iii) to determine the number of Shares or the amount of other consideration to be covered by each Award granted hereunder;
- (iv) to approve forms of Award Agreements for use under the Plan;
- (v) to determine the terms and conditions of any Award granted hereunder;

(vi) to amend the terms of any outstanding Award granted under the Plan, provided that (A) any amendment that would adversely affect the Grantee's rights under an outstanding Award shall not be made without the Grantee's written consent, provided, however, that an amendment or modification that may cause an Incentive Share Option to become a Non-Qualified Share Option shall not be treated as adversely affecting the rights of the Grantee, (B) the reduction of the exercise price of any Option awarded under the Plan shall be subject to shareholder approval and (C) canceling an Option at a time when its exercise price exceeds the Fair Market Value of the underlying Shares, in exchange for another Option, Restricted Share, or other Award shall be subject to shareholder approval, unless the cancellation and exchange occurs in connection with a Corporate Transaction;

(vii) to construe and interpret the terms of the Plan and Awards, including without limitation, any notice of award or Award Agreement, granted pursuant to the Plan;

(viii) to grant Awards to Employees, Directors and Consultants employed outside the United States on such terms and conditions different from those specified in the Plan as may, in the judgment of the Administrator, be necessary or desirable to further the purpose of the Plan;

(ix) to take such other action, not inconsistent with the terms of the Plan, as the Administrator deems appropriate.

The express grant in the Plan of any specific power to the Administrator shall not be construed as limiting any power or authority of the Administrator; provided that the Administrator may not exercise any right or power reserved to the Board. Any decision made, or action taken, by the Administrator or in connection with the administration of this Plan shall be final, conclusive and binding on all persons having an interest in the Plan.

(c) Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or as Officers or Employees of the Company or a Related Entity, members of the Board and any Officers or Employees of the Company or a Related Entity to whom authority to act for the Board, the Administrator or the Company is delegated shall be defended and indemnified by the Company to the extent permitted by law on an after-tax basis against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any claim, investigation, action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any Award granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by the Company) or paid by them in satisfaction of a judgment in any such claim, investigation, action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such claim, investigation, action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct; provided, however, that within thirty (30) days after the institution of such claim, investigation, action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at the Company's expense to defend the same.

5. Eligibility. Awards other than Incentive Share Options may be granted to Employees, Directors and Consultants. Incentive Share Options may be granted only to Employees of the Company or a Parent or a Subsidiary of the Company. An Employee, Director or Consultant who has been granted an Award may, if otherwise eligible, be granted additional Awards. Awards may be granted to such Employees, Directors or Consultants who are residing in non-U.S. jurisdictions as the Administrator may determine from time to time.

6. Terms and Conditions of Awards.

(a) Types of Awards. The Administrator is authorized under the Plan to award any type of arrangement to an Employee, Director or Consultant that is not inconsistent with the provisions of the Plan and that by its terms involves or might involve the issuance of (i) Shares, (ii) cash or (iii) an Option, a SAR, or similar right with a fixed or variable price related to the Fair Market Value of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions. Such awards include, without limitation, Options, SARs, sales or bonuses of Restricted Share, Restricted Share Units or Dividend Equivalent Rights, and an Award may consist of one such security or benefit, or two (2) or more of them in any combination or alternative.

(b) Designation of Award. Each Award shall be designated in the Award Agreement. In the case of an Option, the Option shall be designated as either an Incentive Share Option or a Non-Qualified Share Option. However, notwithstanding such designation, an Option will qualify as an Incentive Share Option under the Code only to the extent the \$100,000 dollar limitation of Section 422(d) of the Code is not exceeded. The \$100,000 limitation of Section 422(d) of the Code is calculated based on the aggregate Fair Market Value of the Shares subject to Options designated as Incentive Share Options which become exercisable for the first time by a Grantee during any calendar year (under all plans of the Company or any Parent or Subsidiary of the Company). For purposes of this calculation, Incentive Share Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the grant date of the relevant Option.

(c) Conditions of Award. Subject to the terms of the Plan, the Administrator shall determine the provisions, terms, and conditions of each Award including, but not limited to, the Award vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, Shares, or other consideration) upon settlement of the Award, payment contingencies, and satisfaction of any performance criteria. The performance criteria established by the Administrator may be based on any one of, or combination of, the following: (i) increase in share price, (ii) earnings per share, (iii) total shareholder return, (iv) operating margin, (v) gross margin, (vi) return on equity, (vii) return on assets, (viii) return on investment, (ix) operating income, (x) net operating income, (xi) pre-tax profit, (xii) cash flow, (xiii) revenue, (xiv) expenses, (xv) earnings before interest, taxes and depreciation, (xvi) economic value added and (xvii) market share. The performance criteria may be applicable to the Company, Related Entities and/or any individual business units of the Company or any Related Entity. Partial achievement of the specified criteria may result in a payment or vesting corresponding to the degree of achievement as specified in the Award Agreement.

(d) Acquisitions and Other Transactions. The Administrator may issue Awards under the Plan in settlement, assumption or substitution for, outstanding awards or obligations to grant future awards in connection with the Company or a Related Entity acquiring another entity, an interest in another entity or an additional interest in a Related Entity whether by merger, share purchase, asset purchase or other form of transaction.

(e) Deferral of Award Payment. The Administrator may establish one or more programs under the Plan to permit selected Grantees the opportunity to elect to defer receipt of consideration upon exercise of an Award, satisfaction of performance criteria, or other event that absent the election would entitle the Grantee to payment or receipt of Shares or other consideration under an Award. The Administrator may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, Shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Administrator deems advisable for the administration of any such deferral program; provided however that any such deferrals shall be made in accordance with Section 409A of the Code to the extent applicable to the Grantee.

(f) Separate Programs. The Administrator may establish one or more separate programs under the Plan for the purpose of issuing particular forms of Awards to one or more classes of Grantees on such terms and conditions as determined by the Administrator from time to time.

(g) Early Exercise. The Award Agreement may, but need not, include a provision whereby the Grantee may elect at any time while an Employee, Director or Consultant to exercise any part or all of the Award prior to full vesting of the Award. Any unvested Shares received pursuant to such exercise may be subject to a repurchase right in favor of the Company or a Related Entity or to any other restriction the Administrator determines to be appropriate.

(h) Term of Award. The term of each Award shall be the term stated in the Award Agreement, provided, however, that the term of an Incentive Share Option shall be no more than ten (10) years from the date of grant thereof. However, in the case of an Incentive Share Option granted to a Grantee who, at the time the Option is granted, owns shares representing more than ten percent (10%) of the voting power of all classes of shares of the Company or any Parent or Subsidiary of the Company, the term of the Incentive Share Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Award Agreement. Notwithstanding the foregoing, the specified term of any Award shall not include any period for which the Grantee has elected to defer the receipt of the Shares or cash issuable pursuant to the Award.

(i) Transferability of Awards. Incentive Share Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Grantee, only by the Grantee. Other Awards shall be transferable (i) by will and by the laws of descent and distribution and (ii) during the lifetime of the Grantee, to the extent and in the manner authorized by the Administrator. Notwithstanding the foregoing, the Grantee may designate one or more beneficiaries of the Grantee's Award in the event of the Grantee's death on a beneficiary designation form provided by the Administrator.

(j) Time of Granting Awards. The date of grant of an Award shall for all purposes be the date on which the Administrator makes the determination to grant such Award, or such other date as is determined by the Administrator.

7. Award Exercise or Purchase Price, Consideration and Taxes.

(a) Exercise or Purchase Price. The exercise or purchase price, if any, for an Award shall be as follows:

(i) In the case of an Incentive Share Option:

(A) granted to an Employee who, at the time of the grant of such Incentive Share Option owns shares representing more than ten percent (10%) of the voting power of all classes of shares of the Company or any Parent or Subsidiary of the Company, the per Share exercise price shall be not less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant; or

(B) granted to any Employee other than an Employee described in the preceding paragraph, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Non-Qualified Share Option, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant unless otherwise determined by the Administrator.

(iii) In the case of other Awards, such price as is determined by the Administrator.

(iv) Notwithstanding the foregoing provisions of this Section 7(a), in the case of an Award issued pursuant to Section 6(d), above, the exercise or purchase price for the Award shall be determined in accordance with the provisions of the relevant instrument evidencing the agreement to issue such Award.

(b) Consideration. Subject to Applicable Laws, the consideration to be paid for the Shares to be issued upon exercise or purchase of an Award including the method of payment, shall be determined by the Administrator. In addition to any other types of consideration the Administrator may determine, the Administrator is authorized to accept as consideration for Shares issued under the Plan the following, provided that the portion of the consideration equal to the par value of the Shares must be paid in cash or other legal consideration permitted by the applicable corporate law of the jurisdiction in the Company is incorporated:

(i) cash;

(ii) check;

(iii) if the exercise or purchase occurs on or after the Registration Date, surrender of Shares or delivery of a properly executed form of attestation of ownership of Shares as the Administrator may require which have a Fair Market Value on the date of surrender or attestation equal to the aggregate exercise price of the Shares as to which said Award shall be exercised, provided, however, that Shares acquired under the Plan or any other equity compensation plan or agreement of the Company must have been held by the Grantee for a period of more than six (6) months (and not used for another Award exercise by attestation during such period);

(iv) with respect to Options, if the exercise occurs on or after the Registration Date, payment through a broker-dealer sale and remittance procedure pursuant to which the Grantee (A) shall provide written instructions to a Company designated brokerage firm to effect the immediate sale of some or all of the purchased Shares and remit to the Company sufficient funds to cover the aggregate exercise price payable for the purchased Shares and (B) shall provide written directives to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction; or

(v) any combination of the foregoing methods of payment.

The Administrator may at any time or from time to time, by adoption of or by amendment to the standard forms of Award Agreement described in Section 4(b)(iv), or by other means, grant Awards which do not permit all of the foregoing forms of consideration to be used in payment for the Shares or which otherwise restrict one or more forms of consideration.

(c) Taxes. No Shares shall be delivered under the Plan to any Grantee or other person until such Grantee or other person has made arrangements acceptable to the Administrator for the satisfaction of any non-U.S., federal, state, or local income and employment tax withholding obligations, including, without limitation, obligations incident to the receipt of Shares. Upon exercise or vesting of an Award the Company shall withhold or collect from Grantee an amount sufficient to satisfy such tax obligations, including, but not limited to, by surrender of the whole number of Shares covered by the Award sufficient to satisfy the minimum applicable tax withholding obligations incident to the exercise or vesting of an Award.

8. Exercise of Award.

(a) Procedure for Exercise; Rights as a Shareholder.

(i) Any Award granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator under the terms of the Plan and specified in the Award Agreement.

(ii) An Award shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised has been made, including, to the extent selected, use of the broker-dealer sale and remittance procedure to pay the purchase price as provided in Section 7(b)(iv).

(b) Exercise of Award Following Termination of Continuous Service.

(i) An Award may not be exercised after the termination date of such Award set forth in the Award Agreement and may be exercised following the termination of a Grantee's Continuous Service only to the extent provided in the Award Agreement.

(ii) Where the Award Agreement permits a Grantee to exercise an Award following the termination of the Grantee's Continuous Service for a specified period, the Award shall terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the Award, whichever occurs first.

(iii) Any Award designated as an Incentive Share Option to the extent not exercised within the time permitted by law for the exercise of Incentive Share Options following the termination of a Grantee's Continuous Service shall convert automatically to a Non-Qualified Share Option and thereafter shall be exercisable as such to the extent exercisable by its terms for the period specified in the Award Agreement.

9. Conditions Upon Issuance of Shares.

(a) Shares shall not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares pursuant thereto shall comply with all Applicable Laws, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

10. Adjustments Upon Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Award, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, the exercise or purchase price of each such outstanding Award, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a share split, reverse share split, share dividend, combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, or (iii) as the Administrator may determine in its discretion, any other transaction with respect to Ordinary Shares including a corporate merger, consolidation, acquisition of property or shares, separation (including a spin-off or other distribution of shares or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." In the event of any distribution of cash or other assets to shareholders other than a normal cash dividend, the Administrator may also, in its discretion, make adjustments in connection with the events described in (i)-(iii) of this Section 10 or substitute, exchange or grant Awards with respect to the shares of a Related Entity (collectively "adjustments"). In determining adjustments to be made under this Section 10, the Administrator may take into account such factors as it deems appropriate, including (x) the restrictions of Applicable Law, (y) the potential tax, accounting or other consequences of an adjustment and (z) the possibility that some Grantees might receive an adjustment and a distribution or other unintended benefit, and in light of such factors or circumstances may make adjustments that are not uniform or proportionate among outstanding Awards, modify vesting dates, defer the delivery of share certificates or make other equitable adjustments. Any such adjustments to outstanding Awards will be effected in a manner that precludes the material enlargement of rights and benefits under such Awards. Adjustments, if any, and any determinations or interpretations, including any determination of whether a distribution is other than a normal cash dividend, shall be made by the Administrator and its determination shall be final, binding and conclusive. In connection with the foregoing adjustments, the Administrator may, in its discretion, prohibit the exercise of Awards during certain periods of time. Except as the Administrator determines, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Award.

11. Corporate Transactions and Changes in Control.

(a) Termination of Award to Extent Not Assumed in Corporate Transaction. Effective upon the consummation of a Corporate Transaction, all outstanding Awards under the Plan shall terminate. However, all such Awards shall not terminate to the extent they are Assumed in connection with the Corporate Transaction.

(b) Acceleration of Award Upon Corporate Transaction or Change in Control.

(i) Corporate Transaction. Except as provided otherwise in an individual Award Agreement, in the event of a Corporate Transaction and:

(A) for the portion of each Award that is Assumed or Replaced, then such Award (if Assumed), the replacement Award (if Replaced), or the cash incentive program (if Replaced) automatically shall become fully vested, exercisable and payable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares at the time represented by such Assumed or Replaced portion of the Award, immediately upon termination of the Grantee's Continuous Service if such Continuous Service is terminated by the successor company or the Company without Cause within twelve (12) months after the Corporate Transaction; and

(B) for the portion of each Award that is neither Assumed nor Replaced, such portion of the Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares at the time represented by such portion of the Award, immediately prior to the specified effective date of such Corporate Transaction, provided that the Grantee's Continuous Service has not terminated prior to such date.

(ii) Change in Control. Except as provided otherwise in an individual Award Agreement, following a Change in Control (other than a Change in Control which also is a Corporate Transaction) and upon the termination of the Continuous Service of a Grantee if such Continuous Service is terminated by the Company or Related Entity without Cause within twelve (12) months after a Change in Control, each Award of such Grantee which is at the time outstanding under the Plan automatically shall become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value), immediately upon the termination of such Continuous Service.

(c) Effect of Acceleration on Incentive Share Options. Any Incentive Share Option accelerated under this Section 11 in connection with a Corporate Transaction or Change in Control shall remain exercisable as an Incentive Share Option under the Code only to the extent the \$100,000 dollar limitation of Section 422(d) of the Code is not exceeded.

12. Effective Date and Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company. It shall continue in effect for a term of ten (10) years unless sooner terminated. Subject to Section 17, below, and Applicable Laws, Awards may be granted under the Plan upon its becoming effective.

13. Amendment, Suspension or Termination of the Plan.

(a) The Board may at any time amend, suspend or terminate the Plan; provided, however, that no such amendment shall be made without the approval of the Company's shareholders to the extent such approval is required by Applicable Laws, or if such amendment would lessen any of the requirements of Section 4(b)(vi) or this Section 13(a).

(b) No Award may be granted during any suspension of the Plan or after termination of the Plan.

(c) No suspension or termination of the Plan (including termination of the Plan under Section 12, above) shall adversely affect any rights under Awards already granted to a Grantee.

14. Reservation of Shares.

(a) The Company, during the term of the Plan, will at all times reserve and keep available, as authorized but unissued, such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

(b) The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

15. No Effect on Terms of Employment/Consulting Relationship. The Plan shall not confer upon any Grantee any right with respect to the Grantee's Continuous Service, nor shall it interfere in any way with his or her right or the right of the Company or any Related Entity to terminate the Grantee's Continuous Service at any time, with or without Cause, and with or without notice. The ability of the Company or any Related Entity to terminate the employment of a Grantee who is employed at will is in no way affected by its determination that the Grantee's Continuous Service has been terminated for Cause for the purposes of this Plan.

16. No Effect on Retirement and Other Benefit Plans. Except as specifically provided in a retirement or other benefit plan of the Company or a Related Entity, Awards shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Related Entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Retirement Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

17. Shareholder Approval. The grant of Incentive Share Options under the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted excluding Incentive Share Options issued in substitution for outstanding Incentive Share Options pursuant to Section 424(a) of the Code. Such shareholder approval shall be obtained in the degree and manner required under Applicable Laws. The Administrator may grant Incentive Share Options under the Plan prior to approval by the shareholders, but until such approval is obtained, no such Incentive Share Option shall be exercisable. In the event that shareholder approval is not obtained within the twelve (12) month period provided above, all Incentive Share Options previously granted under the Plan shall be exercisable as Non-Qualified Share Options.

18. Unfunded Obligation. Grantees shall have the status of general unsecured creditors of the Company. Any amounts payable to Grantees pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. Neither the Company nor any Related Entity shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Grantee account shall not create or constitute a trust or fiduciary relationship between the Administrator, the Company or any Related Entity and a Grantee, or otherwise create any vested or beneficial interest in any Grantee or the Grantee's creditors in any assets of the Company or a Related Entity. The Grantees shall have no claim against the Company or any Related Entity for any changes in the value of any assets that may be invested or reinvested by the Company with respect to the Plan.

19. Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (the "Agreement") is entered into as of [_____], 200[___] by and between New Oriental Education & Technology Group Inc., a Cayman Islands company (the "Company") and the undersigned, a director and/or officer of the Company ("Indemnitee").

RECITALS

1. The Company recognizes that highly competent persons are becoming more reluctant to serve corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against risks of claims and actions against them arising out of their services to the corporation.

2. The Board of Directors of the Company (the "Board") has determined that the inability to attract and retain highly competent persons to serve the Company is detrimental to the best interests of the Company and its shareholders and that it is reasonable and necessary for the Company to provide adequate protection to such persons against risks of claims and actions against them arising out of their services to the corporation.

3. The Company is willing to indemnify Indemnitee to the fullest extent permitted by applicable law, and Indemnitee is willing to serve and continue to serve the Company on the condition that he be so indemnified.

AGREEMENT

In consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

A. DEFINITIONS

The following terms shall have the meanings defined below:

Expenses shall include damages, judgments, fines, penalties, settlements and costs, attorneys' fees and disbursements and costs of attachment or similar bond, investigations, and any expenses paid or incurred in connection with investigating, defending, being a witness in, participating in (including on appeal), or preparing for any of the foregoing in, any Proceeding.

Indemnifiable Event means any event or occurrence that takes place either before or after the execution of this Agreement, related to the fact that Indemnitee is or was a director or an officer of the Company, or is or was serving at the request of the Company as a director or officer of another corporation, partnership, joint venture or other entity, or was a director or officer of an entity that was a predecessor of the Company or another entity at the request of such predecessor entity, or related to anything done or not done by Indemnitee in any such capacity.

Participant means a person who is a party to, or witness or participant (including on appeal) in, a Proceeding.

Proceeding means any threatened, pending, or completed action, suit or proceeding, or any inquiry, hearing or investigation, whether civil, criminal, administrative, investigative or other, in which Indemnitee may be or may have been involved as a party or otherwise by reason of an Indemnifiable Event, including, without limitation, any threatened, pending, or completed action, suit or proceeding by or in the right of the Company.

B. AGREEMENT TO INDEMNIFY

1. General Agreement. In the event Indemnitee was, is, or becomes a Participant in, or is threatened to be made a Participant in, a Proceeding, the Company shall indemnify the Indemnitee from and against any and all Expenses which Indemnitee incurs or becomes obligated to incur in connection with such Proceeding, to the fullest extent permitted by applicable law.

2. Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits in defense of any Proceeding or in defense of any claim, issue or matter in such Proceeding, Indemnitee shall be indemnified against all Expenses incurred in connection with such Proceeding or such claim, issue or matter, as the case may be.

3. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for a portion of Expenses, but not for the total amount of Expenses, the Company shall indemnify the Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

4. Exclusions. Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to indemnification under this Agreement:

(a) to the extent that payment is actually made to Indemnitee under a valid, enforceable and collectible insurance policy;

(b) in connection with a judicial action by or in the right of the Company, in respect of any claim, issue or matter as to which the Indemnitee shall have been adjudicated by final judgment in a court of law to be liable for gross negligence or willful misconduct in the performance of his duty to the Company unless and only to the extent that any court in which such action was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as such court shall deem proper;

(c) in connection with any Proceeding initiated by Indemnitee against the Company or any director or officer of the Company, and not by way of defense, unless (i) the Company has joined in or the Board has consented to the initiation of such Proceeding; or (ii) the Proceeding is one to enforce indemnification rights under this Agreement or any applicable law;

(d) for a disgorgement of profits made from the purchase and sale by the Indemnitee of securities pursuant to Section 16(b) of the Exchange Act or similar provisions of any applicable U.S. state statutory law or common law;

(e) brought about by the dishonesty or fraud of the Indemnitee seeking payment hereunder; provided, however, that the Indemnitee shall be protected under this Agreement as to any claims upon which suit may be brought against him by reason of any alleged dishonesty on his part, unless a judgment or other final adjudication thereof adverse to the Indemnitee establishes that he committed (i) acts of active and deliberate dishonesty, (ii) with actual dishonest purpose and intent, and (iii) which acts were material to the cause of action so adjudicated;

(f) for any judgment, fine or penalty which the Company is prohibited by applicable law from paying as indemnity; or

(g) arising out of Indemnitee's breach of an employment agreement with the Company (if any) or any other agreement with the Company or any of its subsidiaries.

5. No Employment Rights. Nothing in this Agreement is intended to create in Indemnitee any right to continued employment with the Company.

6. Contribution. If the indemnification provided in this Agreement is unavailable and may not be paid to Indemnitee for any reason other than those set forth in Section 4, then the Company shall contribute to the amount of Expenses paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in such proportion as is appropriate to reflect (i) the relative benefits received by the Company on the one hand and by the Indemnitee on the other hand from the transaction from which such Proceeding arose, and (ii) the relative fault of the Company on the one hand and of the Indemnitee on the other hand in connection with the events which resulted in such Expenses, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of the Indemnitee on the other hand shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such Expenses, judgments, fines or settlement amounts. The Company agrees that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

C. INDEMNIFICATION PROCESS

1. Notice and Cooperation By Indemnitee. Indemnitee shall, as a condition precedent to his right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement, provided that the delay of Indemnitee to give notice hereunder shall not prejudice any of Indemnitee's rights hereunder, unless such delay results in the Company's forfeiture of substantive rights or defenses. Notice to the Company shall be given in accordance with Section F.7 below. In addition, Indemnitee shall give the Company such information and cooperation as the Company may reasonably request.

2. Indemnification Payment.

(a) *Advancement of Expenses*. Indemnitee may submit a written request to the Company requesting that the Company advance to Indemnitee all Expenses that may be reasonably incurred by Indemnitee in connection with a Proceeding as such Expenses are incurred. The Company shall, within ten business days of receiving such a written request by Indemnitee, advance all requested Expenses to Indemnitee.

(b) *Reimbursement of Expenses.* To the extent Indemnitee has not requested any advanced payment of Expenses from the Company, Indemnitee shall be entitled to receive reimbursement for the Expenses incurred in connection with a Proceeding from the Company immediately after Indemnitee makes a written request to the Company for reimbursement.

(c) *Determination by the Reviewing Party.* Notwithstanding anything foregoing to the contrary, in the event the Reviewing Party informs the Company that Indemnitee is not entitled to indemnification in connection with a Proceeding under this Agreement or applicable law, the Company shall be entitled to be reimbursed by Indemnitee for all the Expenses previously advanced or otherwise paid to Indemnitee in connection with such Proceeding; provided, however, that Indemnitee may bring a suit to enforce his indemnification right in accordance with Section C.3 below.

3. Suit to Enforce Rights. Regardless of any action by the Reviewing Party, if Indemnitee has not received full indemnification within 30 days after making a written demand in accordance with Section C.2 above, Indemnitee shall have the right to enforce its indemnification rights under this Agreement by commencing litigation in any court of competent jurisdiction seeking a determination by the court or challenging any determination by the Reviewing Party or any aspect of the Agreement. Any determination by the Reviewing Party not challenged by Indemnitee and any judgment entered by the court shall be binding on the Company and Indemnitee.

4. Assumption of Defense. In the event the Company is obligated under this Agreement to advance any Expenses for any Proceeding against Indemnitee, the Company shall be entitled to assume the defense of such Proceeding, with counsel approved by Indemnitee, upon delivery to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding, unless (i) the employment of counsel by Indemnitee has been previously authorized by the Company, (ii) Indemnitee shall have reasonably concluded, based on written advice of counsel, that there may be a conflict of interest of such counsel retained by the Company between the Company and Indemnitee in the conduct of any such defense, or (iii) the Company ceases or terminates the employment of such counsel with respect to the defense of such Proceeding, in any of which events the fees and expenses of Indemnitee's counsel shall be at the expense of the Company. At all times, Indemnitee shall have the right to employ counsel in any Proceeding at Indemnitee's expense.

5. Defense to Indemnification, Burden of Proof and Presumptions. It shall be a defense to any action brought by Indemnitee against the Company to enforce this Agreement that it is not permissible under this Agreement or applicable law for the Company to indemnify the Indemnitee for the amount claimed. In connection with any such action or any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified under this Agreement, the burden of proving such a defense or determination shall be on the Company. Neither the failure of the Reviewing Party or the Company to have made a determination prior to the commencement of such action by Indemnitee that indemnification is proper under the circumstances because Indemnitee has met the standard of conduct set forth in applicable law, nor an actual determination by the Reviewing Party or the Company that Indemnitee had not met such applicable standard of conduct shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

6. No Settlement Without Consent. The Company shall not settle any Proceeding in any manner that would impose any damage, loss, penalty or limitation on Indemnitee without Indemnitee's prior written consent. Neither the Company nor Indemnitee shall unreasonably withhold its consent to any proposed settlement, provided that Indemnitee may withhold his consent if any proposed settlement imposes any damage, loss, penalty or limitation on Indemnitee.

7. Company Participation. The Company shall not be liable to indemnify the Indemnitee under this Agreement with regard to any judicial action if the Company was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action, unless such lack of opportunity does not result in the Company's forfeiture of substantive rights or defenses.

8. Reviewing Party.

(a) For purposes of this Agreement, the Reviewing Party with respect to each indemnification request of Indemnitee shall be (A) the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors (as hereinafter defined), or (B) if a quorum of the Board of Directors consisting of Disinterested Directors is not obtainable or, even if obtainable, said Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee; and, if it is determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel or member of the Board of Directors shall act reasonably and in good faith in making a determination under the Agreement of the Indemnitee's entitlement to indemnification. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(b) If the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected as provided in this Section 8(b). The Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; *provided, however*, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of “Independent Counsel” as defined in Section 8(d) of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other’s selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting under this Agreement, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 8(b), regardless of the manner in which such Independent Counsel was selected or appointed.

(c) In making a determination with respect to entitlement to indemnification hereunder, the Reviewing Party shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement (with or without court approval), conviction, or upon a plea of *nolo contendere* or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee’s action is based on the records or books of account of the Company and any other corporation, partnership, joint venture or other entity of which Indemnitee is or was serving at the written request of the Company as a director, officer, employee, agent or fiduciary, including financial statements, or on information supplied to Indemnitee by the officers and directors of the Company or such other corporation, partnership, joint venture or other entity in the course of their duties, or on the advice of legal counsel for the Company or such other corporation, partnership, joint venture or other entity or on information or records given or reports made to the Company or such other corporation, partnership, joint venture or other entity by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company or such other corporation, partnership, joint venture or other entity. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Company or such other corporation, partnership, joint venture or other entity shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. The provisions of this Section 8(c) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(d) “Independent Counsel” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

D. DIRECTOR AND OFFICER LIABILITY INSURANCE

1. Good Faith Determination. The Company shall from time to time make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with reputable insurance companies providing the officers and directors of the Company with coverage for losses incurred in connection with their services to the Company or to ensure the Company’s performance of its indemnification obligations under this Agreement.

2. Coverage of Indemnitee. To the extent the Company maintains an insurance policy or policies providing directors’ and officers’ liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any of the Company’s directors or officers.

3. No Obligation. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain any director and officer insurance policy if the Company determines in good faith that such insurance is not reasonably available in the case that (i) premium costs for such insurance are disproportionate to the amount of coverage provided, or (ii) the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit.

E. NON-EXCLUSIVITY; FEDERAL PREEMPTION; TERM

1. Non-Exclusivity. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company’s current memorandum and articles of association, applicable law or any written agreement between Indemnitee and the Company (including its subsidiaries and affiliates). The indemnification provided under this Agreement shall continue to be available to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he may have ceased to serve in any such capacity at the time of any Proceeding.

2. Federal Preemption. Notwithstanding the foregoing, both the Company and Indemnitee acknowledge that in certain instances, U.S. federal law or public policy may override applicable law and prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. Such instances include, but are not limited to, the U.S. Securities and Exchange Commission's prohibition on indemnification for liabilities arising under certain U.S. federal securities laws. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the SEC to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

3. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an officer and/or a director of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any Proceeding by reason of his former or current capacity at the Company, whether or not he is acting or serving in any such capacity at the time any expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer and/or a director of the Company or any other enterprise at the Company's request.

F. MISCELLANEOUS

1. Amendment of this Agreement. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall operate as a waiver of any other provisions (whether or not similar), nor shall such waiver constitute a continuing waiver. Except as specifically provided in this Agreement, no failure to exercise or any delay in exercising any right or remedy shall constitute a waiver.

2. Subrogation. In the event of payment to Indemnitee by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company to bring suit to enforce such rights.

3. Assignment; Binding Effect. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by either party hereto without the prior written consent of the other party; except that the Company may, without such consent, assign all such rights and obligations to a successor in interest to the Company which assumes all obligations of the Company under this Agreement. Notwithstanding the foregoing, this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the parties hereto and the Company's successors (including any direct or indirect successor by purchase, merger, consolidation, or otherwise to all or substantially all of the business and/or assets of the Company) and assigns, as well as Indemnitee's spouses, heirs, and personal and legal representatives. As a condition to any purchase, merger, consolidation or other business combination transaction involving the Company, the Company's successor shall expressly assume the obligations under this Agreement.

4. Severability and Construction. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to a court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. In addition, if any portion of this Agreement shall be held by a court of competent jurisdiction to be invalid, void, or otherwise unenforceable, the remaining provisions shall remain enforceable to the fullest extent permitted by applicable law. The parties hereto acknowledge that they each have opportunities to have their respective counsels review this Agreement. Accordingly, this Agreement shall be deemed to be the product of both of the parties hereto, and no ambiguity shall be construed in favor of or against either of the parties hereto.

5. Counterparts. This Agreement may be executed in two counterparts, both of which taken together shall constitute one instrument.

6. Governing Law. This agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of New York, U.S.A., without giving effect to conflicts of law provisions thereof.

7. Notices. All notices, demands, and other communications required or permitted under this Agreement shall be made in writing and shall be deemed to have been duly given if delivered by hand, against receipt, or mailed, postage prepaid, certified or registered mail, return receipt requested, and addressed to the Company at:

New Oriental Education & Technology Group
No. 6 Haidian Zhongjie
Haidian District
Beijing 100080, People's Republic of China
Attention: Chief Financial Officer

and to Indemnitee at its last address notified to the Company.

8. Entire Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

(Signature page follows)

IN WITNESS WHEREOF, the parties hereto execute this Agreement as of the date first written above.

COMPANY

New Oriental Education & Technology Group Inc.

Name:

Title:

INDEMNITEE

Name:

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), is entered into as of _____, 2006 (the "Effective Date") by and between New Oriental Education & Technology Group Inc., a company incorporated and existing under the laws of the Cayman Islands (the "Company") and _____, an individual (the "Executive"). Except with respect to the direct employment of the Executive by the Company, the term "Company" as used herein with respect to all obligations of the Executive hereunder shall be deemed to include the Company and all of its subsidiaries and affiliated entities (collectively, the "Group").

RECITALS

- A. The Company desires to employ the Executive as its _____ and to assure itself of the services of the Executive during the term of Employment (as defined below).
- B. The Executive desires to be employed by the Company as its _____ during the term of Employment and upon the terms and conditions of this Agreement.

AGREEMENT

The parties hereto agree as follows:

1. POSITION

The Executive hereby accepts a position of _____ (the "Employment") of the Company.

2. TERM

Subject to the terms and conditions of this Agreement, the initial term of the Employment shall be three years commencing on the Effective Date, unless terminated earlier pursuant to the terms of this Agreement. Upon expiration of the initial three-year term, the Employment shall be automatically extended for successive one-year terms unless either party gives the other party hereto a one-month prior written notice to terminate the Employment prior to the expiration of such one-year term or unless terminated earlier pursuant to the terms of this Agreement.

3. PROBATION

No probationary period.

4. DUTIES AND RESPONSIBILITIES

The Executive's duties at the Company will include all jobs assigned by the Company's Board of the Directors (the "Board") or the Company's Chief Executive Officer, as the case may be.

The Executive shall devote all of his or her working time, attention and skills to the performance of his or her duties at the Company and shall faithfully and diligently serve the Company in accordance with this Agreement, the Memorandum and Articles of Association of the Company (the “Articles of Association”), and the guidelines, policies and procedures of the Company approved from time to time by the Board.

The Executive shall use his or her best efforts to perform his or her duties hereunder. The Executive shall not, without the prior written consent of the Board, become an employee of any entity other than the Company and any subsidiary or affiliate of the Company, and shall not be concerned or interested in private education business or entity that competes with that carried on by the Company (any such business or entity, a “Competitor”), provided that nothing in this clause shall preclude the Executive from holding any shares or other securities of any Competitor that is listed on any securities exchange or recognized securities market anywhere. The Executive shall notify the Company in writing of his or her interest in such shares or securities in a timely manner and with such details and particulars as the Company may reasonably require.

5. NO BREACH OF CONTRACT

The Executive hereby represents to the Company that: (i) the execution and delivery of this Agreement by the Executive and the performance by the Executive of the Executive’s duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any other agreement or policy to which the Executive is a party or otherwise bound except for agreements entered into by and between the Executive and any member of the Group pursuant to applicable law, if any; (ii) that the Executive has no information (including, without limitation, confidential information and trade secrets) relating to any other person or entity which would prevent, or be violated by, the Executive entering into this Agreement or carrying out his duties hereunder; (iii) that the Executive is not bound by any confidentiality, trade secret or similar agreement (other than this) with any other person or entity except for other member(s) of the Group, as the case may be.

6. LOCATION

The Executive will be based in Beijing, China. The Company reserves the right to transfer or second the Executive to any location in China or elsewhere in accordance with its operational requirements.

7. COMPENSATION AND BENEFITS

- (a) Cash Compensation. The Executive’s cash compensation (including salary and bonus) shall be provided by the Company pursuant to Schedule A hereto, subject to annual review and adjustment by the Company.
- (b) Equity Incentives. To the extent the Company adopts and maintains a share incentive plan, the Executive will be eligible for participating in such plan pursuant to the terms thereof as determined by the Company.

- (c) Benefits. The Executive is eligible for participation in any standard employee benefit plan of the Company that currently exists or may be adopted by the Company in the future, including, but not limited to, any retirement plan, life insurance plan, health insurance plan and travel/holiday plan.

8. TERMINATION OF THE AGREEMENT

- (a) By the Company. The Company may terminate the Employment for cause, at any time, without notice or remuneration, if (1) the Executive is convicted or pleads guilty to a felony or to an act of fraud, misappropriation or embezzlement, (2) the Executive has been negligent or acted dishonestly to the detriment of the Company, (3) the Executive has engaged in actions amounting to misconduct or failed to perform his or her duties hereunder and such failure continues after the Executive is afforded a reasonable opportunity to cure such failure, (4) the Executive has died, or (5) the Executive has a disability which shall mean a physical or mental impairment which, as reasonably determined by the Board, renders the Executive unable to perform the essential functions of his employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than 180 days in any 12-month period, unless a longer period is required by applicable law, in which case that longer period would apply. In addition, the Company may terminate the Employment without cause, at any time, upon one month written notice, and upon termination without cause, the Company shall provide compensation to the Executive as expressly required by applicable law of the jurisdiction where the Executive is based.
- (b) By the Executive. The Executive may terminate the Employment at any time with a one-month prior written notice to the Company, if (1) there is a material reduction in the Executive's authority, duties and responsibilities, or (2) there is a material reduction in the Executive's annual salary before the next annual salary review. In addition, the Executive may resign prior to the expiration of the Agreement if such resignation is approved by the Board or an alternative arrangement with respect to the Employment is agreed to by the Board.
- (c) Notice of Termination. Any termination of the Executive's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. The notice of termination shall indicate the specific provision(s) of this Agreement relied upon in effecting the termination.

9. CONFIDENTIALITY AND NONDISCLOSURE

- (a) Confidentiality and Non-disclosure. In the course of the Executive's services, the Executive may have access to the Company, and/or the Company's client's and/or prospective client's trade secrets and confidential information, including but not limited to those embodied in memoranda, manuals, letters or other documents, computer disks, tapes or other information storage devices, hardware, or other media or vehicles, pertaining to the Company and/or the Company's client's and/or prospective client's business. All such trade secrets and confidential information are considered confidential. All materials containing any such trade secret and confidential information are the property of the Company and/or the Company's client and/or prospective client, and shall be returned to the Company, and/or the Company's client and/or prospective client upon expiration or earlier termination of this Agreement. The Executive shall not directly or indirectly disclose or use any such trade secret or confidential information, except as required in the performance of the Executive's duties in connection with the Employment, or pursuant to applicable law.

- (b) Trade Secrets. During and after the Employment, the Executive shall hold the Trade Secrets in strict confidence; the Executive shall not disclose these Trade Secrets to anyone except other employees of the Company who have a need to know the Trade Secrets in connection with the Company's business. The Executive shall not use the Trade Secrets other than for the benefits of the Company.

"Trade Secrets" means information deemed confidential by the Company, treated by the Company or which the Executive know or ought reasonably to have known to be confidential, and trade secrets, including without limitation designs, processes, pricing policies, methods, inventions, conceptions, technology, technical data, financial information, corporate structure and know-how, relating to the business and affairs of the Company and its subsidiaries, affiliates and business associates, whether embodied in memoranda, manuals, letters or other documents, computer disks, tapes or other information storage devices, hardware, or other media or vehicles. Trade Secrets do not include information generally known or released to public domain through no fault of the Executive.

- (c) Former Employer Information. The Executive agrees that he or she has not and will not, during the term of his or her employment, (i) improperly use or disclose any proprietary information or trade secrets of any former employer or other person or entity with which the Executive has an agreement or duty to keep in confidence information acquired by Executive, if any, or (ii) bring into the premises of Company any document or confidential or proprietary information belonging to such former employer, person or entity unless consented to in writing by such former employer, person or entity. The Executive will indemnify the Company and hold it harmless from and against all claims, liabilities, damages and expenses, including reasonable attorneys' fees and costs of suit, arising out of or in connection with any violation of the foregoing.
- (d) Third Party Information. The Executive recognizes that the Company may have received, and in the future may receive, from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Executive agrees that the Executive owes the Company and such third parties, during the Executive's employment by the Company and thereafter, a duty to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person or firm and to use it in a manner consistent with, and for the limited purposes permitted by, the Company's agreement with such third party.

This Section 9 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 9, the Company shall have right to seek remedies permissible under applicable law.

10. INVENTIONS

- (a) Inventions Retained and Licensed. The Executive has attached hereto, as Schedule B, a list describing all inventions, ideas, improvements, designs and discoveries, whether or not patentable and whether or not reduced to practice, original works of authorship and trade secrets made or conceived by or belonging to the Executive (whether made solely by the Executive or jointly with others) that (i) were developed by Executive prior to the Executive's employment by the Company (collectively, "Prior Inventions"), (ii) relate to the Company' actual or proposed business, products or research and development, and (iii) are not assigned to the Company hereunder; or, if no such list is attached, the Executive represents that there are no such Prior Inventions. The Executive hereby acknowledges that, if in the course of his or her service for the Company, the Executive incorporates into a Company product or process a Prior Invention owned by the Executive or in which he or she has an interest, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide right and license (which may be freely transferred by the Company to any other person or entity) to make, have made, modify, use, sell, sublicense and otherwise distribute such Prior Invention as part of or in connection with such product, process or machine.
- (b) Disclosure and Assignment of Inventions. The Executive understands that the Company engages in research and development and other activities in connection with its business and that, as an essential part of the Employment, the Executive is expected to make new contributions to and create inventions of value for the Company.

From and after the Effective Date, the Executive shall disclose in confidence to the Company all inventions, improvements, designs, original works of authorship, formulas, processes, compositions of matter, computer software programs, databases, mask works and trade secrets (collectively, the "Inventions"), which the Executive may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of the Executive's Employment at the Company. The Executive acknowledges that copyrightable works prepared by the Executive within the scope of and during the period of the Executive's Employment with the Company are "works for hire" and that the Company will be considered the author thereof. The Executive agrees that all the Inventions shall be the sole and exclusive property of the Company and the Executive hereby assign all his or her right, title and interest in and to any and all of the Inventions to the Company or its successor in interest without further consideration.

- (c) **Patent and Copyright Registration.** The Executive agrees to assist the Company in every proper way to obtain for the Company and enforce patents, copyrights, mask work rights, trade secret rights, and other legal protection for the Inventions. The Executive will execute any documents that the Company may reasonably request for use in obtaining or enforcing such patents, copyrights, mask work rights, trade secrets and other legal protections. The Executive's obligations under this paragraph will continue beyond the termination of the Employment with the Company, provided that the Company will reasonably compensate the Executive after such termination for time or expenses actually spent by the Executive at the Company's request on such assistance. The Executive appoints the Secretary of the Company as the Executive's attorney-in-fact to execute documents on the Executive's behalf for this purpose.
- (d) **Return of Confidential Materials.** In the event of the Executive's termination of employment with the Company for any reason whatsoever, Executive agrees promptly to surrender and deliver to the Company all records, materials, equipment, drawings, documents and data of any nature pertaining to any confidential information or to his or her employment, and Executive will not retain or take with him or her any tangible materials or electronically stored data, containing or pertaining to any confidential information that Executive may produce, acquire or obtain access to during the course of his or her employment.

This Section 10 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 10, the Company shall have right to seek remedies permissible under applicable law.

11. CONFLICTING EMPLOYMENT

The Executive hereby agrees that, during the term of his or her employment with the Company, he or she will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the term of the Executive's employment, nor will the Executive engage in any other activities that conflict with his or her obligations to the Company without the prior written consent of the Company.

12. NON-COMPETITION AND NON-SOLICITATION

In consideration of the salary paid to the Executive by the Company, the Executive agree that during the term of the Employment and for a period of one (1) year following the termination of the Employment for whatever reason:

- (a) The Executive will not approach clients, customers or contacts of the Company or other persons or entities introduced to the Executive in the Executive's capacity as a representative of the Company for the purposes of doing business with such persons or entities which will harm the business relationship between the Company and such persons and/or entities;

- (b) unless expressly consented to by the Company, the Executive will not assume employment with or provide services as a director or otherwise for any Competitor, or engage, whether as principal, partner, licensor or otherwise, in any Competitor; and
- (c) unless expressly consented to by the Company, the Executive will not seek directly or indirectly, by the offer of alternative employment or other inducement whatsoever, to solicit the services of any employee of the Company employed as at or after the date of such termination, or in the year preceding such termination.

The provisions contained in Section 12 are considered reasonable by the Executive and the Company. In the event that any such provisions should be found to be void under applicable laws but would be valid if some part thereof was deleted or the period or area of application reduced, such provisions shall apply with such modification as may be necessary to make them valid and effective.

This Section 12 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 12, the Executive acknowledges that there will be no adequate remedy at law, and the Company shall be entitled to injunctive relief and/or a decree for specific performance, and such other relief as may be proper (including monetary damages if appropriate). In any event, the Company shall have right to seek all remedies permissible under applicable law.

13. WITHHOLDING TAXES

Notwithstanding anything else herein to the contrary, the Company may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement such national, provincial, local or any other income, employment, or other taxes as may be required to be withheld pursuant to any applicable law or regulation.

14. ASSIGNMENT

This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that (i) the Company may assign or transfer this Agreement or any rights or obligations hereunder to any member of the Group without such consent, and (ii) in the event of a merger, consolidation, or transfer or sale of all or substantially all of the assets of the company with or to any other individual(s) or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

15. SEVERABILITY

If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

16. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and understanding between the Executive and the Company regarding the terms of the Employment and supersedes all prior or contemporaneous oral or written agreements concerning such subject matter. The Executive acknowledges that he or she has not entered into this Agreement in reliance upon any representation, warranty or undertaking which is not set forth in this Agreement. Any amendment to this Agreement must be in writing and signed by the Executive and the Company.

17. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the law of the State of New York, USA.

18. AMENDMENT

This Agreement may not be amended, modified or changed (in whole or in part), except by a formal, definitive written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto.

19. WAIVER

Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

20. NOTICES

All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given and made if (i) delivered by hand, (ii) otherwise delivered against receipt therefor, or (iii) sent by a recognized courier with next-day or second-day delivery to the last known address of the other party.

21. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

22. NO INTERPRETATION AGAINST DRAFTER

Each party recognizes that this Agreement is a legally binding contract and acknowledges that it, he or she has had the opportunity to consult with legal counsel of choice. In any construction of the terms of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such terms.

[Remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

New Oriental Education & Technology Group Inc.

By: _____
Name:
Title:

Executive

Signature: _____
Name:
Title:

Schedule A
Cash Compensation

Salary
Bonus

Amount

Pay Period

List of Subsidiaries

Wholly-Owned Subsidiaries

New Oriental Education Corporation

Beijing Judgment Education & Consulting Co., Ltd.

Beijing Hewstone Technology Co., Ltd.

Beijing Decision Education and Consulting Co, Ltd.

Consolidated Affiliated Entity

Beijing New Oriental Education & Technology (Group) Co., Ltd.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form F-1 of our report dated July 10, 2006 relating to the consolidated financial statements and financial statement schedule of New Oriental Education & Technology Group Inc. (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the translation of Renminbi amounts into U.S. Dollar amounts), appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the headings “Summary Condensed Consolidated Financial Data”, “Selected Consolidated Condensed Financial Data” and “Experts” in such Prospectus.

/s/ Deloitte Touche Tohmatsu CPA Ltd.
Deloitte Touche Tohmatsu CPA Ltd.
Beijing, China
August 22, 2006

Conyers Dill & Pearman

ATTORNEYS AT LAW

CRICKET SQUARE, HUTCHINS DRIVE, P.O. Box 2681 GT, GEORGE TOWN, GRAND CAYMAN, BRITISH WEST INDIES
TEL: (345) 945 3901 FAX: (345) 945 3902 EMAIL: CAYMAN@CONYERSDILLANDPEARMAN.COM
WWW.CONYERSDILLANDPEARMAN.COM

August 22, 2006

New Oriental Education & Technology Group Inc.
No.6 Hai Dian Zhong Street, 9th Floor
Haidian District, Beijing 100080
People's Republic of China

DIRECT LINE: 2842 9532
E-MAIL: Wynne.Lau@conyersdillandpearman.com
OUR REF: WL/ot/220557
YOUR REF:

Dear Sirs,

New Oriental Education & Technology Group Inc.

We hereby consent to the use of our name under the headings "Taxation," "Enforcement of Civil Liabilities" and "Legal Matters" in the prospectus included in the registration statement on Form F-1, originally filed by New Oriental Education & Technology Group Inc. on August 22, 2006, with the Securities and Exchange Commission under the Securities Act of 1933, as amended. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act, or the Rules and Regulations of the Commission thereunder.

Yours faithfully,

/s/ Conyers Dill & Pearman

Conyers Dill & Pearman

Bermuda British Virgin Islands Cayman Islands Dubai Hong Kong London Singapore

Advising on the jurisdictions of Bermuda, British Virgin Islands and Cayman Islands

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LATHAM & WATKINS LLP
 International Law Firm
 瑞生國際律師事務所 (有限責任合夥)

August 22, 2006

FIRM / AFFILIATE OFFICES
 Brussels
 Chicago
 Frankfurt
 Hamburg
 Hong Kong
 London
 Los Angeles
 Milan
 Moscow
 Munich
 New Jersey
 New York
 Northern Virginia
 Orange County
 Paris
 San Diego
 San Francisco
 Shanghai
 Silicon Valley
 Singapore
 Tokyo
 Washington, D.C.

New Oriental Education & Technology Group Inc.
 No.6 Hai Dian Zhong Street, 9th Floor
 Haidian District, Beijing 100080
 People's Republic of China

Ladies and Gentlemen:

We hereby consent to the use of our name under the captions "Legal Matters" and "Taxation — United States Federal Income Taxation" in the prospectus included in the registration statement on Form F-1, originally filed by New Oriental Education & Technology Group Inc. on August 22, 2006, with the Securities and Exchange Commission under the Securities Act of 1933, as amended. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the regulations promulgated thereunder.

Sincerely yours,

/s/ Latham & Watkins LLP
 Latham & Watkins LLP

Resident partners: Joseph A. Bevash (US), Sabrina Y. T. Maguire (US), John A. Otoshi (US), Mitchell D. Stocks (US), David Zhang (US)

北京市天元律师事务所

TIANYUAN LAW FIRM

11F/Tower C, Corporate Square, 35 Financial St.

Beijing, 100032, P. R. China

Tel: (8610) 8809-2188; Fax: (8610)8809-2150.

Date: August 22, 2006

New Oriental Education & Technology Group Inc.

No.6 Hai Dian Zhong Street

9th Floor

Haidian District, Beijing 100080

People's Republic of China

Ladies and Gentlemen:

We hereby consent to the use of our name under the captions "Enforceability of Civil Liabilities," "Corporate Structure" and "Legal Matters" in the prospectus included in the registration statement on Form F-1, originally filed by New Oriental Education & Technology Group Inc. on August 22, 2006, with the Securities and Exchange Commission under the Securities Act of 1933, as amended. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the regulations promulgated thereunder.

Sincerely yours,

/s/ Tian Yuan Law Firm

Tian Yuan Law Firm

August 22, 2006

New Oriental Education & Technology Group Inc.
No.6 Hai Dian Zhong Street, 9th Floor
Haidian District, Beijing 100080
People's Republic of China

CONSENT OF INDEPENDENT APPRAISER

American Appraisal China Limited ("AAC") hereby consents to the references to AAC's name and value conclusions for accounting purposes, with respect to its appraisal reports addressed to the board of New Oriental Education & Technology Group Inc. (the "Company") dated 16 June 2006 and 14 August 2006 respectively, in the Company's Registration Statement on Form F-1 (together with any amendments thereto, the "Registration Statement") to be filed with the U.S. Securities and Exchange Commission. AAC also hereby consents to the filing of this letter as an exhibit to the Registration Statement.

AMERICAN APPRAISAL CHINA LIMITED

/s/ Sammy Lai

Name: Sammy Lai

Title: Vice President

August 22, 2006
New Oriental Education & Technology Group Inc.
No. 6 Hai Dian Zhong Street, Haidian District
Beijing 100080, People's Republic of China

Ladies and Gentlemen:

Pursuant to Rule 438 under the Securities Act of 1933, as amended, I hereby consent to the reference of my name as a director of New Oriental Education & Technology Group Inc. (the "Company"), effective immediately upon the effectiveness of the Company's registration statement on Form F-1 originally filed by the Company on August 22, 2006 with the Securities and Exchange Commission.

Sincerely yours,

/s/ Robin Yanhong Li

August 22, 2006

New Oriental Education & Technology Group Inc.
No. 6 Hai Dian Zhong Street, Haidian District
Beijing 100080, People's Republic of China

Ladies and Gentlemen:

Pursuant to Rule 438 under the Securities Act of 1933, as amended, I hereby consent to the reference of my name as a director of New Oriental Education & Technology Group Inc. (the "Company"), effective immediately upon the effectiveness of the Company's registration statement on Form F-1 originally filed by the Company on August 22, 2006 with the Securities and Exchange Commission.

Sincerely yours,

/s/ Denny Lee

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
CODE OF BUSINESS CONDUCT AND ETHICS

Purpose

This Code of Business Conduct and Ethics (the “Code”) contains general guidelines for conducting the business of New Oriental Education & Technology Group Inc. (the “Company”) consistent with the highest standards of business ethics, and is intended to qualify as a “code of ethics” within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations, we adhere to these higher standards. The Company shall include all the subsidiaries and affiliated entities consolidated into the Company’s financial statement prepared in accordance with generally accepted accounting principles in the U.S. (“U.S. GAAP”), including but not limited to, Beijing New Oriental Education & Technology (Group), Co., Ltd. and its subsidiaries.

This Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company will file with, or submit to, the U.S. Securities and Exchange Commission (the “SEC”) and in other public communications made by the Company;
- compliance with applicable laws, rules and regulations;
- prompt internal reporting of violations of the Code; and
- accountability for adherence to the Code.

Applicability

This Code applies to all of the directors, officers, employees, consultants and advisors of the Company, whether they work for the Company on a full-time, part-time, consultative, or temporary basis (each an “employee” and collectively, the “employees”). Certain provisions of the Code apply specifically to our chief executive officer, chief financial officer, controller, vice presidents and any other persons who perform similar functions for the Company (each, a “senior officer,” and collectively, “senior officers”).

The Board of Directors of the Company (the “Board”) has appointed Louis Hsieh, chief financial officer, as the Compliance Officer for the Company. If you have any questions regarding the Code or would like to report any violation of the Code, please call the Compliance Officer at 86-10-6260-5566, ext. 8003 or e-mail him or her at louishsieh@staff.neworiental.org.

This Code was adopted by the Board on July 21, 2006. The Code shall become effective (the “Effective Time”) concurrently with the Company’s first public filing of a registration statement on Form F-1 with the SEC relating to the Company’s initial public offering (the “IPO”).

Competition and Fair Dealing

The Company seeks to outperform its competitors fairly and honestly, through superior performance but not through unethical or illegal business practices. Infringement upon third-parties' intellectual property rights, including copyrights, trademarks, trade names and trade secrets, or inducing or encouraging such infringement activities by past or present employees of other companies are strictly prohibited. Every employee of the Company shall endeavor to respect the rights of and deal fairly with the Company's customers, suppliers and competitors. No employee shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other illegal trade practice.

Conflicts of Interest

Identifying Conflicts of Interest

A conflict of interest occurs when an employee's private interest interferes, or appears to interfere, in any way with the interests of the Company as a whole. You should actively avoid any private interest that may influence your ability to act in the interests of the Company or that may make it difficult to perform your work objectively and effectively. In general, the following should be considered conflicts of interest:

- Competing Business. No employee may be concurrently employed by a business that competes with the Company or deprives it of any business.
- Corporate Opportunity. No employee should use corporate property, information or his or her position with the Company to secure a business opportunity that would otherwise be available to the Company. If you discover a business opportunity that is in the Company's line of business, through the use of the Company's property, information or position, you must first present the business opportunity to the Company before pursuing the opportunity in your individual capacity.
- Financial Interests.
 - (i) No employee may have any financial interest (ownership or otherwise), either directly or indirectly through a spouse or other family member, in any other business entity if such financial interest adversely affects the employee's performance of duties or responsibilities to the Company, or requires the employee to devote certain time during such employee's working hours at the Company;
 - (ii) No employee may hold any ownership interest in a privately-held company that is in competition with the Company;
 - (iii) An employee may hold up to but no more than 5% ownership interest in a publicly traded company that is in competition with the Company;
 - (iv) No employee may hold any ownership interest in a company that has a business relationship with the Company if such employee's duties at the Company include managing or supervising the Company's business relations with that company

If an employee's ownership interest in a business entity described in clause (iii) above increases to more than 5%, the employee must immediately report such ownership to the Compliance Officer.

- Loans or Other Financial Transactions. No employee may obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, any company that is a material customer, supplier or competitor of the Company. This guideline does not prohibit arms-length transactions with recognized banks or other financial institutions.
- Service on Boards and Committees. No employee should serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests reasonably could be expected to conflict with those of the Company. Employees must obtain prior approval from the Board before accepting any such board or committee position. the Company may revisit its approval of any such position at any time to determine whether service in such position is still appropriate.

It is difficult to list all of the ways in which a conflict of interest may arise, and we have provided only a few, limited examples. If you are faced with a difficult business decision that is not addressed above, ask yourself the following questions:

- Is it legal?
- Is it honest and fair?
- Is it in the best interests of the Company?

Disclosure of Conflicts of Interest

The Company requires that employees fully disclose any situations that reasonably could be expected to give rise to a conflict of interest. If you suspect that you have a conflict of interest, or something that others could reasonably perceive as a conflict of interest, you must report it immediately to the Compliance Officer. Conflicts of interest may only be waived by the Board, or the appropriate committee of the Board, and will be promptly disclosed to the public to the extent required by law.

Family Members and Work

The actions of family members outside the workplace may also give rise to conflicts of interest because they may influence an employee's objectivity in making decisions on behalf of the Company. If a member of an employee's family is interested in doing business with the Company, the criteria as to whether to enter into or continue the business relationship, and the terms and conditions of the relationship, must be no less favorable to the Company compared with those that would apply to a non-relative seeking to do business with the Company under similar circumstances.

Employees should report any situation involving family members that could reasonably be expected to give rise to a conflict of interest to their supervisor or the Compliance Officer. For purposes of this Code, "family members" or "members of your family" include your spouse, brothers, sisters and parents, in-laws and children.

Gifts and Entertainment

The giving and receiving of gifts is common business practice. Appropriate business gifts and entertainment are welcome courtesies designed to build relationships and understanding among business partners. However, gifts and entertainment should never compromise, or appear to compromise, your ability to make objective and fair business decisions.

It is the responsibility of employees to use good judgment in this area. As a general rule, employees may give or receive gifts or entertainment to or from customers or suppliers only if the gift or entertainment could not be viewed as an inducement to any particular business decision. All gifts and entertainment expenses made on behalf of the Company must be properly accounted for on expense reports.

Employees may only accept appropriate gifts. We encourage employees to submit gifts received to the Company. While it is not mandatory to submit small gifts, gifts of over RMB200 must be submitted immediately to the administration department of the Company.

The Company's business conduct is founded on the principle of "fair transaction." Therefore, no employee may receive kickbacks, bribe others, or secretly receive commissions or any other personal benefits.

FCPA Compliance

The U.S. Foreign Corrupt Practices Act ("FCPA") prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. A violation of FCPA not only violates the Company's policy but is also a civil or criminal offense under FCPA which the Company is subject to after the Effective Time. No employee shall give or authorize directly or indirectly any illegal payments to government officials of any country. While the FCPA does, in certain limited circumstances, allow nominal "facilitating payments" to be made, any such payment must be discussed with and approved by your supervisor in advance before it can be made.

Protection and Use of Company Assets

Employees should protect the Company's assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness and waste have a direct impact on the Company's profitability. The use of the funds or assets of the Company, whether for personal gain or not, for any unlawful or improper purpose is strictly prohibited.

To ensure the protection and proper use of the Company's assets, each employee should:

- Exercise reasonable care to prevent theft, damage or misuse of Company property;
- Promptly report the actual or suspected theft, damage or misuse of Company property;
- Safeguard all electronic programs, data, communications and written materials from inadvertent access by others; and
- Use Company property only for legitimate business purposes.

Except as approved in advance by the Chief Executive Officer or Chief Financial Officer of the Company, the Company prohibits political contributions (directly or through trade associations) by any employee on behalf of the Company. Prohibited political contribution activities include:

- any contributions of Company funds or other assets for political purposes,
- encouraging individual employees to make any such contribution;
- reimbursing an employee for any political contribution.

Intellectual Property and Confidentiality

- All inventions, creative works, computer software, and technical or trade secrets developed by an employee in the course of performing the employee's duties or primarily through the use of the Company's materials and technical resources while working at the Company, shall be the property of the Company.
- The Company maintains a strict confidentiality policy. During an employee's term of employment, the employee shall comply with any and all written or unwritten rules and policies concerning confidentiality and shall fulfill the duties and responsibilities concerning confidentiality applicable to the employee.
- In addition to fulfilling the responsibilities associated with his position in the Company, an employee shall not, without first obtaining approval from the Company, disclose, announce or publish trade secrets or other confidential business information of the Company, nor shall an employee use such confidential information outside the course of his duties to the Company.
- Even outside the work environment, an employee must maintain vigilance and refrain from disclosing important information regarding the Company or its business, customers or employees.
- An employee's duty of confidentiality with respect to the confidential information of the Company survives the termination of such employee's employment with the Company for any reason until such time as the Company discloses such information publicly or the information otherwise becomes available in the public sphere through no fault of the employee.
- Upon termination of employment, or at such time as the Company requests, an employee must return to the Company all of its property without exception, including all forms of medium containing confidential information, and may not retain duplicate materials.
- All employees shall strictly comply with the Company's Intellectual Property Protection Policy attached hereto as Exhibit A.

Accuracy of Financial Reports and Other Public Communications

Upon the completion of the IPO, the Company will be required to report its financial results and other material information about its business to the public and the SEC. It is the Company's policy to promptly disclose accurate and complete information regarding its business, financial condition and results of operations. Employees must strictly comply with all applicable standards, laws, regulations and policies for accounting and financial reporting of transactions, estimates and forecasts. Inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage the Company and result in legal liability.

Employees should be on guard for, and promptly report, any possibility of inaccurate or incomplete financial reporting. Particular attention should be paid to:

- Financial results that seem inconsistent with the performance of the underlying business;
- Transactions that do not seem to have an obvious business purpose; and
- Requests to circumvent ordinary review and approval procedures.

The Company's senior financial officers and other employees working in the Finance Department have a special responsibility to ensure that all of the Company's financial disclosures are full, fair, accurate, timely and understandable. Any practice or situation that might undermine this objective should be reported to the Compliance Officer.

Employees are prohibited from directly or indirectly taking any action to coerce, manipulate, mislead or fraudulently influence the Company's independent auditors for the purpose of rendering the financial statements of the Company materially misleading. Prohibited actions include but are not limited to those actions taken to coerce, manipulate, mislead or fraudulently influence an auditor:

- to issue or reissue a report on the Company's financial statements that is not warranted in the circumstances (due to material violations of U.S. GAAP, generally accepted auditing standards or other professional or regulatory standards);
- not to perform audit, review or other procedures required by generally accepted auditing standards or other professional standards;
- not to withdraw an issued report; or
- not to communicate matters to the Company's Audit Committee.

Company Records

Accurate and reliable records are crucial to the Company's business and form the basis of its earnings statements, financial reports and other disclosures to the public. The Company's records are the source of essential data that guides business decision-making and strategic planning. Company records include, but are not limited to, booking information, payroll, timecards, travel and expense reports, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of our business.

All Company records must be complete, accurate and reliable in all material respects. There is never an acceptable reason to make false or misleading entries. Undisclosed or unrecorded funds, payments or receipts are strictly prohibited. You are responsible for understanding and complying with the Company's record keeping policy. Contact the Compliance Officer if you have any questions regarding the record keeping policy.

Compliance with Laws and Regulations

Each employee has an obligation to comply with the laws of the cities, provinces, regions and countries in which the Company operates. This includes, without limitation, laws covering commercial bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, offering or receiving gratuities, employment harassment, environmental protection, occupational health and safety, false or misleading financial information, misuse of corporate assets and foreign currency exchange activities. Employees are expected to understand and comply with all laws, rules and regulations that apply to your position at the Company. If any doubt exists about whether a course of action is lawful, you should seek advice immediately from the Compliance Officer.

Miscellaneous

Discrimination and Harassment

The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment based on race, ethnicity, religion, gender, age, national origin or any other protected class. For further information, you should consult the Compliance Officer.

Health and Safety

The Company strives to provide employees with a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for other employees by following environmental, safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence and threatening behavior are not permitted.

Each employee is expected to perform his or her duty to the Company in a safe manner, free of the influences of alcohol, illegal drugs or other controlled substances. The use of illegal drugs or other controlled substances in the workplace is prohibited.

Violations of the Code

All employees have a duty to report any known or suspected violation of this Code, including any violation of laws, rules, regulations or policies that apply to the Company. Reporting a known or suspected violation of this Code by others will not be considered an act of disloyalty, but an action to safeguard the reputation and integrity of the Company and its employees.

If you know of or suspect a violation of this Code, it is your responsibility to immediately report the violation to the Compliance Officer, who will work with you to investigate your concern. All questions and reports of known or suspected violations of this Code will be treated with sensitivity and discretion. The Compliance Officer and the Company will protect your confidentiality to the extent possible, consistent with the law and the Company's need to investigate your concern.

It is the Company's policy that any employee who violates this Code will be subject to appropriate discipline, including termination of employment, based upon the facts and circumstances of each particular situation. Your conduct as an employee of the Company, if it does not comply with the law or with this Code, can result in serious consequences for both you and the Company.

The Company strictly prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. An employee inflicting reprisal or retaliation against another employee for reporting a known or suspected violation will be subject to disciplinary action up to and including termination of employment.

Waivers of the Code

Waivers of this Code will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this Code may be made only by the Board, or the appropriate committee of the Board, and will be promptly disclosed to the public.

Conclusion

This Code contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. If you have any questions about these guidelines, please contact the Compliance Officer. We expect all employees to adhere to these standards. Each employee is separately responsible for his or her actions. Conduct that violates the law or this Code cannot be justified by claiming that it was ordered by a supervisor or someone in higher management. If you engage in conduct prohibited by the law or this Code, you will be deemed to have acted outside the scope of your employment. Such conduct will subject you to disciplinary action, including termination of employment.

* * * * *

Exhibit A

Intellectual Property Protection Policy

Teaching Support Agreement

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Party B: [the name of New Oriental Schools]

- (1) WHEREAS, Party A, a wholly owned foreign enterprise duly organized and existing under PRC laws, owns considerable ability in the teaching management, teaching support and teaching materials research and development, and possesses abundant experience in relevant fields and
- (2) WHEREAS, Party B, an independent private school in China, providing language training and relevant courses to the public, needs Party A to provide it with supporting services including the provision of teaching plan, teaching project, curriculum, teaching items, etc.

NOW, THEREFORE, through friendly negotiation and on the principle of equality and mutual benefit, in relation to the Teaching Support Services provided by Party A to Party B and the payments by Party B for Teaching Support Services under this Agreement, Parties hereby agree contract as follows:

1. General Rules

- 1.1 Definition of “Teaching Support Services”: the Teaching Support Services include but are not limited to the provision of teaching plan, teaching project, curriculum, teaching items. (“teaching supporting” hereinafter)
- 1.2 Responsibility of teaching support: It is Party A’s responsibilities to ensure the provision of reasonable Teaching Support Services. Without consent by Party A, Party B shall not enter into same or similar contracts with any third party other than Party A, and shall not provide similar Teaching Support Services to any third party other than Party A.
- 1.3 Ownership of teaching support: Party A owns the contents of the Teaching Support Services provided under this Agreement. Party A is entitled to provide all kinds of teaching services same or similar to this Agreement to the teaching support provided in any third Party other than Party B.

- 1.4 Term of teaching support: the execution of this Agreement shall prevail.
- 1.5 Teaching Support Service Fees: means the fees paid to Party A from Party B according to this Agreement for the Teaching Support Services rendered.
2. Contents of Teaching Support Services
 - 2.1 Requirements of Teaching Support Services: First, Party B writes down the present teaching situations. Party A provides the resolution Teaching Support Services resolution according to the status in quo and the realities of Party B, customizes the details of Teaching Support Services and provides Teaching Support Services based on the resolution;
 - 2.2 Providing support services in relation to teaching plan, teaching project, curriculum, and teaching items includes, but not limited to, providing relevant information and materials, conducting market research, providing opinions and advices, providing analysis report;
 - 2.3 Providing support services in relation to the implementing of the teaching plan, teaching project, curriculum, and teaching items includes, but not limited to, tracking implementing situations, collecting relevant information and materials, assisting market promotion, giving opinions and advices for improvements, making occasional report of teaching information management.
3. Exclusivity of Teaching Support Services
 - 3.1 Party B undertakes to seek Teaching Support Services in accordance with this Agreement from Party A on an exclusive basis, and not to enter into any same or similar Teaching Support Services contracts with any third party other than Party A during the term of this Agreement;
 - 3.2 In any case shall Party A be entitled to enter into same or similar contracts or provide same or similar services as the Teaching Support Services in this Agreement to a third party;
 - 3.3 In no case shall Party B transfer Teaching Support Services provided in this Agreement to any third party other than Party B without consent of Party A.

4. Payment

- 4.1 Parties agree that Party B shall pay Teaching Support Service Fees to Party A in accordance with the revenues and profits generated by such Teaching Support Services provided by Party A.
- 4.2 Parties agree that the Teaching Support Service Fees under this Agreement will be [*]% of one year's revenue of Party B.
- 4.3 Unless otherwise agreed by the Parties the Teaching Support Service Fees should be paid annually, deposited by Party B to the bank account designated by Party A, and Party A should issue legal invoice to Party B.
- 4.4 Taxes and expenses arising out of the execution and implementation of this Agreement shall be borne by Parties respectively.

5. Breach of Contract

- 5.1 In the event that Party B breaches Article 3.1 above, Party B shall compensate 1% of all the revenues it gained to Party A as provided in Article 4.1.
- 5.2 In the event that Party B breaches Article 3.3 above, Party B shall compensate two times the profit it gains in such transaction to Party A and Party A reserves its right to bring law suits against Party B.
- 5.3 In the event that Party B fails to pay the equipment maintenance fee provided under this Agreement to Party A, it shall pay 0.05% of the overdue payment amount to Party A for each day overdue. In the event that the overdue days exceed 30 days, Party A has right to terminate this Agreement.

6. Term and Termination

- 6.1 Term of this Agreement will be two years, commencing from the date of effectiveness of this Agreement. Upon the expiration, this Agreement can be extended as agreed upon by both Parties.

- 6.2 Any Party will be deemed to have breached the Agreement if it fails to perform any obligations hereinto; the non-breaching Party is entitled to issue written notice to terminate this Agreement to the breaching Party if the breaching Party has not taken any measures to cure or remedy the breach within 60 business days of the written notice to cure such breaches issued by the non-breaching Party. The non-breaching Party can terminate this Agreement at any time thereafter. If the breach is cured by the breaching Party within 60 business days of the written, this Agreement will continue to be effective.
7. Dispute Resolution
- 7.1 The Parties shall use their best efforts in good faith to amicably settle any disputes or differences arising out of this Agreement. If an attempt to settle has failed, any Party can submit the disputes to Beijing Arbitration Commission for arbitration in Beijing in accordance with its rules of arbitration in effect. The arbitral award shall be final and binding upon both Parties.
- 7.2 “Dispute” in this clause means the dispute to the formation, time of formation, explanation of the content, performance, breach responsibility, and amendment, assignment, release and termination of this Agreement.
8. Miscellaneous
- 8.1 This Agreement shall become effective upon the date of execution by both Parties. Parties may negotiate and enter supplementary contracts on matters not agreed upon herein. Supplementary contracts have equal effect as this Agreement.
- 8.2 Any provision of this Agreement will be deemed as severable in the jurisdiction where it conflicts with the laws in such jurisdiction. The enforceability and binding effect of such provision should not be affected in other jurisdictions.
- 8.3 This Agreement together with the documents referred to herein is the sole contract as agreed by Parties for the subject of this Agreement. Except for the ones listed in this Agreement, the Parties will not be bound by other conditions, provisions, warranties or representations.
- 8.4 Amendments to this Agreement shall be valid only when made in writing and signed by both parties or their legal representatives with seal, and such amendments shall have the same effect as this Agreement.

- 8.5 The execution, validity, construction, performance, amendment, termination and dispute resolution of this Agreement will be generated by the laws of PRC.
- 8.6 Party B shall not assign this Agreement, in part or in whole, without the prior written approval of Party A.
- 8.7 The failure to require performance fully and timely of any provision shall not affect a party's rights to require performance of such provision or other provisions of this Agreement at any time thereafter.
- 8.8 If a Force Majeure Event affects the performance of this Agreement, the Party affected by the Force Majeure Event shall immediately notify the other Party by means of telegraph, fax or other electronic forms, and shall furnish within fifteen (15) days thereafter sufficient evidence in writing of the occurrence of the Force Majeure Event. According to the Force Majeure's impact on the performance of this Agreement, the Parties determine whether to release this Agreement, exempt the performance responsibility in part, or delay the performance.
- 8.9 Unless otherwise provided under this Agreement, "day" means calendar day, "business day" means the normal business day of Chinese commercial banks.
- 8.10 The annexes of this Agreement shall be considered as an integral part of this Agreement, and have the same effect.
- 8.11 This Agreement is executed in 4 originals and each Party holds two originals.

Each party has caused this Agreement to be executed by its duly authorized representative on the date of [], 200[]:

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Authorized representative (signature): _____

Party B: [the name of New Oriental Schools]

Authorized representative (signature): _____

Amendment to the Teaching Support Agreement

This amendment was executed on January 1, 2006 in Beijing among the following parties.

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Party B: [the name of New Oriental Schools]

The Parties entered into the Teaching Support Agreement on _____. Upon friendly discussions, the Parties hereby agree to modify and amend the original Teaching Support Agreement as follows:

1. Article 4.2 of the Teaching Support Agreement provides that:

“Parties agree that the Teaching Support Service Fees under this Agreement will be [*]% of one year’s revenue of Party B.”

Article 4.2 is amended as follows:

“Teaching Support Service Fees under this Agreement should be ____% of quarterly revenue of Party B. Both Parties may adjust such payment standard at the end of each quarter upon discussions according to the actual revenue and profit of Party B. In the event that no adjustment is made, the percentage applied in the nearest quarter shall apply.”

2. Article 4.3 of the Teaching Support Agreement provides that “Unless otherwise agreed by the Parties, the Teaching Support Service Fees should be paid annually, deposited by Party B to the bank account designated by Party A, and Party A should issue legal invoice to Party B.”

Article 4.3 is amended as follows:

“Unless otherwise agreed by the Parties, the Teaching Support Service Fees should be paid quarterly, deposited by Party B to the bank account designated by Party A, and Party A should issue legal invoice to Party B.”

3. Article 6.1 of the Teaching Support Agreement provides that:
“Term of this Agreement will be two years, commencing from the date of effectiveness of this Agreement. Upon the expiration, this Agreement can be extended through agreement of both Parties.”
Upon confirmation by both Parties, the term of the original Teaching Support Agreement shall be extended to five years commencing from the date of execution of this Amendment and may be further extended in five-year roll without limitation for number of rolls allowed.
4. This Amendment will become effective on the date of execution by the authorized representatives of each Party.
5. This Agreement is executed in 4 originals and each Party holds two originals. Each original has the same legal effect.

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Authorized representative (signature): _____

Party B: [describe the name of New Oriental Schools]

Authorized representative (signature): _____

Website Development and Use Agreement

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Party B: [the name of New Oriental Schools]

- (1) WHEREAS, Party A, a wholly owned foreign enterprise duly organized and existing under PRC laws, with considerable technology ability and business experience in software development, website establishment and hardware service technology; and
- (2) WHEREAS, Party B, an independent private school in China, providing language training and relevant courses to the public, needs Party A to provide it with the website development and daily system maintenance services.

NOW, THEREFORE, through friendly negotiation and on the principle of equality and mutual benefit, in relation to the website development and daily system maintenance services provided by Party A to Party B and the payments by Party B for using new registration system under this Agreement, Parties hereby agree as follows.

1. General Rules

- 1.1 Definition of “Website Platform”: Website Platform means, after the acceptance of Party B’s commission and according to its requirements, the Website Platform designed and developed by professional staff organized by Party A in the term provided by this Agreement, and exclusively used, proceeded and deposited by Party B (“Website Platform” hereinafter).
- 1.2 Responsibility of website development: under the premise of profound acquaintance to the business procedure of Party B, Party A shall organize professional staff to develop the Website Platform in accordance with the business and function requirements of Party B. Without written consent by Party B, Party A shall not assign the Website Platform development responsibility to any third party, in whole or in part.

- 1.3 Website Platform development cycle: upon the effectiveness of this Agreement, Party A shall fully complete the design and compiling of the website platform and, obtain Party B's confirmation, and execute the confirmation letter no later than May 31, 2005; Party A shall fully finish the installation and adjustment, accept the checking and acceptance of Party B or the institution appointed by Party B no later than June 15, 2005, and transfer all the documents relevant to the Website Platform development, usage, compiling, maintenance and upgrade, and the complete system source code to Party B no later than June 30, 2005; Party A shall assume unconditionally amendment, upgrading or versioning obligations for Website Platform system function defects, security defects and interface defects, if such defects still exist after the checking and acceptance.
 - 1.4 Maintenance and training of Website Platform system: Party A provides maintenance services for the system malfunctions in the using process by Party B; Party A assumes the training of the Party B stuff of system's using, daily maintenance and malfunction checking.
 - 1.5 Ownership of Website Platform: system is accomplished by Party A under the commission of Party B, thus Party B has the rights of use and disposal.
 - 1.6 Website Platform System expenses: Party B shall pay Party A fees for Website Platform system development and follow-on technical services and upgrading according to this Agreement.
2. Website Platform System Functions:
- 2.1 Under the promise of profound understanding between Parties, Party B is responsible for specifying requirements, and Party A is responsible for realizing system functions.
 - 2.2 Final confirmation of Website Platform system functions shall be determined by the requirement research report, Website Platform system design report (design plan), etc. acknowledged by Party B in writing. The research and requirement collection conducted by Party A upon Party B and the documents produced therewith constitute the annex of this Agreement, having legal effect together with this Agreement.
 - 2.3 Basic functional requirements of Website Platform system include, but are not limited to the following:
 - 2.3.1 Functional requirements of the website front-end system include, but are not limited to the following:

- 2.3.1.1 Customized style: including the tone (whole page's reference color); frame, resolution ratio as 1024*768 and overall arrangement (including the location of guidance link, searching method, flash, floating painters, administrators' entrance).
 - 2.3.1.2 Data structure: distinctively drawing out the first, the second and the third level of data structure. The first level is sorted according to Group's businesses and school's businesses, and the second and the third level is subdivided according the business categories.
 - 2.3.1.3 Third layers of pages: including the page's design, layout, contents (including pictures, music files, video, flash, typeface and typesetting, etc.).
 - 2.3.2 Functions of the website back-end system include, but are not limited to the following: administrators' log-in entrance; user management: addition, deletion, amendment of user information; authorization: assignment of different authorities to different users; maintenance of Website Platform; data statistics: including the general clicking rate and period clicking rate, flux and IP address statistics.
 - 2.3.3 Hardware platform and software environment: hardware platform shall install firewall; combination of Telecom and Netcom; speed shall be 1000M for the flow out, at least 600M. Requirements of software environment: development language shall be JAVA, or .NET or other languages; data base shall use ACCESS, or SQSERVER, or MYSQL; operating system shall use WINDOWS or UNIX.
 - 2.4 After checked, accepted and used normally by Party B, Party A can upgrade or expand the system under Party B's commission due to the expansion or alteration of the system functional requirements as a result of the business expansion and change of Party B.
3. Website Platform System Defect
- 3.1 In the event that the functions specified in Article 2 herein fail to be fully realized, Party B can refuse to accept the system, and Party A shall compensate for the loss and assume the responsibility resulted from such failure. Party A shall compensate for all the direct losses of Party B, if any, caused by the failure mentioned above; if it results in the fact that the performance of this Agreement is not necessary or impossible, Party B can terminate this Agreement and reserve the right to require Party A to compensate for all the losses.

- 3.2 In the event that there are functional defects or operation interface defects in part after the checking and acceptance process, Party B shall inform Party A in writing. Party A shall respond within 24 hours after receiving the notice, and remove the impediments unconditionally through methods of amending program, upgrading or versioning in the time period confirmed by both Parties. The expenses thus arising out of shall be assumed by Party A, and Party A will be responsible for the loss of Party B.
 - 3.3 In the event that the data security defects still exist after the checking and acceptance process, responsibility shall be assumed according to Article 7 of this Agreement “Responsibility on Data Security.”
4. Website Platform System Maintenance and Staff Training
- 4.1 In the course of normal use of the system by Party B, Party A shall resolve the system malfunctions other than the ones provided for in Article 3 of this Agreement within 12 hours after receiving the notice.
 - 4.2 Within 7 days after passing the checking and acceptance, Party B shall begin the training of at least one of the Party B employees on system’s installation, usage, daily maintenance and malfunction examination. Party B shall provide at least one employee to attend the training in the relevant period.
 - 4.3 After the Website Platform system’s amendment, upgrading and versioning, Parties must conduct training as provided for in Article 4.2.
5. Intellectual Property and Source Code
- 5.1 Party A possesses all the intellectual property of Website Platform system and the right of authorship in the system.
 - 5.2 Party B does not possess the intellectual property of Website Platform system, but has the usage right.

6. Website's Checking and Acceptance

- 6.1 Website shall be delivered to Party B from Party A for checking and acceptance no later than June 15, 2005. In the event that Party A delays in deliverance, it shall pay 1% of the total amount of the subject matter of this Agreement to Party B for each day overdue. In the event that the number of days overdue exceeds 30 days, Party B has right to refuse to check and accept.
- 6.2 Website's checking and acceptance can be conducted by either Party B or institutions appointed by Party B.
- 6.3 Party B shall dispatch personnel to do checking and acceptance within 7 days after deliverance by Party A. The system will be deemed to have been checked and accepted by Party B if Party B does not perform checking and acceptance after 7 days.
- 6.4 Party B will issue a checking and acceptance report to Party A after the system passes the checking. Such report is the annex of this Agreement, and has legal effect with this Agreement.
- 6.5 In the process of checking and acceptance, Party B can refuse to issue the checking and acceptance report if it or the institution appointed by it finds system defects that affect functions and normal usage. In this case Party B can specify certain reasonable term for Party A to amend the Website Platform system and remove impediments.
- 6.6 If the checking and acceptance is delayed or fails to pass due to the reasons provided for in Article 6.1 or 6.5 of this Agreement, Party B can terminate this Agreement. Party A shall refund prepaid payments, if any, to Party B, and compensate Party B for its losses.

7. Responsibility on Data Security

- 7.1 Party A shall maintain warranty with the system data security of Party B in the course of the designing and development of Website Platform system. Responsibility for Website Platform system data security includes, but is not limited to, preventing illegal entry, preventing destruction of system caused by computer virus, data recovery and back-up, etc.
- 7.2 The damages caused as a result of using third party software or hardware by Party A in the design plan of data security of Website Platform system shall not constitute exculpatory reasons for Party A.

- 7.3 In the event that data security defects are found after the checking and acceptance process and such defects result in loss of Party B, Party A shall remove the impediments unconditionally within 24 hours after receiving the notice, recover the data and amend, upgrade or version the data security system. Party B reserves the right to require Party A to compensate for all the losses.
8. Payment
- 8.1 Parties agree that Party B shall pay fees for using the Website Platform system to Party A in accordance with the revenues and profits generated by such system.
- 8.2 Parties agree that the fee of using the Website Platform under this Agreement will be [*]% of Party B's annual revenue.
- 8.3 Unless otherwise agreed by both Parties, the fees of using the Website Platform under this Agreement should be paid annually, deposited by Party B to the bank account designated by Party A, and Party A should issue legal invoice to Party B.
- 8.4 Taxes and expenses arising out of the execution and implementation of this Agreement shall be borne by Parties respectively according to law.
9. Liability of Breach of Contract
- 9.1 In the event that Party B assigns the right of using the registration system under this Agreement to a third party without consent of Party A, Party A has the right to request Party B to stop this infringement and eliminate any impacts. Party B shall compensate Party A in the amount equal to twice of the profit of Party B gained as a result of the infringement and Party A reserves its right to sue Party B.
- 9.2 In the event that Party A breaches above provisions and causes losses and damages to Party B's teaching business, Party A shall compensate Party B in the amount equal to two times the loss sustained by Party B.
- 9.3 In the event that Party B fails to pay to Party A the usage fees for the registration system under this Agreement, it shall pay 0.05% of the overdue payment amount to Party A for each day overdue. In the event that the number of days overdue exceeds 30 days, Party A has the right to terminate this Agreement.

10. Term and Termination

- 10.1 Term of this Agreement will be two years, commencing from the date of effectiveness of this Agreement. Upon the expiration, this Agreement can be extended as agreed upon by both Parties.
- 10.2 Any Party will be deemed to have breached the Agreement if it fails to perform any obligations hereinto; the non-breaching Party is entitled to issue written notice to terminate this Agreement to the breaching Party if the breaching Party has not taken any measures to cure or remedy the breach within 60 business days of the written notice to cure such breaches issued by the non-breaching Party. The non-breaching Party can terminate this Agreement at any time thereafter. If the breach is cured by the breaching Party within 60 business days of the written, this Agreement will continue to be effective.

11. Dispute Resolution

- 11.1 The Parties shall use their best efforts in good faith to amicably settle any disputes or differences arising out of this Agreement. If an attempt to settle has failed, any Party can submit the disputes to Beijing Arbitration Commission for arbitration in Beijing in accordance with its rules of arbitration in effect. The arbitral award shall be final and binding upon both Parties.
- 11.2 “Dispute” in this clause means the dispute to the formation, time of formation, explanation of the content, performance, breach responsibility, and amendment, assignment, release and termination of this Agreement.

12. Miscellaneous

- 12.1 This Agreement shall become effective upon the date of execution by both Parties. Parties may negotiate and enter supplementary contracts on matters not agreed upon herein. Supplementary contracts have equal effect as this Agreement.
- 12.2 Any provision of this Agreement will be deemed as severable in the jurisdiction where it conflicts with the laws in such jurisdiction. The enforceability and binding effect of such provision should not be affected in other jurisdictions.
- 12.3 This Agreement together with the documents referred to herein is the sole contract achieved by Parties for the subject of this Agreement. Except for the ones listed in this Agreement, the Parties will not be bound by other conditions, provisions, warranties or representations.

- 12.4 Amendments to this Agreement shall be valid only when made in writing and signed by both parties or their legal representatives with seal, and such amendments shall have the same effect as this Agreement.
- 12.5 The execution, validity, construction, performance, amendment, termination and dispute resolution of this Agreement will be governed by the laws of PRC.
- 12.6 Party B shall not assign this Agreement, in part or in whole, without the prior written approval of Party A.
- 12.7 The failure to require performance of any provision fully and timely any provision shall not affect a party's rights to require performance of such provision or other provisions of this Agreement at any time thereafter.
- 12.8 If a Force Majeure Event affects the performance of this Agreement, the Party affected by the Force Majeure Event shall immediately notify the other Party by means of telegraph, fax or other electronic forms, and shall furnish within fifteen (15) days thereafter sufficient evidence in writing of the occurrence of the Force Majeure Event. According to the Force Majeure's impact on the performance of this Agreement, the Parties determine whether to release this Agreement, exempt the performance responsibility in part, or delay the performance.
- 12.9 Unless otherwise provided under this Agreement, "day" means calendar day, "business day" means the normal business day of Chinese commercial banks.
- 12.10 The annexes of this Agreement shall be considered as an integral part of this Agreement, and have the same effect.
- 12.11 This Agreement is executed in 4 originals and each Party holds two originals.

Each party has caused this Agreement to be executed by its duly authorized representative on the date of April 25, 2005:

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Authorized representative (signature): _____

Party B: [describe the name of New Oriental Schools]

Authorized representative (signature): _____

Amendment to the Website Development and Use Agreement

This amendment is executed on January 1, 2006, in Beijing, by the following parties.

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Party B: [the name of New Oriental Schools]

The Parties entered into the Website Development and Use Agreement on _____. Upon friendly discussions, the Parties hereby modify and amend the original Website Development and Use Agreement as follows:

1. Article 8.2 of the Website Development and Use Agreement provides that:

“Parties agree that the fee of using the Website Platform of this Agreement will be [*] % of Party B’s annual revenue.”

Article 8.2 is amended as follows:

“Parties agree that the fee of using the Website Platform under this Agreement should be [*] % of Party B’s quarterly revenue. Both Parties may discuss and adjust such payment standard at the end of each quarter according to the actual revenue and profit of Party B. In the event that no adjustment is made, the percentage applied in the nearest quarter shall apply.”

2. Article 8.3 of the Website Development and Use Agreement provides that:

“Unless otherwise agreed by both Parties, the fees of using the Website Platform under this Agreement should be paid annually, deposited by Party B to the bank account designated by Party A, and Party A should issue legal invoice to Party B.”

Article 8.3 is amended as follows:

“Unless otherwise agreed by both Parties, the fees of using the Website Platform under this Agreement should be paid quarterly, deposited by Party B to the bank account designated by Party A, and Party A should issue legal invoice to Party B.”

3. Article 10.1 of the Website Development and Use Agreement provides the following provision:

“Term of this Agreement will be two years, commencing from the date of effectiveness of this Agreement. Upon the expiration, this Agreement may be extended as agreed upon by both Parties.”

Article 10.1 is amended as follows:

“Both Parties agree that the term of the Website Development and Use Agreement shall be extended to five years commencing from the date of execution of this Amendment and may be further extended in five-year roll without limitation number of extensions allowed.”

4. This Amendment will become effective on the date of execution by the authorized representatives of each Party.

5. This Agreement is executed in 4 originals and each Party holds two originals. Each original has the same legal affect.

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Authorized representative (signature): _____

Party B: [describe the name of New Oriental Schools]

Authorized representative (signature): _____

New Enrollment System Development Service Agreement

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Party B: [the name of New Oriental Schools]

- (1) WHEREAS, Party A, a wholly owned foreign enterprise duly organized and existing under PRC laws, owns considerable technical capability and abundant business experience in software development and hardware services; and
- (2) WHEREAS, Party B, an independent private-funded school in China engaged in providing language training and relevant courses to the public, needs Party A to provide it the development and daily system maintenance services of the new enrollment system.

NOW, THEREFORE, through friendly negotiation and on the principle of equality and mutual benefit, in relation to the development and daily system maintenance services of new enrollment system provided by Party A to Party B and the payments by Party B for using new enrollment system under this Agreement, Parties hereby agree as follows.

1. General Rules

- 1.1 Definition of “Enrollment System”: The Enrollment System refers to the enrollment system software designed and developed by professional staff organized by Party A after the acceptance of Party B’s commission and according to its requirements under the terms provided in this Agreement, and used legally by Party B. (“Enrollment System” thereafter)
- 1.2 Responsibility of the Enrollment System development: under the premise of profound acquaintance to the business procedure of Party B, Party A shall organize professional staff to develop the software system in accordance with the business and function requirements of Party B. Without written consent of Party B, Party A shall not assign the system development responsibility to any third party, in whole or in part.

- 1.3 System development cycle: upon the effectiveness of this Agreement, Party A shall fully complete the design and compilation plan of the entire system, obtain Party B's confirmation, and execute the plan confirmation letter no later than June 15, 2005; Party A shall fully finish the installation and adjustment, accept the checking and acceptance of Party B or the institution appointed by Party B no later than June 15, 2005. Party A shall assume unconditionally amendment, upgrading or versioning obligations for System function defects, security defects and interface defects, if such defects still exist after the checking and acceptance.
 - 1.4 Maintenance and training of the Enrollment System: Party A provides maintenance services for the system's malfunctions in the using process by Party B; Party A assumes the training of Party B's staff of system installation, using, daily maintenance and malfunction checking.
 - 1.5 Ownership of the Enrollment System: system is developed and accomplished by Party A, and both Parties possess ownership to the system jointly.
 - 1.6 System expenses: Party B shall pay Party A Fees for System development and follow-on technical services and upgrading according to this Agreement.
2. System Function
- 2.1 Under the promise of profound understanding between Parties, Party B is responsible for specifying requirements, and Party A is responsible for realizing system functions.
 - 2.2 Final confirmation of the Enrollment System functions shall be determined by the requirement research report, system design report (design plan), etc., acknowledged by Party B in writing. The research and requirement collection conducted by Party A upon Party B and the documents produced therewith constitute the annex of this Agreement, having legal effect together with this Agreement.
 - 2.3 Basic functions of the Enrollment System include, but are not limited to, registration management, cash flow-in management, students information management, teachers' reward management, classroom resource management, data searching, data analysis, decision makings, internet based registration and cash flow-in management, refund and cash flow-out management, data security, operating interface design, data back-up, etc.
 - 2.4 After checked, accepted and used normally by Party B, Party A can upgrade or expand the system under Party B's commission for the purpose of due to the expansion or alteration of the System functional requirements as a result of the business expansion and change of Party B.

3. System Defect

- 3.1 In the event that the functions provided for in Article 2 hereinto fails to be fully realized, Party B can refuse to accept the system, and Party A shall compensate for the loss and assume the responsibility resulted from such failure. Party A shall compensate for all the direct losses of Party B, if any, caused by the failure mentioned above; if it results in the fact that the performance of this Agreement is not necessary or impossible, Party B can terminate this Agreement and reserve the right to require Party A to compensate for all the losses.
- 3.2 In the event that there are functional defects or operation interface defects in part after the checking and acceptance process, Party B shall inform Party A in writing. Party A shall respond within 24 hours after receiving the notice, and remove the impediments unconditionally through methods of amending program, upgrading or versioning in the time period confirmed by both Parties. The expenses thus arising out of shall be assumed by Party A, and Party A will be responsible for the loss of Party B.
- 3.3 In the event that the data security defects still exist after the checking and acceptance process, responsibility shall be assumed according to Article 7 of this Agreement “Responsibility on Data Security.”

4. System Maintenance and Staff Training

- 4.1 In the course of normal use of the system by Party B, Party A shall resolve the system malfunctions other than the ones provided for in Article 3 of this Agreement within 12 hours after receiving the notice.
- 4.2 Within 7 days after passing the checking and acceptance, Party B shall begin the training of at least one of Party B employees on system’s installation, usage, daily maintenance and malfunction examination. Party B shall provide at least one employee to attend the training in the relevant period.

- 4.3 After the Enrollment System's amendment, upgrading and versioning, Parties must conduct training as provided for in Article 4.2.
5. Intellectual Property and Source Code
- 5.1 Party A possesses all the intellectual property of Enrollment System and the right of authorship in the system.
- 5.2 Party A possesses all the source codes of the System.
6. System's Checking and Acceptance
- 6.1 System shall be delivered to Party B from Party A for checking and acceptance no later than June 15, 2005. In the event that Party A delays in deliverance, it shall pay 1% of the total amount of the subject matter of this Agreement to Party B for each day overdue. In the event that the number of days overdue exceeds 30 days, Party B has right to refuse to check and accept.
- 6.2 System's checking and acceptance can be conducted by either Party B or institutions appointed by Party B.
- 6.3 Party B shall dispatch personnel to do checking and acceptance within 7 days after deliverance by Party A. The system will be deemed to have been checked and accepted by Party B if Party B does not perform checking and acceptance after 7 days.
- 6.4 Party B will issue a checking and acceptance report to Party A after the system passes the checking. Such report is the annex of this Agreement, and has legal effect with this Agreement.
- 6.5 In the process of checking and acceptance, Party B can refuse to issue the checking and acceptance report if it or the institution appointed by it finds system defects that affect functions and normal usage. In this case Party B can specify certain reasonable term for Party A to amend the Enrollment System and remove impediments.
- 6.6 If the checking and acceptance is delayed or fails to pass due to the reasons provided for in Article 6.1 or 6.5 of this Agreement, Party B can terminate this Agreement. Party A shall refund prepaid payments, if any, to Party B, and compensate Party B for its losses.

7. Responsibility on Data Security

- 7.1 Party A shall maintain warranty with the system data security of Party B in the course of the designing and development of Enrollment System. Responsibility for Enrollment System data security includes, but is not limited to: preventing illegal entry, preventing destruction of system caused by computer virus, data recovery and back-up, etc.
- 7.2 The damages caused as a result of using third party software or hardware by Party A in the design plan of data security of Enrollment System shall not constitute exculpatory reasons for Party A.
- 7.3 In the event that data security defects are found after the checking and acceptance process and such defects result in loss of Party B, Party A shall remove the impediments unconditionally within 24 hours after receiving the notice, recover the data and amend, upgrade or version the data security system. Party B reserves the right to require Party A to compensate for all the losses.

8. Payment

- 8.1 Parties agree that Party B shall pay fees for using the Enrollment System to Party A in accordance with the revenues and profits generated by such Enrollment System.
- 8.2 Parties agree that the fee of using the Enrollment System of this Agreement is ____ Yuan/per student per time.
- 8.3 Unless otherwise agreed by both Parties, the fees of using the Enrollment System under this Agreement should be paid monthly, deposited by Party B to the bank account designated by Party A, and Party A should issue legal invoice to Party B.
- 8.4 Taxes and expenses arising out of the execution and implementation of this Agreement shall be borne by Parties respectively according to law.

9. Liability of Breach of Contract

- 9.1 In the event that Party B assigns the right of using the registration system under this Agreement to a third party without consent of Party A, Party A has the right to request Party B to stop this infringement and eliminate any impacts. Party B shall compensate Party A in the amount equal to twice of the profit of Party B gained as a result of the infringement and Party A reserves its right to sue Party B.
- 9.2 In the event that Party A breaches above provisions and causes losses and damages to Party B's teaching business, Party A shall compensate Party B in the amount equal to twice of the loss sustained by Party B.
- 9.3 In the event that Party B fails to pay to Party A the usage fees for the registration system under this Agreement, it shall pay 0.05% of the overdue payment amount to Party A for each day overdue. In the event that the number of days overdue exceeds 30 days, Party A has the right to terminate this Agreement.

10. Term and Termination

- 10.1 Term of this Agreement will be two years, commencing from the date of effectiveness of this Agreement. Upon the expiration, this Agreement can be extended as agreed upon by both Parties.
- 10.2 Any Party will be deemed to have breached the Agreement if it fails to perform any obligations hereinto; the non-breaching Party is entitled to issue written notice to terminate this Agreement to the breaching Party if the breaching Party has not taken any measures to cure or remedy the breach within 60 business days of the written notice to cure such breaches issued by the non-breaching Party. The non-breaching Party can terminate this Agreement at any time thereafter. If the breach is cured by the breaching Party within 60 business days of the written, this Agreement will continue to be effective.

11. Dispute Resolution

- 11.1 The Parties shall use their best efforts in good faith to amicably settle any disputes or differences arising out of this Agreement. If an attempt to settle has failed, any Party can submit the disputes to Beijing Arbitration Commission for arbitration in Beijing in accordance with its rules of arbitration in effect. The arbitral award shall be final and binding upon both Parties.

- 11.2 “Dispute” in this clause means the dispute to the formation, time of formation, explanation of the content, performance, breach responsibility, and amendment, assignment, release and termination of this Agreement.
12. Miscellaneous
- 12.1 This Agreement shall become effective upon the date of execution by both Parties. Parties may negotiate and enter supplementary contracts on matters not agreed upon herein. Supplementary contracts have equal effect as this Agreement.
- 12.2 Any provision of this Agreement will be deemed as severable in the jurisdiction where it conflicts with the laws in such jurisdiction. The enforceability and binding effect of such provision should not be affected in other jurisdictions.
- 12.3 This Agreement together with the documents referred to herein is the sole contract achieved by Parties for the subject of this Agreement. Except for the ones listed in this Agreement, the Parties will not be bound by other conditions, provisions, warranties or representations,
- 12.4 Amendments to this Agreement shall be valid only when made in writing and signed by both parties or their legal representatives with seal, and such amendments shall have the same effect as this Agreement.
- 12.5 The execution, validity, construction, performance, amendment, termination and dispute resolution of this Agreement will be governed by the laws of PRC.
- 12.6 Party B shall not assign this Agreement, in part or in whole, without the prior written approval of Party A.
- 12.7 The failure to require performance fully and timely of any provision shall not affect a party’s rights to require performance of such provision or other provisions of this Agreement at any time thereafter.
- 12.8 If a Force Majeure Event affects the performance of this Agreement, the Party affected by the Force Majeure Event shall immediately notify the other Party by means of telegraph, fax or other electronic forms, and shall furnish within fifteen (15) days thereafter sufficient evidence in writing of the occurrence of the Force Majeure Event. According to the Force Majeure’s impact on the performance of this Agreement, the Parties determine whether to release this Agreement, exempt the performance responsibility in part, or delay the performance.

- 12.9 Unless otherwise provided under this Agreement, “day” means calendar day, “business day” means the normal business day of Chinese commercial banks.
- 12.10 The annexes of this Agreement shall be considered as an integral part of this Agreement, and have the same effect.
- 12.11 This Agreement is executed in 4 originals and each Party holds two originals.

Each party has caused this Agreement to be executed by its duly authorized representative on the date of April 25, 2005:

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Authorized representative (signature): _____

Party B: [describe the name of New Oriental Schools]

Authorized representative (signature): _____

**Amendment to the New Enrollment System
Development Service Agreement**

This Amendment is executed on January 1, 2006, in Beijing, by the following parties.

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Party B: [the name of New Oriental Schools]

The Parties entered into the New Enrollment System Development Service Agreement on April 25, 2005. Upon friendly discussions, the Parties hereby modify and amend the original New Enrollment System Development Service Agreement as follows:

1. Article 8.2 of the New Enrollment System Development Service Agreement provides the following provision:

“Parties agree that the fee of using the enrollment system of this Agreement is ____ Yuan/per student.”

Article 8.2 is amended as follows:

“Parties agree that the fee of using the Enrollment System under this Agreement is ____ Yuan/per student. Both Parties may discuss and adjust such payment standard at the end of each quarter according to the actual revenue and profit of Party B. In the event that no adjustment is made, the percentage applied in the nearest quarter shall apply.”

2. Article 8.3 of the New Enrollment System Development Service Agreement provides that:

“Unless otherwise agreed by both Parties, the fees of using the Enrollment System of this Agreement should be paid monthly, deposited by Party B to the bank account designated by Party A, and Party A should issue legal invoice to Party B.”

Article 8.3 is amended as follows:

“Unless otherwise agreed by both Parties, the fees of using the Enrollment System of this Agreement should be paid quarterly, deposited by Party B to the bank account designated by Party A, and Party A should issue legal invoice to Party B.”

3. Article 10.1 of the New Enrollment System Development Service Agreement provides that:
“Term of this Agreement will be two years, commencing from the date of effectiveness of this Agreement. Upon the expiration, the contract can be extended as agreed upon by both Parties.”
Article 10.1 is amended as follows:
“Both Parties agree that the term of the New Enrollment System Development Service Agreement shall be extended to five years commencing from the date of execution of this Amendment and may be further extended in five-year roll without limitation of number of extensions allowed.”
4. This Amendment will become effective on the date of execution by the authorized representatives of each Party.
5. This Agreement is executed in 4 originals and each Party holds two originals. Each Original has the same legal effect.

Party A: Beijing Decision Education Co., Ltd. (Management-WOFE)

Authorized representative (signature): _____

Party B: [describe the name of New Oriental Schools]

Authorized representative (signature): _____

Trademark License Agreement

This Trademark License Agreement (“**Agreement**”) is entered into by and between the following Parties:

Party A (“Licensor”): Beijing Hewstone Technology Co., Ltd.

Party B (“Licensee”): [the name of New Oriental Schools]

WHEREAS, according to [*] copies of Trademark License Contract between the Licensor and New Oriental Education & Technology Group Inc. dated as of May 13, 2006, the Licensor has the right to sub-license for free or with charge to any independent company or organization, which is related to or affiliated with the Licensor in terms of revenues and risks, to use the relevant trademark for specified products and service scope.

WHEREAS, the Licensee wishes to use the trademarks set forth in Appendix I in the course of its business operation.

In accordance with the terms and conditions under this Agreement, the Licensor agrees to grant the trademark license to the Licensee, and the Licensee accepts such license. Therefore, the Parties hereto through mutual negotiation agree as follows:

1. License of the Trademarks

1.1 The Licensor herein grants a non-exclusive and non-transferable license to the Licensee, and the Licensee should use the trademarks as defined in Appendix I (the “Licensed Trademarks”) only within the territory of the PRC (not including Taiwan, Hong Kong or Macau areas) in accordance with the terms hereunder set forth and the Licensor’s written instructions; the Licensee accepts such license herein.

1.2 The Licensor only grants a license to the Licensee to use the Licensed Trademarks by means of printing, copying, performance and demo, playing, exhibiting and display, publishing, propaganda and so on in the PRC, and the Licensee may use the Licensed Trademarks in any other ways with the consent of the Licensor; without the prior consent of the Licensor, the Licensee shall not sub-license the Licensed Trademarks to any third party.

1.3 The Licensee recognizes that the Licensed Trademarks are effective and that the Licensor has the right to grant the Trademark License under this Agreement, and that the Licensee has no right of entitlement, ownership or interest arising out of the usage of the Licensed Trademark or the relevant rights granted hereinafter, except for otherwise stipulated in this Agreement. The Licensee warrants that it will raise no doubt about the ownership of the Licensed Trademarks, and it will not apply for the trademark registration of the Licensed Trademarks or any other trademarks similar to or resembling the Licensed Trademarks in the PRC or any other areas, or try to obtain any rights associated with such Licensed Trademarks or any trademarks similar to or resembling the Licensed Trademarks, acquire the Licensed Trademarks or any trademarks similar to or resembling the Licensed Trademarks via any other means.

1.4 The Licensee recognizes that the Licensor is the exclusive provider of the Licensed Trademarks under this Agreement to the Licensee. Without prior written consent of the Licensor, the Licensee shall not accept any license regarding all or part of the Licensed Trademarks hereunder and any trademarks, which compete with the Licensed Trademarks, granted by any third party.

1.5 The term of the Agreement is ten (10) years, commencing on the execution date of this Agreement. Unless otherwise agreed by the Parties, this Agreement will be automatically renewed on the expiry. If any trademark set forth in Appendix I expires before the expiry date of this Agreement, the Licensor should cause the registrant of such trademark to renew it in time. If such trademark is canceled due to failure to renew in time, the relevant license of such trademark hereunder will be terminated upon the cancellation of such trademark.

2. Usage of Trademark

2.1 The Licensee should use the Licensed Trademarks by means without harm to the validity or value of the Licensed Trademarks, and only for the purpose(s) or in the ways set forth in Article 1.2 herein. The Licensee shall abide by the Licensor's instructions regarding the usage of the Licensed Trademarks from time to time.

2.2 If the Licensor reasonably believes that the Licensee's usage of the Licensed Trademarks is not performed in accordance with Article 2.1 herein, the Licensor has the right to request the Licensee to terminate the usage of the Licensed Trademarks.

3. Notice of Claim

3.1 If any third party uses the Licensed Trademarks without authorization, or any third party claims for any kind of compensations for any infringement or violation to its rights arising out of Licensed Trademarks or the Licensee's usage of the Licensed Trademarks, the Licensee agrees that it will notify the Licensor on learning such infringement (the "Infringement Notice"). The Licensor has the sole discretion to decide whether to bring legal actions against such third party for the infringement or any violation to the Licensed Trademarks, or to defend against the legal proceedings or claims for compensation. If the Licensor chooses to take legal actions or to defend against the legal proceedings or the claims for compensation, the Licensor has exclusive control over such legal actions or defenses.

If the Licensor does not notify the Licensee that it will take legal actions or bring claims for such infringement as described in the Infringement Notice or defend in the legal proceedings incurred or claims for compensation by any third party within one (1) month after the date of Infringement Notice, the Licensee will have the right to take actions on its own charge for such existing or potential infringement, or defend against claim brought by any third party.

3.2 The Licensee shall provide support for any reasonable requests by the Licensor for any claims or actions arising out of any circumstances as listed in Article 3.1 herein, and all the expense arising out of such support shall be born and all the rewards should be owned by the Licensor.

4. License Fee

4.1 The Licensor shall pay a license fee of [%] of the Licensee's quarterly revenue (the "License Fee") to the Licensee for Trademark License herein. The Parties may through mutual negotiation adjust the License Fee Standard in accordance with the Licensee's actual revenue and profit at the end of every quarter. If no adjustment is made, the Parties shall use the percentage applied in the closest preceding quarter.

4.2 The Licensee shall pay the License Fee to the bank account designated by the Licensor on a quarterly basis, and the Licensor shall submit a valid invoice to the Licensee.

5. Liability of Breach of Contract

5.1 In the event that the Licensee fails to pay the License Fee on time under this Agreement, the Licensee shall pay 0.05% of the overdue payment amount to the Licensor for each day overdue. In the event that the overdue days exceed 30 days, the Licensor has right to terminate this Agreement.

5.2 In the event that the Licensee fails to use the Licensed Trademarks in the area or by the means set forth in this Agreement, the Licensee shall compensate the Licensor in the amount equal to twice of the profit gained by the Licensee as a result of this infringement.

6. Modification of the Agreement

6.1 This Agreement may be amended through the Parties' mutual negotiation.

6.2 Any modification to this Agreement shall be made by both Parties in writing. Otherwise, the Parties will not be bound by such modification.

7. Governing Law

7.1 The execution, validity, interpretation, performance, modification, termination and dispute resolution of this Agreement shall be governed by and construed in accordance with the PRC laws.

8. Dispute Resolution

8.1 Any dispute arising out of the performance of this Agreement or in connection with this Agreement shall be settled by the Parties' through friendly negotiation. If such negotiation fails, any Party can submit the dispute to the Beijing Arbitration Commission for arbitration in Beijing in accordance with the rules of arbitration of this commission now in effect. The tribunal award shall be final and binding upon both Parties.

9. Miscellaneous

9.1 The Agreement shall become effective upon the date of execution by both Parties (signature & seal).

9.2 Upon the execution of this Agreement, the Parties may enter into supplementary agreements regarding any matters not covered hereunder or other new matters and such supplementary agreements shall form a part of this Agreement and shall have the same legal effect as this Agreement.

9.3 The Appendix of this Agreement is an integral part of this Agreement and shall have the same legal effect as this Agreement.

9.4 This Agreement is executed in three (3) originals and each Party holds one (1) original. One original is kept as backup. Each original has the same legal effect.

This Agreement is executed by the following Parties in Beijing dated as of May 13, 2006:

Licensor: Beijing Hewstone Technology Co., Ltd.

Authorized Representative (signature):

Licensee: [the name of New Oriental Schools]

Authorized Representative (signature):

Appendix I

List of Licensed Trademarks

Trademark License Agreement

Contract No: _____

Executed in Beijing

Licensor (“Party A”): New Oriental Education & Technology Group Inc.

Licensee (“Party B”): Beijing New Oriental Education & Technology (Group) Co., Ltd.

This No. 3374479 trademarks licensed hereunder was registered with the Trademark Bureau of the State Administration for Industry and Commerce on May 14, 2004 and was licensed to Party B by Party A on an exclusive basis on October 11, 2005. Now for the need of operation and upon negotiation, the Parties decide to change the license from exclusive license to non-exclusive license. In accordance with Article 40 of the PRC Trademark Law and Article 43 of the Implementing Rule of the Trademark Law, the Parties hereto enter into this Trademark License Agreement.

1. Party A will grant the license of No. 3374479 “**新东方** + NEW ORIENTAL + pattern” trademark to Party B to be used in the No. 41 service category including education, training, teaching class, mail-in education, educational test, educational information, accommodation school, book publication, publishing of non-public textbooks, publishing of textbooks (excluding advertisement booklets).



2. The license provided hereunder is valid from May 14, 2006 to December 31, 2050. Upon the expiry of this Agreement, the Parties may extend use of the trademark by entering into separate trademark license agreement.
3. Party A shall have the right to monitor the service content provided under the licensed trademark hereunder and Party B shall ensure the quality of the services provided under the licensed trademark hereunder.

4. Party B shall indicate clearly its enterprise name and source of the service for the services provided under the licensed trademarks hereunder.
5. Party B shall not change the working, pattern or any of the combination of the wording and pattern of the licensed trademark without the consent of Party A and shall not use the licensed trademark in the service areas other than the permitted categories provided hereunder.
6. The licensing provided hereunder is on a non-exclusive license.
7. Party B has the right to sub-license the licensed trademark to third parties for reasonable use. In addition, during the term of licenses provided herein Party B has the right to request on its own behalf the Administration for Industry and Commerce to conduct investigation or to raise civil actions with respect to any trademark infringement or unfair competition activities in relation to the licensed trademark within the territory of PRC.
8. Provision of the licensed trademark: Party B may print the licensed trademark.
9. Any dispute arising from this Agreement should be settled by negotiation.
10. Any other matters not covered in this Agreement should be provided in supplementary agreements by Parties through negotiation, provided however that this Agreement prevails if there is any discrepancy between these supplementary agreements and this Agreement.

This Agreement is signed in four (4) originals. Within three months of the execution of this Agreement, one original should be submitted by Party A to the Trademark Bureau for filing.

Licensor: New Oriental Education & Technology Group Inc.

/s/ Authorized Representative (signature & seal):

Address: Offshore Incorporations Limited, P.O. Box 957,
Centre, Road Town, Tortola, British Virgin Islands

Date: May 13, 2006

Licensee: Beijing New Oriental Education & Technology (Group) Co., Ltd.

/s/ Authorized Representative (signature & seal):

Address: Floor 6-9, Haidian Zhong Street, Haidian District, Beijing,
Post Code: 100080

Date: May 13, 2006

Exclusive Option Agreement

This Exclusive Option Agreement (“**Agreement**”) is executed on [], 200[] in Beijing among:

Party A: New Oriental Education & Technology Group Inc.,

Party B: [*the name of each shareholder of Beijing NOE*], and

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

In respect of Party A’s purchase of the equity interest of Party C held by Party B, the Parties hereto upon friendly negotiation agree as follows:

1. Target Equity Interest

1.1 Party A shall have the right to require Party B transfer of the [] % equity interest of Party C it holds (“**Target Equity Interest**”), in whole or in part, subject to Party A’s specific requirements, and Party B shall transfer the Target Equity Interest to Party A or to a third party designated by Party A in accordance with Party A’s requirements under the following circumstances:

- (1) Party A can legally own all or part of the Target Equity Interest under the PRC Laws; or
- (2) Other circumstances deemed as proper or necessary by Party A.

All the rights of Party A under this Agreement shall be exclusive and irrevocable.

- 1.2 All the Parties agree that Party A shall have the right to exercise its purchase right in whole or in part and to acquire the Target Equity Interest in whole or in part without any limit to the times of such exercising.
- 1.3 All the Parties agree that Party A may designate any third party to acquire the Target Equity Interest in whole or in part and Party B shall not refuse and shall transfer the Target Equity Interest in whole or in part to such third party.
- 1.4 Prior to the transfer of the Target Equity Interest to Party A according to this Agreement, Party B shall not transfer the Target Equity Interest without the Party A’s prior consent in writing.

2. Procedures

- 2.1 When signing this Agreement, Party B shall also execute the “Equity Interest Transfer Agreement” in the format set forth in APPENDIX 1 attached hereto and the “Agreement Letter” according to APPENDIX 2 attached hereto, and submits the said two documents to Party A for safekeeping.
- 2.2 If Party A decides to acquire the Target Equity Interest pursuant to Article 1.1 hereinabove, it shall send written notice to Party B which specifies the proportion of the Target Equity Interest to be acquired and identifies the transferee. Party B and Party C shall furnish all materials and documents necessary for the registration of said equity interest transfer within 7 days after the date of Party A’s notice.
- 2.3 Except the notice obligation provided in Article 2.2 of this Agreement, there shall be no other prerequisite, incidental conditions or procedures as to Party A’s option right to purchase the Target Equity Interest.

3. Transfer Price

- 3.1 The total transfer price for the Target Equity Interest shall be the lowest price allowable under the PRC Laws at the time of said transfer. If the Target Equity Interest is transferred in installments, the due transfer price for one installment shall be determined in accordance with the proportion of Target Equity Interest under said transfer.
- 3.2 All the taxes, fees and expenses arising from the transfer of the Target Equity Interest shall be the sole responsibility of the Party in accordance with the PRC Laws.

4. Appendices

In the event that at the time of the Target Equity Interest transfer, there is a need to modify the format of ‘Equity Interest Transfer Agreement’ set forth in APPENDIX 1 attached hereto pursuant to then effective PRC Laws, the Parties shall modify said format in good faith in compliance with PRC Laws and regulations.

The appendices are integral parts of this Agreement and have the same legal effects as the other parts of the Agreement.

5. Confidentiality

All the articles of this Agreement and the Agreement itself shall be kept confidential by all the Parties and shall not be disclosed to any third party excluding senior officers, directors, employees, agents and professional consultants. If any Party is required by PRC Laws to disclose any information in connection with this Agreement to the government, the public or shareholders, or to file this Agreement with governmental authorities concerned, that Party shall not be subject to this Article.

This Article shall survive any amendment, rescission or termination of this Agreement.

6. Liability for Breach of Contract

One Party shall be deemed to have breached this Agreement and compensate the other Parties for all losses if it fails to perform any of its obligations under this Agreement or its representations or warrants under this Agreement proves to be substantially false or incorrect.

7. Force Majeure

In the event of force majeure influencing the performance of this Agreement, the Party suffering the force majeure event shall forthwith notify the other Parties in the form of telegraph, facsimile or other electric forms immediately and provide the written certificate concerning force majeure within fifteen (15) working days. According to the extent of the impact of the force majeure event on the performance of this Agreement, all Parties shall negotiate and decide whether to rescind the Agreement, partly relieve obligation, or delay the performance of the Agreement.

8. Miscellaneous

- 8.1 Any dispute arising in the process of performing this Agreement shall be settled through amicable consultations. If the dispute cannot be settled through such consultation, the dispute shall be submitted to arbitration with Beijing Arbitration Commission in Beijing in accordance with its arbitration rules. The award of the arbitrator(s) shall be final.
- 8.2 This Agreement shall be effective on the date of execution.
- 8.3 This Agreement is executed in Chinese with 3 copies, each of which shall be held by each Party.

(Signature Page)

Party A: New Oriental Education & Technology Group Inc.

Signature: Yu Minhong

Party B: *[the name of each shareholder of Beijing NOE]*

Signature:

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Signature: Yu Minhong

APPENDIX 1

Equity Interest Transfer Agreement

This Equity Interest Transfer Agreement (“Agreement”) is entered into in Beijing, PRC by:

Transferor:

Transferee:

NOW, the Parties agree as follows concerning the equity interest transfer:

1. The transferor agrees to transfer to the transferee [%] of equity interest of Beijing New Oriental Education & Technology Group Inc. held by the transferor, and the transferee agrees to accept said equity interest.
2. After the closing of equity interest transfer, the transferor shall not have any rights and obligations as a shareholder of Beijing New Oriental Education & Technology Group Inc., and the transferee shall have such rights and obligations as a shareholder of Beijing New Oriental Education & Technology Group Inc.
3. Any matter not covered by this Agreement may be determined by the Parties by way of signing supplementary agreements.
4. This Agreement shall be effective from the signing day.
5. This Agreement is executed in four copies, one of which shall be held by each Party. The rest copies are made for the purpose of going through business registration of such change.

Transferor:

Signature:

Date:

Transferee: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Authorized Signature:

Date:

APPENDIX 2

Agreement Letter

To: Beijing New Oriental Education & Technology (Group) Co., Ltd., and New Oriental Education & Technology Group Inc.

I, as the shareholder of Beijing New Oriental Education & Technology (Group) Co., Ltd., hereby agree and confirm as follows:

1. I agree that other shareholders of Beijing New Oriental Education & Technology (Group) Co., Ltd. (“other shareholders”) transfer equity interest of Beijing New Oriental Education & Technology Group Inc. held by them to New Oriental Education & Technology Group Inc. or the third party prescribed by New Oriental Education & Technology Group Inc.
2. I agree to waive my preemptive right when the other shareholders transfer their equity interest to New Oriental Education & Technology Group Inc. or a third party designated by New Oriental Education & Technology Group Inc.
3. I agree to sign or provide necessary documents for the purpose of going through the registration of said transfer when the other shareholders transfer their equity interest to New Oriental Education & Technology Group Inc. or the third party prescribed by New Oriental Education & Technology Group Inc.

This Agreement Letter shall be effective from the signing date.

[describe the name of each shareholder of Beijing NOE]

Signature: _____

Date: December 22, 2004

Amendment to the Option Agreement

This Amendment to the Option Agreement (“Amendment”) is executed on May 25, 2006 in Beijing among:

- Party A: New Oriental Education & Technology Group Inc.
- Party B: Beijing Shiji Youhao Education Investment Co., Ltd.
Beijing Beizhi Culture & Education Co., Ltd.
Xu Xiaoping
Beijing Hongcai Education & Technology Co., Ltd.
Bao Fanyi
Beijing Jin Mu Tu Technology & Trading Co., Ltd.
He Qingquan
Qingdao Feixiang Language Services Co., Ltd.
Qian Yongqiang
Beijing Jinfan Fengdu Culture Development Co., Ltd.
Beijing Tian Yi Yang Technology Development Co., Ltd.
- Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

WHEREAS,

Party A, B and C have entered into the Option Agreement with respect to the equity interest of Party C held by Party B.

The Parties hereto upon friendly discussion agree on the following terms of the Amendment with respect to the Option Agreement executed by Party A, B and C, respectively.

1. All Parties hereby confirm that the execution, performance, construction of the only Option Agreement executed by Party A, B and C are governed by the PRC laws and Party B only transfers the equity interest of Party C it holds to Party A or its designated third party when and to the extent permitted by PRC laws.
2. All Parties hereby confirm that each party of Party B undertakes the obligations provided hereunder and in the Option Agreement independently and each party of Party B shall not be jointly and severally liable for such obligations.

3. This Amendment will become effective upon the date on which each Party hereto signs on this Amendment and shall be the binding amendment to the Option Agreement. This Amendment shall have the same legal effect as the Option Agreement.
4. This Amendment is made in Chinese with 13 originals, each of which is held by each Party hereto and has the same legal effect.

(Signature Page)

Party A: New Oriental Education & Technology Group Inc.

Party B: Beijing Shiji Youhao Education Investment Co., Ltd.

Beijing Beizhi Culture & Education Co., Ltd.

Xu Xiaoping

Beijing Hongcai Education & Technology Co., Ltd.

Bao Fanyi

Beijing Jin Mu Tu Technology & Trading Co., Ltd.

He Qingquan

Qingdao Feixiang Language Services Co., Ltd.

Qian Yongqiang

Beijing Jinfan Fengdu Culture Development Co., Ltd.

Beijing Tian Yi Yang Technology Development Co., Ltd.

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Equity Pledge Agreement

This Equity Pledge Agreement (“**Agreement**”) is executed on May 25th, 2006 in Beijing among:

Party A: Beijing Decision Education Co., Ltd.

Beijing Hewstone Technology Co., Ltd.

Party B: Beijing Shiji Youhao Education Investment Co., Ltd.

Beijing Beizhi Culture & Education Co., Ltd.

Xu Xiaoping

Beijing Hongcai Education & Technology Co., Ltd.

Bao Fanyi

Beijing Jin Mu Tu Technology & Trading Co., Ltd.

He Qingquan

Qingdao Feixiang Language Services Co., Ltd.

Qian Yongqiang

Beijing Jinfan Fengdu Culture Development Co., Ltd.

Beijing Tian Yi Yang Technology Development Co., Ltd.

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

WHEREAS:

- (1) Party A has entered into a series of contracts attached hereto (“Main Contracts”) with Party C and Party C’s affiliates respectively;
- (2) Party B collectively holds 100% of equity interest of Party C and agrees to provide security of pledge over the equity interest for the performance of payment obligations of Party C and its affiliates under the Main Contracts, and Party A agrees to accept such security of pledge.

NOW, THEREFORE, the Parties agree as follows:

1. Main Contract

All Parties hereto acknowledge and confirm that the Main Contracts over which the security of pledge is provided hereunder include a series of contracts entered into and became effective among Party A and Party C as well as Party C’s affiliates, including but not limited to the agreements listed in the Appendix I hereto and the agreements to be executed among Party A and Party C as well as Party C’s affiliates in the future. All Parties confirm that within the term of this Agreement, the Parties shall at the request of Party A promptly recognize the agreements executed and terminated among Party A and Party C as well as Party C’s affiliates as the Main Contracts and amend the Appendix I accordingly.

2. Pledge

Party B agrees to provide security of pledge over 100% of the equity interest it holds in Party C (“Pledged Equity Interest”) to Party A in whole as the security for the performance of all Party C’s obligations under the Main Contracts.

The Parties confirm that all members in Party B undertake the obligations under the security pledge independently. Such members shall not be jointly and severally liable for such obligations.

3. Scope of Pledge

The scope of such Pledged Equity Interest covers any amount, penalty for breach of contract, damages and the fees for realizing the main creditor’s rights and pledge right, which is payable but not paid to Party A by Party C.

4. Term of Pledge

This Agreement shall be effective from the date when all parties sign the Agreement and the said equity interest pledges are registered in the register of shareholders of Party C until all the obligations of Party C and its affiliates under the Main Contract (including all amendments to the Main Contracts and the appendices are fulfilled). During the term of pledge, in the event that Party C and its affiliates fail to perform any obligations under the Main Contracts, Party A shall have the right to dispose the equity interest pledge in accordance with relevant laws.

5. Registration

Party B warrants to Party A that its execution of this Agreement and performance of its obligations under this Agreement have been approved and/or will be approved by the shareholders’ meeting of Party C and meanwhile will register equity interest pledge hereof with the shareholder register of Party C, and Party C agrees to cooperate and assist with the foregoing matters.

Party B and Party C shall deliver to Party A Party B’s investment certificates in Party C and shareholders register of Party C.

6. Party B's Representation
 - 6.1 Party B is the lawful owner of the said equity interest.
 - 6.2 Except for the pledge provided hereunder, Party B has not placed any other pledge on the pledged equity interest.

7. Party B's Undertakings and Warrants
 - 7.1 Party B undertakes to Party A that in the term of this Agreement, it will:
 - 7.1.1 without Party A's prior written consent, not transfer the pledged equity interest, or establish or permit the existence of any guaranty on the pledged equity interest unless otherwise agreed by both Parties;
 - 7.1.2 abide by and implement all PRC Laws and regulations concerning the pledge of rights, and in the case of receiving any notice, instruction or suggestion sent or made by the governmental authority concerned, bring forth such notice, instruction or suggestion to Party A within 5 days, and comply with them or put forward arguments and representations against them pursuant to Party A's reasonable requests or with Party A's consent.
 - 7.2 Party B agrees that, for the purpose of this Agreement, Party A shall have the right to exercise its equity interest pledge right in accordance with relevant laws, and such exercising in accordance with this Agreement shall not be interrupted or infringed by Party B, its successors, its principals or any other people by way of legal procedures.
 - 7.3 Party B undertakes to Party A that, for the purpose of protecting or perfecting the guaranty as provided in this Agreement for the payment under the Main Contracts, Party B will upon Party A's request honestly sign, and urge other persons with interests to the pledge to sign, all certificates of rights, agreements and covenants in connection with the enforcement of this Agreement, and urge other persons with interests to the pledge to take, any action in relation to the enforcement of this Agreement and facilitate Party A's exercising of its rights under this Agreement.

- 7.4 Party B undertakes to Party A that, in order to ensure the interests of Party A, Party B will abide by and perform all undertakings, promises, warrants, agreements, representations and conditions. If Party B fails to perform or performs incompletely undertakings, promises, warrants, agreements, representations and conditions, Party B shall indemnify all the losses suffered by Party A as a result.
8. Transfer
- 8.1 Unless agreed in writing by Party A in advance, Party B shall not have the right to donate or transfer any rights and obligations under this Agreement with the exception of the “Option Agreement” concluded between Party B and New Oriental Education & Technology Group Inc.
- 8.2 This Agreement shall be binding upon Party B and its successors, and also binding upon Party A, its successors and its assignees.
- 8.3 Party A may, at any time, assign all or any of its rights and obligations under the Main Contracts to a designated person (natural or legal), under which circumstance the assignee shall have the rights and obligations Party A has under this Agreement as if it were a Party to this Agreement. Where Party A transfers its rights and obligations under the Main Contracts, Party B shall, upon Party A’s request, execute agreements and/or documents concerning said transfer.
- 8.4 Where there is a change to Party A as result of said assignment, both new Parties shall enter into a new equity pledge agreement.
9. Confidentiality
- All the provisions hereunder and the Agreement itself shall be kept confidential by all the Parties and shall not be disclosed to any third party excluding project-related senior officers, directors, employees, agents and professional consultants. If any Party is required by Law to disclose any information in connection with this Agreement to the government, the public or shareholders, or to file this Agreement with governmental authorities concerned, that Party shall not be subject to this Article.

This Article shall survive any amendment, rescission or termination of this Agreement.

10. Liability for Breach of Contract

One Party shall compensate the other Parties for all losses if it fails to perform any of its obligations under this Agreement or if its representations or warrants under this Agreement prove to be substantially false or incorrect.

11. Force Majeure

In the event of force majeure influencing the performance of this Agreement, the Party suffering the force majeure event shall forthwith notify the other Parties in the form of telegraph, facsimile or other electric forms and provide the written certificate concerning force majeure within fifteen (15) working days. Subject to the extent of the impact of the force majeure event on the performance of this Agreement, all the Parties shall negotiate and decide whether to rescind the Agreement, partly relieve obligation, or delay the performance of the Agreement.

12. Miscellaneous

12.1 Any dispute arising in the process of performing this Agreement shall be settled through amicable consultations. If the dispute cannot be settled through such consultation, the dispute shall be submitted to arbitration with Beijing Arbitration Commission in Beijing in accordance with its arbitration rules. The award of the arbitrator(s) shall be final.

12.2 This Agreement shall be effective from the signing day.

12.3 This Agreement is executed in Chinese in 14 copies, each of which shall be held by each Party.

(Signature Page)

Party A: Beijing Decision Education Co., Ltd.

Beijing Hewstone Technology Co., Ltd.

Party B: Beijing Shiji Youhao Education Investment Co., Ltd.

Beijing Beizhi Culture & Education Co., Ltd.

Xu Xiaoping

Beijing Hongcai Education & Technology Co., Ltd.

Bao Fanyi

Beijing Jin Mu Tu Technology & Trading Co., Ltd.

He Qingquan

Qingdao Feixiang Language Services Co., Ltd.

Qian Yongqiang

Beijing Jinfan Fengdu Culture Development Co., Ltd.

Beijing Tian Yi Yang Technology Development Co., Ltd.

Party C: New Oriental Education & Technology Group Inc.

Appendix I

List of Main Contracts

<u>No.</u>	<u>Name of the Contract</u>
1	Trademark License Agreement
2	Website Development and Use Agreement
3	New Enrollment System Development Service Agreement
4	Teaching Support Agreement

The Borrower shall read this Agreement carefully, especially those clauses with the mark ***, and sign this Agreement without misunderstandings.
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LOAN AGREEMENT

Contract No. Bank of Communications 2003 Loan NO.2B0026-01

Borrower: Yangzhou New Oriental Education & Technology Co., Ltd.

Address: No.58, Nantong West Street, Yangzhou City

Legal representative: Yu Minhong

Lender: Bank of Communications Yangzhou Branch

Address: []

WHEREAS the Borrower has applied for a fixed assets loan from the Lender, according to the relevant laws, regulations and other relevant provisions of the People's Republic of China, the Borrower and Lender hereby agree as follows:

Article 1 Loan

1.1 Currency: Renminbi

1.2 Amount:(in capital) [*]

The actual amount of principle that the Borrower owes shall be determined according to the accounting document presented by the Lender.

1.3 Term: 3 (years/~~months~~) commencing from 2003 (year), December (month) 3rd (day) to 2006 (year), October (month) 10th (date).

1.4 Purpose: Basic construction

The loan should not be used for any other purposes.

Article 2 The Interest Rate and the Calculation Method

2.1 The rate of interest: [*]% (per month) based on 30 days per month, 360 days per year.

2.2 During the term of this Agreement, if the People's Bank of China adjusts benchmark interest rate or the calculation method, this Agreement should apply the regulations of the People's Bank of China without the Borrower's permission.

2.3 The formula of interest:

Interest = the rate of interest under this Agreement × loan amount × actually occupancy days Among them, the actually occupancy days shall be calculated commencing from the date of providing loan.

2.4 The interest of the loan hereunder should be settled on a quarterly basis. The Borrower shall pay interest at the 20th day of the last month of every quarter, provided that the interest should be paid with the repayment of the last installment of principal upon its due date.

Article 3 Grant of Loan

3.1 The Borrower should apply for the loan granted by the Lender in accordance with the following schedules and shall go through the procedures three bank working days in advance.

Date/Amount

_____/_____

- 3.2 The Lender has the right to examine the following items before granting a loan, and decide whether to provide the loan at its own discretion based on examination result.
- (1) Whether or not the Borrower has submitted the feasibility report, the project approval and other ratification or approval documents;
 - (2) Whether or not the Borrower has presented the certificate on the deposit of funds raised independently with respect to the project in accordance with State regulations;
 - (3) Whether or not the Borrower has obtained government permits, approvals, registration and completed other procedures as may be required by the Lender.
 - (4) Whether or not the guarantee contract has become effective.
- 3.3 Actual date of providing loan and the amount of loan are decided by the Loan Certificate.

Article 4 Repayment

4.1 The Borrower should repay as following schedules:

Date /Amount

_____/_____

If the repayment dates recorded on the Loan Certificate differs from the plan aforementioned, the former should prevail.

4.2 The Borrower should repay the principal money and pay interest in full on schedule.

***4.3 The Borrower hereby irrevocably authorizes the Lender to actively debit from the Borrower's deposit account established in the Bank of Communications.

4.4 The Borrower should make the repayment of principal and interest in the currency mentioned in Article 1.1.

***4.5 With the agreement of the Lender, the Borrower may prepay in advance.

The Lender has the right to require the Borrower to pay interest which occurs between the prepayment date and the repayment date provided in the Loan Certificate at the rate provided herein.

*****Article 5 Representation and Warranty of the Borrower**

- 5.1 The Borrower recognizes and obeys the Lender's business system and operational procedures as well as the procedures provided hereunder.
- 5.2 The Borrower undertakes to coordinate with the Lender to monitor the use of loan and the Borrower's business operation, provide all the financial reports and other relevant information required by the Lender in time and assures the truthfulness, completeness and accuracy of those files and information.
- 5.3 The Borrower should notify the Lender in writing within 7 days upon the occurrence of the following events:
- (1) There are significant changes to the Borrower's operational system or shareholder and organization structures, including but not limited to subcontract, leasing operations, operation by cooperation, transformation in line with stock system, merger and acquisition, joint investment, split, setting up subsidiaries company, transfer of shares, decrease of capital, winding up, dissolution, declaring bankruptcy, and so on;

- (2) If the Borrower amends the articles of association, changes the legal representative, decreases registered capital, or makes great decision on the financial or labor policies;
- (3) The Borrower sells, lease out, transfers, or disposes in other ways of all or most of its assets;
- (4) The Borrower provides guarantee to a third party that causes serious adverse affect on the financial situation of the Borrower and the ability to perform its obligations under this Agreement;
- (5) The Borrower is involved in a significant lawsuit or the main assets are under property preservation or other compulsory execution measures;
- (6) The Guarantor's financial situation significantly changes or the value of the security significantly decreases;
- (7) Other events occurring to the Borrower that may cause serious adverse affect on the Borrower's financial situation and capability of repayment.

Article 6 Other Matters

This Agreement is a maximum amount loan agreement. Within the term of loan provided hereunder and within the maximum amount of Renminbi Twenty Four Million and Five Hundred Thousand, borrowing may be made by rolling. Specific amount and date of loan and repayment schedule provided by the Lender will be recorded in the Loan Certificate.

*****Article 7 Default**

7.1 The Borrower shall be deemed to breach this Agreement under each of the following circumstances:

- (1) The Borrower embezzles the loan.
- (2) The Borrower fails to make repayment of the principal or interest in time.
- (3) The Borrower and the Guarantor refuse to accept the normal supervision from the Lender on the financial and management situation of the Borrower, or the Borrower and the Guarantor provide false financial report or verification report on the registered capital.
- (4) The Borrower and the Guarantor are involved in illegal activities.
- (5) The legal representatives or principal management personnel of the Borrower and involved in criminal cases.
- (6) If any item listed under Article 5.3 happens to the Borrower, and it affects the Borrower's capability of repayment.

7.2 Upon default, the Lender shall take the following measures:

- (1) The Lender may cease to provide the amount of loan that has not been drawn by the Borrower.
- (2) The Lender may unilaterally announce that the principal of the loan becomes due premature and demand the Borrower to repay the principal and interest immediately.
- (3) The Lender may take other remedies according to laws and regulations.

Article 8 Liabilities for Breach of Contract

8.1 If the Borrower fails to repay the principal, interest in full on schedule or does not use the loan as stipulated in this Agreement, the Borrower shall be imposed penalty interest and compound interest according to the regulations of People's Bank of China. The default interest of a foreign currency loan shall be —% increase of initial rate.

***8.2 Borrower herein irrevocably authorize the Lender to transfer from the Borrower's deposit account opened in the Bank of Communications the principal, interest, penalty interest, compound interest and other fees.

Article 9 Other Clauses

***9.1 Any dispute concerning this Agreement shall be governed by the People's court where the Lender is located.

9.2 The Loan Certificate and related files and information confirmed by the Parties are integral parts of this Agreement.

9.3 This Agreement becomes effective upon the execution (signature or seal) of the two Parties' legal representatives or authorized representatives and the Seals of the Parties.

9.4 This Agreement has 4 originals. Each Party holds one original. Two copies are for record.

The Borrower (seal)
Legal representative or Authorized rep
resentative
/s/ (signature or seal) _____

Date: December 3, 2003

The Lender (seal)
Legal representative or Authorized
representative
/s/ (signature or seal) _____

Date: December 3, 2003

The Borrower shall read this agreement carefully, especially those clauses with the mark ***, and sign this agreement without misunderstandings.

LOAN AGREEMENT

(Medium/ long term fixed assets loan)

Bank of Communications Yangzhou Branch 2002 NO.328

Borrower: Yangzhou New Oriental Education & Technology Co., Ltd.

Address: No.58, Nantong West Street, Yangzhou City

Legal representative: Cao Youxin

Lender: Bank of Communications Yangzhou Branch

Address:

WHEREAS the Borrower has applied for a fixed assets loan from the Lender, according to the relevant laws, regulations and other relevant provisions of the People's Republic of China, the Borrower and Lender hereby agree as follows:

Article 1 Loan

1.1 Currency: Renminbi

1.2 Amount:(in capital): [*]

The actual amount of principle that the Borrower owes shall be determined according to the accounting document presented by the Lender.

1.3 Term: 4 (years/~~months~~) commencing from 2002 (year), October (month) 10th (day) to 2006 (year), October (month) 10th (date).

1.4 Purpose: Basic construction

The loan should not be used for any other purposes.

Article 2 The Interest Rate and the Calculation Method

2.1 The rate of interest: [*]% (per year) based on 30 days per month, 360 days per year.

2.2 During the term of this Agreement, if the People's Bank of China adjusts benchmark interest rate or the calculation method, this Agreement should apply the regulations of the People's Bank of China without the Borrower's permission.

2.3 The formula of interest:

Interest = the rate of interest under this Agreement × loan amount × actually occupancy days Among them, the actually occupancy days shall be calculated commencing from the date of providing loan.

2.4 The interest of the loan hereunder should be settled on quarterly basis. The Borrower shall pay interest at the 20th day of the last month of every quarter, provided that the interest should be paid with the repayment of the last installment of principal upon its due date.

Article 3 Grant of Loan

3.1 The Borrower should apply for the loan granted by the Lender in accordance with the following schedules and shall go through the procedures three bank working days in advance.

<u>Loan Day</u>	<u>Loan Amount</u>
<u>October 10, 2002</u>	; Renminbi [*] (in words)
<u>December 1, 2002</u>	; Renminbi [*] (in words)
<u>January 20, 2003</u>	; Renminbi [*] (in words)
<u>April 25, 2003</u>	; Renminbi [*] (in words)

3.2 The Lender has the right to examine the items as follows before granting a loan, and decided whether to provide the loan at its own discretion based on examination result.

- (1) Whether or not the Borrower has submitted the feasibility report, the project approval and other ratification or approval documents;
- (2) Whether or not the Borrower has presented the certificate on the deposit of funds raised independently with respect to the project in accordance with State regulations;
- (3) Whether or not the Borrower has obtained government permits, approvals, registration and completed other procedures as may be required by the Lender.
- (4) Whether or not the guarantee contract has become effective.

3.3 Actual date of providing loan and the amount of loan are decided by the Loan Certificate.

Article 4 Repayment

4.1 The Borrower should repay as the following schedules:

<u>Repayment Day</u>	<u>Repayment Amount</u>
<u>October 10, 2005</u>	; Renminbi [*] (in words)
<u>April 10, 2006</u>	; Renminbi [*] (in words)
<u>October 10, 2006</u>	; Renminbi [*] (in words)
<u> (year) (month) (day); (in words)</u>	

If the repayment dates recorded on the Loan Certificate differ from the plan aforementioned, the former should prevail.

4.2 The Borrower should repay the principal money and pay interest in full on schedule.

***4.3 The Borrower hereby irrevocably authorizes the Lender to actively debit from the Borrower's deposit account established in the Bank of Communications.

4.4 The Borrower should make the repayment of principal and interest in the currency mentioned in Article 1.1.

***4.5 With the agreement of the Lender, the Borrower may prepay in advance.

The Lender has the right to require the Borrower to pay interest which occurs between the prepayment date and the repayment date provided in the Loan Certificate at the rate provided herein.

*****Article 5 Representation and Warranty of the Borrower**

5.1 The Borrower recognizes and obeys the Lender's business system and operational procedures as well as the procedures provided hereunder.

5.2 The Borrower undertakes to coordinate with the Lender to monitor the use of loan and the Borrower's business operation, provide all the financial reports and other relevant information required by the Lender in time and assures the truthfulness, completeness and accuracy of those files and information.

5.3 The Borrower should notify the Lender in writing within 7 days upon the occurrence of the following events:

- (1) There are significant changes to the Borrower's operational system or shareholder and organization structures, including but not limited to subcontract, leasing operations, operation by cooperation, transformation in line with stock system, merger and acquisition, joint investment, split, setting up subsidiaries company, transfer of shares, decrease of capital, winding up, dissolution, declaring bankruptcy, and so on;
- (2) If the Borrower amends the articles of association, changes the legal representative, decreases registered capital, or makes great decision on the financial or labor policies;
- (3) The Borrower sells, lease out, transfers, or disposes in other ways of all or most of its assets;
- (4) The Borrower provides guarantee to a third party that causes serious adverse affect on the financial situation of the Borrower and the ability to perform its obligations under this Agreement;
- (5) The Borrower is involved in a significant lawsuit or the main assets are under property preservation or other compulsory execution measures;
- (6) The Guarantor's financial situation significantly changes or the value of the security significantly decreases;
- (7) Other events occurring to the Borrower that may cause serious adverse affect on the Borrower's financial situation and capability of repayment.

Article 6 Other Matters

*****Article 7 Default**

7.1 The Borrower shall be deemed to breach this Agreement under each of the following circumstances:

- (1) The Borrower embezzles the loan.
- (2) The Borrower fails to make repayment of the principal or interest in time.
- (3) The Borrower and the Guarantor refuse to accept the normal supervision from the Lender on the financial and management situation of the Borrower, or the Borrower and the Guarantor provide false financial report or verification report on the registered capital.
- (4) The Borrower and the Guarantor are involved in illegal activities.
- (5) The legal representatives or principal management personnel of the Borrower and the Guarantor are concerned themselves with criminal cases.
- (6) If any item listed under Article 5.3 happens to the Borrower, and it affects the Borrower's capability of repayment.

7.2 Upon default, the Lender shall take the following measures:

- (1) The Lender may cease to provide the amount of loan that has not been drawn by the Borrower.
- (2) The Lender may unilaterally announce that the principal of the loan becomes due premature and demand the Borrower to repay the principal and interest immediately.
- (3) The Lender may take other remedies according to laws and regulations.

Article 8 Liabilities for Breach of Contract

8.1 If the Borrower fails to repay the principal, interest in full on schedule or does no use the loan as stipulated in this Agreement, the Borrower shall be imposed penalty interest and compound interest according to the regulations of People's Bank of China. The default interest of a foreign currency loan shall be —% increase of initial rate.

***8.2 Borrower herein irrevocably authorize the Lender to transfer from the Borrower's deposit account opened in the Bank of Communications the principal, interest, penalty interest, compound interest and other fees.

Article 9 Other Clauses

***9.1 Any dispute concerning this Agreement shall be governed by the people's court where the Lender is located.

9.2 The Loan Certificate and related files and information confirmed by the Parties are integral parts of this Agreement.

9.3 This Agreement becomes effective upon the execution (signature or seal) of the two Parties' legal representatives or authorized representatives and the seals of the Parties.

9.4 This Agreement has _ originals. Each Party holds one original. Remaining copies are for record.

The Borrower (seal)
Legal representative or Authorized
representative
/s/ (signature or seal)_____

Date: September 29, 2002

The Lender(seal)
Legal representative or Authorized
representative
/s/ (signature or seal)_____

Date: September 29, 2002

Land Use Right Mortgage Agreement

YANGDI (2002) YAZI NO.095

Parties:

Mortgager (Party A): Yangzhou New Oriental Education & Technology Co., Ltd**Mortgagee (Party B): Yangzhou Branch, Bank of Communication**

In order to strengthen the management of the registration of land use right mortgage, to standardize mortgage registration and to protect both Parties' interests, pursuant to Urban Real Estate Administration Law, Guaranty Law and Interim Regulation on Sale and Transfer of Urban State-owned Land Use Right, Party A mortgages its land use right to Party B as the security for the loan. With the principles of equality, free will, mutual benefit, fairness and honesty, both Parties agree as follows:

ARTICLE 1:

This piece of land is situated at the west side of Yangjiang Road, Wantou Town, Guangling District, Yangzhou City with the file No.3-114-47. Its area is [*]m², for the education land use purpose, with Land Use Right Certificate no. YANGGUOYONG (2002D) ZI NO.224. The land use right is to state-owned (collectivity-owned) land use right, acquired by way of remises. The status of use right is that Party A solely owns the use right over this piece of land.

ARTICLE 2:

Party A hereby mortgages the [*]m²-land use right. Said land reaches Yangjiang Road (east), Sixiang Road North (south), Tianzhuang Village Zhuangtai (west), Lianhe Village Zhuangtai (north), as described in the EXHIBT plan attached to the land use certificate.

ARTICLE 3 Scope of Mortgage:

1. Principal of the loan and its interest;
2. expenses occurred in relation to the disposing of the mortgaged property;
3. other relevant taxes and fees.

ARTICLE 4:

This piece of land hereby mortgaged has been appraised by Jiangsu Sudi Real Estate Consulting and Evaluation Co., Ltd. Yangzhou Branch on June 26, 2002 and its total appraisal value is RMB [*] at RMB [*] per square meter. The appraisal has been confirmed by Yangzhou State Land Administrative Bureau. Both Parties confirm that the mortgage amount is RMB [*], and the mortgage loan-to-value ratio is [*]%.

ARTICLE 5:

The term of said mortgage is 4 years which is from October 10, 2002 to October 10, 2006.

ARTICLE 6:

During the term of said mortgage, Party A will use said piece of land and be responsible for maintaining its current condition. Party B shall have the right to inspect Party A's management of said mortgaged land use right and Party A shall not refuse such an inspection.

ARTICLE 7:

During the term of said mortgage, Party A shall not transfer, lease or re-mortgage said land use right, change the nature of usage of said land, nor deconstruct or alter the buildings on the said land, without prior written consent by Party B, without informing the transferee of the fact about said mortgage, or without official approval in compliance with law.

ARTICLE 8:

In the event that the state construction or other governmental activities cause the devaluation of the mortgaged land use right which becomes insufficient as the security for the loan, Party B shall have the right to require Party A to provide additional security or to increase security.

ARTICLE 9:

During the term of said mortgage, if there is a change on the contracting Parties, upon Party B's written consent, all the rights and obligations stipulated hereto shall be enjoyed and taken by the successor of the original contracting Party. Parties in relation to said mortgage shall jointly go through formality of the alteration registration with the state land administration authority. If there are any changes on the provisions hereof, the Parties shall enter into a new contract and register such changes of the mortgage.

ARTICLE 10:

Within 15 days after the execution of this Contract, both Parties shall bring relevant materials to go through the formality of registering the mortgage of the land use right with the state land administration authority and to obtain the Certificate of Other Types of the Land Right.

ARTICLE 11:

Any dispute arising out of the performance of this Contract shall be resolved by the negotiations between both Parties. If such dispute fails to be resolved by negotiation, either Party may refer such dispute to an arbitral institution for arbitration or directly bring the dispute to the People's Court.

ARTICLE 12:

Within 15 days after the expiry, termination or rescission of this Contract, Parties relating to the mortgage shall bring the Land Use Certificate, the Certificate of Other Types of the Land Right and other relevant materials to go through the formality of deregistering with the state land administration authority, otherwise the state land administration authority will directly deregister said mortgage. In the event of extending the mortgage term, both Parties shall go through the formality of registering the extension of mortgage term with the state land administration authority, taking the agreement along with them.

ARTICLE 13:

After the expiry of the mortgage term, if Party A fails to repay the loan secured by the mortgage, Party B may apply to the state land administration authority to dispose the mortgaged land use right. When disposing of the mortgaged land use right, on top of going through the formalities in accordance with the regulations and paying relevant taxes and fees, the proceeds shall be used to reimburse the debts according to the sequence of the registration time of each mortgage of land use right. If such proceeds from the disposal of the mortgaged land use right do not suffice to reimburse the loan and its interest and other relevant fees owed to Party B, Party B shall have the right to claim the amount payable yet paid.

ARTICLE 14:

Other matters provided by both Parties: N/A

ARTICLE 15:

All the matters not covered by this Contract shall be provided by both Parties by entering into supplementary agreements in the form of Annexes to this Contract as set forth in full herein. Such supplementary agreements shall be effective upon the execution by both Parties and the registration with the state land administration authority and have the same legal effect as this Contract.

ARTICLE 16:

This Contract, its supplementary agreements and Annexes are executed in 3 copies, each of which shall be held by each Party and the state land administration authority.

Party A: Yangzhou New Oriental Education & Technology Co., Ltd (seal)

Legal Representative (signature or seal): /s/ (signature)

Legal Address: No.58 Nantong West Road, Yangzhou

Authorized Representative (signature or seal): /s/ (signature)

Party B: Yangzhou Branch, Bank of Communication (seal)

Legal representative (signature or seal): /s/ (seal) Li Xianming

Legal Address:

Authorized Representative (signature or seal): /s/ (signature)

29 September, 2002

Building Mortgage and Loan Agreement
No: 2005 Nian (Jing He Ping) Fang Di Jie Zi No.001

Borrower (Mortgagor): Beijing New Oriental Education & Technology Group Co., Ltd. (hereinafter referred to as "Party A")

Legal Representative: Yu Minhong

Address: 12th Floor, Golder Plaza, No.10 Hua Yuan East Road, Haidian District, Beijing

Bank: China Minsheng Banking Corp., Ltd., Beijing Hepingli Branch

Account Number: ****

Postcode: 100083 Telephone: 82036600

Lender (Mortgagee): China Minsheng Banking Corp., Ltd., Beijing Hepingli Branch (hereinafter referred to as "Party B")

Address: 1st Floor of Huawen Hotel, No.12 Hepingli East Street, Dongcheng District, Beijing

Principal: Ma Lin

Postcode: 100013

Telephone: 64213959

Guarantor: Beijing Science Park Development Co., Ltd. (hereinafter referred to as "Party C")

Address: No.21 Haidian Town South Street, Haidian District, Beijing

Legal Representative: Zhou Yuchen

Postcode: 100080

Telephone: 62572084

Deposit Bank: China Minsheng Bank Beijing Hepingli Branch

Account Number: 01260141700002202

Party A, Party B and Party C jointly agree that Party B shall provide a loan term to Party A as part of Party A's purchase price for the property described in Article 3 of this Agreement. Party A agrees to mortgage such property to Party B, as a security for the repayment of the loan under this Agreement. Party C voluntarily and irrevocably undertakes joint and several guarantee liability under this Agreement.

NOW, THEREFORE, the Parties hereto, intending to be legally bound hereby, agree as follows:

Section 1 Amount, Term and Purpose of Loan

Article 1 The loan provided hereunder shall be in amount of RMB [*] (RMB[*]), i.e. [%] of total purchase price for the property made by Party A.

Article 2 The term of the loan hereunder shall commence on March 31, 2005 and terminate on March 31, 2015 totaling 120 months (Specific period please see the loan certificate).

Article 3 Loan under this Agreement must and can be used exclusively for purpose of real estate purchase under the "Commercial Housing Sale Contract" (hereinafter referred to as "Housing Sale Contract") (No. 632702,632703,632704,632705) entered into between and by Party A and Party C on January 18, 2004. Details of such real estate are follows:

- (1) Location: Tower B of Zhongguancun Financial Centre, No.21 IV District Zhongguancun West District, Haidian District, Beijing Municipal
- (2) Type of Real Estate: Office Building

(3) Construction Area: according to order of contract number: No.632702 contract: 2561.98 sq.m, No.632703 contract: 3966.03 sq.m, No.632704 contract: 3689.51 sq.m, No.632705 contract: on the ground: 3204.46 sq.m, underground: 5743.36 sq.m. Total construction area: 19165.33 sq.m.

Real estate hereto includes common standard residences, apartments, villadoms, shops and office buildings.

Section 2 Interest Rate on Loan and Method of Calculation

Article 4 Interest rate on loan under this Agreement shall be [*]%per annum. In the event of adjustment of legal interest rate, for loans with less than one year (including one year) terms, interest rate set forth in this Agreement shall be applied; for loans with terms of more than one year, interest rate shall be adjusted according to provisions of the People's Bank of China.

Article 5 Interest on loan shall accrue from the date on which the loan is granted.

Article 6 If Party A fails to pay any amount payable (principal and interest) under this Agreement when due, the payment is deemed overdue. Party B will charge default interest on such overdue amount at the rate per annum which is 30% higher than the interest rate under this Agreement according to relevant regulations of the People's Bank of China, and compound interest on overdue interest.

Section 3 Grant of Loan

Article 7 Upon fulfillment of the following conditions, Party B may grant the loan under this Agreement:

- 7.1 Party A has provided to Party B the original of Housing Sale Contract and all materials and documents necessary for the application for the loan, and Party A has made more than 40% of initial payment for real estate purchase;
- 7.2 Party A has opened special account for the loan and repayment under this Agreement with Party B;
- 7.3 Party C has opened special account for acceptance of payment for the real estate purchase, and shall handle the settlement at place of Party B;

- 7.4 Party A has paid up related expenses undertaken by it under this Agreement;
- 7.5 Party A has gone through insurance procedures as to the purchased real estate according to this Agreement, and the originals of insurance policies have been submitted to Party B for keeping.
- 7.6 Other conditions required by Party B.

Party B shall grant the loan according to this Agreement once all the above conditions are satisfied; if the loan is granted by Party B upon only partial fulfillment of foregoing conditions, it shall not constitute flawed performance of Party B.

Article 8 After granting the loan under this Agreement, any disputes in connection with purchased property between Party A and Party C shall not be concerned with Party B, and all parties shall perform all obligations under this Agreement.

Section 4 Repayment

Article 9 Party A chooses item 9.4 below as method of repayment:

- 9.1 Repay principal plus interest of the loan in lump sum, when due.
- 9.2 Interest shall be settled on basis of week/month/quarter, date of interest payment is _____, and repayment of principal of the loan shall be made when due.
- 9.3 As to monthly repayment of principal plus interest in equal amount, amount of repayment of principal plus interest per month shall be RMB _____.
Amount of repayment per month = $PI(1+I)^{n \times 12} / [(1+I)^{n \times 12} - 1]$ repayment of principal plus interest in equal amount, among which: P refers to principal of the loan, I refers to monthly interest rate, n refers to the term of the loan in years.
- 9.4 As to monthly repayment of principal in equal amount, monthly interest shall decrease gradually.
Amount of repayment per month = $P/(n \times 12) + \text{remaining amount of the loan} \times I$ where: P refers to principal of the loan, I refers to monthly interest rate, n refers to the term of the loan in years

9.5 Other: _____/_____.

Article 10 Party A shall pay the full amount of the principal plus interest of the loan due and payable into its settlement account at Party B's place prior to repayment date of each installment under this Agreement, account number is ***. Party B shall actively debit principal plus interest of the loan due in such installment and related expenses on the repayment date. Party A is entitled to inquire Party B for its account transfers.

Article 11 Upon consent of Party B, Party A may prepay the loan in full or in part in advance. Party A shall submit its written application to Party B thirty days in advance, and such application shall be irrevocable after approved by Party B and constitute an Appendix of this Agreement.

- 11.1 As to full prepayment of the loan, interest shall be computed by application of interest rate under this Agreement and actual period of usage, and shall be paid with the principal of the loan.
- 11.2 As to partial prepayment of the loan, amount of prepayment shall not be less than RMB [*] and Party A has paid principal plus interest of the loan in the most recent installment without any outstanding payment.
- 11.3 After prepayment of the loan in part, repayment plan in terms of the remaining amount may be adjusted, i.e. shortened repayment period with the same prepayment amount in each installment, or the same repayment period with reduced repayment amount in each installment.

Article 12 Upon fulfillment of certain conditions, Party A may apply to Party B for extension of the loan term, which is subject to Party B's relevant provisions.

Section 5 Authorization Matters

Article 13 Party A authorizes as follows:

- 13.1 Party A authorizes Party B to directly remit the loan under this Agreement in name of Party A's purchase price for the real estate property to Party C's account at Party B's place (account number: 01260141700002202).

- 13.2 Party A authorizes Party B to debit from Party A's account at Party B's place principal plus interest of the loan due and payable in such installment on the repayment date of each installment, until principal plus interest of the loan is repaid in full.
- 13.3 Party A authorize Party B to debit from Party A's account at Party B's payable penalty interest, compound interest, liquidated damages or other expenses, until Party B is repaid in full.
- 13.4 Party A authorizes Party B or agency designated by Party B to make registration of real estate mortgage on the basis of this Agreement, Housing Sale Contract, power of attorney and other certificate documents, and necessary expenses shall be undertaken by Party A.
- 13.5 Other authorized matters by Party A:

/

Article 14 Party C authorizes as follows:

- 14.1 Party C authorizes Party B to directly withhold from all Party C's accounts at Party B's place amount payable by Party A within Party C's guarantee scope, after the occurrence of matters guaranteed by Party C under this Agreement.
- 14.2 Other authorized matters by Party C:

/

Article 15 Foregoing authorizations are irrevocable and shall become effective simultaneously with this Agreement, and are terminated after the principal plus interest of the loan and other amount payable are repaid in full by Party A to Party B.

Section 6 Mortgaged Property and Mortgage Registration

Article 16 Party A voluntarily mortgages the property described in Article 3 of this Agreement (hereinafter referred to as the “Mortgaged Property”) to Party B as the security for the repayment of the loan under this Agreement. For details of Mortgaged Real Estate, please refer to Appendix I-List of Mortgaged Properties (Real Estate).

Article 17 If Party A is able to fully repay the principal and interest of the loan and other amount payable when due and does not breach any of the terms of this Agreement and there are no events of default, Party A may apply to Party B to change the mortgaged property under this Agreement and details of procedure will be subject to Party B’s relevant provisions.

Article 18 Upon fulfillment of conditions as stipulated in the laws, Party A may mortgage the Mortgaged Property for a second time as security. If Party A applies to Party B for loan, details of procedure will be subject to Party B’s provisions.

Article 19 Party A may transfer the Mortgaged Property with consent of Party B, and the proceeds obtained through the transfer of the Mortgaged Property should first be used to repay Party A’s loan under this Agreement.

Article 20 Party A shall submit the original of Commercial Housing Sale Contract to Party B for safekeeping, when applying for of the loan from Party B.

Article 21 Upon the completion of registration of real estate mortgage, the Certificate of Other Types of the Housing Property shall be held by Party B. Party B shall assist Party A to deregister mortgage, after Party B paid off/cleared all debt owed to Party A.

Section 7 Insurance

Article 22 Under this Agreement, Party A shall purchase relevant insurance for the Mortgaged Property.

Article 23 Prior to granting the loan under this Agreement, Party A shall purchase insurance with specific term and amount at insurance agency approved by Party B, with Party B as the first beneficiary. The insurance amount shall not be less than the principal of the loan under this Agreement.

Article 24 Party A shall pay fees relating to above mentioned insurance on time, and agree that the original of insurance policy is kept by Party B during the term of this Agreement.

Article 25 Prior to repayment of principal plus interest of the loan and other amount payable in full under this Agreement, Party A shall not terminate above mentioned insurance for any reasons. In the case of termination of the insurance by Party A, Party B has the right to purchase insurance policy on behalf of Party B, and all expense incurred shall be borne by Party A; Party A shall also indemnify for other losses suffered by Party B as a result.

Article 26 In the case of occurrence of insurance accidents as to the insured Mortgaged Property, Party B has priority to be prepaid by the insurance compensation for all principal plus interest of the loan and other amount payable that are still owed by Party A. If insurance compensation does not cover the sum owed by Party A to Party B, Party B has right to claim for such payment from Party A and/or Party C until the sum owed is repaid in full. If the insurance compensation covers all the amount owed by Party A, this Agreement shall be terminated after Party B is repaid in full, and remaining of the insurance compensation shall be returned to Party A.

Section 8 Disposition of the Mortgaged Property

Article 27

- 27.1 Method of disposition of the Mortgaged Property available to Party B includes, without limitation, the following:
- (1) By consultation with Party A, the Mortgaged Property may be traded-in, disposed of in auction or sales, and Party B shall be compensated by the proceeds obtained hereon.
 - (2) the Mortgaged Property may be legally leased in whole or in part with reasonable rent, term and conditions, and be compensated by the rent and the proceeds therefrom.
- 27.2 Party B shall sale, lease or dispose of the Mortgaged Property by other means under this Agreement and in accordance with relevant laws and regulations.

- 27.3 Under any of the following circumstances, Party B shall have the right to dispose of the Mortgaged Property and has priority to be compensated by the proceeds from such disposition:
- (1) Party A fails to repay principal plus interest of the loan continuously for three months or accumulatively six months;
 - (2) Party A provides false materials or omits materially facts, which may bring or has brought the loss to Party B;
 - (3) Party A refuses to accept the supervision by Party B with respect to usage of the loan, production, operation and financial activities, or refuses or obstructs Party B's inspection of the Mortgaged Property;
 - (4) Without the written consent of Party B, Party A disposes of the Mortgaged Property by means of selling, exchanging, transferring, donating, paying for debt, etc., rebuilds or removes the Mortgaged Property, or changes the usage nature and characteristic of the Mortgaged Property via other means;
 - (5) During the term of this Agreement, by reason of Party A's poor operation and management, Party A loses money as reflected in the financial records or in reality, is subject to any debt dispute with a third party, or is in the event of dissolution, deregistration, revoke, suspension and other situations which may adversely affect the safety of the loan;
 - (6) Party A indicates, explicitly or by its actions, that it will not perform any obligation under this Agreement;
 - (7) Any other behaviors which violate provisions of this Agreement.

Section 9 Responsibility of Party A

Article 28 As the borrower and the mortgagor to the Mortgaged Property under this Agreement, Party A undertakes the following responsibilities:

- 28.1 Party A warrants that purpose of the loan under this Agreement complies with laws, regulations, administrative rules, department regulations, industrial rules and articles of associations or bylaw of Party A, and that relevant permissions and authorization have been obtained.

- 28.2 When Party A shall repay in full principal plus interest and other amount payable when due, according to this Agreement.
- 28.3 Party A warrants that all materials and information provided by Party A to Party B are true and reliable, and there is no falsification and omission of fact.
- 28.4 Party A shall actively assist in Party B's investigation, understanding and supervision of Party A's production, operation and financial situation, and present to Party B copies of its balance sheet, profit and loss statement, cash flow statement and other financial statements.
- 28.5 According to national laws, regulations, Housing Sale Contract and this Agreement, Party A shall legally and reasonably occupy, manage, use and maintain such Mortgaged Property.
- 28.6 Party A shall not dispose of whole or part of the Mortgaged Property without written consent of Party B by means of transfer, pay for debt, donate, abnegate or other means which may affect Party B's right to the Mortgage Property. If Party A leases such Mortgaged Property, Party A shall notify Party B about such lease.
- 28.7 Party A agrees that upon prior notice by Party B, Party B may access such Mortgaged Property for necessary inspection within reasonable time.
- 28.8 Party A shall not conduct merger, split, material acquisition, share transformation in line with stock system, sub-contract, lease, material assets transfer, joint operation, investment, application for liquidation, application for dissolution, application for insolvency, and other acts which may cause change of rights and obligations under the Agreement or affect Party B's rights and interests, unless Party A gives a prior notice to Party B and obtains the written consent of Party B.
- 28.9 Party A warrants to notify Party B in writing within ten business days after the change of its mailing address or contact telephone.

- 28.10 In the event of lawsuit, arbitration or summon for trial which may adversely affect the Mortgaged Property and/ or Party B, Party A shall promptly notify Party B.
- 28.11 Subject to reasonable requirement of Party B, Party A shall take all measures and sign all relevant documents to ensure Party B's rights and interests as a mortgagor under this Agreement.
- 28.12 Party A agrees that the Mortgaged Property is devalued due to Party A's mistakes and fails or is insufficient to be the security for the performance of debtor's obligations, Party A shall provide additional security at request of Party B.
- 28.13 Party A shall bear the mortgage registration fee, insurance premium, legal fees, notarization fees and other expenses under this Agreement.

Section 10 Responsibility of Party B

Article 29

- 29.1 Upon fulfillment of all conditions set forth in Article 7 of this Agreement, Party B shall grant the loan to Party A according to this Agreement, and remit such loan as Party A's payment for the purchase price of the property to Party C's designated account.
- 29.2 After Party A pays off the principal plus interest of the loan and other amount payable under this Agreement and fully performs other obligations under this Agreement, Party B shall deregister the Mortgaged Property, and return the original of insurance policy and other certificate documents to Party A.

Section 11 Responsibility of Party C

Article 30

- 30.1 Under this Agreement, Party C voluntarily and irrevocably undertakes joint and several responsibilities for all principal of the loan, interests, penalty interests, compound interests, liquidated damages, compensation for damage, and expenses for realization of creditor's rights and other amount payable by Party A. Under this Agreement, guarantee provided by Party C is limited to a special time period, i.e. Party C shall not guarantee the debt of Party A which will be due after the completion of the registration of the Mortgaged Property (excluding the debt which was due by acceleration before completion of mortgage registration).
- 30.2 Party C shall open the designated account described in Article 13.1 of this Agreement at Party B's place within one business day after execution of this Agreement.
- 30.3 During the term of guarantee, in the event that Party A fails to pay in full principal plus interest and other amount payable when due under this Agreement, Party C shall, within five days upon receipt of Party B's notice, pay the sum to Party B on behalf of Party A, otherwise Party B has right to debit directly equivalent sum from any of Party C's accounts at Party B's place.
- 30.4 Party C warrants that, during the term of guarantee, Party B has right to supervise its capital and financial situation, and require Party C to provide financial statements and other relevant materials.

Article 31 During the term of guarantee, Party C's consent shall be obtained, if the following terms in this Agreement are changed by agreement of Party A and Party B

- (1) extend the loan period;
- (2) increase the amount of the loan.

Section 12 Responsibility for Breach of Contract

Article 32 Party A, Party B and Party C shall strictly implement this Agreement after taking effect upon execution by them. Any party, who fails to perform or perform incompletely this Agreement and causes the other parties to suffer losses, shall be liable for its breach of this Agreement and compensate to other parties for all the loss incurred hereon.

Article 33 Unless the following matters has been resolved with Party B's satisfaction, Party B has right to demand Party A to prepay immediately the loan in full or in part, or legally dispose of the Mortgaged Property and has priority to be compensated, or demand Party C to perform its guarantee responsibility, in the event of occurrence of any one of the following events or situations set forth in Article 27.3:

- 33.1 Party A or Party C are involved in lawsuits or arbitration proceedings, or any other loans, guarantees, compensations, undertakings or other duties as to payment for debt of Party A or Party C are required to be performed by acceleration by juridical authorities by reason of breaching of contract, or can not be performed when due, which affect the capacity of Party A or Party C to perform any terms of this Agreement.
- 33.2 By reason of merger, split, reorganization, system reformation and other events, Party C fails to perform its guarantee duty according to Party B's requirements; or due to court's judgment or administrative orders, Party C is dissolved, terminated, deregistered or its business license revoked, liquidated, insolvent or closed, which leads to Party C's inability to perform its guarantee duty.
- 33.3 For whatever reasons, the Mortgaged Property is not able to be registered at the department of real estate administration, or Party B cannot obtain certificate documents to ensure its rights and interests as a mortgagor under this Agreement.
- 33.4 Party A and/or Party C explicitly or by action indicate(s) that it shall not perform the obligations under this Agreement.
- 33.5 Other acts of Party A or Party C which may affect the safety of principal plus interest of Party B's loan.

Section 13 Dispute Resolution

Article 34 The parties shall negotiate to resolve any disputes between them arising out of or in connection with this Agreement. If any dispute cannot be resolved via negotiations, any party has the right to submit such dispute to the local court at the place where Party B is located. All parties should continue the performance of its obligations under the other provisions of the Agreement.

Section 14 Miscellaneous

Article 35 This Agreement shall be effective after it is signed by Party A, and signed or stamped with common seal by legal representative/principal or its authorized agent of Party B and Party C, and shall be terminated upon discharge of principal plus interest of the loan and other amounts payable in full under this Agreement.

Article 36 Any notice under this Agreement shall be deemed as delivered, if given or made by telegraph or fax, when dispatched; if given by post, three days after being posted.

Article 37 Effectiveness of the guarantee clause under this Agreement shall be independent of this Agreement.

Article 38 The following Appendixes are integral parts of this Agreement.

- 1 List of Mortgaged Properties (Real Estate) _____ ;
- 2 <Borrower's Repayment Plan> _____ ;
- 3 _____ ;
- 4 _____ °

Article 39 This Agreement shall be executed in six counterparts, each of which shall have equal legal effect, and each Party A, Party B, Party C and mortgage registration authority shall hold one of counterparts.

Article 40 Other matters agreed by the parties to this Agreement:

- 1 _____ ;
- 2 _____ ;

3 _____ ;
4 _____ °

Article 41 When executing this Agreement, Party B has explained in details all provisions of this Agreement to Party A and Party C. There is no doubt raised by the parties as to all terms of this Agreement, and the parties have accurate understanding of the related rights and obligations to the parties and limitation of duties or legal meaning of the exemption clause.

Article 42 This Agreement is entered into by and among Party A, Party B and Party C in Beijing, on March 31, 2005.

(REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

Borrower (Mortgagor):

Legal representative/principal
(or authorized agent)

(stamp)
(signature or stamp)

Lender (Mortgagor):

Legal representative/principal
(or authorized agent)

stamp
signature

Guarantor:

Legal representative
(or authorized agent)

stamp
signature

Appendix I

List of Mortgaged Properties (Real Estate)

No: 2005 Nian (Jing He Ping An Di Qing) Zi No.001

Mortgagor: Beijing New Oriental Education & Technology Group Co., Ltd.

Mortgagee: China Minsheng Banking Corp., Ltd. Beijing Hepingli Branch

Name of Mortgaged Property	Tower B of Zhongguancun Financial Centre	Location	No.21 IV District Zhongguancun West District, Haidian District, Beijing Municipal
Joint Owner of Property		Age of Building	
Construction Area		19165.33	sq.m
Use Area of Land			sq.m
Certificate of Property Right of Real Estate			
Issuance Authority and Number			
Purchase Price	RMB275,300,000	Appraisal Value Appraisal Company	

Status of use

Mortgage

Name of the Building No: 2005 Nian #(Jing He Ping) Fang Di Jie Zi No.001

Building

Mortgage and

Loan

Agreement

Mortgagor

(signature)

Mortgagee

(common seal or special seal for contract)

(if mortgagee is an entity, common seal and signature or stamp by legal representative or its authorized agent is necessary)

Legal representative/principal
(or authorized agent)

(stamp)

Date: March 31, 2005

Date: March 31, 2005

Credit Facility Agreement

Contract No.: 2006013-1

0015203

Debtor: Beijing Haidian District Private-Funded New Oriental School ("Party A")

Address: Haidian District Haidian Zhong Jie No. 6

Post Code: 100080

Organization Code: 0089426-1

Legal Representative: Yu Minhong

Tel: 62605000

Fax: 62605511

Bank Name: Bank of Beijing Co., Ltd. Haidian Road Sub-branch

Bank Account: 0517900120105008384

Creditor: Bank of Beijing Co., Ltd. Haidian Road Sub-branch ("Party B")

Address: Beijing City Haidian District Zhong Guan Cun Da Jie No.22

Post Code: 100080

Organization Code: 00198972-8

Legal Representative: Zhang Zhiqi

Tel: 62628341

Fax: 62628345

In accordance with relevant laws and regulations, Party A and Party B agree to enter into this Agreement based on good faith doctrine and principle of equality and voluntariness.

Section One Definition and Explanation

Article 1 Unless otherwise set forth in this Agreement, the following terms in this Agreement are defined as:

- 1.1 Integrated Credit: means Party B provides Party A with a conditional undertaking for one or several kinds of credit support.
- 1.2 Specific Business: means the loan, bank acceptance of bill of exchange, trade financing and other specific credit support services provided by Party B to Party A, according to the Integrated Credit provided by Party B to Party A.

- 1.3 General Credit Line: means the maximum aggregate principal amount of credit under various Specific Business which Party A is entitled to apply for during the valid period of Integrated Credit, according to the Integrated Credit granted to Party A by Party B.
- 1.4 Specific Credit Line: means the maximum principal of debt arising out of a Specific Business which Party A is entitled to apply for during the valid period of Integrated Credit under the General Credit Line.
- 1.5 Consumed Credit: means the sum of the outstanding balance of debt principal arising out of the Specific Businesses, under the Specific Credit Line during the valid period of Integrated Credit.
- 1.6 Standby General Credit Line: means the difference between the General Credit Line and the Consumed Credit.
- 1.7 Standby Credit: means the difference between the Specific Credit Line arising out of a Specific Business and Consumed Credit arising out of such Specific Business.
- 1.8 Specific Business Contract: means the relevant contracts, loan certificates, agreements or other legal documents entered into by the Parties in relation to the borrowings under the Specific Credit Line.

Section Two General Credit Line and Specific Credit Line

Article 2 The total amount of General Credit Line under this Agreement is Renminbi

[*] (RMB [*]). Among such amount:

- (1) RMB: [*] (¥[*]);
- (2) Foreign Currency: __/__(_/____, equivalent of US dollars).

Article 3 The Specific Credit arising out of each Specific Business under the General Credit Line:

- (1) General Loan: RMB [*];
Among such loan: loan of RMB is [*];

Loan of foreign currency: ___/___.

- (2) Discount of Bill: ___/___;
- (3) Bank Acceptance of Bill of Exchange: ___/___;
- (4) Letter of Credit: ___/___;
Among such L/C: Sight L/C: ___/___; Usance L/C: ___/___.
- (5) Trade Financing: ___/___;
Among such financing: negotiate of import and export: ___/___;
export advance: ___/___.
- (6) Guarantee (including letter of guarantee): ___/___;
- (7) Miscellaneous (with the name): ___/___.

With the written consent of Party B, Party A may adjust among the aforesaid Specific Credit Line but may not adjust between credit in Renminbi and credit in foreign currencies.

Section Three Term of Credit

Article 4 The term of General Credit Line is two year, from February 5, 2006 to February 4, 2008.

Article 5 Party B is entitled to periodically inspect the usage of credit under this Agreement, and has the right to adjust the term of credit in the event of the conditions set forth in this Agreement.

Section Four Usage of Credit

Article 6 The scope of credit usage is limited to: supplement working capital.

Article 7 During the term of credit set forth in this Agreement, to the extent of the General Credit Line and Specific Credit Line, Party A may apply to Party B for using various Specific Credit Lines in whole or in part. Party B should work with Party A through relevant procedures after it confirms, after inspection, that such application conforms to this Agreement.

Article 8 If Party A applies to Party B for a loan, Party A and Party B do not need to enter into separate Loan Agreement. The amount, term, interest rate, type, purpose and other relevant details of every loan shall be determined by the loan certificate. With the consent of Party B, Party A may repay the loan in advance by sending written application for consent to Party B 30 days before such repayment and obtain consent from Party B. Party B is entitled to collect interests in accordance with terms and interest rate stipulated in the loan certificate.

If Party A applies to use Specific Credit Line other than the loans, Party A and Party B shall enter into separate contract, agreement or other legal documents for Specific Business.

Article 9 The Specific Business Contracts for Specific Businesses, loan certificates or agreements and other legal documents shall constitute an integral part of the Agreement, and have the same legal effect as this Agreement. If the legal documents for Specific Businesses differ from this Agreement, the legal documents for Specific Businesses such as Specific Business Contracts, loan receipts or agreements prevail.

Article 10 During the Term of Credit, the Consumed Credit shall not exceed the General Credit Line.

During the Term of Credit, Party A may recycle the Specific Credit Line, in other words, if the debt arising out of any Specific Business is repaid, the amount of Specific Credit Line occupied by such Specific Business can be used again for the same Specific Business.

Party A shall apply to use the Specific Credit Line within the Term of Credit, and Standby Credit will be automatically canceled on the expiry of Term of Credit.

Article 11 Each credit shall be advanced no later than the termination date of the Term of Credit, as adjusted, as applicable.

Section Five Fee Rate

Article 12 Party A and Party B agreed that the interest rate to be specified in each exchange rate, fee rate and other charges payable to Party B Specific Business under this Agreement, shall be decided in accordance with the benchmark interest rate of the same level loan from the People's Bank of China, or as agreed upon by the Parties as they enter into the legal documents for Specific Business, reduced to contracts, loan certificates or agreements and other legal documents for every Specific Business among the Parties prevail.

Article 13 During the execution of this Agreement, if the People's Bank of China adjusts the standard for the interest rate, fee rate and other relevant commitment fees, which will be applicable to this Agreement, Party B shall implement such adjustments in fees without notice to Party A, and such adjustments in fees will be not deemed as modifications to this Agreement.

Section Six Adjustment of Credit Lines

Article 14 During the execution of this Agreement, Party B is entitled to adjust or cancel Credit Lines in the event of one of the following occurrences:

14.1 Material adjustment of state relevant policies;

- 14.2 Material finance risk present or latent in the area where Party A is located;
- 14.3 Material market changes relevant to the business of Party A;
- 14.4 The business condition of Party A has severely deteriorated or is exposed to material business risk;
- 14.5 Material changes in the organization system of Party A;
- 14.6 Party A failed to use the Credit Lines according to the terms in the Specific Business Contracts, loan certificates or agreements and other relevant legal documents;
- 14.7 Party A breached the Specific Business Contracts, loan certificates or agreements and other relevant legal documents;
- 14.8 Party A fails to use the Credit Lines in accordance with this Agreement;
- 14.9 Party A breaches its warranty under this Agreement;
- 14.10 Party A loses its business reputation;
- 14.11 Party A transfers its assets, takes its capital away, escapes from its debt, and engages in other actions that cause damages to the rights of Party B;
- 14.12 The guarantor under this Agreement is apparently incapable to provide guarantees, the security provided is damaged or has apparently lost value;
- 14.13 The other events in which Party A is presently or potentially unable to repay the debt.

Section Seven Guarantee

Article 15 Party B and the Guarantor shall enter into the following No.1 guarantee agreement in order to realize the Creditor's rights under this Agreement:

- 1. No.0015203 *Contract for Maximum Amount Guarantee Agreement*;
- 2. No. ___/___ *Contract for Maximum Amount Mortgage Agreement*;
- 3. others ___/___.

Article 16 Party B is entitled to request Party A for additional guarantee, if necessary, despite of the aforesaid guarantee under this Agreement. And Party A shall not refuse to provide such other guarantee because of the guarantee set forth in this Agreement.

Section Eight Party A's Undertakings

Article 17 Party A undertakes that Party A will repay the debt in accordance with the Specific Business Contract, written paper of loan or agreements and other legal documents, and pay all the due fees on time.

Article 18 Party A shall use the Specific Credit Line according to the laws and regulations and this Agreement, Specific Business Contract, loan certificates or agreements and other legal documents, and shall accept the inspection of Party B at any time.

Article 19 Party A undertakes that during the Term of Credit, Party A shall send the authentic financial reports, and all the bank names, bank accounts, credit and debt balance, and other relevant financing materials promptly on the request of Party B.

Article 20 The daily balance of the RMB & foreign currency accounts, which Party A opened at Party B for clearing and settlement purposes, shall be not less than 15% of the sum of Consumed Credit.

Article 21 During the Term of Credit, Party A shall immediately send written notice to Party B in the case of any material events that impose risks to its ordinary business or material risk to Party B's performance of its obligations.

Article 22 Party A shall send notice to Party B and obtain the written consent from Party B before engaging in mergers, split, acquisition, changing into corporation, sub-contracting, lease, asset transfer, co-operation, investment, application for suspension for internal rectification, application for dissolution, application for bankruptcy, and engaging in other actions which may result in the change of the rights or obligations under this Agreement or the rights of Party B. Otherwise, Party A shall not engage in such actions before repayment of all the debt to Party B.

Article 23 During the Term of Credit, Party A shall notice Party B within 3 working days, in the event of changing company name, legal address, legal representative or registered capital.

Article 24 If Party A intends to provide guarantee for any third party before full repayment of the debt to Party B, Party A shall send advance notice to Party B. Any such guarantee shall not impact Party A's ability to repay its debt on time.

Section Nine Party B's Undertakings

Article 25 Party B shall promptly accept, inspect and approve Party A's application to use Specific Credit Line under this Agreement, and implement the Specific Business Contracts, loan certificates or agreements and other legal documents.

Article 26 Unless otherwise set forth in this Agreement, Party B does not have the discretion to adjust the Term of Credit and General Credit Line against Party A.

Section Ten Liabilities for Breach of Contract

Article 27 Upon the effectiveness of this Agreement, the Parties shall perform their obligations under this Agreement, Specific Business Contracts, loan certificates, agreements and other legal documents. Any party shall be liable for its non-performance or partial performance of its obligations under this Agreement or breach of its undertakings hereunder and compensate the other Party for any losses caused by such breach of contract.

Article 28 If Party A breaches this Agreement, Party B will be entitled to declare that this Agreement, Specific Business Contracts, loan certificates, agreements and other legal documents are mature before the expiry date, and will withdraw any accommodation funds under the Integrated Credit in advance. Party A shall indemnify Party B for any losses arising out of Party A's breach of contract.

Article 29 If Party A fails to repay the principal of loans or other credit advance according to Specific Business Contracts, loan certificates or agreements and other legal documents under this Agreement, Party B will charge Party A fine or penalty interest at 0.2325% according to the amount of repayment overdue and the number of days. If Party A does not use the loan or any credit advance as agreed upon in this Agreement, Party B shall charge Party A fine or penalty interest at 0.31% according to the amount of misused capital and the number of days.

Article 30 Party B will charge Party A compound interest for unpaid interest payable according to the relevant regulations of the People's Bank of China.

Article 31 Party B is entitled to directly deduct the payable principal, interest (including penalty interest and compound interest) and other payable fees for the Consumed Credit from any account opened by Party A in any and all operational organization of Party B.

Section Eleven Force Majeure

Article 32 If Party A is not able to perform its obligations under this Agreement due to a force majeure event, Party A shall notify Party B within 3 working days upon the occurrence of such event of Force Majeure and submit the written certification issued by local notarization authority with respect to the relevant force majeure event and agree with Party B on the amendment to this Agreement. Otherwise, Party B shall be entitled to cancel all Standby Credit and shall have the right to declare that the Consumed Credit is mature and thus request Party A to repay all debt in advance.

Section Twelve Dispute Resolution

Article 33 Any dispute arising in the course of performance of this Agreement shall firstly be negotiated by both parties. In the event that the negotiation fails to reach a solution, any party may submit such dispute to the People's court where this Agreement is executed.

Section Thirteen Execution, Alternation and Termination of This Agreement

Article 34 This Agreement will be executed in accordance with the following two methods:

1. Execution on signature by the legal representatives/person-in-charge or authorized persons of both parties with company's seal;
2. Coming into existence after signature by the legal representatives/person-in-charge or authorized persons of both parties with company's seal, and become effective on the effective date of Guarantee Contract set forth in Section Seven under this Agreement.

Article 35 Unless otherwise set forth in this Agreement, any party shall not alternate or terminate this Agreement in advance after the execution of this Agreement. If necessary, both parties shall negotiate with each other and enter into the written agreement for any alteration or early termination.

Section Fourteen Appendices

Article 36 The Appendices of this Agreement include: N/A.

Article 37 The Appendices of this Agreement are integral part of this Agreement, and has the same legal effect as this Agreement.

Section Fifteen Miscellaneous

Article 38 Any notice in this Agreement shall be deemed delivered (1) if it is sent by telex and fax, when it is sent; (2) if it is sent by mail, 3 days after the mail has been sent.

Article 39 Other provisions as agreed by the Parties: N/A.

Article 40 Any matter not covered in this Agreement, both parties shall negotiate and enter into separate written agreement.

Article 41 This Agreement will be executed in three counterparts, and Party A, Party B and Guarantor will keep one counterpart, every counterpart has the same legal effect.

Article 42 This Agreement is entered into by the parties at Beijing Haidian District dated as of February 5, 2006.

Party A: Beijing Haidian District Private-Funded New Oriental School

Legal Representative (signature): /s/ Yu Minhong

(or authorized persons)

Party B: Bank of Beijing Co., Ltd. Haidian Road Sub-branch

Legal Representative (signature): /s/ Zhang Zhiqi

(or authorized persons)

Maximum Amount Guarantee Agreement

Contract No.: 2006013-2

No.: 0015203

Guarantor: Yu Minhong (“Party A”)

Address: _____

Post Code: 100080

Organization Code/Personal Identification Card Number: 110108621006187

Legal Representative:

Tel: _____ Fax: _____

Bank Name: Bank Account:

Creditor: Bank of Beijing Co., Ltd. Haidian Road Sub-branch (“Party B”)

Address: Beijing City Haidian District Zhong Guan Cun Da Jie No.22

Post Code: 100080

Organization Code: 00198972-8 Legal Representative: Zhang Zhiqi

Tel: 62628341 Fax: 62628345

Bank Name: Bank Account:

Party A will voluntarily provide guarantee for all the credit extended under the Credit Facility Agreement (No.0015203, the “Main Contract”) entered into by and between Beijing Haidian District Private-Funded New Oriental School (the “Debtor”) and Party B.

According to the relevant laws, regulations and rules, the parties agree to enter into this Agreement based on good faith doctrine and principle of equality and voluntariness.

Section One Type of Guarantee

Article 1 The type of guarantee in this Agreement is joint and several guarantee.

Section Two Category and Amount of Principal Credit, Scope of Guarantee

Article 2 The category and amount of principal credit guaranteed by Party A means that under the Main Contract. Credit Line in the Main Contract is Renminbi [*] (RMB [*]). Among such amount:

- (1) RMB: [*] (¥[*]);
- (2) Foreign Currency: _____(_____, equivalent of US dollars).

Article 3 The range of guarantee under this Agreement is comprised of principal of credit, interest of credit (including fine of interest and compound interest), fine for breach of contract, compensation for damages, expense for realization of creditor's right (including without limitation, expense for litigation, lawyers, travel, etc.) and other payable expense.

Section Three Effective Term of Credit Line and Period of Guarantee

Article 4 The valid term of the General Credit Line is two years, commencing from February 5, 2006 to February 4, 2008.

Article 5 The period during which the Debtor should satisfy its obligations ("Debtor Obligation Period") is determined by provisions under each of Specific Business Contract, loan certificates or agreements under the Main Contract.

Article 6 The period of guarantee borne by Party A hereunder is two years, commencing from the expiry date of the Debtor Obligation Period.

The period of guarantee under each of Specific Business Contract, loan certificates or agreements and other legal documents should be calculated separately in accordance with the provision above.

If the principal debt becomes mature in advance due to relevant laws and regulations or as provided in the Main Contract, such maturity date should be the deadline prior to which the Debtor shall perform its obligations.

Section Four Representations and Warranties

Article 7 Party A represents as follows:

7.1 Party A is an individual legally existing in accordance with PRC laws, has civil competence necessary to sign and implement this Agreement, and has independent ability to take the legal responsibility.

7.2 Party A understands and agrees on the content of the Main Contract. Party A will voluntarily provide the guarantee for the Debtor under the Main Contract, and Party A's express of will under this Agreement is true.

7.3 Party A represents that the relevant explanation of its credit, financing statements and other materials are true, entire, legal and valid.

7.4 There are no legal actions or arbitration proceedings before any court or governmental agency which would be reasonably expected to materially and adversely affect the competence of guarantee of Party A, when Party A representations and warranties in this Agreement.

7.5 If Party A splits, merges, dissolves or engages in other actions, the rights and obligations of Party A under this Agreement is succeeded by the successor in accordance with the laws.

Article 8 Party B's represents as follows:

8.1 When the period during which the Debtor should satisfy its obligations under the Main Contract, Specific Business Contracts or loan receipts expires, if the Debtor has not repaid its debt, Party B will be entitled to request Party A to be jointly and severally liable within the range of guarantee under this Agreement.

8.2 If any third party does harm to the rights of Party B under this Agreement, Party B will be entitled to submit to the court.

Section Five Rights and Obligations of Each Party

Article 9 The rights and obligations of Party A are as follows:

9.1 Party A is responsible for providing to Party B the relevant documents to prove its legal qualification.

9.2 Party A is responsible for providing to Party B the financing statements or other relevant materials to prove its credit.

9.3 If the Debtor repays all the principal, interest and expense of the Consumed Credit, the liability of guarantee of Party A under this Agreement will be automatically terminated.

9.4 If the Debtor cannot repay the debt on time (including the circumstance that the repayment term matures in advance as provided in the Main Contract), Party A shall repay all the debt under the Main Contract within 3 working days upon the receipt of Party B's written request.

9.5 During the validity period of the Main Contract, Party A shall in addition to taking actions to satisfy its obligations under the guarantee, notify Party B within 3 working days of the occurrence of following events:

- (1) Party A is involved in legal actions, arbitration proceedings or other matters that may affect its ability of providing guarantee;
- (2) Party A changes its company name, legal address or legal representative;
- (3) Party A is involved in merge, acquisition, share reorganization, subcontract, lease, assets transfer, co-operation, investment, application for suspension for internal rectification, application for dissolving, application for bankruptcy, etc.

9.6 During the term of guarantee, Party B may assign its Creditor's rights under the Main Contract any third party without Party A's consent, and Party A shall still take the responsibility of providing guarantee under this Agreement.

Article 10 Rights and Obligations of Party B are as follows:

10.1 Party B is entitled to request Party A to provide the relevant documents to prove its legal qualification.

10.2 Party B is entitled to request Party A to provide the financing statements or other materials to prove Party A's credit.

10.3 Party B is entitled to inspect and check the business operation and assets of Party A, and Party A shall assist in such inspection and check, and shall provide the relevant materials to Party B promptly.

10.4 Party B is entitled to request Party A to satisfy the guarantee under this Agreement in the manner provided, if the Debtor has not repaid the debt on the expiry date of Debtor Obligation Period as specified in the Main Contract, including when the principal debt matures in advance as provided for in the Main Contract .

10.5 If Party A does not implement in accordance with Article 9.4 under this Agreement, Party B is entitled to directly deduct the money from Party A's accounts opened at any branch of Bank of Beijing, or dispose of Party A's assets or rights of assets which are legally occupied by Party B in order to realize the credit.

10.6 If the Debtor in the Main Contract and Party B agree to modify the Main Contract without Party A's consent, Party A shall be not exempted from the liability of guarantee under this Agreement, as long as such modification does not increase the amount of guarantee of Party A or the period during which Credit Line is extended.

10.7 During the term of this Agreement, if the People's Bank of China adjusts the interest rate or the regulations regarding the interest rate, or modify the regulations of relevant collecting method of interest fee, which will be applicable to the debt (including contingent debt) in accordance with the Main Contract, Specific Business Contract, loan certificates or loan agreement and other relevant legal documents, such relevant regulations of the People's Bank of China will be applicable, and will be not deemed as the modification to the Main Contract and this Agreement. Under such circumstance, Party A shall take the responsibility of guarantee under this Agreement without Party B's notice.

10.8 Unless otherwise set forth in this Agreement, Party A shall repay to Party B for implementing the liability of guarantee as follows in the sequence specified:

- (1) expenses for realization of credit;
- (2) compensation for damages;
- (3) fine for breach of contract;
- (4) compound interest of the Principal Credit;
- (5) penalty interest or fine for overdue Principal Credit;
- (6) interest or expense of the Principal Credit;
- (7) principal of the Principal Credit.

10.9 Any third party shall take the joint and several guarantee, if it intends to provide the guarantee for the Debtor Specified Business Contracts, loan certificates or agreements. Party B is entitled to request any guarantor to implement the repayment obligation.

Section Six Liabilities for Breach of Contract

Article 11 Upon the effectiveness of this Agreement, Party A and B shall each perform its obligations under this Agreement. Any party shall be liable for its non-performance or partial performance of its obligations under this Agreement or breach of its representations and warranties hereunder and compensate the other Party any loss caused by such breach of contract.

Section Seven Force Majeure

Article 12 If Party A could not implement its obligations under this Agreement arising out of a Force Majeure event, Party A shall notice Party B within 3 working days and provide the written certificate issued by the local organization for notarization since the events of Force Majeure happened.

Party A undertakes that any modification, which is necessarily made due to a Force Majeure event, will neither exempt or affect Party A's obligations and liabilities under this Agreement, nor materially or adversely affect Party B's rights under this Agreement.

Section Eight Dispute Resolution

Article 13 Any dispute arising out of this Agreement shall firstly be solved by negotiation between Parties. In the event that Parties fail to agree on any solution, any Party has the right to submit such dispute to the court as specified in the Main Contract.

Section Nine Execution, Alternation and Termination of This Agreement

Article 14 This Contract should be executed by the legal representatives/responsible person or authorized representative of each Party with company's seal affixed.

Article 15 This Contract is independent from the Main Contract and will not become invalid due to the invalidity of the Main Contract. Party A will assume joint and several liability for Debtor's obligations arising from the invalidity of the Main Contract.

Article 16 Upon the effectiveness of this Agreement, any Party shall not modify or early terminate this Agreement in its own discretion. If such modification or termination is necessary, the Parties shall negotiate with each other and agree to the written agreement.

Section Ten Appendices

Article 17 The Appendices of this Agreement include: N/A.

Article 18 The Appendices of this Agreement are integral parts of this Agreement, and has the same legal effect as this Agreement.

Section Fifteen Miscellaneous

Article 19 Any notice in this Agreement shall be deemed delivered (1) if it is sent by telex and fax, when it is sent; (2) if it is sent by mail, 3 days after the mail has been sent.

Article 20 Other provisions as agreed by the Parties: N/A.

Article 21 The terms used herein such as the Creditor, Specific Business Contract have the same meanings as provided in the Main Contract.

Unless necessarily set forth in this Agreement, the term Main Contract refers to all the legal document including the Credit Facility Agreement as well as the Specific Business Contract, loan certificates or loan agreements and other legal documents entered into in accordance with the Credit Facility Agreement.

Article 22 Any matter not stipulated in this Agreement should be discussed and agreed upon by written agreement.

Article 23 This Agreement will be executed in two originals, each of Party A, Party B will keep one and each of these originals should have the same legal effect.

Article 24 This Agreement is executed by the Parties on February 5, 2006 in Haidian District, Beijing.

Party A and Company Seal: Beijing Haidian District Private-Funded New Oriental School

Legal Representative or authorized representatives (signature): /s/ Yu Minhong

Party B and Company Seal: Bank of Beijing Co., Ltd. Haidian Road Sub-branch

Legal Representative or authorized representatives (signature): /s/ Zhang Zhiqi

Maximum Amount Guarantee Agreement

Contract No.: 2006013-3

No.: 0015203

Guarantor: Beijing New Oriental Education Technology (Group) Co., Ltd. (“Party A”)

Address: Haidian District Haidian Zhong Jie No. 6

Post Code: 100080

Organization Code/Personal Identification Card Number: 72636715-1

Legal Representative: Yu Minhong

Tel: 62605566

Fax: 62605511

Bank Name: Bank of Beijing Co., Ltd. Haidian Road Sub-branch

Bank Account: 0517900120105095625

Creditor: Bank of Beijing Co., Ltd. Haidian Road Sub-branch (“Party B”)

Address: Beijing City Haidian District Zhong Guan Cun Da Jie No.22

Post Code: 100080

Organization Code: 00198972-8

Legal Representative/Person in Charge: Zhang Zhiqi

Tel: 62628341

Fax: 62628345

Bank Name:

Bank Account:

Party A will voluntarily provide guarantee for all the credit under the Credit Facility Agreement (No.0015203, the “Main Contract”) entered into by and between Beijing Haidian District Private-Funded New Oriental School (the “Debtor”) and Party B.

According to the relevant laws, regulations and rules, the parties agree to enter into this Agreement based on good faith doctrine and principle of equality and voluntariness.

Section One Type of Guarantee

Article 1 The type of guarantee in this Agreement is joint and several guarantee.

Section Two Category and Amount of Principal Credit, Scope of Guarantee

Article 2 The category and amount of principal credit guaranteed by Party A means that under the Main Contract. Credit Line in the Main Contract is Renminbi [*] (RMB [*]). Among such amount:

- (1) RMB: [*] yuan (¥[*]);
- (2) Foreign Currency: ____ (____, equivalent of US dollars).

Article 3 The range of guarantee under this Agreement is comprised of principal of credit, interest of credit (including fine of interest and compound interest), fine for breach of contract, compensation for damages, expense for realization of creditor's right (including without limitation, expense for litigation, lawyers, travel, etc.) and other payable expense.

Section Three Effective Term of Credit Line and Period of Guarantee

Article 4 The valid term of the General Credit Line is two years, commencing from February 5, 2006 to February 4, 2008.

Article 5 The period during which the Debtor should satisfy its obligations ("Debtor Obligation Period") is determined by provisions under each of Specific Business Contract, loan certificates or agreements under the Main Contract.

Article 6 The period of guarantee borne by Party A hereunder is two years, commencing from the expiry date of the Debtor Obligation Period.

The period of guarantee under each of Specific Business Contract, loan certificates or agreements and other legal documents should be calculated separately in accordance with the provision above.

If the principal debt becomes mature in advance due to relevant laws and regulations or as provided in the Main Contract, such maturity date should be the deadline for the Debtor to perform its obligations.

Section Four Representations and Warranties

Article 7 Party A represents as follows:

7.1 Party A is a legal person legally existing in accordance with PRC laws, has civil competence necessary to sign and implement this Agreement, and has independent ability to take the legal responsibility.

7.2 Party A understands and agrees on the content of the Main Contract. Party A will voluntarily provide the guarantee for the Debtor under the Main Contract, and Party A's express of will under this Agreement is true.

7.3 Party A represents that the relevant explanation of its credit, financing statements and other materials are true, entire, legal and valid.

7.4 There are no legal actions or arbitration proceedings before any court or governmental agency which would be reasonably expected to materially and adversely affect the competence of guarantee of Party A, when Party A representations and warranties in this Agreement.

7.5 If Party A splits, merges, dissolves or engages in other actions, the rights and obligations of Party A under this Agreement is succeeded by the successor in accordance with the laws.

Article 8 Party B's represents as follows:

8.1 When the period during which the Debtor should satisfy its obligations under the Main Contract, Specific Business Contracts or loan receipts expires, if the Debtor has not repaid its debt, Party B will be entitled to request Party A to be jointly and severally liable within the range of guarantee under this Agreement.

8.2 If any third party does harm to the rights of Party B under this Agreement, Party B will be entitled to submit to the court.

Section Five Rights and Obligations of Each Party

Article 9 The rights and obligations of Party A are as follows:

9.1 Party A is responsible for providing to Party B the relevant documents to prove its legal qualification.

9.2 Party A is responsible for providing to Party B the financing statements or other relevant materials to prove its credit.

9.3 If the Debtor repays all the principal, interest and expense of the Consumed Credit, the liability of guarantee of Party A under this Agreement will be automatically terminated.

9.4 If the Debtor cannot repay the debt on time (including the circumstance that the repayment term matures in advance as provided in the Main Contract), Party A shall repay all the debt under the Main Contract within 3 working days upon the receipt of Party B's written request.

9.5 During the validity period of the Main Contract, Party A shall in addition to taking actions to satisfy its obligations under the guarantee, notify Party B within 3 working days of the occurrence of following events:

- (1) Party A is involved in legal actions, arbitration proceedings or other matters that may affect its ability of providing guarantee;
- (2) Party A changes its company name, legal address or legal representative;
- (3) Party A is involved in merger, acquisition, share reorganization, subcontract, lease, assets transfer, co-operation, investment, application for suspension for internal rectification, application for dissolving, application for bankruptcy, etc.

9.6 During the term of guarantee, Party B may assign its Creditor's rights under the Main Contract any third party without Party A's consent, and Party A shall still assume the responsibility of providing guarantee under this Agreement.

Article 10 Rights and Obligations of Party B are as follows:

10.1 Party B is entitled to request Party A to provide the relevant documents to prove its legal qualification.

10.2 Party B is entitled to request Party A to provide the financing statements or other materials to prove Party A's credit.

10.3 Party B is entitled to inspect and check the business operation and assets of Party A, and Party A shall assist in such inspection and check, and shall provide the relevant materials to Party B promptly.

10.4 Party B is entitled to request Party A to satisfy the guarantee under this Agreement in the manner provided, if the Debtor has not repaid the debt on the expiry date of Debtor Obligation Period as specified in the Main Contract, including when the principal debt matures in advance as provided for in the Main Contract.

10.5 If Party A does not implement in accordance with Article 9.4 under this Agreement, Party B is entitled to directly deduct the money from Party A's accounts opened at any branch of Bank of Beijing, or dispose of Party A's assets or rights of assets which are legally occupied by Party B in order to realize the credit.

10.6 If the Debtor in the Main Contract and Party B agree to modify the Main Contract without Party A's consent, Party A shall be not exempted from the liability of guarantee under this Agreement, as long as such modification does not increase the amount of guarantee of Party A or the period during which Credit Line is extended.

10.7 During the term of this Agreement, if the People's Bank of China adjusts the interest rate or the regulations regarding the interest rate, or modify the regulations of relevant collecting method of interest fee, which will be applicable to the debt (including contingent debt) in accordance with the Main Contract, Specific Business Contract, loan certificates or loan agreement and other relevant legal documents, such relevant regulations of the People's Bank of China will be applicable, and will be not deemed as the modification to the Main Contract and this Agreement. Under such circumstance, Party A shall take the responsibility of guarantee under this Agreement without Party B's notice.

10.8 Unless otherwise set forth in this Agreement, Party A shall repay to Party B for implementing the liability of guarantee as follows in the sequence specified:

- (1) expenses for realization of credit;
- (2) compensation for damages;
- (3) fine for breach of contract;
- (4) compound interest of the Principal Credit;
- (5) penalty interest or fine for overdue Principal Credit;
- (6) interest or expense of the Principal Credit;
- (7) principal of the Principal Credit.

10.9 Any third party shall take the joint and several guarantee, if it intends to provide the guarantee for the Debtor Specified Business Contracts, loan certificates or agreements. Party B is entitled to request any guarantor to implement the repayment obligation.

Section Six Liabilities for Breach of Contract

Article 11 Upon the effectiveness of this Agreement, Party A and B shall each perform its obligations under this Agreement. Any party shall be liable for its non-performance or partial performance of its obligations under this Agreement or breach of its representations and warranties hereunder and compensate the other Party any loss caused by such breach of contract.

Section Seven Force Majeure

Article 12 If Party A could not implement its obligations under this Agreement arising out of a Force Majeure event, Party A shall notice Party B within 3 working days and provide the written certificate issued by the local organization for notarization since the events of Force Majeure happened.

Party A undertakes that any modification, which is necessarily made due to a Force Majeure event, will neither exempt or affect Party A's obligations and liabilities under this Agreement, nor materially or adversely affect Party B's rights under this Agreement.

Section Eight Dispute Resolution

Article 13 Any dispute arising out of this Agreement shall firstly be solved by negotiation between Parties. In the event that Parties fail to agree on any solution, any Party has the right to submit such dispute to the court as specified in the Main Contract.

Section Nine Execution, Alternation and Termination of This Agreement

Article 14 This Contract should be executed by the legal representatives/ responsible person or authorized representative of each Party with company's seal affixed.

Article 15 This Contract is independent from the Main Contract and will not become invalid due to the invalidity of the Main Contract. Party A will take joint and several liability for Debtor's obligations arising from the invalidity of the Main Contract.

Article 16 Upon the effectiveness of this Agreement, any Party shall not modify or early terminate this Agreement in its own discretion. If such modification or termination is necessary, the Parties shall negotiate with each other and agree to the written agreement.

Section Ten Appendices

Article 17 The Appendices of this Agreement include: N/A.

Article 18 The Appendices of this Agreement are integral parts of this Agreement, and has the same legal effect as this Agreement.

Section Fifteen Miscellaneous

Article 19 Any notice in this Agreement shall be deemed delivered (1) if it is sent by telex and fax, when it is sent; (2) if it is sent by mail, 3 days after the mail has been sent.

Article 20 Other provisions as agreed by the Parties: N/A.

Article 21 The terms used herein such as the Creditor, Specific Business Contract have the same meanings as provided in the Main Contract.

Unless necessarily set forth in this Agreement, the term Main Contract refers to all the legal document including the Credit Facility Agreement as well as the Specific Business Contract, loan certificates or loan agreements and other legal documents entered into in accordance with the Credit Facility Agreement.

Article 22 Any matter not stipulated in this Agreement should be discussed and agreed upon by written agreement.

Article 23 This Agreement will be executed in three originals, each of Party A, Party B and the Debtor will keep one and each of these originals should have the same legal effect.

Article 24 This Agreement is executed by the Parties on February 5, 2006 in Haidian District, Beijing.

Party A and Company Seal: Beijing Haidian District Private-Funded New Oriental School

Legal Representative or authorized representatives (signature): /s/ Yu Minghong

Party B and Company Seal: Bank of Beijing Co., Ltd. Haidian Road Sub-branch

Legal Representative or authorized representatives (signature): /s/ Zhang Zhiqi

北京市天元律师事务所

TIANYUAN LAW FIRM

11F/Tower C, Corporate Square, 35 Financial St.
Beijing, 100032, P. R. China
Tel: (8610) 8809-2188; Fax: (8610)8809-2150.

Date: August 22, 2006

New Oriental Education & Technology Group Inc.

No. 6 Hai Dian Zhong Street

9th Floor

Haidian District, Beijing 100080

People's Republic of China

Latham & Watkins LLP

41st Floor

One Exchange Square

8 Connaught Place, Central

Hong Kong

Dear Sirs:

We have acted as special People's Republic of China ("PRC") legal counsel to New Oriental Education & Technology Group Inc., a company incorporated under the laws of the Cayman Islands (the "Company").

With respect to the proposed initial public offering (the "Offering") of the Company's American Depositary Shares ("ADSs"), each representing 4 common shares, par value \$0.01 per share, of the Company, and the issuance of the prospectus, that forms part of the Company's registration statement on Form F-1 filed with the U.S. Securities and Exchange Commission, in connection therewith, you have requested us to furnish an opinion to you as to the matters hereinafter set forth.

A. Documents Examined, Definition and Information Provided

In connection with the furnishing of this opinion, we have examined copies, certified or otherwise identified to our satisfaction, of documents provided by the Company. All of these documents are hereinafter collectively referred to as the “**Documents**.”

Unless the context of this opinion otherwise provide, the following terms in this opinion shall have the meanings set forth below:

“Approvals” - to mean all necessary approvals, consents, waivers, sanctions, certificates, authorizations, filings, registrations, exemptions, permissions, endorsements, annual inspections, qualifications and licenses.

“Contracts” – to mean the contracts listed in Schedule I of this opinion.

“PRC” - to mean the People’s Republic of China (for the purposes of this opinion, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Province).

“PRC Laws” - to mean all laws, regulations, statutes, orders, decrees, guidelines, notices, judicial interpretations and sub-ordinate legislations currently in force and publicly available in the PRC on the date of this opinion.

“WFOEs” - to mean the Company’s three subsidiaries located in the PRC, including Beijing Decision Education and Consulting Co., Ltd. (“**Beijing Decision**”), Beijing Hewstone Technology Co., Ltd. (“**Beijing Hewstone**”) and Beijing Judgment Education & Consulting Co., Ltd., (“**Beijing Judgment**”).

“New Oriental China” - to mean Beijing New Oriental Education & Technology (Group) Co., Ltd., a company incorporated in accordance with the PRC Laws.

“Chinese Subsidiaries” - to mean all of the subsidiaries of New Oriental China, including the entities listed in Part Two of Schedule II of this opinion.

“New Oriental Schools” - to mean all of the schools founded and operated by New Oriental China, including the entities listed in Part Three of Schedule II of this opinion.

“Chinese Entities” - to mean all of the WFOEs, New Oriental China, the Chinese Subsidiaries and the New Oriental Schools.

“Underwriting Agreement” - to mean the underwriting agreement, to be entered among the Company, the Selling Shareholders and Credit Suisse Securities (USA) LLC and Goldman Sachs (Asia) L.L.C., as representatives of the Underwriters.

“Deposit Agreement” - to mean the deposit agreement, to be entered among the Company, Deutsche Bank Trust Company Americas as depository (the “**Depository**”) and the holders and beneficial owners from time to time of the ADRs issued thereunder.

“General Disclosure Package” – to mean (i) the General Use Issuer Free Writing Prospectus(es) issued at or prior to the Applicable Time, (ii) the preliminary prospectus dated August 22, 2006 (which

is the most recent Statutory Prospectus distributed to investors generally) and (iii) the other information, if any, stated in Schedule D to the Underwriting Agreement, all considered together.

“Applicable Time” means the date of the Underwriting Agreement.

Capitalized terms used but not defined herein shall have the meanings set forth in the Underwriting Agreement.

We have also examined originals and/or copies, certified or otherwise identified to our satisfaction, of other instruments as we have deemed necessary or advisable for the purposes of this opinion.

B. Assumptions.

In our examination of the aforesaid Documents, we have assumed, without independent investigation and inquiry that:

1. all signatures, seals and chops are genuine and were made or affixed by representatives duly authorized by the respective parties, all natural persons have the necessary legal capacity, all Documents submitted to us as originals are authentic, and all Documents submitted to us as certified or photo static copies conform to the originals;
2. no amendments, revisions, modifications or other changes have been made with respect to any of the Documents after they were submitted to us for the purposes of this legal opinion; and
3. each of the parties to the Documents (except the Chinese Entities) is duly organized and validly existing in good standing under the laws of its jurisdiction of organization and/or incorporation, and has been duly approved and authorized where applicable by the competent governmental authorities of the relevant jurisdiction to carry on its business and to perform its obligations under the Documents to which it is a party.

In expressing the opinions set forth herein, we have relied upon the factual matters contained in the representations and warranties set forth in the Documents.

C. Opinion.

Based upon the foregoing, and subject to the assumptions, exceptions and qualifications set forth herein, we are of the opinion that:

- (a) Each of the WFOEs has been duly incorporated and is validly existing as a wholly foreign owned enterprise with limited liability, with full enterprise legal person status and in good standing under the PRC Laws. All of the registered capital of each of the WFOEs has been fully paid for and all of the equity interest in the registered capital of each of the WFOEs is owned by the Company and such equity interest is free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity, or any third party right and was not

issued in violation of preemptive or similar rights. The Articles of Association, business license and other constitutive or organization documents of each of the WOFEs comply with the requirements of applicable PRC law and are in full force and effect.

(b) New Oriental China has been duly incorporated and is validly existing as a company with limited liability, with full enterprise legal person status and in good standing under the PRC Laws. All of the registered capital of New Oriental China has been fully paid for and all of the equity interest in the registered capital of New Oriental China is respectively owned by its shareholders as specified in Part One of Schedule II of this opinion and was not issued in violation of preemptive or similar rights. All of the equity interests in New Oriental China owned by its shareholders have been duly pledged to Beijing Decision in accordance with the PRC Laws. The Articles of Association, business license and other constitutive or organization documents of New Oriental China comply with the requirements of applicable PRC law and are in full force and effect.

(c) Each of the Chinese Subsidiaries has been duly incorporated and is validly existing as a company with limited liability, with full enterprise legal person status and in good standing under the PRC Laws. All of the registered capital of each of the Chinese Subsidiaries has been fully paid for and all of the equity interest in the registered capital of each of the Chinese Subsidiaries is owned by New Oriental China or its nominees or their respective subsidiaries, the details of which are listed in Part Two of Schedule II of this opinion and such equity interests are each free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity, or any third party right and was not issued in violation of preemptive or similar rights. The Articles of Association, business license and other constitutive or organization documents of each of the Chinese Subsidiaries comply with the requirements of applicable PRC law and are in full force and effect.

(d) Each of the New Oriental Schools has been duly established and is validly existing as a private school with limited liability, with full legal person status and in good standing under the PRC Laws. All of the registered capital of each of the New Oriental Schools has been fully paid for and all of the investment interests in each of the New Oriental Schools is owned by New Oriental China and such interests are each free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity, or any third party right and was not issued in violation of preemptive or similar rights. The Articles of Association, business license and other constitutive or organization documents of each of the New Oriental Schools comply with the requirements of applicable PRC law and are in full force and effect.

(e) The ownership structure of the Company, the WFOEs, New Oriental China, the Chinese Subsidiaries and the New Oriental Schools, individually or in the aggregate, is in compliance with the PRC Laws.

(f) Each of the Chinese Entities has full power and authority (corporate and other) to own its properties and conduct its business as described in the General Disclosure Package; each of the Chinese Entities is duly qualified to transact business and is in good standing in the PRC in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except as disclosed in the General Disclosure Package.

(g) All Approvals in the PRC required for the establishment and the maintenance of the legal person status of each of the Chinese Entities have been duly issued and obtained and all such Approvals are in full force and effect, have not been revoked, withdrawn, suspended or cancelled and are not subject to any condition. Each of the Chinese Entities has complied with all applicable registration and filing requirements under the PRC Laws for its establishment and the maintenance of its status and existence as a legal person.

(h) Each of the Chinese Entities has the power and authority and has satisfied all conditions and done all things required by the PRC Laws (including the making and obtaining of all necessary Approvals, if any) in order for it to own, use, lease and operate its assets and to conduct its existing and proposed business as set out in its business license and in the General Disclosure Package. Such Approvals are in full force and effect; no violation exists in respect of any such Approvals; and no such Approvals are subject to suspension, revocation or withdrawal and to the best of our knowledge, having made all due and reasonable inquiries, there are no circumstances existing which might lead to suspension, revocation or withdrawal of any such Approvals or any conditions attached thereto being adversely altered, except where such alteration would not individually or in the aggregate have a material adverse effect on the business, properties, management, financial position, shareholders' equity, results of operation or prospectus of the Company and the Chinese Entities, taken as a whole (a "**Material Adverse Effect**"). The business operations of each of the Chinese Entities are in compliance with all applicable PRC Laws, rules and regulations in all material aspects.

(i) Each of the relevant Chinese Entities has full power, authority and legal right to enter into, execute, adopt, assume, issue, deliver and perform their respective obligations under each of the Contracts to which it is expressed to be a party and such obligations constitute valid, legal and binding obligations enforceable in accordance with the terms of each of the Contracts against each of them in accordance with terms of each of the Contracts. Each Contract and the transactions contemplated thereby have been duly authorized by the PRC entities expressed to be parties thereto. No Approvals are required to be done or obtained for the performance of the respective relevant Chinese Entities of their obligations and the transactions contemplated under the Contracts other than those already obtained, except when the Company decides to exercise the option granted under the Exclusive Option Agreement to purchase the equity interests in New Oriental China, such purchase shall be subject to prior approval by the Ministry of Commerce or its local counterpart and be further subject to registrations with the relevant government authorities.

(j) Each of the relevant Chinese Entities has taken all necessary corporate and other actions and fulfilled and done all conditions and things required by the PRC Laws (including the making and obtaining of all relevant Approvals, if any) for the entering into, execution, adoption, assumption, issue, delivery and the performance of their respective obligations under each of the Contracts to which it is expressed to be a party except as disclosed in the preceding paragraph (i), and the representatives of the relevant Chinese Entities (as the case may be) have been duly authorized to do so. Each of the relevant Chinese Entities is not in breach of the terms and conditions of any Approvals; all such Approvals are in full force and effect; and no such Approvals have been amended or revoked or are subject to suspension, revocation or

withdrawal and to the best of our knowledge, having made all due and reasonable inquiries, there are no circumstances existing which might lead to suspension, revocation or withdrawal of any such Approvals or any conditions attached thereto being adversely altered.

(k) The execution, delivery and performance by each of the relevant Chinese Entities of their respective obligations under each of the Contracts to which any of them is a party does not and will not contravene, result in a breach or violation of or constitute a default under (i) any of the terms and provisions of their respective Articles of Association or any of their respective business licenses and constitutive documents, (ii) any applicable PRC Laws or public policy, or (iii) any agreement, instrument, arbitration award or judgment, order or decree of any court of the PRC having jurisdiction over the relevant Chinese Entities, as the case may be, any agreement or instrument to which any of them is expressed to be a party or which is binding on any of them or any of their assets, and each Contract is in full force and effect and to the best of our knowledge after due inquiry, none of the Chinese Entities thereto is in breach or default in the performance of any of the terms or provisions of such Contract; no Contract has been amended or revoked or is liable to be set aside under any applicable PRC Laws.

(l) None of the Contracts or the transactions contemplated by the Contracts taken both individually and together as a whole has resulted in or results in the creation or imposition of any lien, charge, encumbrance or claim pursuant to any instrument or agreement to which any of the relevant Chinese Entities was or is a party or by which any of the relevant Chinese Entities or any of their respective properties or assets was or is bound, except the option granted under the Exclusive Option Agreement and the pledge created under the Exclusive Pledge Agreement, both as listed in Schedule I of this opinion.

(m) The choice of PRC Laws as the governing law in each Contract is a valid choice of governing law and will be binding on the parties to the relevant Contract.

(n) Each of the Contracts and the transactions contemplated thereby are legal, valid, enforceable and admissible as evidence under the PRC Laws and public policy and is binding on the persons expressed to be parties thereto. No provision in any of the Contracts (taken both individually and together as a whole) contravenes in any way any applicable the PRC Laws or public policy.

(o) None of the WFOEs is currently prohibited, directly or indirectly, from paying any dividends on their equity interest, except as described in or contemplated by the General Disclosure Package. The current beneficial owners of the Company who are PRC residents have registered with the local branch of the State Administration of Foreign Exchange, or SAFE, as required under the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or SAFE Circular No. 75, issued on October 21, 2005. Except as described in the General Disclosure Package, all dividends declared and payable upon the equity interests of the WFOEs may be converted into foreign currency that may be freely transferred out of the PRC, provided however that the current or future beneficial shareholders of the Company (direct or indirect) who are PRC residents shall complete the necessary foreign exchange registration for their outbound investments in accordance with the

relevant foreign exchange regulations on a timely basis. All dividends payable by the WFOEs are not and will not be subject to withholding or other taxes under the PRC Laws and when paid will be free and clear of any tax, withholding or deduction in the PRC without the necessity of obtaining any governmental authorization in the PRC.

(p) There are no legal, administrative, arbitration or other proceedings which has challenged the legality, effectiveness or validity of the Contracts and/or the transactions contemplated thereby, individually or taken as a whole, or to the best of our knowledge after making due and reasonable enquiries, no such proceedings are threatened or contemplated by any governmental or regulatory authority or by any other persons.

(q) No further action from shareholders or directors of each of Chinese Entities is required to approve and implement in full the Contracts and the transactions contemplated thereby.

(r) The obligations undertaken by and the rights granted to each party to the Contracts are legally permissible under the PRC Laws.

(s) No third party Approvals is required for the implementation of the Contracts or the transactions contemplated thereby or for each of the relevant Chinese Entities to fulfill its obligations under the Contracts.

(t) The description of the corporate structure of the Company and the Contracts as set forth in the General Disclosure Package under the captions "Corporate Structure" and "Related Party Transactions" and filed as exhibits to the Initial Registration Statement, is true and accurate in all material respects and nothing has been omitted from such description which would make it misleading in any material respect. To the best of our knowledge after due inquiry, there is no other agreement, contract or other document relating to the corporate structure or the operation of the Company and the Chinese Entities which has not been, to the extent material to the Company and the Chinese Entities, disclosed in the General Disclosure Package.

(u) None of the Chinese Entities is in breach of or in default under (i) any applicable PRC Laws, (ii) any Approval granted by any PRC governmental or regulatory body or its business license, or (iii) their respective articles of association, other constitutive documents or any contracts to which any entity is a party, such breach or default which has not been corrected, remedied, rectified or waived, and there exists no such breach or default the result of which would have a Material Adverse Effect.

(v) None of the Chinese Entities is in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject except for any such default or violation that would not, individually or in the aggregate have a Material Adverse Effect.

(w) None of the Chinese Entities has taken any action nor have any steps been taken or legal or administrative proceedings been commenced or threatened for the winding up, dissolution or liquidation of such Chinese Entities, or for the suspension, withdrawal, revocation or cancellation of their business licenses.

(x) None of the Chinese Entities or the Company is entitled to any immunity from any legal proceedings or other legal process or from enforcement execution or attachment in respect of their obligations in the transactions contemplated under the Underwriting Agreement, the Deposit Agreement or the Contracts.

(y) Except as disclosed in the General Disclosure Package, the Chinese Entities own, possess or can acquire on reasonable terms sufficient trademarks, trade names, patent rights, copyrights, domain names, licenses, approvals, trade secrets, inventions, technology, know-how and other intellectual property and similar rights, including registration and applications thereof (collectively, “**Intellectual Property Rights**”) necessary or material to the conduct of the business now conducted or proposed in the General Disclosure Package. Except as disclosed in the General Disclosure Package and in Section C paragraph (z) below.

(i) there are no rights of third parties to any of the Intellectual Property Rights owned by the Company or the Chinese Entities; (ii) there is no pending or, to our knowledge, threatened action, suit, proceeding or claim by others challenging the Company’s or any of the Chinese Entities’ rights in or to, or the violation of any of the terms of, any of their Intellectual Property Rights; (iii) there is no pending or, to our knowledge, threatened action, suit, proceeding or claim by others challenging the validity, enforceability or scope of any such Intellectual Property Rights; (iv) there is no pending or, to our knowledge, threatened action, suit, proceeding or claim by others that the Company or the Chinese Entities infringes, misappropriates or otherwise violates or conflicts with any Intellectual Property Rights or other proprietary rights of others, except in each case covered by clauses (i) to (iv) above such as would not, if determined adversely to the Company or any of the Chinese Entities, individually or in the aggregate, have a Material Adverse Effect.

(z) Except as disclosed in Schedule III of this opinion, we do not know of any PRC legal or governmental proceedings pending or threatened to which the Company or any of the Chinese Entities is a party or to which any of the properties of the Company or any of the Chinese Entities is subject that are required to be described in the Registration Statement or the General Disclosure Package and are not so described or of any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the General Disclosure Package or to be filed as exhibits to the Registration Statement that are not described or filed as required:

(aa) There are no outstanding guarantees or contingent payment obligations of any of the Chinese Entities in respect of indebtedness of third parties except as disclosed in the General Disclosure Package.

(bb) The execution and delivery by the Company of, and the performance by the Company of its obligations under the Underwriting Agreement and the Deposit Agreement will not contravene any provision of the PRC Laws or the articles of association or other governing documents of any of the Chinese Entities or any agreement or other instrument governed by the PRC Laws and binding upon any of the Chinese Entities that is material to the Company and the

Chinese Entities, taken as a whole, or any judgment, policy, order or decree of any governmental body, agency or court of the PRC having jurisdiction over the Company or any Chinese Entities, and no Approval any governmental body or agency is required for the performance by the Company of its obligations under the Underwriting Agreement or the Deposit Agreement.

(cc) The choice of law provisions in the Underwriting Agreement and the Deposit Agreement will be recognized by PRC courts; each of the Chinese Entities can be sued in its own name under the PRC Laws.

(dd) Any judgment obtained in a New York court arising out of or in relation to the obligations of the Company and the Chinese Entities under the Underwriting Agreement or the Deposit Agreement would be enforceable against the Company and the Chinese Entities in the courts of the PRC, subject to the applicable provisions of the Civil Procedure Law of the PRC relating to the enforceability of foreign judgments.

(ee) The statements in the General Disclosure Package under “Prospectus Summary,” “Corporate Structure,” “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” “Business,” “Related Party Transactions,” “Enforceability of Civil Liabilities,” “Regulations” and “Risk Factors,” insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, in each case to the extent, and only to the extent, governed by the PRC Laws, fairly present the information and summarize the matters referred to therein.

(ff) Each of the Chinese Entities has good and marketable title to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except as disclosed in Schedule IV and except such as described or referred to in the General Disclosure Package or such as do not materially interfere with the use made and proposed to be made of such property by any of the Chinese Entities, as the case may be; and any real property and buildings held under lease by Chinese Entities are held by them under valid, existing and enforceable leases with such exceptions as are not material and do not interfere with the use made or proposed to be made of such property and buildings by any of the Chinese Entities, as the case may be.

(gg) Each of the Chinese Entities is in compliance with all applicable PRC Laws relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“**Environmental Laws**”), except, in each case, where noncompliance, individually or in the aggregate, would not have a Material Adverse Effect, there are no legal or governmental proceedings pending, or to the best of our knowledge, threatened against or affecting any of the Chinese Entities under any Environmental Law which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(hh) Neither the Company or any of the Chinese Entities has any financial obligation to the PRC government or any social security fund or other fund of the PRC government in connection with the offering.

(ii) There are no reporting obligations under PRC law on non-PRC resident holders of the ADSs or the common shares offered in this offering.

(jj) As a matter of PRC law, no non-PRC resident holder of the ADSs or common shares will be subject to any personal liability, or be subject to a requirement to be licensed or otherwise qualified to do business or be deemed domiciled or resident in the PRC, by virtue only of holding such ADSs or common shares. There are no limitations under PRC law on the rights of non-PRC resident holders of the ADSs or common shares to hold, vote, or transfer their securities nor any statutory pre-emptive rights or transfer restrictions applicable to the ordinary shares.

(kk) The Depositary will not (absent negligence, bad faith or breach of contract and general principle of agency) be subject to any potential liability under PRC laws for taking any action contemplated in the Deposit Agreement.

(ll) Nothing has come to our attention that leads us to believe that any part of a Registration Statement or any amendment thereto, as of its effective date or the date hereof, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Final Prospectus or any amendment or supplement thereto, as of its issue date or as of the date hereof, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading; we have no reason to believe that the General Disclosure Package, as of the Applicable Time or as of the date hereof, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

We are licensed to practise in the PRC and the foregoing opinion is limited to the PRC Laws currently in force and publicly available on the date of this opinion and is subject to the following qualifications:

(a) We express no opinion as to any law other than the laws of the mainland territory of the PRC in force on the date of this opinion. In particular, we have made no investigations and we express no opinion as to the laws of the Special Administrative Regions of Hong Kong and Macao;

(b) This opinion is intended to be used in the context which is specifically referred to herein; and

(c) The PRC Laws referred to herein are laws currently in force and there is no guarantee that any of such laws, or the interpretation thereof or enforcement therefor, will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect.

This opinion is rendered solely to you in connection with the above matter and at the request of the Company. This opinion may not be relied upon by you for any other purpose or released upon by or furnished to any other person without our prior written consent.

Very truly yours,

/s/ TianYuan Law Firm
TianYuan Law Firm

I. Teaching Support Agreement

- Teaching Support Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Beijing Haidian District Private-Funded New Oriental School
- Teaching Support Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Shenyang New Oriental Foreign Language Training School
- Teaching Support Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Guangzhou Haizhu District Private-Funded New Oriental Training School
- Teaching Support Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Wuhan New Oriental Training School
- Teaching Support Agreement dated as of January 1, 2006 between Beijing Decision and Shenzhen New Oriental Training School

II. Website Development and Use Agreement

- Website Development and Use Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Beijing Haidian District Private-Funded New Oriental School
- Website Development and Use Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Guangzhou Haizhu District Private-Funded New Oriental Training School
- Website Development and Use Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Shanghai Yangpu District New Oriental Advanced Study School
- Website Development and Use Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Shenyang New Oriental Foreign Language Training School
- Website Development and Use Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Wuhan New Oriental Training School

III. New Enrollment System Development Service Agreement

- New Enrollment System Development Service Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Beijing Haidian District Private-Funded New Oriental School
- New Enrollment System Development Service Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Guangzhou Haizhu District Private-Funded New Oriental Training School

- New Enrollment System Development Service Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Shanghai Yangpu District New Oriental Advanced Study School
- New Enrollment System Development Service Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Shenyang New Oriental Foreign Language Training School
- New Enrollment System Development Service Agreement dated as of April 25, 2005 and amended as of January 1, 2006 between Beijing Decision and Wuhan New Oriental Training School

IV. Trademark License Agreement

- Trademark License Agreement dated as of May 13 2006 between New Oriental Education & Technology Group Inc. and New Oriental China regarding the license of trademark “新东方”
- Trademark License Agreement dated as of May 13 2006 between New Oriental Education & Technology Group Inc. and New Oriental China regarding the license of trademark “新东方学校”
- Trademark License Agreement dated as of May 13 2006 between New Oriental Education & Technology Group Inc. and Beijing Hewstone regarding the license of trademark “新东方”
- Trademark License Agreement dated as of May 13 2006 between New Oriental Education & Technology Group Inc. and Beijing Hewstone regarding the license of trademark “新东方学校”
- Trademark License Agreement dated as of May 13, 2006 between Beijing Hewstone and Beijing Haidian District Private-Funded New Oriental School
- Trademark License Agreement dated as of May 13, 2006 between Beijing Hewstone and Beijing new Oriental Dogwood Book, Audio & Video Co., Ltd.
- Trademark License Agreement dated as of May 13, 2006 between Beijing Hewstone and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
- Trademark License Agreement dated as of May 13, 2006 between Beijing Hewstone and New Oriental Foreign Language Training School
- Trademark License Agreement dated as of May 13, 2006 between Beijing Hewstone and Shanghai Yangpu District New Oriental Advanced Study School
- Trademark License Agreement dated as of May 13, 2006 between Beijing Hewstone and Wuhan New Oriental Training School
- Trademark License Agreement dated as of May 13, 2006 between Beijing Hewstone and Xiangfan New Oriental Training School
- Trademark License Agreement dated as of May 13, 2006 between Beijing Hewstone and Shenzhen New Oriental Training School
- Trademark License Agreement dated as of May 13, 2006 between Beijing Hewstone and Beijing New Oriental International Preparatory School

V. Domain Name License Agreement

- Domain Name Transfer Agreement dated December 12, 2004 between Beijing Haidian District Private-Funded New Oriental School and New Oriental Education & Technology Group Inc.
- Domain Name License Agreement dated as of March 25, 2006 between New Oriental Education & Technology Group Inc. and New Oriental China.

VI. Lease Agreement

- Building Lease Agreement dated as of July 1, 2005 between Beijing Judgment as the landlord and Tianjin New Oriental Training School as the lessee
- Building Lease Agreement dated as of February 5, 2006 between New Oriental China as the landlord and Beijing Haidian District Private-Funded New Oriental School as the lessee
- Building Lease Agreement dated as of March 1, 2006 between New Oriental China as the landlord and Shanghai Dogwood Book, Audio & Video Co., Ltd. as the lessee
- Building Lease Agreement dated as of March 1, 2006 between New Oriental China as the landlord and Beijing New Oriental Dogwood Cultural Communications Co., Ltd. as the lessee
- Building Lease Agreement dated as of October 17, 2005 between New Oriental China and Beijing New Oriental Xuncheng Net work & Technology Co., Ltd.
- Building Lease Agreement dated as of April 30, 2005 between New Oriental China as the landlord and Beijing Hewstone as the lessee
- Building Lease Agreement dated as of April 30, 2005 between New Oriental China as the landlord and Beijing Decision as the lessee
- Building Lease Agreement dated as of April 30, 2005 between New Oriental China as the landlord and Beijing Judgment as the lessee

VII. Commercial Loan and Mortgage Agreement

- Loan Agreement dated as of December 3, 2003 between Yangzhou New Oriental Education & Technology Co., Ltd. and the Bank of Communications Yangzhou Branch
- Loan Agreement dated as of September 29, 2002 between Yangzhou New Oriental Education & Technology Co., Ltd. and the Bank of Communications Yangzhou Branch
- Land Use Right Mortgage Agreement dated as of September 29, 2002 between Yangzhou New Oriental Education & Technology Co., Ltd. and the Bank of Communications Yangzhou Branch
- Building Mortgage and Loan Agreement dated as of March 31, 2005 between New Oriental China and China Minsheng Banking Corporation Ltd. Beijing Hepingli Branch

- Credit Facility Agreement dated as of February 5, 2006 between Beijing Haidian District Private-Funded New Oriental School and the Bank of Beijing Co., Ltd. Haidian Road Sub-branch
- Maximum Amount Guarantee Agreement dated as of February 5, 2006 between Minhong Yu and the Bank of Beijing Co., Ltd. Haidian Road Sub-branch
- Maximum Amount Guarantee Agreement dated as of February 5, 2006 between New Oriental China and the Bank of Beijing Co., Ltd. Haidian Road Sub-branch

VIII. Exclusive Option Agreement

- Option Agreement dated as of May 25, 2006 among New Oriental Education & Technology Group Inc., Beijing Hongcai Education & Technology Co., Ltd. and New Oriental China
- Option Agreement dated as of May 25, 2006 among New Oriental Education & Technology Group Inc., Beijing Tian Yi Yang Technology Development Co., Ltd. and New Oriental China
- Option Agreement dated as of December 22, 2004 among New Oriental Education & Technology Group Inc., Beijing Beizhi Culture & Education Co., Ltd. and New Oriental China
- Option Agreement dated as of December 22, 2004 among New Oriental Education & Technology Group Inc., Fanyi Bao and New Oriental China
- Option Agreement dated as of December 22, 2004 among New Oriental Education & Technology Group Inc., Beijing Jin Mu Tu Technology & Trading Co., Ltd. and New Oriental China
- Option Agreement dated as of December 22, 2004 among New Oriental Education & Technology Group Inc., Xiaoping Xu and New Oriental China
- Option Agreement dated as of December 22, 2004 among New Oriental Education & Technology Group Inc., Qingquan He and New Oriental China
- Option Agreement dated as of December 22, 2004 among New Oriental Education & Technology Group Inc., Qingdao Feixiang Language Services Co., Ltd. and New Oriental China
- Option Agreement dated as of December 22, 2004 among New Oriental Education & Technology Group Inc., Yongqiang Qian and New Oriental China
- Option Agreement dated as of December 22, 2004 among New Oriental Education & Technology Group Inc., Beijing Jinfan Fengdu Culture Development Co., Ltd. and New Oriental China
- Option Agreement dated as of December 22, 2004 among New Oriental Education & Technology Group Inc., Beijing Shiji Youhao Education Investment Co., Ltd. and New Oriental China
- Amendment Option Agreement dated as of May 25, 2006 among New Oriental Education & Technology Group Inc., New Oriental China and New Oriental China schools.

IX. Equity Pledge Agreement

- Equity Pledge Agreement dated as of May 25, 2006 among New Oriental Education & Technology Group Inc., Beijing Decision and Beijing Hewstone and the shareholders of New Oriental China including Xiaoping Xu, Fanyi Bao, Yongqiang Qian, Qingquan He, Beijing Jinfan Fengdu Culture Development Co., Ltd., Beijing Shiji Youhao Education Investment Co., Ltd., Beijing Hongcai Education & Technology Co., Ltd., Qingdao Feixiang Language Services Co., Ltd., Beijing Tian Yi Yang Technology Development Co., Ltd., Beijing Jin Mu Tu Technology & Trading Co., Ltd. and Beijing Beizhi Culture & Education Co., Ltd.

Schedule II — Details of the Chinese Entities

	Name of the Company	Name of the Shareholder	Ownership Percentage
	Part One: New Oriental China		
	Beijing New Oriental Education & Technology (Group) Co., Ltd.	Xiaoping Xu	10%
		Fanyi Bao	4%
		Yongqiang Qian	2.5%
		Qingquan He	2%
		Beijing Jinfan Fengdu Culture Development Co., Ltd.	0.5%
		Beijing Shiji Youhao Education Investment Co., Ltd.	53%
		Beijing Hongcai Education & Technology Co., Ltd.	6%
		Qingdao Feixiang Language Services Co., Ltd.	0.5%
		Beijing Tian Yi Yang Technology Development Co., Ltd.	0.5%
		Beijing Jin Mu Tu Technology & Trading Co., Ltd.	2%
		Beijing Beizhi Culture & Education Co., Ltd.	19%
	Part Two: List of New Oriental Schools		
1	Beijing New Oriental Yangzhou Bilingual School	New Oriental China	100%
2	Shenyang New Oriental Foreign Language Training School	New Oriental China	100%
3	Shenzhen New Oriental Training School	New Oriental China	100%
4	Chongqing New Oriental Training School	New Oriental China	100%
5	Chengdu New Oriental School	New Oriental China	100%
6	Xi'an Yanta District New Oriental School	New Oriental China	100%
7	Nanjing Gulou New Oriental Advanced Study School	New Oriental China	100%

8	Wuhan New Oriental Training School	New Oriental China	100%
9	Guangzhou Haizhu District Privately-Funded New Oriental Training School	New Oriental China	100%
10	Tianjin New Oriental Training School	New Oriental China	100%
11	Shanghai Yangpu District New Oriental Advanced Study School	New Oriental China	100%
12	Beijing Haidian District Privately-Funded New Oriental School	New Oriental China	100%
13	Beijing New Oriental International Preparatory School	New Oriental China	100%
14	Xiangfan New Oriental Training School	New Oriental China	100%
15	Jinan New Oriental Training School	New Oriental China	100%
16	Zhengzhou New Oriental Training School	New Oriental China	100%
17	Hangzhou New Oriental Advanced Study School	New Oriental China	100%
18	Changchun New Oriental Training School	New Oriental China	100%
19	Harbin Nangang District New Oriental Training School	New Oriental China	100%
20	Changsha Furong District New Oriental Training School	New Oriental China	100%
21	Taiyuan New Oriental Training School	New Oriental China	100%
22	Zhuzhou New Oriental Training School	New Oriental China	100%

23	Shijiazhuang New Oriental School	New Oriental China	100%
24	Suzhou New Oriental School	New Oriental China	100%
Part Three: New Oriental Subsidiaries			
1	Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	New Oriental China	80%
		Shiji Youhao (holding shares on behalf of New Oriental China)	20%
2	Beijing Mingri Dongfang Technology Co., Ltd.	New Oriental China	99%
		Ms. Li Li (holding shares on behalf of New Oriental China)	1%
3	Beijing New Oriental Qiantu Chuguo Consultancy Co., Ltd.	New Oriental China	80%
		Shiji Youhao (holding shares on behalf of New Oriental China)	20%
4	Beijing New Oriental Xuncheng Net work & Technology Co., Ltd.	New Oriental China	99%
		Ms. Li Li (holding shares on behalf of New Oriental China)	1%
5	Yangzhou New Oriental Education & Technology Co., Ltd.	New Oriental China	90%
		Beijing Shiji Youhao Education Investment Co., Ltd. (holding shares on behalf of New Oriental China)	10%
6	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	80%
		New Oriental China	20%

7	Beijing New Oriental Dogwood Advertisement Co., Ltd.	New Oriental China	80%
		Beijing Shiji Youhao Education Investment Co., Ltd. (holding shares on behalf of New Oriental China)	20%
8	Shanghai Dogwood Book Audio & Video Co., Ltd.	New Oriental China	90%
		Ms. Li Li (holding shares on behalf of New Oriental China)	10%
9	Shenyang New Oriental Dogwood Book Audio & Video Co., Ltd.	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	80%
		Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	20%
10	Tianjin Dogwood Book Audio & Video Co., Ltd.	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	80%
		Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	20%
11	Xi'an New Oriental Dogwood Book Audio & Video Co., Ltd.	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	80%
		Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	20%
12	Nanjing New Oriental Dogwood Book Co., Ltd.	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	80%
		Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	20%
13	Guangzhou Dogwood Book Audio & Video Co., Ltd.	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	80%
		Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	20%
14	Chengdu New Oriental Dogwood Book Audio & Video Co., Ltd.	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	80%

		Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	20%
15	Chongqing New Oriental Dogwood Book Audio & Video Co., Ltd.	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	80%
		Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	20%
16	Wuhan New Oriental Dogwood Book Audio & Video Co., Ltd.	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	80%
		Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	20%
17	Changchun New Oriental Dogwood Book Audio & Video Co., Ltd.	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	80%
		Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	20%
18	Changsha New Oriental Dogwood Book Audio & Video Co., Ltd.	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	80%
		Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	20%
19	Harbin New Oriental Dogwood Book Audio & Video Sales Co., Ltd.	Beijing New Oriental Dogwood Book Audio & Video Co., Ltd.	80%
		Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	20%

Schedule III – Pending or Threatened Legal Proceedings

Parties involved in the legal proceedings	Cause of the Claim	Amount of the Claim	Current Status
1. Plaintiff: Ms. Julia Banner Alexander Defendant: Beijing Xun Cheng	Infringement of copyright of “New Concept English” owned by the Plaintiff	RMB1,000,000	Complaint has been served and the Parties are waiting for hearing
2. Plaintiff: New Oriental China, Defendant: Zhejiang New Oriental Going Abroad Services Co., Ltd. and Zhejiang New Oriental School	Infringement of Trademark Right	RMB 500,000	Complaint has been served and the Parties are preparing for submission of evidence
3. Plaintiff: New Oriental China, Defendant: Anhui New Oriental Cooking School	Infringement of Trademark Right	RMB 500,000	Hefei City Intermediate Court has accepted the case. Currently, New Oriental China is in the course of negotiation with the Defendant
4. Plaintiff: Gao Yonghao Defendant: Beijing Haidian District Private- Funded New Oriental School and others	Personal injury	RMB 200,000	Complaint has been served and the Parties are waiting for hearing

Schedule IV – List of the Mortgaged Properties

Name of the Property	Location	Mortgagee	Debts Secured
1. Zhongguancun Financial Center, Tower B	No. 21, Part IV, West Block of Zhongguancun, Haidian District, Beijing	China Minsheng Banking Corporation Ltd. Beijing Hepingli Sub-branch	The loan granted by China Minsheng Banking Corporation Ltd. Beijing Hepingli Sub-branch to New Oriental China for purchasing the property
2. Block No. 3-114-47	West side of Yangjiang Public Road, Wantou County, Guangling District, Yangzhou City, Jiangsu Province	Bank of Communication Yangzhou Branch	The loan granted by the Bank of Communication Yangzhou Branch to Yangzhou New Oriental Education & Technology Co., Ltd. for the construction of the Beijing New Oriental Yangzhou Bilingual School