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

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2021.

OR

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

OR

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

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number: 001-32993

**NEW ORIENTAL EDUCATION & TECHNOLOGY
GROUP INC.**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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

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

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
American depositary shares, each representing one common share*	EDU	New York Stock Exchange
Common shares, par value US\$0.001 per share**	9901	The Stock Exchange of Hong Kong Limited

* Effective on August 18, 2011, the ratio of ADSs to our common shares was changed from one ADS representing four common shares to one ADS representing one common share.

** Effective on March 10, 2021, we implemented a one-for-ten share split, in which each common share of par value of US\$0.01 each were subdivided into ten common shares, with a par value of US\$0.001 each.

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

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report. 1,690,082,150 common shares, par value US\$0.001 per share, as of May 31, 2021.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. Yes No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer
Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

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

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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INTRODUCTION

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

- “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 includes New Oriental China (as defined below);
- “CCASS” are to the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited;
- “China” or “PRC” refers to People’s Republic of China, and for the purpose of this annual report, excludes Taiwan, Hong Kong and Macau;
- “Companies (WUMP) Ordinance” are to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time;
- “HK\$” or “Hong Kong dollars” or “HK dollars” are to Hong Kong dollars, the lawful currency of Hong Kong;
- “Hong Kong” or “HK” or “Hong Kong S.A.R.” are to the Hong Kong Special Administrative Region of the PRC;
- “Hong Kong Listing Rules” are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
- “Hong Kong Share Registrar” are to Computershare Hong Kong Investor Services Limited;
- “Hong Kong Stock Exchange” are to The Stock Exchange of Hong Kong Limited;
- “Main Board” are to the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange;
- “New Oriental China” refers to New Oriental Education & Technology Group Co., Ltd., formerly known as Beijing New Oriental Education & Technology (Group) Co., Ltd., which is a domestic PRC company and our variable interest entity whose financial results are consolidated into our consolidated financial statements in accordance with U.S. GAAP;
- “SFC” are to the Securities and Futures Commission of Hong Kong;
- “SFO” are to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
- “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 students enrolled in our kindergarten, primary and secondary schools;
- “shares” or “common shares” refers to our common shares, par value US\$0.001 per share. Except as otherwise indicated, all share and per share data in this annual report give retroactive effect to the one-for-ten share split that became effective on March 10, 2021;

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- “ADSs” refers to our American depository shares. Prior to August 18, 2011, each of our ADSs represented four common shares. On August 18, 2011, we effected a change in the ratio of our ADSs to common shares from one ADS representing four common shares to one ADS representing one common share. Except as otherwise noted, this change in our ADS to common share ratio has been retroactively reflected in this annual report on Form 20-F; 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.

We refer to our teaching facilities in this annual report as either “schools” or “learning centers,” based primarily on a facility’s functions. Generally, our schools consist of classrooms and administrative facilities with student and administrative services, while our learning centers consist primarily of classroom facilities. Each of our schools, including kindergartens, has received a Permit for Operating a Private School from the relevant local government authority.

Our financial statements are expressed in U.S. dollars, which is our reporting currency. Certain of our financial data in this annual report on Form 20-F is translated into U.S. dollars solely for the reader’s convenience. Unless otherwise noted, all convenient translations from Renminbi and Hong Kong dollars to U.S. dollars in this annual report on Form 20-F were made at a rate of RMB6.3674 to US\$1.00 and HK\$7.7610 to US\$1.00, the respective exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on May 28, 2021. We make no representation that any Renminbi, Hong Kong dollars or U.S. dollar amounts could have been, or could be, converted into U.S. dollars, Hong Kong dollars or Renminbi, as the case may be, at any particular rate, at the rate stated above, or at all.

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)

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These forward-looking statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. 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, but are not limited to:

- our anticipated growth strategies;

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- our future business development, results of operations and financial condition;
- expected changes in our revenues and certain cost and expense items;
- competition in each type of educational program, service and product we provide;
- risks associated with our offering of new educational programs, services and products;
- 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 annual report 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 annual report 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.

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Our Selected Consolidated Financial Data

The following tables present the selected consolidated financial data of our company. The selected consolidated statement of operations data for the fiscal years ended May 31, 2019, 2020 and 2021 and the consolidated balance sheet data as of May 31, 2020 and 2021 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated statement of operations data for the fiscal years ended May 31, 2017 and 2018 and the selected consolidated balance sheet data as of May 31, 2017, 2018 and 2019 have been derived from our audited consolidated financial statements for the fiscal years ended May 31, 2017, 2018 and 2019, which are not included in this annual report. Our historical results do not necessarily indicate results expected for any future periods. The selected consolidated 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 included elsewhere in this annual report and “Item 5. Operating and Financial Review and Prospects—A. Operating Results.” Our audited consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

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(in thousands of US\$ except share and per share data)	For the Years Ended May 31,				
	2017	2018	2019	2020	2021
Selected Consolidated Statement of Operations Data:					
Net revenues:					
Educational programs and services	1,608,954	2,165,152	2,785,254	3,230,378	3,936,969
Books and other services	190,555	282,278	311,237	348,304	339,570
Total net revenues	1,799,509	2,447,430	3,096,491	3,578,682	4,276,539
Operating cost and expenses: ⁽¹⁾					
Cost of revenues	(749,586)	(1,065,740)	(1,376,269)	(1,588,899)	(2,036,875)
Selling and marketing	(232,826)	(324,249)	(384,287)	(445,259)	(600,778)
General and administrative	(554,948)	(794,482)	(1,028,783)	(1,145,521)	(1,489,826)
Impairment loss on intangible assets and goodwill	—	—	(5,245)	—	(31,794)
Total operating cost and expenses	(1,537,360)	(2,184,471)	(2,794,584)	(3,179,679)	(4,159,273)
Gain on disposal of a subsidiary	—	—	3,627	—	—
Operating income	262,149	262,959	305,534	399,003	117,266
Other income, net:					
Interest income	61,445	84,838	97,530	116,117	141,511
Interest expense	—	—	(1,615)	(4,627)	(6,747)
Realized gain from long-term investments	7,086	7,366	26,379	407	3,535
Impairment loss from long-term investments	(2,338)	(980)	(5,919)	(31,750)	(40,207)
Loss from fair value change of long-term investments	—	—	(104,636)	(18,451)	(3,824)
Miscellaneous income (loss), net	2,367	2,841	(1,424)	27,137	103,443
Provision for income taxes:					
Current	(51,142)	(72,785)	(103,031)	(142,992)	(127,313)
Deferred	518	13,377	17,317	8,630	43,725
Provision for income taxes	(50,624)	(59,408)	(85,714)	(134,362)	(83,588)
(Loss) gain from equity method investments	(3,289)	(379)	(2,289)	1,385	(1,368)
Net income	276,796	297,237	227,846	354,859	230,021
Less: Net income (loss) attributable to noncontrolling interests					
	2,339	1,107	(10,219)	(58,474)	(104,393)
Net income attributable to New Oriental Education & Technology Group Inc.'s shareholders	274,457	296,130	238,065	413,333	334,414
Net income per common share attributable to shareholders of New Oriental Education & Technology Group Inc. ^{(2) (3)}					
-Basic	0.17	0.19	0.15	0.26	0.20
-Diluted	0.17	0.19	0.15	0.26	0.20
Weighted average shares used in calculating basic net income per common share ⁽³⁾					
	1,575,513,200	1,581,687,940	1,582,938,900	1,584,295,760	1,645,463,440
Weighted average shares used in calculating diluted net income per common share ⁽³⁾					
	1,579,863,940	1,585,565,000	1,590,393,450	1,595,368,900	1,651,982,384

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

(2) Each ADS represents one common share.

(3) For the years ended May 31, 2017, 2018, 2019 and 2020, the number of shares used in calculating basic and diluted net income per common share have been retrospectively adjusted to reflect the 1-for-10 share split that became effective on March 10, 2021.

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<i>(in thousands of US\$)</i>	For the Years Ended May 31,				
	2017	2018	2019	2020	2021
Cost of revenues	—	—	134	2,224	6,698
Selling and marketing	—	—	1,205	4,227	6,922
General and administrative	20,287	57,443	69,997	55,606	55,260
Total	<u>20,287</u>	<u>57,443</u>	<u>71,336</u>	<u>62,057</u>	<u>68,880</u>

The following table presents our selected consolidated balance sheet data as of May 31, 2017, 2018, 2019, 2020 and 2021:

<i>(in thousands of US\$)</i>	As of May 31,				
	2017	2018	2019	2020	2021
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	641,018	983,319	1,414,171	915,057	1,612,211
Total assets	2,924,979	3,977,712	4,646,559	6,556,885	10,151,053
Total current liabilities	1,202,681	1,750,884	2,006,224	2,479,364	3,471,445
Total liabilities	1,204,901	1,763,017	2,121,462	3,687,074	5,132,877
Total mezzanine equity	—	206,624	—	—	—
Total New Oriental Education & Technology Group Inc. shareholders' equity	1,680,948	1,991,589	2,360,686	2,733,295	4,913,275
Noncontrolling interests	39,130	16,482	164,411	136,516	104,901
Total equity	1,720,078	2,008,071	2,525,097	2,869,811	5,018,176

B. Capitalization and Indebtedness

Not applicable.

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C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

Investing in our common shares and/or ADSs involves significant risks. You should carefully consider all of the information in this annual report before making an investment in our common shares and/or ADSs. The following list summarizes some, but not all, of these risks.

Risks Related to Our Business

- Significant uncertainties exist in relation to the interpretation and implementation of, or proposed changes to, the PRC laws, regulations and policies regarding the private education industry. In particular, our compliance with the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education and the implementation measures issued thereunder by the relevant PRC government authorities has materially and adversely affected and will materially and adversely affect our business, financial condition, results of operations and prospect.
- If we are not able 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.
- Our business depends on our “New Oriental” brand, and if we are not able to maintain and enhance our brand, our business and operating results may be harmed.
- We depend on our dedicated and capable faculty, and if we are not able to maintain consistent teaching quality throughout our school network, our brand, business and operating results may be materially and adversely affected.
- Failure to effectively and efficiently manage changes of our existing business may materially and adversely affect our ability to capitalize on new business opportunities.

Risks Related to Our Corporate Structure

- We are a Cayman Islands holding company with no equity ownership in our variable interest entities and we conduct our operations in China primarily through (i) our PRC subsidiaries and (ii) our variable interest entities, with which we have maintained contractual arrangements. Investors in our ADSs and/or common shares thus are not purchasing equity interest in our operating entities in China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with the PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company, our PRC subsidiaries, our variable interest entities, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with our variable interest entities and, consequently, significantly affect the financial performance of our variable interest entities and our company as a whole.

Risks Related to Doing Business in China

- Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business, financial conditions and results of operations.
- PRC government’s significant authority in regulating our operations and its oversight and control over securities offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature may cause the value of such securities to significantly decline. For more details, see “The PRC governmental authorities’ significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs.”
- Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our ADSs. For more details, see “Uncertainties with respect to the PRC legal system could adversely affect us.”
- Our business, financial condition and results of operations, as well as our ability to obtain financing, may be adversely affected by the downturn in the global or PRC economy.
- Our auditor is currently not subject to inspections by the PCAOB. Our ADSs may be delisted under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect auditors which are located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Risks Related to Our ADSs and Common Shares

- We adopt different practices as to certain matters as compared with many other companies listed on the Hong Kong Stock Exchange.
- The trading prices of our ADSs and common shares have been and are likely to continue to be volatile, which could result in substantial losses to holders of our common shares and/or ADSs.
- If securities or industry analysts publish negative reports about our business, the price and trading volume of our common shares and/or ADSs securities could decline.

Risks Related to Our Business

Significant uncertainties exist in relation to the interpretation and implementation of, or proposed changes to, the PRC laws, regulations and policies regarding the private education industry. In particular, our compliance with the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education and the implementation measures issued thereunder by the relevant PRC government authorities has materially and adversely affected and will materially and adversely affect our business, financial condition, results of operations and prospect.

The PRC private education industry, especially the after-school tutoring sector, has experienced intense scrutiny and has been subject to significant regulatory changes recently. In particular, the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education jointly promulgated by the General Office of State Council and the General Office of Central Committee of the Communist Party of China on July 24, 2021, or the Alleviating Burden Opinion, sets out a series of operating requirements on after-school tutoring institutions, including, among other things, (i) local government authorities shall no longer approve any new after-school tutoring institutions providing tutoring services on academic subjects for students in compulsory education, or the Academic AST Institutions, and all the existing Academic AST Institutions shall be registered as non-profit, and local government authorities shall no longer approve any new after-school tutoring institutions providing tutoring services on academic subjects for pre-school-age children and students in grade ten to twelve; (ii) online Academic AST Institutions that have filed with the local education administration authorities will be subject to review and re-approval procedures by competent government authorities, and any failure to obtain such approval will result in the cancellation of its previous filing and ICP license; (iii) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities and listed companies are prohibited from investing in Academic AST Institutions through capital markets fund raising activities, or acquiring assets of Academic AST Institutions by paying cash or issuing securities; (iv) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities; (v) after-school tutoring institutions shall not provide tutoring services on academic subjects during national holidays, weekends and school breaks; (vi) no advertisements for after-school tutoring shall be published or broadcasted in the network platforms and billboards displayed in the mainstream media, new media, public place and residential areas; (vii) fees charged for academic subjects tutoring in compulsory education will need to follow the guidelines from the government to prevent any excessive charging or excessive profit-seeking activity; (viii) government authorities will implement risk management and control for the pre-collection of fees by after-school tutoring institutions with requirements such as setting up third-party custodians and risk reserves, and strengthen supervision over loans regarding tutoring services; and (ix) online tutoring for preschool-age children is prohibited, and offline academic subjects (including foreign language) tutoring services for preschool-age children is also strictly prohibited. The Alleviating Burden Opinion further provides that administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be implemented by reference to the relevant provisions of the Alleviating Burden Opinion. It remains uncertain as to how and to what extent the administration over academic subjects tutoring institutions for students in grade ten to twelve will be implemented by reference of the Alleviating Burden Opinion. Furthermore, on August 18, 2021, the Beijing Municipality Government and the Beijing Municipal Committee of the Communist Party of China jointly published the full text of the Beijing Municipality's Measures to Further Reduce the Burden of Homework and After-School Tutoring on Students in Compulsory Education in Beijing, or the Beijing Measures, to implement the Alleviating Burden Opinion. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Private Education—Regulations on After-School Tutoring" for more details.

To implement the Alleviating Burden Opinion, on September 7, 2021, the Chinese Ministry of Education, or the MOE, published on its official website that the MOE, together with two other government authorities, issued a circular requiring all Academic AST Institutions to complete registration as non-profit by the end of 2021, and all Academic AST Institutions shall, before completing such registration, suspend enrollment of students and charging fees. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Private Education—Regulations on After-School Tutoring" for more details.

Our business, financial condition, results of operations and prospect have been and will be materially and adversely affected by the actions we have taken to date and consider taking to be in compliance with the Alleviating Burden Opinion and its implementation measures. We are closely monitoring the evolving regulatory environment and are making efforts to seek guidance from and cooperate with the government authorities to comply with the Alleviating Burden Opinion and its implementation measures. Among other things, we have ceased providing and will not provide tutoring services on academic subjects during national holidays, weekends and school breaks, and we may take further actions regarding our tutoring services on academic subjects for students in compulsory education in the near future to be in compliance, including closing of some of our learning centers and employee layoffs where necessary to maintain our continued operations. Due to the complexity and substantial uncertainty of the regulatory environment, we cannot assure you that our operations would be in full compliance with applicable laws, regulations and policies, including the Alleviating Burden Opinion and its implementation measures, in a timely manner, or at all. We may become subject to fines or other penalties or be required to terminate certain operations, in which case our business, financial condition and results of operations could be materially and adversely affected further. In addition, we may incur material impairment and severance charges resulting from termination of leases, dismissal of employees and other actions we take in light of the latest regulatory developments, which may have material adverse impact on our financial condition, results of operations and prospect.

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On November 7, 2016, the Standing Committee of the National People’s Congress amended the Private Education Law, or the Amended Private Education Law, which took effect on September 1, 2017. Under the Amended Private Education Law, on April 7, 2021, the State Council promulgated the Amended Implementation Rules for the Private Education Law, or the Amended Implementation Rules, which became effective on September 1, 2021. The Amended Implementation Rules prohibit social organizations and individuals from controlling a private school that provides compulsory education or a non-profit private school that provides pre-school education through mergers and acquisitions and control agreements, and a private school providing compulsory education is prohibited from conducting transactions with its related party. Relevant government authorities will enhance the supervision on the agreements entered into between non-profit private schools and its related party and shall review such transaction on an annual basis. In addition, online education activities using internet technology are encouraged by the regulatory authorities and shall comply with laws and regulations related to internet management. A private school engaging in online education activities using internet technology shall obtain the relevant private school operating permit. It shall also establish and implement internet security management systems and take technical security measures. Upon discovery of any information whose release or transmission is prohibited by applicable laws or regulations, the private school engaged in online education activities shall immediately cease the transmission of that information and take further remedial actions, such as deleting that information, to prevent it from spreading. Records pertaining to the situation shall be kept and reported to the appropriate authorities. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Private Education—Amended Implementation Rules” for more details.

Further, the PRC government authorities have issued several regulations aiming to strength its regulation of after-school tutoring institutions, including State Council Circular 80. These regulations and implementation rules provide a series of requirements in the operation of after-school tutoring business, which include, among others: (1) key course information, including subjects, course schedules and course syllabi, for school academic subjects courses, shall be filed with the local education administration authorities and made publicly available, and the progress of the courses shall not surpass the progress of local primary schools and secondary schools for the same period; (2) training classes shall not be scheduled in conflict with the regular school time in local primary schools and secondary schools; (3) after-school tutoring activities shall end no later than 8:30 p.m.; (4) no homework shall be arranged in any form; (5) scored examination, competition or ranking in connection with the courses of primary schools or secondary schools shall not be arranged; (6) tuition fees for a period spanning more than three months should not be collected at one time; (7) no fees, other than those that have been made public, and no compulsory fundraising in any name, may be made to students; (8) student safety insurance shall be purchased by the after-school tutoring institutions; (9) teaching staff who teach Chinese, mathematics, foreign language, physics, chemistry and other subjects in the compulsory education system as well as academic subjects related to the entering of higher education and their extension training shall have requisite teacher qualifications; and (10) public school teachers shall not be employed by after-school tutoring institutions. In addition, the PRC government authorities have issued regulations on online after-school tutoring activities that restate certain requirements that apply to all after-school tutoring institutions and further provide certain specific requirements for online after-school tutoring institutions. See “Item 4. Information on the Company—B. Business Overview—Regulation” for more information. We are continuously making efforts to comply with the requirements under these regulations and implementations. However, we cannot assure you that we will be able to comply with such requirements in a timely manner, or at all. If we fail to comply with these requirements and any other applicable regulatory requirements, we may be subject to fines, regulatory orders to suspend our operations or other regulatory and disciplinary sanctions, which may materially and adversely affect our business and results of operations.

If we are not able 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 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 regulatory developments, changes in market trends and student demands, maintain 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 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.

Our business depends on our “New Oriental” brand, and if we are not able to maintain and enhance our brand, our 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 student populations of all ages across China. We are considering our future business strategy in light of recent regulatory developments in China and may develop new program, service and product offerings and extend our reach to new areas, which may make it more difficult to maintain quality and consistency.

We have mainly relied on word-of-mouth referrals to attract prospective students. We also use various marketing and promotion activities, such as online demo courses, social media promotions and outdoor advertising campaigns to promote our brand and course offerings. We cannot, however, assure you that these or our other marketing efforts will be successful in 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. In addition, any negative publicity relating to our company or our programs and services, regardless of its veracity, could harm our brand image and in turn materially and adversely affect our business and operating results.

We depend on our dedicated and capable faculty, and if we are not 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. It is critical for us to continue to attract qualified teachers who have a strong command of the subject areas to be taught and meet our qualification. We also need to hire teachers who are capable of delivering innovative and inspirational instruction. We must also provide continuous training to our teachers so that they can stay up to date with changes in student demands, admissions and assessment tests, admissions standards, school curriculum, 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 development while maintaining consistent teaching quality across our education services. In addition, PRC laws and regulations may require our teachers to have requisite licenses. For example, the State Council Circular 80 and the Online Tutoring Opinion further require teachers in training schools to apply for teacher licenses, if they teach certain academic subjects in the primary and secondary education stage. After the promulgation of the State Council Circular 80 and the Online Tutoring Opinion, we have urged all teachers without teacher licenses to register for teacher license examinations. As of the date of this annual report, the vast majority of our teachers teaching academic subjects in the primary and secondary education stage have obtained the requisite teacher licenses. However, there are still a small number of our teachers that have not yet obtained their teacher licenses due to various reasons, such as the time gap between the recruitment and the newly-recruited teachers taking the exam and ultimately obtaining the teacher license. If some of our teachers, due to various reasons, are unable to apply for and obtain the requisite teaching licenses on a timely basis, or at all, we may be required to rectify such non-compliance and may not be able to continue to retain such teachers. 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.

Failure to effectively and efficiently manage changes of our existing business may materially and adversely affect our ability to capitalize on new business opportunities.

We increased the number of our schools in China from 25 as of May 31, 2006 to 122 as of May 31, 2021, and the number of our learning centers in China from 86 as of May 31, 2006 to 1,547 as of May 31, 2021. In light of recent regulatory developments in China, we have made and will continue to make changes to our existing business, including ceasing to provide tutoring services during public holidays, weekends and school breaks and closing of some of our learning centers, while executing on any new growth strategy we decide to pursue. We may continue to operate in different geographic locations in China, which has resulted, and will continue to result, in substantial demands on our management, faculty and operational, technological and other resources. Our continued nationwide operations 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 changes in our business and our future growth strategy, we must continue to improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers, management personnel and other administrative and sales and marketing personnel, particularly as we enter into new areas. We cannot assure you that we will be able to effectively and efficiently manage our operations, recruit and retain qualified teachers and management personnel and integrate new businesses into our operations. Any failure to effectively and efficiently manage changes of our business 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 business 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 business strategies include expanding our program, service and product offerings to new areas, 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 may not succeed due to competition, 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 programs. 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 demands. If we fail to successfully execute our business 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.

We may not be able to achieve the benefits we expect from recent and future acquisitions, and recent and future acquisitions may have an adverse effect on our ability to manage our business.

As part of our business strategy, we have pursued and intend to continue to pursue selective strategic acquisitions of businesses that complement our existing businesses. Acquisitions expose us to potential risks, including risks associated with the diversion of resources from our existing businesses, difficulties in successfully integrating the acquired businesses, failure to achieve expected growth by the acquired businesses and an inability to generate sufficient revenue to offset the costs and expenses of acquisitions. If the revenue and cost synergies that we expect to achieve from our acquisitions do not materialize, we may have to recognize impairment charges.

If any one or more of the aforementioned risks associated with acquisitions materialize, our acquisitions may not be beneficial to us and may have a material adverse effect on our business, financial condition and results of operations.

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 on the ground of intellectual property rights infringement, defamation, negligence or other legal 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' 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 and GRE tests were the original works of ETS and the GMAT test was the original work of GMAC, all of which are 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' and GMAC's prior permission were not a "reasonable use" of the test materials under the PRC Copyright Law, and that we, therefore, had infringed upon ETS' and GMAC's respective copyrights. We were ordered to pay damages in an aggregate of approximately RMB6.5 million, cease all infringing activities and destroy all copyright-infringing materials in our possession, all of which we have done. 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 we 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.

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In order to develop, improve, promote and deliver new products and services, we cooperate with various leading international education content providers and are required to obtain licenses from others from time to time. For example, we have worked with Cambridge University Press, Oxford University Press, Educational Testing Service, Cengage Learning and other education content providers in distributing their education material in China. With access to such high-quality education content, we further develop localized products that best serve the needs for millions of students and families in the China market. 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 have 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 our programs, and may be subject to further claims in the future, particularly in light of the uncertainties in the interpretation and application of 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 20 years 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 damage our reputation and brand. In addition, we have spent significant time and expense developing or licensing and localizing the content of our educational materials to enrich our product offerings and meet students' needs. 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. 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 highly fragmented and competitive. We face competition in each major program we offer and each geographic market in which we operate. For example, we face competition from companies that focus on test preparation and language training services in China.

Our student enrollments may decrease due to intense competition. Some of our competitors may have more resources and experiences 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, school curricula or new technologies. In addition, we face competition from many different smaller sized organizations that focus on some of our targeted markets, and they may be able to respond more promptly to changes in student preferences in these markets. We also face competition from online educational service providers that offer online test preparation and language training courses. These online education service providers use advanced technologies such as online live broadcasting technologies, to offer their programs, services and products quickly and cost-effectively to a large number of students. We may have to reduce course fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities, which could result in a decrease of our revenues and profitability. We cannot assure you that we will be able to compete successfully and grow our business. 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.

Our business, financial condition and results of operations have been and are likely to continue to be materially and adversely affected by the outbreak of COVID-19.

Since the beginning of 2020, there has been an outbreak of COVID-19 in China and other countries. The severity of the outbreak has resulted in the temporary closure of schools, learning centers, and many corporate offices across China. From the end of January 2020, we stopped the operation of all learning centers nationwide and moved our offline classes to small size online live broadcasting classes through the in-house developed OMO (online-merge-offline) system, which has played a fundamental role in reducing the impact of COVID-19 outbreak on our services and operation. However, we still experienced challenges in acquiring new students in the fiscal year of 2021. We have gradually resumed our offline operations from June 2020 and our student enrollments have since experienced recovery in growth. In addition, COVID-19 pandemic has had a material and adverse impact, both economically and socially, in other countries, including the United States, the United Kingdom, Canada and other study-abroad destinations popular among Chinese students. The duration and intensity of disruptions resulting from COVID-19 outbreak in these countries, the extent and severity of new waves of outbreak in these countries, the development and progress of distribution of COVID-19 vaccine and other medical treatment and the effectiveness of such vaccine and other medical treatment, remain uncertain. As a result, Chinese students may be discouraged from pursuing study-abroad in the near future, if not longer, which in turn may negatively affect the demand for our overseas test preparation courses, English language training courses, and overseas consulting services. Our business and financial performance have been adversely affected by the outbreak of COVID-19 in China and other countries since the beginning of 2020, and this is likely to continue throughout the current year and beyond.

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.

In addition to the impact of COVID-19, our business could also be materially and adversely affected by other health epidemics, such as H1N1 swine influenza, H7N9 bird flu, avian influenza, severe acute respiratory syndrome (SARS), Ebola or other disease. For example, the influenza A (H1N1) outbreak from 2009 to 2010 adversely affected our business and results of operations in the first and second fiscal quarters of 2010 as we experienced slower-than-usual student enrollment growth and large numbers of cancelations and deferments in enrollments from registered students. In addition, we had to cancel classes whenever an enrolled student was diagnosed with influenza A (H1N1), as required by applicable health regulations. Any future outbreak of adverse public health developments in China may have a material and adverse effect on our business operations. These occurrences could cause cancelations or deferments of student enrollments and require the temporary closure of our schools, learning centers and bookstores while we remain obligated to pay rent and other expenses for these facilities, thus severely disrupting our business operations and materially and adversely affecting our liquidity, financial condition and results of operations.

Failure to adequately and promptly respond to changes in testing materials, admissions standards and PRC laws and regulations on school curriculum could cause our programs, services and products to be less attractive to students, or subject us to rectification measures.

On August 25, 2021, the General Office of MOE issued the Administrative Measures for After-School Tutoring Materials for Primary and Secondary School Students (for Trial Implementation), which provide that, among others, (i) after-school tutoring materials for primary and secondary school students and staff preparing such tutoring materials shall meet certain requirements specified in such measures, which include, among others, tutoring materials shall follow the national curriculum standard and shall not provide contents in advance of the school curriculum; (ii) after-school tutoring institutions shall establish internal management system for the tutoring materials and the staff preparing such tutoring materials; (iii) after-school tutoring institutions shall conduct internal review of the tutoring materials and the local education administrations shall conduct external review of the tutoring materials; (iv) after-school tutoring institutions may only use tutoring materials that have been internally and externally reviewed or if the materials have been officially published; (v) after school tutoring institutions shall file with the relevant education administrations the tutoring materials and the staff preparing such materials; (vi) after-school tutoring institutions in violation of the measures will be subject to rectification and shall not use the relevant tutoring materials during the rectification period; if the after-school tutoring institution refuses to rectify within the time limit or if the violation is severe, its private school operating permit may be revoked by the local education administration. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Private Education—Regulations on After-School Tutoring.” The above measures are newly promulgated and subject to further implementation and interpretation by local education administrations. There can be no assurance that we are able to or we will comply with all such requirements, and any inability to comply with any of the requirements in a timely manner, or at all, may subject us to rectification measures, suspension of using tutoring materials or even revocation of our private school operating permit, which may materially and adversely affect our business, financial condition and results of operations.

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. These changes require us to continually update and enhance our course materials and our teaching methods. For example, on September 18, 2016, the MOE promulgated the Guidance Opinions on Further Promoting the Reform of Exams and Entrance System for High Schools which promotes that the secondary school students shall participate the Secondary School Academic Proficiency Test, instead of participating in both the secondary school graduation exams and high school entrance exams, and the scores of students for certain subjects obtained in this Secondary School Academic Proficiency Test shall be taken into consideration for high school enrollment. In January 2017, the MOE promulgated new curriculum standards for the subject of science in primary schools, which took effect in the fall semester of 2017. In December 2017, the MOE issued the 2017 Curriculum Schemes and Curriculum Standards for Senior Secondary Schools, which was further amended in May 2020, and further issued the Opinions on the Implementing Work of the New Curriculums and the New Textbooks of Senior Secondary Schools in August 2018, both of which provides that the MOE developed a new nationwide senior secondary school curriculum system and organized the compilation of a group of new textbooks based on the new curriculum system, which shall be adopted in certain provinces from September 2019 and gradually expand to all other provinces by September 2022. We will adapt our tutoring programs and materials to new curriculum requirements promulgated from time to time. 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 services and products and our business may be materially and adversely affected.

The success of our business depends on the continued use of admissions and assessment tests as a requirement for admission or graduation. However, the use of admissions tests in China may decline or fall out of favor with educational institutions and government authorities. For example, educational institutions and government authorities in China have recently initiated discussions and conducted early experiments in China on school admissions. Generally, these discussions and experiments exhibit a trend of admission decisions based less on entrance exam scores and more on a combination of other factors, such as past academic record, extracurricular activities and comprehensive aptitude evaluations. There have also been certain changes in some geographic areas in the way the high school entrance exam is administered. If the use of admissions tests in China declines or falls out of favor with educational institutions and government authorities and if we fail to respond to these changes, the demand for certain of our services may decline, and our business may be materially and adversely affected.

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In the United States, there has been a continuing debate regarding the usefulness of admissions and assessment tests to assess qualifications of applicants and many people have criticized the use of admissions and assessment tests as unfairly discriminating against certain test takers. 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 overseas test preparation courses and our business may be adversely affected.

We experienced and may continue to experience a decrease in our margins.

Many factors may cause our gross and net margins to decline. The recent regulatory developments regarding Academic AST Institutions' after-school tutoring business may cause our gross and net margin to decline. In addition, new businesses may not have the same margins as we had in the past, and new investments and acquisitions may cause our margins to decline before we successfully integrate the acquired businesses into our operations and realize the full benefits of these investments and acquisitions. It is possible that our margins could continue to decline in the future due to these factors.

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 render obsolete our existing offerings without increasing our total student enrollments. For example, our online courses may attract students away from our existing classroom-based courses, and our new schools and learning centers may attract students away 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 fluctuations caused by seasonality or other factors beyond our control, which may cause our operating results to fluctuate from quarter to quarter. This may result in volatility and adversely affect the price of our common shares and ADSs.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations, primarily due to seasonal changes in student enrollments. Historically, our test preparation courses tend to have the highest revenue in our first fiscal quarter, which runs from June 1 to August 31 of each year, primarily because a significant number of students enroll in our courses during summer vacation to prepare for admissions and assessment tests. In addition, we have generally experienced higher revenue in our third fiscal quarter, which runs from December 1 to February 28 of each year, primarily because many students enroll in our test preparation courses during the winter school holidays. However, our expenses vary, and certain of our expenses do not necessarily correspond with changes in our student enrollments and revenues. For example, we make investments in marketing and promotion, teacher recruitment and training, and product development throughout the year and we pay rent for our facilities based on the terms of the lease agreements. In addition, other factors beyond our control, including health epidemics and special events that take place during a quarter when our student enrollment would normally be high, may have a negative impact on our student enrollments. For example, the COVID-19 pandemic since the beginning of 2020 had adversely affected our financial and operating results in the third and fourth fiscal quarters of 2020. 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 common shares and/or ADSs. As our revenues grow, these seasonal fluctuations may become more pronounced.

Our reputation, results of operations, financial condition and the trading price of our ADSs and/or common shares may be negatively affected by adverse publicity or other detrimental conduct against us.

Adverse publicity concerning our failure or perceived failure to comply with legal and regulatory requirements, alleged accounting or financial reporting irregularities, regulatory scrutiny and further regulatory action or litigation could harm our reputation, result in our incurrence of substantial costs and distract our management's attention and cause the trading price of our ADSs and common shares to decline and fluctuate significantly. For example, after we issued a press release on July 17, 2012 disclosing that we were subject to the investigation by the U.S. Securities and Exchange Commission, or the SEC, and Muddy Waters LLC, an entity unrelated to us, which issued a report containing various allegations about us on July 18, 2012, the trading price of our ADSs declined sharply and we were inundated by numerous investor inquiries. In late 2016, there was negative media coverage referencing our small overseas study consulting division. The negative publicity and the resulting decline of the trading price of our ADSs also led to the filing of shareholder class action lawsuits against us and some of our senior executive officers. On July 24, 2021, China's official state media, including Xinhua News Agency and China Central Television, announced the Alleviating Burden Opinion, issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council. The Alleviating Burden Opinion contains high-level directives about requirements and restrictions related to after-school tutoring services. The trading price of our ADSs and common shares declined sharply before and after the Alleviating Burden Opinion was issued. In addition, certain of our directors are subject to class actions due to their current or previous directorships in other listed companies. Our directors and executive officers may also face litigation or proceedings (including alleged or future securities class action) unrelated to their respective capacity as a director or executive officer of our company, and such litigation or proceedings may adversely affect our public image and reputation.

We may continue to be the target of adverse publicity and other detrimental conduct against us. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies regarding our operations, accounting, revenues and regulatory compliance. Additionally, allegations against us may be posted on the internet by any person or entity which identifies itself or on an anonymous basis. We may be subject to government or regulatory investigation or inquiries as a result of such third-party conduct and may be required to incur significant time and substantial costs to defend ourselves, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Our reputation may also be negatively affected as a result of the public dissemination of allegations or malicious statements about us, which in turn may materially and adversely affect our business, results of operations and financial condition and the trading price of our ADSs and common shares.

Our historical financial and operating results are not indicative of our future performance; and 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 common shares and/or ADSs to decline. In addition to the 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:

- general economic conditions;
- regulations or actions pertaining to the provision of private educational services in China;
- detrimental negative publicity about us, our competitors or our industry;
- changes in consumers' spending patterns; and
- non-recurring charges incurred in connection with acquisitions or other extraordinary transactions or unexpected circumstances.

Due to these and other factors, we believe that period-to-period comparisons of our operating results may not be indicative of our future performance, and therefore you should not rely on them to predict the future performance of our common shares and/or ADSs. In addition, our past results may not be indicative of future performance because of new businesses developed or acquired by us.

We might not be able to fulfil our obligation in respect of deferred revenue, which might have impact on our cash/ liquidity position.

Our recognition of deferred revenue is subject to future performance obligations and may not be representative of revenues for future periods. Tuition for our educational programs and services is generally collected in advance and is initially recorded as deferred revenue, which will be recognized when the services are delivered. Due to potential future changes in customer preferences and future changes in regulations and the need for us to satisfactorily perform product support and other services, deferred revenue at any particular date may not be representative of actual revenue for any current or future period. Any failure to fulfil the obligations in respect of deferred revenue may have an adverse impact on our results of operations and liquidity.

We may be required to recognize impairment losses with regard to intangible assets and goodwill.

We carry goodwill and other intangible assets on our consolidated balance sheet. As a result, we may be required to recognize impairment losses with regard to intangible assets and goodwill. In accordance with ASC 350, Goodwill and Other Intangible Assets, the recorded goodwill amounts are not amortized, but rather are tested for impairment annually or more frequently if there are indicators of impairment present. Any impairment losses for intangible assets and goodwill will adversely affect our results of operations and financial condition. We recorded US\$5.2 million, nil and US\$28.9 million goodwill impairment losses for the years ended May 31, 2019, 2020 and 2021, respectively and recorded US\$2.9 million intangible assets impairment losses for the year ended May 31, 2021.

We are subject to fair value change for long-term investments and short-term investments and uncertainty due to the use of unobservable inputs.

Fluctuations in the fair value of long-term investments and short-term investments, due to market conditions or other reasons, may have an adverse impact on our results of operations. For example, we recorded a loss from fair value change of long-term investments in the fiscal year ended May 31, 2021 of US\$3.8 million, US\$5.5 million of which was from our investment in Sunlands, a company engaged in online education specific to vocational qualification training.

We may use significant unobservable inputs, such as investee's historical earning, discount of lack of marketability, investee's time to initial public offering as well as related volatility in valuing our long-term investments. The assumptions are inherently uncertain and subjective, requiring us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Changes in any unobservable inputs may have a significant impact on the fair values.

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

Historically, our core businesses have been English language training for adults and test preparation courses for college and graduate students. We have expanded our offerings through internal development and external investments. 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.

The continuing efforts of our senior management team and other key personnel are important to our success, and our business may be harmed if we lose their services.

It is important for us to have the continuing services of our senior management team, in particular, Mr. Michael Minhong Yu, our founder and executive chairman, 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, and our business may be disrupted. 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 is subject to the duty of confidentiality and non-competition restrictions. However, if any disputes arise between any of our senior executives or key personnel and us, it may be difficult to successfully pursue legal actions against these individuals because of the uncertainties of China's legal systems.

We generate a significant portion of our revenues from certain 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 derived a significant portion of our total net revenues for the fiscal year ended May 31, 2021 from our operations in Beijing, Hangzhou, Xi'an, and Nanjing, 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 an 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. For example, the outbreak of COVID-19 since the beginning of 2020 adversely affected our financial results and operations in the third and fourth fiscal quarter of 2020, see "Risks Related to Our Business—Our business, financial condition and results of operations have been and are likely to continue to be materially and adversely affected by the outbreak of COVID-19."

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

The market for online educational programs, services and products is characterized by rapid technological changes and innovation, such as artificial intelligence, as well as unpredictable product life cycles and user preferences. We must quickly modify our programs, services and products to adapt to changing student needs and preferences, technological advances and evolving internet practices to compete successfully in the online education market. Ongoing enhancement of our online offerings and related technology may entail significant expense and technical risk. We may fail to use new technologies effectively or adapt our online products or services and related technology on a timely and cost-effective basis. In addition, we developed the OMO standardized digital classroom teaching system in 2014, which has since evolved into an online education system that complements and supports students' offline learning activities. We have applied the OMO system across our comprehensive educational service offerings. If our improvements to our online offerings and online education systems 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.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material and adverse effect on the trading price of our common shares and/or ADSs.

We are subject to the reporting obligations under the U.S. securities laws. The SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company's internal control over financial reporting. Although our management concluded, and our independent registered public accounting firm reported, that we maintained effective internal control over financial reporting as of May 31, 2021, we cannot assure you that we will maintain effective internal control over financial reporting on an ongoing basis. If we fail to maintain effective internal control over financial reporting, we will not be able to conclude and our independent registered public accounting firm will not be able to report that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act of 2002 in our future annual report on Form 20-F covering the fiscal year in which this failure occurs. Effective internal control over financial reporting is necessary for us to produce reliable financial reports. Any failure to maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could have a material and adverse effect on the trading price of our common shares and/or ADSs. Furthermore, we may need to incur additional costs and use additional management and other resources as our business and operations further expand or in an effort to remediate any significant control deficiencies that may be identified in the future.

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We do not have liability or business disruption insurance in some of our teaching facilities, 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 schools, learning centers and other facilities, including indoor facilities where we organize certain summer camp 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 liability insurance or business disruption insurance in some of our teaching facilities. 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 from the operation of our business.

Capacity constraints or system disruptions to our computer systems or websites, any cybersecurity incidents, or a leak of student data could damage our reputation, limit our ability to retain students and increase student enrollments and require us to expend significant resources.

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. Although we use elastic cloud computing with an aim to timely expand our online program infrastructure to meet demand for such programs, we cannot assure you this will be sufficient to meet the increasing demands of our students as our business continues to grow. Our computer systems and operations could be vulnerable to interruption or malfunction due to events beyond our control, including natural disasters and telecommunications failures. We use various cloud data centers which enable us to restore service quickly in case of significant damage to our on-site computer center.

Although we have built a backup system that runs on different servers for our operating data, we may still lose important student data or suffer disruption to our operations if there is a failure of the database system or the backup system. To ensure the confidentiality and integrity of our data, including confidential student, parent and teaching staff information, we have taken security measures and adopted internal policies to protect such data. However, our computer networks may be vulnerable to unauthorized access, hacking, computer viruses and other security problems. Computer hackers may attempt to penetrate our network security and our website. We have in the past experienced several computer attacks, although they did not materially affect our operations. Unauthorized access to our proprietary business information or customer data may be obtained through break-ins, sabotage, breach of our secure network by an unauthorized party, computer viruses, computer denial-of-service attacks, employee theft or misuse, breach of the security of the networks of our third party providers, or other misconduct. Because the techniques used by computer programmers who may attempt to penetrate and sabotage our network security or our website change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations. We could suffer economic and reputational damages and even bear legal liabilities if a technical failure of our systems or a security breach compromises student data, including identification or contact information, although there has not been any material compromise in the past. Any interruption to our computer systems or operations could have a material adverse effect on our ability to retain students and increase student enrollments.

We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems caused by these breaches, which would increase the cost of our business and eventually have adverse effect on our financial conditions and results of operations.

Failure to comply with governmental regulation and other legal obligations concerning data protection and cybersecurity may materially and adversely affect our business, as we routinely collect, store and use data during our business.

We routinely collect, store and use data during our operations. We are subject to PRC laws and regulations governing the collecting, storing, sharing, using, processing, disclosure and protection of data on the Internet and mobile platforms as well as cybersecurity. On April 13, 2020, the Office of the Central Cyberspace Affairs Commission and ten other government authorities jointly promulgated the Measures for Cybersecurity Reviews, effective from June 1, 2020, which provide that critical information infrastructure operators purchasing network products and services, which affects or may affect national security, shall apply for cybersecurity review to the cyberspace administrations in accordance with the provisions thereunder. On July 10, 2021, the Office of the Central Cyberspace Affairs Commission published for public comment the Draft Amended Measures for Cybersecurity Reviews, which, when formally promulgated and come into effect, will repeal the current effective Measures for Cybersecurity Reviews. The Draft Amended Measures for Cybersecurity Reviews provide that critical information infrastructure operators purchasing network products and services and data processors carrying out data processing activities, which affect or may affect national security, shall apply for cybersecurity review to the cyberspace administrations in accordance with the provisions thereunder. The Draft Amended Measures for Cybersecurity Reviews were released for public comment only and the final version and effective date of such Draft Amended Measures for Cybersecurity Reviews may be subject to change with substantial uncertainty. On August 17, 2021, the state council promulgated the Regulations on Protection of Critical Information Infrastructure, which became effective on September 1, 2021. Pursuant to the Regulations on Protection of Critical Information Infrastructure, critical information infrastructure shall mean any important network facilities or information systems of the important industry or field such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage. In addition, relevant administration departments of each critical industry and sector, or Protection Departments, shall be responsible to formulate eligibility criteria and determine the critical information infrastructure operator in the respective industry or sector. The operators shall be informed about the final determination as to whether they are categorized as critical information infrastructure operators. As of the date of this annual report, no detailed rules or implementation has been issue by any Protection Departments and we have not been informed as a critical information infrastructure operator by any governmental authorities. Furthermore, since the final version of Draft Amended Measures for Cybersecurity Reviews is subject to significant uncertainty, there is the possibility that the PRC government authorities may require us to apply for the cybersecurity review. We will closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review when and once the Draft Amended Measures for Cybersecurity Reviews are formally promulgated. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulation Related to Internet Information Security and Privacy Protection."

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law, which will take effect on November 1, 2021. The Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. According to the Personal Information Protection Law, personal information includes all kinds of identified or identifiable information related to natural persons recorded by electronic or other means, but excludes de-identified information. The Personal Information Protection Law also specified the rules for handling sensitive personal information, which includes biometrics, religious beliefs, specific identities, medical health, financial accounts, trails and locations, and personal information of teenagers under fourteen years old and other personal information, which, upon leakage or illegal usage, may easily infringe the personal dignity or harm of safety of livelihood and property. Personal information handlers shall bear responsibility for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered for rectification or suspension or termination of provision of services, confiscation of illegal income, subject to fines or other penalties. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulation Related to Internet Information Security and Privacy Protection."

The scope of these laws and regulations is evolving and further detailed implementation rules and interpretations may be promulgated. We expect the regulations over data protection and privacy in the PRC to become increasingly more stringent. We cannot assure you that we can adapt our operations to the requirements promptly. We also cannot assure you that our employees would not violate any PRC laws and regulations regarding the protection of personal information. If we or any of our employees fail to comply with these laws and regulations, we may be penalized by the relevant authorities and be subject to litigation against us by consumer advocacy groups or others, criminal allegations or negative publicity, and we may be forced to terminate certain of our operations, and our operations or reputation could therefore be materially and adversely affected.

Our advertising content may subject us to penalties and other administrative actions.

Under PRC advertising laws and regulations, we are obligated to monitor our advertising content to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations or revoke our licenses. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Advertising and Promotion.”

While we have made significant efforts to ensure that our advertisements are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in such advertisements is in compliance with relevant laws, regulations and regulatory requirements, especially given the tightened regulation by the government authorities in this regard. Our failure to comply with the existing and future laws, regulations and regulatory requirements may subject us to fines, penalties, rectifications and other regulatory measures.

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

Terrorist attacks, geopolitical uncertainty, economic slowdown and international conflicts involving the United States, the United Kingdom and elsewhere, such as the attacks on September 11, 2001, the Boston marathon bombings on April 15, 2013, and the announcement of Brexit in June 2016, could have an adverse effect on our overseas test preparation courses and English language training courses. Recently, there have been heightened tensions in relations between the United States and China. The U.S. government has imposed, and may continue to impose, restrictions to limit the entry of certain Chinese students to pursue academic studies in the United States. Such events 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. While we do not believe that the U.S.-China geopolitical tension will likely cause a material adverse impact on our business in the short term, further developments in the longer term could cause declines in the student enrollments for our overseas test preparation and English language training courses and overseas studies consulting services and could have an adverse effect on our overall business and results of operations.

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We may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business, results of operations, and financial condition.

We may be subject to legal proceedings from time to time in the ordinary course of our business, which could have a material adverse effect on our business, results of operations, and financial condition. Claims arising out of actual or alleged violations of law could be asserted against us by our customers, our competitors, or other entities. These claims could be asserted under a variety of laws, including but not limited to intellectual property laws, labor and employment laws, securities laws, contract laws, property laws, and employee benefit laws. As a publicly-listed company, we may also face additional exposure to claims and lawsuits inside and outside China, including securities law class actions. See “Risk Factors—Risks Related to Our Business—We and certain of our directors and officers have been named as a defendant in a putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operations, cash flows and reputation.” There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming, and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief, and criminal, civil, and administrative fines and penalties.

We and certain of our directors and officers have been named as a defendant in a putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operations, cash flows and reputation.

We will have to defend against putative shareholder class action lawsuits described in “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal and Administrative Proceedings,” including any appeals of such lawsuits should our initial defenses be unsuccessful. We are currently unable to estimate the possible outcome or loss or possible range of loss, if any, associated with the resolution of the lawsuit. In the event that our initial defense of the lawsuit is unsuccessful, there can be no assurance that we will prevail in any appeal. Any adverse outcome, including any plaintiff’s appeal of a judgment in the lawsuit, could have a material adverse effect on our business, financial condition, results of operations, cash flows and reputation. In addition, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. The litigation process may utilize a significant portion of our resources and divert management’s attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

We may need additional capital, and financing may not be available on terms acceptable to us, or at all.

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the near future. We may, however, require additional cash resources to finance our 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 business developments, investments and/or acquisitions, and the amount of cash flow from our operations. If our existing cash 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, especially in the event of a severe and prolonged economic recession globally or in the jurisdictions where we operate. If we fail to raise additional funds, we may need to reduce our growth to a level that can be supported by our cash flow. Without additional capital, we may not be able to develop and grow new businesses, acquire necessary technologies, products or businesses, hire, train and retain teachers and other employees, market our programs, services and products, or respond to competitive pressures or unanticipated capital requirements.

If we are unable to comply with the restrictions and covenants in the trust deed in connection with the 2025 Notes, or our current or future debt and other agreements, our cash flow and liquidity could be adversely affected.

In July 2020, we completed an offering of US\$300 million aggregate principal amount of 2.125% notes due 2025, or the 2025 Notes. If we are unable to comply with the restrictions and covenants in the trust deed in connection with the 2025 Notes, or our current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the trust deed in connection with the 2025 Notes, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt, including the 2025 Notes, or result in a default under our other debt agreements, including the trust deed in connection with the 2025 Notes. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us. The occurrence of these events may have a material adverse effect on our cash flow and liquidity.

Failure to control rental costs, obtain leases at desired locations at reasonable prices or protect our leasehold interests could materially and adversely affect our business.

Our office, schools and learning centers are mainly located on leased premises. The lease term generally ranges from three to fifteen years and the lease agreements are renewable upon mutual consent at the end of the applicable lease period. We may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms or at all, which could adversely affect our business. We may have to relocate our operations for various other reasons, including increasing rentals, failure in passing the fire inspection in certain locations, the violation of the prescribed usage of the properties we use, and the early termination of our lease agreements under applicable PRC laws and regulations.

In addition, a few of our lessors have not been able to provide us with copies of title certificates or other evidentiary documents to prove that they have authorization to lease the properties to us. Our business and legal teams follow an internal procedure to identify and assess risks when leasing properties in the normal course of business, and a final business decision would be made after our analysis of the likely impact of the defects on the leasehold interests and the value of the properties to our expansion plan. However, there is no assurance that our decision would always lead to the favorable outcome we expected to achieve. If any of our leases are terminated as a result of challenges by third parties or government authorities for lack of title certificates or proof of authorization to lease, we do not expect to be subject to any fines or penalties but we may be forced to relocate the affected learning centers and incur additional expenses relating to such relocation. Furthermore, a few of our lessors have mortgaged the properties that we are renting. In the event that these properties are foreclosed on due to the lessors' failure to perform their obligations to the creditors, we may not be able to continue to use such leased properties and may incur additional expenses for relocation.

In addition, we have not registered some of our lease agreements with the relevant PRC governmental authorities as required by relevant PRC law. While the lack of registration would not affect the validity and enforceability of the lease agreements in practice, we may be required by the relevant governmental authorities to complete such registration, or otherwise be subject to fines ranging from RMB1,000 to RMB10,000 for each lease agreement that has not been registered.

According to the PRC fire safety laws and regulations, construction and renovation of buildings are subject to fire control approvals or fire control filings except for certain statutory exemptions. A portion of the properties we use do not fully comply with the fire control approval or fire control filing requirements primarily because our Group consists of a colossal network of schools and subsidiaries and different local authorities may have different practices in enforcing the regulatory requirements. We also cannot assure you that the properties we lease in the future would fully comply with the relevant fire control laws and regulations. If our use of the properties is challenged by relevant government authorities for lack of fire control procedures, we may be subject to fines and may need to relocate our operations to other locations, which would incur additional expenses. If we fail to find suitable replacement sites in a timely manner or on terms acceptable to us, our business and results of operations could be materially and adversely affected. As of the date of this annual report, we were not asked to relocate by any competent authority for lack of fire control procedures. To prevent the reoccurrence of such non-compliances, we have formulated management measures on property leasing which require our schools to investigate the fire control procedure status of a property and evaluate its fire control risk before leasing it, and complete the subsequent fire control procedures if required. For existing leased properties lacking fire control procedures, we also encourage our schools to voluntarily relocate when condition permits to reduce our compliant risk.

Risks Related to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating some of our China business do not comply with applicable PRC laws and regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

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 offshore holding companies are not educational institutions and do not provide educational services outside China. In addition, in the PRC, foreign ownership of high schools for students in grade ten to twelve is restricted and foreign ownership of primary and middle schools for students in grades one to nine is prohibited. As a result, our offshore holding companies are not allowed to directly own and operate schools in China.

We are a Cayman Islands exempted company with no equity ownership in our variable interest entities. We conduct substantially all of our education business in China through a series of contractual arrangements with New Oriental China and its schools and subsidiaries and New Oriental China's shareholder. These contractual arrangements enable us to (1) have power to direct the activities that most significantly affect the economic performance of New Oriental China and its schools and subsidiaries; (2) receive substantially all of the economic benefits from New Oriental China and its schools and subsidiaries in consideration for the services provided by our wholly-owned subsidiaries in China; and (3) have an exclusive option to purchase all or part of the equity interests in New Oriental China, when and to the extent permitted by PRC law, or request any existing shareholder of New Oriental China to transfer all or part of the equity interest in New Oriental China to another PRC person or entity designated by us at any time in our discretion. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with New Oriental China, Its Schools and Subsidiaries and Its Shareholder."

In addition, foreign ownership in entities that provided value-added telecommunication services, with a few exceptions, is subject to restrictions under the current PRC laws and regulations. Specifically, foreign ownership of an internet information service provider may not exceed 50%, and the major foreign investor is required to have a record of good performance and operating experience in managing value-added telecommunication business. To ensure compliance with the PRC laws and regulations, our online education business is operated by our majority-owned subsidiary, Koolearn Technology Holding Limited, or Koolearn, through a series of contractual arrangements with Beijing New Oriental Xuncheng Network Technology Co., Ltd., or Beijing Xuncheng, and its subsidiaries and shareholders. These contractual arrangements enable Koolearn to (1) have power to direct the activities that most significantly affect the economic performance of Beijing Xuncheng and its subsidiaries; (2) receive substantially all of the economic benefits from Beijing Xuncheng and its subsidiaries in consideration for the services provided by Koolearn's wholly-owned subsidiaries in China; and (3) have an exclusive option to purchase all or part of the equity interests in Beijing Xuncheng, when and to the extent permitted by PRC law, or request any existing shareholder of Beijing Xuncheng to transfer all or part of the equity interest in Beijing Xuncheng to another PRC person or entity designated by us at any time in our discretion. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Beijing Xuncheng, Its Subsidiaries and Shareholders." In this annual report, we refer to New Oriental China and Beijing Xuncheng as our variable interest entities, and to New Oriental China and its schools and subsidiaries as well as Beijing Xuncheng and its subsidiaries as our consolidated affiliated entities. Investors in our common shares or the ADSs thus are not purchasing equity interest in the variable interest entities in China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government deems that our contractual arrangements with the variable interest entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations and our shares may decline in value or if we are unable to assert our contractual control rights over the assets of our PRC subsidiaries that conduct all or substantially all of our operations. Our holding company in the Cayman Islands, our variable interest entities, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with our variable interest entities and, consequently, significantly affect the financial performance of our variable interest entities and our company as a group.

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On July 24, 2021, the General Office of State Council and the General Office of Central Committee of the Communist Party of China jointly promulgated the Alleviating Burden Opinion, which provides, among others, that (i) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities; (ii) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities; (iii) online tutoring for preschool-age children is prohibited, and offline academic subjects (including foreign language) tutoring services for preschool-age children is also strictly prohibited. The Alleviating Burden Opinion provides that any violation of the foregoing shall be rectified. The Alleviating Burden Opinion further states that the administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be implemented by reference to the relevant provisions of the Alleviating Burden Opinion. It remains uncertain as to how and to what extent the administration over academic subjects tutoring institutions for students on grade ten to twelve will be implemented by reference of the Alleviating Burden Opinion.

On April 7, 2021, the State Council promulgated the Amended Implementation Rules for the Private Education Law, which became effective on September 1, 2021, or the Amended Implementation Rules. The Amended Implementation Rules provide that a private school providing compulsory education is prohibited from conducting transactions with its related party. Relevant government authorities shall enhance the supervision on the agreements entered into between non-profit private schools and its related party and shall review such transaction on an annual basis. New Oriental China has two private schools providing compulsory education, Beijing Changping New Oriental Bilingual School and Beijing New Oriental Yangzhou Foreign Language School. As a result of the effectiveness of the Amended Implementation Rules from September 1, 2021, we shall not conduct any related party transaction, including the related party transaction under our contractual arrangements with these two compulsory education schools. One of our wholly-owned subsidiaries, Beijing Pioneer, has entered into a master exclusive service agreement on September 19, 2014, as amended, with New Oriental China. In accordance with the Amended Implementation Rules, the master exclusive service agreement was further amended and effective from September 1, 2021, to exclude Beijing Changping New Oriental Bilingual School and Beijing New Oriental Yangzhou Foreign Language School from such agreement. We may take further necessary measures to comply with the Amended Implementation Rules. The contribution of Beijing Changping New Oriental Bilingual School and Beijing New Oriental Yangzhou Foreign Language School have been immaterial to our business, we derived less than 1% of our total net revenues from these two schools for each of the fiscal years ended May 31, 2019, 2020 and 2021.

Tian Yuan Law Firm, our PRC legal counsel, is of the opinion that, as of May 31, 2021:

- (i) the corporate structure of New Oriental China and its schools and subsidiaries and our wholly-owned subsidiaries in China, and (ii) the corporate structure of Beijing Xuncheng and its subsidiaries and the wholly-owned subsidiaries of Koolearn in China are not in violation of existing PRC laws and regulations as of May 31, 2021; and
- (i) the contractual arrangements among our wholly-owned subsidiaries in China, New Oriental China and its schools and subsidiaries and the shareholder of New Oriental China, and (ii) the contractual arrangements among Koolearn's wholly-owned subsidiaries in China, Beijing Xuncheng and its subsidiaries and shareholders are valid, binding and enforceable under, and do not violate, PRC laws or regulations in effect as of May 31, 2021.

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The Amended Implementation Rules, effective from September 1, 2021, also provide that social organizations and individuals are prohibited from controlling a private school that provide compulsory education or a non-profit private school that provide pre-school education through mergers and acquisitions or control agreements. It is unclear whether the above provisions have any retrospective effect for control agreements over private compulsory education schools and non-profit pre-school education schools existing before September 1, 2021. In the event that competent governmental authorities make any retrospective interpretation of the aforesaid provisions in the future, we will need to rescind the contractual arrangements with existing non-profit pre-school education schools. As of the date of this annual report, no government authorities have informed us that the above provisions are retrospective and we have not been requested by competent government authorities to unwind the contractual arrangements over our existing non-profit pre-school education schools.

On November 7, 2018, the Central Committee of the Communist Party of China and the State Council issued the Opinions of the Central Committee of the Communist Party of China and State Council on Deepening Reform in Preschool Education, or Preschool Opinions. The Preschool Opinions provide that non-state capital is prohibited from controlling non-profit kindergartens through contractual arrangements. In January 2019, the General Office of the State Council issued the Circular on Initiating the Rectification of Kindergartens Affiliated to the Residential Communities in Urban Areas, pursuant to which the community-affiliated kindergartens can only be registered as non-profit kindergartens. As of the date of this annual report, we have not been requested by competent government authorities to unwind the contractual arrangements over our kindergartens.

The Preschool Opinions also provide that private kindergartens are prohibited from listing as public companies by themselves or through packaging with other assets; and listed companies are prohibited from investing in for-profit kindergartens using funds from the capital market and acquiring for-profit kindergarten assets with stock or cash consideration. As advised by our PRC legal counsel, Tian Yuan Law Firm, the prohibition of private kindergartens from listing as public companies shall not have retrospective effect on private kindergartens that are already operated by a listed company prior to the promulgation of the Preschool Opinions, and as we have been a public company since 2006, our kindergartens do not fall within “listing as public companies by themselves or through packaging with other assets.” After the promulgation of the Preschool Opinions, we did not make any investment in for-profit kindergartens using funds from the capital market or acquire any for-profit kindergartens assets with stock or cash consideration in order to comply with the Preschool Opinions. The contribution of kindergartens have been immaterial to our business, we derived less than 1% of our total net revenues from our kindergartens for each of the fiscal years ended May 31, 2019, 2020 and 2021. Based on the foregoing, our PRC legal counsel is of the view that the restrictions of the Preschool Opinions on the investment in or acquisition of for-profit kindergartens would not materially and negatively impact our business and operations.

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. For example, if the relevant government authorities take a different view from ours on the Preschool Opinions and determine that our for-profit and/or non-profit kindergartens shall be excluded from our company, we may be requested to unwind the contractual arrangements for some or all of our kindergartens.

It is uncertain whether any new PRC laws, rules or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. In particular, whether and how the Foreign Investment Law promulgated in March 2019, which came into effect on January 1, 2020, will impact the viability of our current corporate structure, corporate governance and business operations. See “Risks Related to Doing Business in China — Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, business, financial condition and results of operations.”

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We have been further advised by our PRC legal counsel that if we and/or any of our PRC subsidiaries or consolidated affiliated entities 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, 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 or consolidated affiliated entities;
- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries and our consolidated affiliated entities;
- restricting our right to collect revenues or limiting our business expansion in China by way of entering into contractual arrangements;
- imposing fines or other requirements with which we may not be able to comply;
- requiring us to restructure our corporate structure or operations;
- restricting or prohibiting our use of the proceeds of our future offering to finance our business and operations in China; or
- taking other regulatory or enforcement actions that could be harmful to our business.

The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business and on our results of operations. If any of these penalties results in our inability to direct the activities of our consolidated affiliated entities that most significantly impact their economic performance, and/or our failure to receive the economic benefits from our consolidated affiliated entities, we may not be able to consolidate our consolidated affiliated entities in our consolidated financial statements in accordance with U.S. GAAP. However, we do not believe that such actions would result in the liquidation or dissolution of our company.

We rely on contractual arrangements for our operations in China, 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 our variable interest entities, their respective schools and/or subsidiaries and their respective shareholders to operate substantially all of our education business. These contractual arrangements may not be as effective in providing us with control over our variable interest entities as direct ownership. From the legal perspective, if our variable interest entities, any of their schools and/or subsidiaries or their shareholders fails to perform its respective obligations under the contractual arrangements, we may have to incur substantial costs and spend other resources to enforce such arrangements, and rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages. For example, if Beijing Century Friendship Education Investment Co., Ltd., or Century Friendship, the sole shareholder of New Oriental China, were to refuse to transfer its equity interest in New Oriental China to us or our designee when we exercise the call option pursuant to the option agreement, or if it otherwise acts in bad faith toward us, then we may have to take legal action to compel it to fulfill its contractual obligations, which could be time consuming and costly.

These contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC or through the PRC courts. The legal environment in the PRC is not as developed as in some 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 fiscal years ended May 31, 2019, 2020 and 2021, our consolidated affiliated entities contributed in aggregate 98.7%, 96.5% and 99.9%, respectively, of our total net revenues. In the event we are unable to enforce these contractual arrangements, we may not be able to have the power to direct the activities that most significantly affect the economic performance of our consolidated affiliated entities, and our ability to conduct our business may be negatively affected, and we may not be able to consolidate the financial results of our consolidated affiliated entities into our consolidated financial statements in accordance with U.S. GAAP.

Our ability to enforce the equity pledge agreements between us and the shareholders of our variable interest entities may be subject to limitations based on PRC laws and regulations.

Pursuant to the equity pledge agreements among our subsidiaries in China, each of our variable interest entities and their respective shareholders, each shareholder of our variable interest entities agrees to pledge its equity interests in the variable interest entity to our subsidiaries to secure the performance by themselves and by our consolidated affiliated entities of their obligations under the relevant contractual arrangements. The equity pledges of shareholders of our variable interest entities under these equity pledge agreements have been registered with the relevant local branch of the SAMR. According to the PRC Property Law and PRC Guarantee Law, the pledgee and the pledgor are prohibited from making an agreement prior to the expiration of the debt performance period to transfer the ownership of the pledged equity to the pledgee. However, under the PRC Property Law, when an obligor fails to pay its debt when due, the pledgee may choose to either conclude an agreement with the pledgor to obtain the pledged equity or seek payments from the proceeds of the auction or sell-off of the pledged equity. If any of our consolidated affiliated entities or any of the shareholders of our variable interest entities fails to perform its obligations secured by the pledges under the equity pledge agreements, one remedy in the event of default under the agreements is to require the pledgor to sell the equity interests of our variable interest entity in an auction or private sale and remit the proceeds to our subsidiaries in China, net of related taxes and expenses. Such an auction or private sale may not result in our receipt of the full value of the equity interests in the variable interest entity. We consider it very unlikely that the public auction process would be undertaken since, in an event of default, our preferred approach is to ask our PRC subsidiary, a party to the option agreement with the shareholder of our variable interest entities, to designate another PRC person or entity to replace the shareholder pursuant to the direct transfer option we have under the option agreement.

In addition, for New Oriental China, the amount of registered equity interests pledged to our wholly-owned subsidiaries in the registration forms of the local branch of the SAMR was stated as RMB3,000,000, RMB18,500,000, RMB9,500,000, RMB14,000,000 and RMB5,000,000, respectively, which in aggregate represent 100% of the registered capital of New Oriental China. The equity pledge agreements with New Oriental China's shareholder provide that the pledged equity interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the principal service agreements and the scope of pledge shall not be limited by the amount of the registered capital of New Oriental China. However, it is possible that a PRC court may take the position that the amount listed on the equity pledge registration forms represents the full amount of the collateral that has been registered and perfected. If this is the case, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amount listed on the equity pledge registration forms could be determined by the PRC court as unsecured debt, which takes last priority among creditors and often does not have to be paid back at all. We do not have agreements that pledge the assets of New Oriental China and its schools and subsidiaries for the benefit of us or our wholly-owned subsidiaries.

The controlling shareholder of Century Friendship, which is the sole shareholder of New Oriental China, may have potential conflicts of interest with us, and if any such conflicts of interest are not resolved in our favor, our business may be materially and adversely affected.

New Oriental China is the majority shareholder of Beijing Xuncheng, holding 74.494% of Beijing Xuncheng as of May 31, 2021. New Oriental China is wholly owned by Century Friendship, a PRC domestic company which is controlled by Mr. Michael Minhong Yu, our founder and executive chairman. The interests of Mr. Yu as the controlling shareholder of the entity which owns New Oriental China may differ from the interests of our company as a whole, since Mr. Yu is only one of the beneficial owners of our company, holding 11.6% of our total common shares issued and outstanding as of September 17, 2021. We cannot assure you that when conflicts of interest arise, Mr. Yu will act in the best interests of our company or that conflicts of interests will be resolved in our favor. In addition, Mr. Yu may breach or cause New Oriental China and its schools and subsidiaries to breach or cause Beijing Xuncheng and its subsidiaries to breach or refuse to renew the existing contractual arrangements with us. Currently, we do not have existing arrangements to address potential conflicts of interest Mr. Yu may encounter in his capacity as a beneficial owner and director of New Oriental China, on the one hand, and as a beneficial owner and director of our company, on the other hand; provided that we could, at all times, exercise our option under the option agreement with Century Friendship to cause it to transfer all of its equity ownership in New Oriental China to a PRC entity or individual designated by us, and this new shareholder of New Oriental China could then appoint a new director of New Oriental China to replace Mr. Yu. In addition, if such conflicts of interest arise, Beijing Pioneer could also, in the capacity of Century Friendship's attorney-in-fact as provided under the proxy agreement and power of attorney, directly appoint a new director of New Oriental China to replace Mr. Yu. We rely on Century Friendship and Mr. Yu to comply with the laws of China, which protect contracts, including the contractual arrangements New Oriental China and its schools and subsidiaries and its shareholder have entered into with us, which provide that directors and executive officers owe a duty of loyalty to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains. We also rely on Mr. Yu to abide by the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and Century Friendship and Mr. Yu, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

If the custodians or authorized users of our controlling non-tangible assets, including chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.

Under PRC law, legal documents for corporate transactions, including agreements and contracts such as the leases and sales contracts that our business relies on, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant local branch of the SAMR. We generally execute legal documents by affixing chops or seals, rather than having the designated legal representatives sign the documents.

We have three major types of chops — corporate chops, contract chops and finance chops. We use corporate chops generally for documents to be submitted to government agencies, such as applications for changing business scope, directors or company name, and for legal letters. We use contract chops for executing leases and commercial, contracts. We use finance chops generally for making and collecting payments, including, but not limited to issuing invoices. Use of corporate chops and contract chops must be approved by our legal department and administrative department, and use of finance chops must be approved by our finance department. The chops of our subsidiaries and our consolidated affiliated entities are generally held by the relevant entities so that documents can be executed locally. Although we usually utilize chops to execute contracts, the registered legal representatives of our PRC subsidiaries and our consolidated affiliated entities have the apparent authority to enter into contracts on behalf of such entities without chops. All designated legal representatives of our PRC subsidiaries and our consolidated affiliated entities are members of our or the respective entity's senior management who have signed employment agreements with us under which they agree to abide by duties they owe to us.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to the department heads of the legal, administrative or finance departments. Our designated legal representatives generally do not have access to the chops. Although we monitor our employees, including the designated legal representatives of our PRC subsidiaries and our consolidated affiliated entities, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees or designated legal representatives could abuse their authority, for example, by binding the relevant subsidiary or consolidated affiliated entity with contracts against our interests, as we would be obligated to honor these contracts if the other contracting party acts in good faith in reliance on the apparent authority of our chops or signatures of our legal representatives. If any designated legal representative obtains control of the chop in an effort to obtain control over the relevant entity, we would need to have a shareholder or board resolution to designate a new legal representative and to take legal action to seek the return of the chop, apply for a new chop with the relevant authorities, or otherwise seek legal remedies for the legal representative's misconduct. If any of the designated legal representatives obtains and misuses or misappropriates our chops and seals or other controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations.

Our ability to operate private schools may be subject to significant limitations or may otherwise be materially and adversely affected by changes in PRC laws, regulations and policies.

Laws, regulations and policies governing PRC private education are subject to ongoing changes, which may materially affect our ability to operate private schools. For example, the Amended Implementation Rules and Alleviating Burden Opinion have brought and will continuously bring significant impact on our operation. See “—Significant uncertainties exist in relation to the interpretation and implementation of, or proposed changes to, the PRC laws, regulations and policies regarding the private education industry. In particular, our compliance with the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education and the implementation measures issued thereunder by the relevant PRC government authorities has materially and adversely affected and will materially and adversely affect our business, financial condition, results of operations and prospect.” In November 2018, the Central Committee of the Communist Party of China and the State Council issued the Preschool Opinions. In January 2019, the General Office of the State Council issued the Circular on Initiating the Rectification. It is uncertain as to how the Preschool Opinions and the Circular on Initiating the Rectification will be interpreted and implemented. To the extent that we are not able to fully comply with these requirements, our business, financial condition and results of operations may be adversely affected. See “— If the PRC government finds that the agreements that establish the structure for operating some of our China business do not comply with applicable PRC laws and regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.”

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In addition, under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The contractual arrangements with our consolidated affiliated entities may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our subsidiaries in China and our consolidated affiliated entities, do not represent an arm's-length price and adjust our consolidated affiliated entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our consolidated affiliated entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our consolidated affiliated entities for under-paid taxes. Our consolidated net income may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

We may rely 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 or New Oriental China and its schools and subsidiaries 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 may rely 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 schools and 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 New Oriental China and its subsidiaries 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 its board of directors. These reserves are not distributable as cash dividends. Furthermore, if our subsidiaries and New Oriental China and its schools and subsidiaries 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. Any limitation on the ability of our subsidiaries to distribute dividends to us or on the ability of New Oriental China and its schools and subsidiaries to make 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 to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from making loans to our PRC subsidiaries or New Oriental China and its schools and subsidiaries or making additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and New Oriental China and its schools and subsidiaries. We may need to make loans to our PRC subsidiaries or New Oriental China and its schools and subsidiaries, or we may make additional capital contributions to our PRC subsidiaries.

Any loans to our PRC subsidiaries or New Oriental China and its schools and subsidiaries are subject to PRC regulations. 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 counterparts. Loans by us to New Oriental China and its schools and subsidiaries, which are domestic PRC entities, must be approved by the relevant government authorities and must also be registered with SAFE or its local counterparts.

We may also decide to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be filing and reporting to the PRC Ministry of Commerce or its local counterparts. We are unlikely, however, to finance the activities of New Oriental China and its schools and subsidiaries by means of capital contributions due to regulatory issues related to foreign investment in domestic PRC entities, as well as the licensing and other regulatory issues. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19, effective in June 2015, in replacement of former regulations. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of bank loans that have been transferred to a third-party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether in practice SAFE will permit such capital to be used for equity investments in China. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the limitation on the use of RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company from prohibiting using such capital to issue RMB entrusted loans to prohibiting using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may, significantly limit our ability to transfer any foreign currency we hold, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 23, 2019, SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use RMB converted from foreign currency-denominated capital for equity investments in China, for so long as there is a truthful equity investment, and such equity investment does not violate applicable laws and complies with the negative list on foreign investment. See also “Item 4. Information on the Company—B. Business Overview—Regulation.”

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We expect that PRC laws and regulations may continue to limit our use of proceeds from offshore offerings. There are no costs associated with registering loans or capital contributions with relevant PRC government authorities, other than nominal processing charges. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

If any of New Oriental China and its schools and subsidiaries becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy their 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 common shares and/or ADSs.

To comply with PRC laws and regulations relating to foreign ownership restrictions in the education business, we currently conduct substantially all of our operations in China through contractual arrangements with New Oriental China and its schools and subsidiaries as well as its shareholder. As part of these arrangements, New Oriental China and its schools and subsidiaries hold assets that are important to the operation of our business.

We do not have priority pledges and liens against New Oriental China's assets. As a contractual and property right matter, this lack of priority pledges and liens has remote risks. If New Oriental China undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on New Oriental China's assets. If New Oriental China liquidates, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed by New Oriental China to our PRC subsidiaries under the applicable service agreements. To ameliorate the risks of an involuntary liquidation proceeding initiated by a third-party creditor, we closely monitor the operations and finances of New Oriental China through carefully designed budgetary and internal controls to ensure that New Oriental China is well capitalized and is highly unlikely to trigger any third party monetary claims in excess of its assets and cash resources. Furthermore, our PRC subsidiaries have the ability, if necessary, to inject capital in Renminbi into New Oriental China to prevent such an involuntary liquidation.

If the shareholder of New Oriental China were to attempt to voluntarily liquidate New Oriental China without obtaining our prior consent, we could effectively prevent such unauthorized voluntary liquidation by exercising our right to request New Oriental China's shareholder to transfer all of its equity ownership interest to a PRC entity or individual designated by us in accordance with the option agreement with the New Oriental China shareholder. In addition, under the equity pledge agreements signed by the shareholder of New Oriental China and the PRC Property Law, the shareholder of New Oriental China does not have the right to issue dividends to itself or otherwise distribute the retained earnings or other assets of New Oriental China without our consent. Also, under the proxy agreement and power of attorney, the shareholder of New Oriental China undertakes to Beijing Pioneer, our wholly-owned PRC subsidiary, that if it receives, among other things, any dividends, residual assets upon liquidation or proceeds from the transfer of its equity interest in New Oriental China, it will, to the extent permitted under applicable law, remit all such dividends, residual assets and proceeds to Beijing Pioneer without any compensation or other consideration. In the event that the shareholder of New Oriental China initiates a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of New Oriental China without our prior consent, we may need to resort to legal proceedings to enforce the terms of the contractual agreements. Any such litigation may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such litigation would be uncertain.

Risks Related to Doing Business in China

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business, financial conditions and results of operations.

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 by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures 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 are still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. The growth rate of the Chinese economy has gradually slowed since 2010, and COVID-19 may continue to have adverse impact on the Chinese economy in 2021. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

The PRC governmental authorities' significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs.

We conduct our business primarily through our PRC subsidiaries and variable interest entities. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation and/or the value of our ADSs. Also, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. In addition, implementation of additional industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

Our business, financial condition and results of operations, as well as our ability to obtain financing, may be adversely affected by the downturn in the global or PRC economy.

COVID-19 has a severe and negative impact on the Chinese and the global economy. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of the COVID-19, the global macroeconomic environment was facing numerous challenges. The growth of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China.

Economic conditions in China are sensitive to global economic conditions and also have their own challenges, and our business, results of operations and financial condition are sensitive to PRC and global economic conditions. Any prolonged slowdown in the PRC or global economy may have a negative impact on our business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

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

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. 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 many of 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 and interpretations (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 fully compliant with these policies, rules and interpretations. In addition, any litigation in China may be protracted and may result in substantial costs and diversion of resources and management attention from the operation of our business.

Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, business, financial condition and results of operations.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which came into effect on January 1, 2020 and replaced the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations.

As it is relatively new, uncertainties still exist in relation to its interpretation and implementation, and failure to take timely and appropriate measures to comply with the Foreign Investment Law and relevant rules could result in material and adverse effects on us. For instance, although the Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, it contains a catch-all provision under the definition of "foreign investment," which includes investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to be promulgated by the State Council to provide for contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and, if so, how our contractual arrangements will be dealt with. In addition, if future laws, administrative regulations or provisions to be prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. In the worst case scenario, we may be required to unwind our existing contractual arrangements and/or dispose of the relevant business operations, which could have a material and adverse effect on our current corporate structure, corporate governance, business, financial condition and results of operations.

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 relevant 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.

We are required to obtain various operating licenses and permits and to make registrations and filings for our business operations in China; failure to comply with these requirements may materially adversely affect our business and results of operations.

Under PRC laws and regulations, training schools are required to obtain a number of licenses, permits and approvals from, and make filings or complete registrations with, relevant government authorities in order to provide tutoring services. Pursuant to the Amended Private Education Law and the Amended Implementation Rules, training schools, in particular those providing K-12 after school tutoring services, shall obtain the private school operation permit. The State Council Circular 80 further requires the learning centers of a training school providing K-12 after school tutoring services to make filings with the relevant education authorities.

Our business is also subject to various health, safety and other regulations that affect various aspects of our business and we must obtain various licenses and permits under these regulations for our operations. We have been making efforts to ensure compliance with applicable rules and regulations in all material respects. In addition, we follow internal guidelines to make necessary registrations and filings and obtain necessary licenses and permits on a timely basis. However, we may not be able to obtain and maintain all requisite licenses, permits, approvals and filings or pass all requisite assessments. There is also no assurance that such permits will be renewed on a timely basis, or at all. If we fail to comply with applicable legal requirements, we may be subject to fines, confiscation of the gains derived from our noncompliant operations or the suspension of our noncompliant operations, which may materially and adversely affect our business and results of operations.

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 notice in July 2014, which replaced the previous notice issued in October 2005. The 2014 SAFE notice requires PRC domestic residents, including both PRC domestic institutions and PRC domestic individual residents, to register with the local SAFE branch, currently with local bank according to Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment issued by SAFE on February 13, 2015, before establishing or controlling any company outside of China with the domestic or overseas assets or equity they legally hold for the purpose of investment, financing or conducting roundtrip investment. Such a company located outside of China is referred to in the notice as an "offshore special purpose company." The failure of our current and future PRC resident beneficial owners to timely file or amend their SAFE registrations, if required, 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 or repay loans in foreign exchange to our company or otherwise adversely affect our business.

We face regulatory uncertainties in China concerning our employees' participation in our share incentive plan.

In February 2012, SAFE issued the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in a Stock Incentive Plan of an Overseas Publicly-Listed Company, or Circular 7. According to Circular 7, if “PRC individuals” (meaning both PRC residents and non-PRC residents who reside in the PRC for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) participate in any share incentive plan of an overseas listed company, a qualified PRC domestic agent, which could be the PRC subsidiaries of such overseas listed company, shall, among other things, file, on behalf of such individuals, an application with SAFE to conduct the SAFE registration with respect to such share incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the share purchase or share option exercise. Such PRC individuals' foreign exchange income received from the sale of shares and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in the PRC opened and managed by the PRC domestic agent before distribution to such individuals. In addition, such PRC individuals must also retain an overseas entrusted institution to handle matters in connection with the exercise of their share options and their purchase and sale of shares.

According to Circular 7, from time to time, we need to make applications or update our registration with SAFE or its local branches on behalf of our employees who are affected by our new share incentive plan or material changes in our current share incentive plan. We are in the process of making an application on behalf of the PRC individuals who participate in our company's share incentive plans with SAFE in compliance with Circular 7; however, we cannot assure you that such application will be successful. If we or the participants of our share incentive plans who are PRC citizens fail to comply with Circular 7, we and/or such participants of our share incentive plans may be subject to fines and legal sanctions. In addition, there may be additional restrictions on the ability of such participants to exercise their stock options or remit proceeds gained from sale of their stock into China, and we may be prevented from further granting share incentive awards under our share incentive plans to our employees who are PRC citizens. Such events could adversely affect our ability to retain talented employees.

The M&A rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, and the NDRC Circular 11 establish certain procedures for our offshore investing activities, which could make it more difficult for us to pursue growth through acquisitions in and outside China.

In August 2006, the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration of Taxation, or the SAT, the SAMR, the China Securities Regulatory Commission, or the CSRC, and SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, commonly referred to as the M&A Rules, which was amended on June 22, 2009. The M&A Rules establish procedures and requirements that could make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a Chinese domestic enterprise. In addition, the Anti-Monopoly Law requires that the PRC Ministry of Commerce be notified in advance of any concentration of undertaking if certain thresholds are triggered. Moreover, the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated in 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the PRC Ministry of Commerce, and prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations Relating to Anti-Monopoly” for more details. We may expand our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rules and Anti-Monopoly Law and related regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Further, pursuant to the Circular 11 issued by the NDRC, outbound investment via the overseas enterprises controlled by PRC residents are subject to verification and approval, record-filing and reporting requirements to the NDRC. According to Circular 11, sensitive projects, such as outbound investment in real estate, hotels, news media, cinemas or sports club, carried out by overseas enterprises controlled by PRC residents shall obtain verification and approval from the NDRC prior to the implementation of the project. The non-sensitive projects carried out by the overseas enterprise directly controlled by PRC residents, including by means of making asset or equity investment by companies established for financing and investing, such as fund institutions, or providing financing or guarantee, shall complete record-filing with the competent authority prior to the implementation of such project. The non-sensitive projects carried out by the overseas enterprise indirectly controlled by PRC residents with the investment amount over US\$300 million shall be reported to the NDRC of relevant information by submitting an information reporting form for large-amount non-sensitive projects. See “Item 4. Information on the Company—B. Business Overview—Regulation—Administrative Measures for Outbound Investment by Enterprises” for more details on Circular 11. If we fail to comply with rules in Circular 11, we may be subject to warnings, project to be suspended for implementation or rectification within a specified time limit.

Increases in labor costs and enforcement of labor laws and regulations in the PRC may adversely affect our business, profitability and results of operations.

The economy of China has been experiencing increases in labor costs in recent years and the average wage in the PRC is expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our students by increasing prices for our services, our profitability and results of operations could be materially and adversely affected.

In addition, we are required under PRC laws and regulations to participate in various government sponsored employee benefit plans, including certain social insurance and housing funds, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. We have required all of our PRC operating entities to participate in employee benefit plans and make employee benefit payments for our employees pursuant to applicable laws and regulations. As of the date of this annual report, we have not received any incompliance notification from any local government regarding employee benefit payments, nor have we been sanctioned for such matters. However, we cannot assure you that we will be able to make adequate employee benefit payments for every employee in a timely manner. If we fail to make adequate employee benefit payments, we may be subject to fines, late fees and legal sanctions, and our business, financial conditions and results of operations may be adversely affected.

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

The PRC government imposes controls on the convertibility between the RMB and 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 at the holding company level may be 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 New Oriental China and its schools and subsidiaries 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 direct investments, repayments of loans or investments in securities outside the PRC. 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.

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

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People’s Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

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Our revenues and costs are mostly denominated in the RMB, and a significant portion of our financial assets are also denominated in RMB. We may rely entirely on dividends and/or other fees paid to us by our subsidiaries and New Oriental China and its schools and subsidiaries in China. Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our common shares and/or ADSs. 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. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce our reported earnings in U.S. dollars, which in turn could adversely affect the price of our common shares and/or ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

The discontinuation of any preferential tax treatments currently available to us could materially and adversely affect our results of operations.

In March 2007, the National People's Congress passed the Enterprise Income Tax Law, or the EIT Law, which took effect in January 2008 and was most recently amended in December 2018. The EIT Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises. The EIT Law provides that preferential tax treatments will be granted to industries and projects that are strongly supported and encouraged by the state, and that enterprises otherwise classified as "high and new technology enterprises strongly supported by the state" will be entitled to a preferential enterprise income tax rate. The implementation rules of the EIT Law promulgated by the State Council in December 2007, which was amended in April 2019, and other supplemental rules promulgated by the Ministry of Science and Technology, the MOF and the SAT, in April 2008 and July 2008 which were amended in January 2016 and June 2016, respectively, have stipulated new criteria for such "high and new technology enterprises," and all enterprises which had been granted such status before the effectiveness of the EIT Law are required to be re-examined according to such new rules before they can continue to be entitled to such preferential tax treatments.

A "high and new technology enterprise" is entitled to a favorable enterprise income tax rate of 15% and such qualification is reassessed by relevant governmental authorities every three years. Six of our wholly-owned subsidiaries in China, including Beijing Smart Wood Co., Ltd., or Beijing Smart Wood, Beijing Decision Education & Consulting Co., Ltd., or Beijing Decision and four other subsidiaries, are qualified as "high and new technology enterprises." Beijing Pioneer Technology Co., Ltd., or Beijing Pioneer, Beijing Shenghe Technology Co., Ltd., or Beijing Shenghe, Beijing New Oriental Dogwood Cultural Communications Co., Ltd., a subsidiary of our variable interest entity New Oriental China, and Kuxue Huisi Network Technology Co., Ltd, a subsidiary of our variable interest entity Beijing Xuncheng are in the process of renewing their qualification of "high and new technology enterprises." Once the renewals are completed, these subsidiaries will be eligible for a favorable enterprise income tax rate of 15% starting from January 1, 2021. Beijing Xuncheng, our variable interest entity, has obtained renewal of its qualification of "high and new technology enterprises." Beijing Xuncheng is currently eligible for a favorable enterprise income tax rate of 15%. An enterprise that qualifies as a "software enterprise" is exempt from enterprise income tax for the two years beginning in the enterprise's first profitable year and then is entitled to a reduced tax rate of 12.5% for the succeeding three years. Four of our wholly-owned subsidiaries in China, Beijing Jinghong Software Technology Company Limited or Beijing Jinghong, Beijing Zhiyuan Hangcheng Technology Company Limited or Beijing Zhiyuan Hangcheng, and other two subsidiaries are qualified as "software enterprises." See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation—PRC."

Before September 1, 2017, under the Private Education Law and its Implementation Rules, 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, no regulations have been promulgated by the relevant authorities with regard to the preferential income tax treatment applicable to private schools requiring reasonable returns. As of May 31, 2021, 11 of our schools elected as schools not requiring reasonable returns, 31 of our schools elected as schools requiring reasonable returns and the remaining schools were not classified or registered as companies.

The Amended Private Education Law, which became effective on September 1, 2017 and was further amended on December 29, 2018, no longer uses the term “reasonable return.” Instead, under the Amended Private Education Law, sponsors of private schools may choose to establish non-profit or for-profit private schools at their own discretion, except that private schools in compulsory education area can only be registered as non-profit private schools, and after-school tutoring institutions providing tutoring services on academic subjects can only be registered as non-profit private schools under the Alleviating Burden Opinion. Pursuant to the Amended Private Education Law, non-profit private schools will be entitled to the same tax benefits as public schools, while tax policies for for-profit private schools are unclear and may be subject to PRC enterprise income tax at the rate of 25% and other taxes as if they were enterprises.

Currently, tax treatments for private schools vary across different cities in China. Private schools in certain cities are subject to a 25% standard enterprise income tax, while in other cities, private schools are subject to a fixed amount of enterprise income tax each year as determined by the local tax authority in lieu of the 25% standard enterprise income tax or are not required to pay enterprise income tax at all. The effective income tax rates were 26.96%, 27.46% and 26.53% in the fiscal years ended May 31, 2019, 2020 and 2021, respectively.

Preferential tax treatments granted to us by 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 to 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.

We may be treated as a resident enterprise for PRC tax purposes under the EIT Law, which may subject us to PRC income tax for our global income and withholding for any dividends we pay to our non-PRC shareholders and ADS holders.

Under the EIT Law, enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises,” and will generally be subject to the uniform 25% enterprise income tax rate for their global income. Although the term “de facto management bodies” is defined as “management bodies which has substantial and overall management and control power on the operation, human resources, accounting and assets of the enterprise,” the circumstances under which an enterprise’s “de facto management body” would be considered to be located in China are currently unclear. The SAT has issued a circular providing that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with its “de facto management bodies” located within China if the following requirements are satisfied: (1) the senior management and core management departments in charge of its daily operations function mainly in the PRC; (2) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (3) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (4) at least half of the enterprise’s directors or senior management with voting rights reside in the PRC.

In addition, the SAT issued a bulletin to provide more guidance on the implementation of the above circular. The bulletin clarified certain matters relating to resident status determination, post determination administration and competent tax authorities. It also specifies that when provided with a copy of a PRC tax resident determination certificate from a resident PRC-controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the PRC-sourced dividends, interest and royalties to the PRC-controlled offshore incorporated enterprise. Moreover, the SAT issued a bulletin in January 2014, to provide more guidance on the implementation of the above circular. This bulletin further provided that, among other things, an entity that is classified as a “resident enterprise” in accordance with the circular shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors registered. From the year in which the entity is determined as a “resident enterprise,” any dividend, profit and other equity investment gain shall be taxed in accordance with the Article 26 of EIT law and the Article 17 and Article 83 of its implementation rules. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

Most members of our management team are based in China and are expected to remain in China. Although our offshore holding companies are not controlled by any PRC company or company group, we cannot assure you that we will not be deemed to be a PRC resident enterprise under the EIT Law and its implementation rules. If we are deemed to be a PRC resident enterprise, we will be subject to PRC enterprise income tax at the rate of 25% on our global income. In that case, however, dividend income we receive from our PRC subsidiaries may be exempt from PRC enterprise income tax because the EIT Law and its implementation rules generally provide that dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise is exempt from enterprise income tax. Accordingly, if we are deemed to be a PRC resident enterprise and earn income other than dividends from our PRC subsidiaries, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

In addition, if we are deemed to be a PRC resident enterprise, dividends distributed to our non-PRC entity investors by us, or the gain our non-PRC entity investors may realize from the transfer of our common shares or ADSs, may be treated as PRC-sourced income and therefore be subject to a 10% PRC withholding tax pursuant to the EIT Law. This could increase our and our shareholders' effective income tax rates and may require us to deduct withholding tax from any dividends we pay to our non-PRC shareholders.

Dividends we receive from our subsidiaries located in the PRC are subject to the PRC withholding tax.

The EIT Law provides that a maximum income tax rate of 20% may apply to dividends payable to non-PRC investors that are “non-resident enterprises,” to the extent such dividends are derived from sources within the PRC. The State Council has reduced such rate to 10%, in the absence of any applicable tax treaties that may reduce such rate. We are a Cayman Islands holding company and may derive our income from dividends we receive from our operating subsidiaries located in the PRC. If we are required under the EIT Law to pay income tax for any dividends we receive from our PRC subsidiaries, the amount of dividends, if any, we may pay to our shareholders and ADS holders may be materially and adversely affected.

According to the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income, or the Double Taxation Arrangement (Hong Kong), which became effective in January 2007, dividends paid to enterprises incorporated in Hong Kong are subject to a withholding tax of 5% provided that a Hong Kong resident enterprise owns over 25% of the PRC enterprise distributing the dividend and can be considered as a “beneficial owner” and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Elite Concept Holdings Limited, Winner Park Limited and Smart Shine International Limited, our Hong Kong wholly-owned subsidiaries, own 100% of some of our PRC subsidiaries. Thus, dividends paid by our PRC subsidiaries to us through our Hong Kong wholly-owned subsidiaries may be subject to the 5% withholding tax if we and our Hong Kong subsidiaries are considered as “non-resident enterprises” under the EIT Law and our Hong Kong subsidiaries are considered as “beneficial owners” and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). If our Hong Kong subsidiaries are not regarded as the beneficial owners of any such dividends, they will not be entitled to the treaty benefits under the Double Taxation Arrangement (Hong Kong). As a result, such dividends would be subject to regular withholding tax of 10% as provided by the PRC domestic law rather than the favorable rate of 5% applicable under the Double Taxation Arrangement (Hong Kong).

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

In February 2015, the SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7. Pursuant to Bulletin 7, an “indirect transfer” of PRC assets, including a transfer of equity interests in an unlisted non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange.

According to Bulletin 7, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or Bulletin 37, which came into effect and superseded Circular 698 on December 1, 2017. The Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

There is uncertainty as to the application of Bulletin 7 and Bulletin 37. As a result, we and our non-resident investors may have the risk of being taxed under Bulletin 7 and Bulletin 37 and may be required to spend valuable resources to comply with Bulletin 7 and Bulletin 37 or to establish that we or our non-resident investors should not be taxed under Bulletin 7 and Bulletin 37, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors’ investments in us.

If we fail to obtain and maintain the licenses and approvals required for online education in China, our business, financial condition and results of operations may be materially and adversely affected.

The relevant laws and regulations in China related to the online education industry are relatively new and still evolving, and their interpretation and enforcement involve significant uncertainty and ambiguity. As a result, in certain circumstances it may be difficult to determine whether a certain license requirement applies to us and what actions or omissions may be deemed to be in violation of applicable laws and regulations. For example, according to the Administrative Provisions on Internet Audio-Visual Program Service, the dissemination of “Audio-visual Programs” through internet is subject to the specific license. However, due to the ambiguity of the definition of “Audio-visual Programs”, there is uncertainty as to whether our online courses fall within the definition of “Audio-visual Programs” and whether we are required to obtain the License for Online Transmission of Audio-Visual Programs. On January 20, 2020, in the Q&A section of its website, the Beijing Radio and Television Bureau confirmed that online education is not subject to the License for Online Transmission of Audio-Visual Programs. In addition, pursuant to the Administrative Measures on the Production and Operation of Radio and Television Programs, the production of “Radio and Television Programs” requires the Permit for Production and Operation of Radio and TV Programs. Due to the ambiguity of the definition of “Radio and Television Programs,” there is uncertainty as to whether our online courses fall within such definition.

However, we cannot assure that the competent PRC government authorities will not subsequently take a contrary view, especially in light of new regulatory developments. If the government authorities determine that our online tutoring services fall within the scope of business operations that require the above-mentioned licenses or other licenses or permits, we may not be able to obtain such licenses or permits on reasonable terms or in a timely manner or at all, and failure to obtain such licenses or permits may subject us to fines, legal sanctions or an order to suspend our online tutoring services.

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Our ADSs may be delisted under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect auditors who are located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections.

The Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted on December 18, 2020. The HFCA Act states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over the counter trading market in the U.S.

Our auditor, the independent registered public accounting firm that issues the audit report included in our annual reports, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is currently not inspected by the PCAOB.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCA Act. We will be required to comply with these rules if the SEC identifies us as having a “non-inspection” year under a process to be subsequently established by the SEC. The SEC is assessing how to implement other requirements of the HFCA Act, including the listing and trading prohibition requirements described above.

On June 22, 2021, the U.S. Senate passed a bill which, if passed by the U.S. House of Representatives and signed into law, would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCA Act from three years to two.

The SEC has announced that the SEC staff is preparing a consolidated proposal for the rules regarding the implementation of the HFCA Act. It is unclear when the SEC will complete its rulemaking and when such rules will become effective. The implications of this possible regulation in addition to the requirements of the HFCA Act are uncertain. Such uncertainty could cause the market price of our ADSs to be materially and adversely affected, and our securities could be delisted or prohibited from being traded “over-the-counter” earlier than would be required by the HFCA Act. If our securities are unable to be listed on another securities exchange by then, such a delisting would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with a potential delisting would have a negative impact on the price of our ADSs.

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

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In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB in the PRC or by the CSRC or the PRC Ministry of Finance in the United States. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges.

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

Starting in 2011 the PRC-based “big four” accounting firms, including our independent registered public accounting firm, were affected by a conflict between U.S. and Chinese law. Specifically, for certain U.S.-listed companies operating and audited in mainland China, the SEC and the PCAOB sought to obtain from the Chinese firms access to their audit work papers and related documents. The firms were, however, advised and directed that under Chinese law, they could not respond directly to the U.S. regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the CSRC.

In late 2012, this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese accounting firms, including our independent registered public accounting firm. A first instance trial of the proceedings in July 2013 in the SEC’s internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm’s performance of certain audit work, commencement of a new proceeding against a firm, or, in extreme cases, the resumption of the current proceeding against all four firms. If additional remedial measures are imposed on the PRC-based “big four” accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms’ failure to meet specific criteria set by the SEC with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined not to be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, U.S.-listed companies and the market price of our ADSs may be adversely affected.

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

It may be difficult for overseas regulators to conduct investigations or collect evidence within China.

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigations or evidence collection activities within China may further increase difficulties faced by our shareholders in protecting their interests.

Furthermore, on July 6, 2021, the relevant PRC governmental authorities promulgated the Opinions on Strictly Scrutinizing Illegal Securities Activities, among which, it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of domestic industry competent authorities and regulatory authorities. However, the Opinions on Strictly Scrutinizing Illegal Securities Activities were only issued recently, leaving uncertainties regarding the interpretation and implementation of these opinions. It is possible that any new rules or regulations may impose additional requirements on us.

Risks Related to Our ADSs and Common Shares

We adopt different practices as to certain matters as compared with many other companies listed on the Hong Kong Stock Exchange.

We completed our public offering in Hong Kong in November 2020 and the trading of our common shares on the Hong Kong Stock Exchange commenced on November 9, 2020 under the stock code “9901.” As a company listed on the Hong Kong Stock Exchange pursuant to Chapter 19C of the Hong Kong Listing Rules, we are not subject to certain provisions of the Hong Kong Listing Rules pursuant to Rule 19C.11, including, among others, rules on notifiable transactions, connected transactions, share option schemes, publication of interim and annual results announcements, content of interim and annual reports as well as certain other continuing obligations. In addition, in connection with the listing of our common shares on the Hong Kong Stock Exchange, we obtained a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Takeovers Codes and the SFO. As a result, we adopt different practices as to those matters as compared with other companies listed on the Hong Kong Stock Exchange that do not enjoy those exemptions or waivers.

Our articles of association are specific to us and include certain provisions that may be different from the requirements under the Hong Kong Listing Rules and common practices in Hong Kong. For example, Rule 19C.07(7) of the Hong Kong Listing Rules provides that the minimum stake required to convene an extraordinary general meeting and add resolutions to a meeting agenda must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of a qualifying issuer (the “**10% Requisition Right**”), but our articles of association provide that at least one-third of the aggregate voting power of our company is required to convene an extraordinary general meeting. In March 2021, we revised our articles of association to comply with Rule 19C.07(7) of the Hong Kong Listing Rules, including adding the 10% Requisition Right in our articles of association.

Furthermore, if 55% or more of the total worldwide trading volume, by dollar value, of our common shares and ADSs over our most recent fiscal year takes place on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange will regard us as having a dual primary listing in Hong Kong and we will no longer enjoy certain exemptions or waivers from strict compliance with the requirements under the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Takeovers Codes and the SFO, which could result in us having to amend our corporate structure and articles of association and our incurring of incremental compliance costs.

The trading prices of our ADSs and common shares have been and are likely to continue to be volatile, which could result in substantial losses to holders of our common shares and/or ADSs.

The market prices of our ADSs and common shares have been and are likely to continue to be volatile and could fluctuate widely in response to a variety of factors, many of which are beyond our control. For example, the high and low closing prices of our ADSs on NYSE from June 1, 2020 to September 23, 2021 were US\$1.70 and US\$19.68, respectively. Likewise, the high and low closing prices on the Hong Kong Stock Exchange since our listing in November 2020 to September 23, 2021 were HK\$13.50 and HK\$154.10, respectively. The market price of our ADSs and/or our common shares is likely to be highly volatile and subject to wide fluctuations in response to factors such as:

- actual or anticipated fluctuations in our operating results,
- announcements and implementations of new regulations and policies related to our business,
- changes in financial estimates by securities research analysts,
- changes in the economic performance or market valuation of other education companies,
- announcements by us or our competitors of material acquisitions, strategic partnerships, joint ventures or capital commitments,
- addition or departure of our executive officers,
- detrimental negative publicity about us, our competitors or our industry,
- regulatory investigation or other governmental proceedings against us,
- substantial sales or perception of sales of our ADSs and/or common shares in the public market, and
- general economic, regulatory or political conditions in China and the U.S.

In addition, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong and/or the United States may affect the volatility in the prices of and trading volumes of our common shares and/or ADSs. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in trading prices. The trading performance of other Chinese companies' securities after their offerings, including private education companies, may affect the attitudes of investors toward Chinese companies listed in Hong Kong and/or the United States, which consequently may impact the trading performance of our common shares and/or ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. Furthermore, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China, and other jurisdictions in early 2020 and in 2021, which may have a material and adverse effect on the trading price of our common shares and/or ADSs.

If securities or industry analysts publish negative reports about our business, the price and trading volume of our common shares and/or ADSs securities could decline.

The trading market for our common shares and/or ADSs will be influenced by the research reports and ratings that securities or industry analysts or ratings agencies publish about us, our business and the private education market in China in general. We do not have any control over these analysts or agencies. If one or more of the analysts or agencies who cover us downgrades us or our securities, the price of our common shares and/or ADSs may decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the price of our common shares and/or ADSs or trading volume to decline.

Holders of our ADSs may have fewer rights than holders of our common shares and must act through the depositary to exercise those rights.

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying shares represented by the ADSs in accordance with the provisions of the deposit agreement. Under our memorandum and articles of association, the minimum notice period required to convene a general meeting is 14 days for as long as our shares remain listed on the Hong Kong Stock Exchange, or otherwise at least seven days. When a general meeting is convened, holders of ADSs may not receive sufficient notice of a shareholders' meeting to permit withdrawal of the underlying shares represented by their ADSs to allow them to cast their votes with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to holders of ADSs or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to holders of ADSs in a timely manner, but we cannot assure that holders of ADSs will receive the voting materials in time to ensure that they can instruct the depositary to vote their ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of ADSs may not be able to exercise their right to vote and may lack recourse if the common shares underlying their ADSs are not voted as they requested. In addition, holders of ADSs will not be able to call a shareholders' meeting.

The right of our ADS holders to participate in any future rights offerings may be limited, which may cause dilution to holdings of our ADS holders.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to holders of our ADSs in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement for the ADSs, the depositary 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.

Holders of our ADSs may be subject to limitations on transfer of their ADSs.

Our ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems 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 continued and registered in the Cayman Islands and conduct substantially all of our operations in China. Substantially all of our assets are located in China. All of our executive officers reside in China and some or all of the assets of those persons are located within China. As a result, it may be difficult for shareholders to effect service of process within the United States or Hong Kong in the event that they believe that their rights have been infringed under the U.S. federal securities laws, Hong Kong laws or otherwise. Even if shareholders are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render shareholders unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory enforcement in the Cayman Islands of judgments obtained in the Hong Kong courts or federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments).

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

Since we are a Cayman Islands exempted company, the rights of our shareholders may be more limited than those of shareholders of a company organized in the United States or Hong Kong.

Our corporate affairs are governed by our memorandum and articles of association and by the Cayman Companies Act and the 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 precedents 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 or in Hong Kong. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States or Hong Kong, 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 or a Hong Kong court.

As a result of all of the above, our shareholders may have more difficulties 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 or Hong Kong.

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

Our articles of association contain provisions that 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 common shares and/or ADSs may fall and the voting and other rights of the holders of our common shares and/or 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.

A non-U.S. corporation, such as our company, will be a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes for any taxable year if either, (1) 75% or more of its gross income for such year consists of certain types of “passive” income or (2) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce passive income or are held for the production of passive income.

Although the law in this regard is unclear, we treat our VIEs (including their subsidiaries) as being owned by us for U.S. federal income tax purposes, not only because we control their management decisions but also because we are entitled to substantially all of the economic benefits associated with these entities, and, as a result, we consolidate these entities' operating results in our combined financial statements. If it were determined, however, that we are not the owner of our VIEs (including their subsidiaries) for U.S. federal income tax purposes, we may be or become a PFIC. Assuming that we are the owner of our VIEs (including their subsidiaries) for U.S. federal income tax purposes, and based upon the company's current income and assets, including goodwill and other unbooked intangibles, we do not believe that we were a PFIC for our taxable year ended May 31, 2021 and we do not presently expect to be a PFIC for the current taxable year or the foreseeable future. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market value of our ADSs and common shares, the determination of whether we will be or become a PFIC will depend in large part upon the market value of our ADSs and common shares, of which we cannot control. Accordingly, fluctuations in the market price of our ADSs and/or common shares may cause us to become a PFIC for the current taxable year or future taxable years. The determination of whether we will be or become a PFIC will also depend, in part, upon the nature of our income and assets over time, which are subject to change from year to year. Because PFIC status is a fact-intensive determination made on an annual basis, no assurance can be given that we are not or will not become classified as a PFIC.

If we were to be classified as a PFIC in any taxable year, a U.S. Holder (as defined in "Item 10. Additional Information—E. Taxation—U.S. Federal Income Taxation") in our ADSs and/or common shares may incur significantly increased U.S. income tax on gain recognized on the sale or other disposition of the ADSs or common shares and on the receipt of distributions on the ADSs or common shares to the extent such gain or distribution is treated as an "excess distribution" under U.S. federal income tax rules. Further, if we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or common shares, we will generally continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or common shares. U.S. Holders of our ADSs or common shares are urged to consult their tax advisors concerning the United States federal income tax consequences if we are or become classified as a PFIC. See "Item 10. Additional Information—E. Taxation—U.S. Federal Income Taxation—Passive Foreign Investment Company Rules."

The different characteristics of the capital markets in Hong Kong and the U.S. may negatively affect the trading prices of our common shares and/or ADSs.

As dual-listed company, we are subject to Hong Kong and NYSE listing and regulatory requirements concurrently. The Hong Kong Stock Exchange and NYSE have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our common shares and our ADSs may not be the same, even allowing for currency differences. Fluctuations in the price of our ADSs due to circumstances peculiar to the U.S. capital markets could materially and adversely affect the price of our common shares, or vice versa. Certain events having significant negative impact specifically on the U.S. capital markets may result in a decline in the trading price of our common shares notwithstanding that such event may not impact the trading prices of securities listed in Hong Kong generally or to the same extent, or vice versa.

Exchange between our common shares and our ADSs may adversely affect the liquidity and/or trading price of each other.

Our ADSs are currently traded on the NYSE. Subject to compliance with U.S. securities law and the terms of the deposit agreement, holders of our common shares may deposit common shares with the depository in exchange for the issuance of our ADSs. Any holder of ADSs may also withdraw the underlying common shares represented by the ADSs pursuant to the terms of the deposit agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of common shares are deposited with the depository in exchange for ADSs or vice versa, the liquidity and trading price of our common shares on the Hong Kong Stock Exchange and our ADSs on the NYSE may be adversely affected.

The time required for the exchange between common shares and ADSs might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and the exchange of common shares into ADSs involves costs.

There is no direct trading or settlement between the NYSE and the Hong Kong Stock Exchange on which our ADSs and our common shares are respectively traded. In addition, the time differences between Hong Kong and New York, unforeseen market circumstances or other factors may delay the deposit of common shares in exchange of ADSs or the withdrawal of common shares underlying the ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, there is no assurance that any exchange of common shares into ADSs (and vice versa) will be completed in accordance with the timelines that investors may anticipate.

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Furthermore, the depositary for the ADSs is entitled to charge holders fees for various services including for the issuance of ADSs upon deposit of common shares, cancellation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs and annual service fees. As a result, shareholders who exchange common shares into ADSs, and vice versa, may not achieve the level of economic return the shareholders may anticipate.

An active trading market for our common shares on the Hong Kong Stock Exchange might not develop or be sustained and trading prices of our common shares might fluctuate significantly.

Since the listing of our common shares on the Hong Kong Stock Exchange, we have maintained a certain level of liquidity in the trading of our common shares on the Hong Kong Stock Exchange. However, we cannot assure you that that this level of liquidity will be sustained. The trading price or liquidity for our ADSs on the NYSE might not be indicative of those of our common shares on the Hong Kong Stock Exchange. If an active trading market of our common shares on the Hong Kong Stock Exchange is not sustained, the market price and liquidity of our common shares could be materially and adversely affected.

In 2014, the Hong Kong, Shanghai and Shenzhen Stock Exchanges collaborated to create an inter-exchange trading mechanism called Stock Connect that allows international and mainland Chinese investors to trade eligible equity securities listed in each other's markets through the trading and clearing facilities of their home exchange. Stock Connect currently covers over 2,000 equity securities trading in the Hong Kong, Shanghai and Shenzhen markets. Stock Connect allows mainland Chinese investors to trade directly in eligible equity securities listed on the Hong Kong Stock Exchange, known as Southbound Trading; without Stock Connect, mainland Chinese investors would not otherwise have a direct and established means of engaging in Southbound Trading. However, it is unclear whether and when the common shares of our Company, with a secondary listing in Hong Kong upon the Listing, will be eligible to be traded through Stock Connect, if at all. The ineligibility or any delay of our common shares for trading through Stock Connect will affect mainland Chinese investors' ability to trade our common shares and therefore may limit the liquidity of the trading of our common shares on the Hong Kong Stock Exchange.

There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs.

In connection with our initial public offering of common shares in Hong Kong, or the Hong Kong IPO, we have established a branch register of members in Hong Kong, or the Hong Kong share register. Our common shares that are traded on the Hong Kong Stock Exchange, including those to be issued in the Hong Kong IPO and those that may be converted from ADSs, are registered on the Hong Kong share register, and the trading of these common shares on the Hong Kong Stock Exchange will be subject to the Hong Kong stamp duty. To facilitate ADS-common share conversion and trading between the NYSE and the Hong Kong Stock Exchange, we also moved a portion of our issued common shares from our register of members maintained in the Cayman Islands to our Hong Kong share register.

Under the Hong Kong Stamp Duty Ordinance, any person who effects any sale or purchase of Hong Kong stock, defined as stock the transfer of which is required to be registered in Hong Kong, is required to pay Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.2% of the greater of the consideration for, or the value of, shares transferred, with 0.1% payable by each of the buyer and the seller.

To the best of our knowledge, Hong Kong stamp duty has not been levied in practice on the trading or conversion of ADSs of companies that are listed in both the United States and Hong Kong and that have maintained all or a portion of their common shares, including common shares underlying ADSs, in their Hong Kong share registers. However, it is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs of these dual-listed companies constitutes a sale or purchase of the underlying Hong Kong-registered common shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. If Hong Kong stamp duty is determined by the competent authority to apply to the trading or conversion of our ADSs, the trading price and the value of your investment in our common shares and/or ADSs may be affected.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company.

Our first school was established by Mr. Michael Minhong Yu, our executive chairman, in Beijing, China in 1993 to offer TOEFL test preparation courses to college students. We established New Oriental China in 2001 as a domestic holding company to act as the sponsor of our schools and hold some operating subsidiaries. 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., in the British Virgin Islands in August 2004. On January 23, 2006, our shareholders approved the change of our offshore holding company's corporate domicile to the Cayman Islands, and upon completion of registration by way of continuation with the Registrar of Companies of the Cayman Islands on March 16, 2006 we are now a Cayman Islands company. Since December 2007, we have established three wholly-owned subsidiaries in Hong Kong, which now directly own our wholly-owned subsidiaries in China.

We and certain selling shareholders of our company completed an initial public offering and listed our ADSs on the NYSE under the symbol "EDU" in September 2006. In February 2007, we and certain selling shareholders of our company completed an additional public offering of ADSs. On August 18, 2011, we effected a change in the ratio of our ADSs to common shares from one ADS representing four common shares to one ADS representing one common share.

Beijing Xuncheng, a then majority-owned subsidiary of New Oriental China, which operates our several online education platforms together with its subsidiaries, one of which is koolearn.com, listed its shares on the National Equities Exchange and Quotations in China for trading from March 21, 2017 to February 14, 2018 whereby it completed a voluntary delisting from the National Equities Exchange and Quotations. Subsequent to its delisting, Beijing Xuncheng went through a series of restructuring transactions and became a variable interest entity controlled by Koolearn Technology Holding Limited, or Koolearn, a majority-owned subsidiary of our offshore holding company. On March 28, 2019, Koolearn completed its initial public offering and the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited.

In October 2018, we announced a share repurchase program, pursuant to which we were authorized to repurchase our own common shares or ADSs with an aggregate value of up to US\$200 million during the period from October 29, 2018 through May 31, 2019. Under such share repurchase program, we repurchased an aggregate of 952,000 ADSs for US\$56.0 million on the open market at a weighted average purchase price of US\$58.78 per ADS.

In July 2020, we completed an offering of US\$300 million aggregate principal amount of 2.125% notes due 2025, or the 2025 Notes. We received net proceeds from the offering of the 2025 Notes of approximately US\$297.1 million, after deducting joint bookrunners' commissions and estimated offering expenses.

On November 9, 2020, our common shares commenced trading on the Main Board of the Hong Kong Stock Exchange under the stock code "9901." We raised from our listing in Hong Kong approximately US\$1.48 billion in net proceeds after deducting underwriting commissions, share issuance costs and the offering expenses.

On March 10, 2021, we implemented a one-for-ten share split. Except as otherwise indicated, all information in this annual report concerning share and per share data gives retroactive effect to the one-for-ten share split.

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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) 6090-8000. Our registered office in the Cayman Islands is located at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. We have branch offices in 108 cities in China.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. You can also find information on our website at <http://investor.neworiental.org>. The information contained on our website is not a part of this annual report.

B. Business Overview

Our Network

We deliver our comprehensive educational programs, services and products to students across China through our nationwide physical network of schools, learning centers and bookstores, as well as our pure-play online learning platforms. As of May 31, 2021, we had a physical network of 122 schools and 1,547 learning centers in 108 cities and approximately 54,200 teachers. We deliver online courses through our online learning platforms, including Koolearn.com, our comprehensive online education services platform; DFUB, our live interactive K-12 tutoring service tailored to students in lower-tier cities; and Donut, our online live English classroom courses for preschoolers. Powered by our OMO system, we have combined our offline network with online technologies and adopted different business models tailored to students in different locations to facilitate our operational efficiency. For example, for students in tier 1 cities, we primarily deliver courses in offline classroom settings, supported with interactive online learning components. For students in lower tier cities, we have adopted a dual-teacher model, where we broadcast courses delivered by well-known teachers from top-tier cities through our OMO system and have local assistant lecturers monitor and provide in-person guidance and interactions with students onsite. The dual-teacher model provides students in lower tier cities with access to top quality teachers in other cities with greater flexibility in terms of course schedule.

We distribute and sell books and other educational materials developed or licensed by us through our distribution channels, which consist of bookstores operated by us and third-party distributors. As of May 31, 2021, we had 11 bookstores operated by us, and 181 third-party distributors, who provided us with access to a nationwide network of online and offline bookstores. In addition, we have an extensive network of students and alumni, who we believe have been essential in helping us promote our brand and our programs, services and products by word-of-mouth referrals.

Almost all of our schools, learning centers and self-operated bookstores are operated under our "New Oriental" brand. Our 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 for our schools and learning centers based on various factors, including demographics, the number of schools or colleges in, and the economic condition of, the particular region. We have opened bookstores in some of our established schools to sell educational materials relating to our courses and also sell self-help, know-how, inspirational and other books.

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The following table sets forth information about the locations of our schools, learning centers and bookstores as of May 31, 2021. We plan to close certain learning centers in our fiscal year 2022 in light of the latest regulatory developments.

<u>City</u>	<u>Number of Schools</u>	<u>Number of learning centers</u>	<u>Number of bookstores</u>
Beijing	6	120	1
Shanghai	1	82	1
Guangzhou	1	60	1
Wuhan	1	47	1
Yangzhou	3	3	—
Tianjin	1	45	—
Xi'an	2	54	1
Nanjing	3	65	—
Shenyang	1	20	—
Chongqing	1	30	1
Chengdu	1	49	—
Shenzhen	1	23	—
Xiangyang	1	18	—
Taiyuan	1	31	—
Haerbin	1	21	1
Changsha	1	38	—
Jinan	1	43	—
Zhengzhou	1	42	—
Hangzhou	1	93	—
Changchun	3	27	1
Shijiazhuang	1	19	—
Suzhou	2	69	1
Zhuzhou	1	2	—
Anshan	1	—	—
Hefei	1	67	—
Kunming	1	12	—
Wuxi	1	24	—
Foshan	1	14	—
Fuzhou	1	37	—
Yichang	1	5	—
Nanchang	1	46	—
Jingzhou	1	3	—
Dalian	1	6	1
Lanzhou	1	14	1
Huangshi	1	3	—
Ningbo	1	9	—
Xiamen	1	30	—
Qingdao	2	32	—
Nanning	1	20	—
Xuzhou	1	6	—
Zhenjiang	1	8	—
Xiangtan	1	3	—
Luoyang	1	16	—
Nantong	1	8	—
Hohhot	1	14	—
Jilin	1	9	—
Guiyang	1	6	—
Tangshan	1	16	—
Urumqi	1	10	—
Shiyan	1	4	—
Quanzhou	1	4	—
Wenzhou	1	12	—
Weifang	1	6	—
Zhuhai	1	5	—
Jinzhou	1	7	—
Baoding	1	6	—

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<u>City</u>	<u>Number of Schools</u>	<u>Number of learning centers</u>	<u>Number of bookstores</u>
Yantai	1	8	—
Taian	1	1	—
Kaifeng	1	2	—
Cangzhou	1	1	—
Qinhuangdao	1	2	—
Anyang	1	1	—
Handan	1	1	—
Zhangzhou	1	1	—
Nanyang	1	2	—
Zhongshan	1	2	—
Yinchuan	1	1	—
Shaoxing	1	7	—
Huzhou	1	2	—
Hong Kong	1	—	—
Yancheng	1	3	—
Lianyungang	1	3	—
Jiaozuo	1	8	—
Dongguan	1	2	—
Haikou	1	2	—
Yiwu	1	5	—
Jinhua	1	6	—
Xining	1	1	—
Mianyang	1	—	—
Xinxiang	1	1	—
Baotou	1	1	—
Changshu	1	3	—
Yuci	1	—	—
Huizhou	1	—	—
Chengde	1	1	—
Zhangjiagang	1	—	—
Hebi	1	—	—
Zhumadian	1	—	—
Weihai	1	—	—
Xuchang	1	—	—
Xingtai	1	1	—
Changzhou	1	—	—
Huaian	1	—	—
Tàizhou	1	4	—
Táizhou	1	1	—
Yixing	1	—	—
Wuhu	1	1	—
Jiaxing	1	4	—
Langfang	1	2	—
Kunshan	1	1	—
Danyang	1	—	—
Dongyang	1	—	—
Jiujiang	1	1	—
Hengshui	1	1	—
Xianyang	1	1	—
Zhoukou	1	—	—
Shangqiu	1	—	—
Baoji	1	—	—
Total	122	1,547	11

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Our Programs, Services and Products

We provide a wide variety of educational programs, services and products. We deliver education to our students in traditional classroom settings, in a combination of online and offline classroom setting with our dual-teacher model, and through our pure-play online platforms. Other than our primary and secondary schools and kindergartens, our classroom-based courses are generally designed to be completed in 2 to 16 weeks. Course fees are determined based on factors such as the length of the course, the size and the subject of the class, and the geographic location of the school. We offer flexible class sizes for our courses, including larger classes that range from 6 to 50 students per class and small classes that range from one to five students per class. Our program, service and product offerings are generally divided into seven areas: K-12 after-school tutoring; test preparation; language training for adults; pre-school, primary and secondary schools; education materials and distribution; online education; and other services. The following table provides a list of our current course offerings:

	Kindergarten	Elementary School						Middle School			High School			Higher Education
		1	2	3	4	5	6	7	8	9	10	11	12	
After-school tutoring														
Science	★	★	★	★										
Arts	★	★	★	★	★	★	★							
Robotics	★	★	★	★	★	★	★	★	★	★				
Mathematics	★	★	★	★	★	★	★	★	★	★	★	★	★	
English	★	★	★	★	★	★	★	★	★	★	★	★	★	
Chinese	★	★	★	★	★	★	★	★	★	★	★	★	★	
Physics								★	★	★	★	★	★	
Chemistry								★	★	★	★	★	★	
Biology								★	★	★	★	★	★	
History								★	★	★	★	★	★	
Geography								★	★	★	★	★	★	
Political Science								★	★	★	★	★	★	
Overseas test preparation														
TOEFL		★	★	★	★	★	★	★	★	★	★	★	★	★
IELTS								★	★	★	★	★	★	★
PTE								★	★	★	★	★	★	★
SSAT				★	★	★	★	★	★	★				
SAT									★	★	★	★	★	
ACT									★	★	★	★	★	
IGCSE										★	★	★	★	
AP											★	★	★	
SAT2											★	★	★	
A-Level												★	★	
IBDP												★	★	
GRE														★
GMAT														★
LSAT														★
Domestic test preparation														
CET-4 and CET-6														★
PRC Postgraduate Entrance Exam														★
Adult English training														★
Other foreign language training														★

K-12 After-School Tutoring Courses

We entered into the K-12 after school tutoring sector in the early 2000s. K-12 after-school tutoring courses refer to courses offered in our New Oriental Primary and Secondary School All Subjects Program (formerly known as the “Pop Kids All Subjects” program for kindergarten and primary school students and “New Oriental U-Can All Subjects” program for middle and high school students), which currently covers all academic subjects for kindergarten and primary school students, as well as middle and high school students. We are closely monitoring the evolving regulatory environment and are making efforts to seek guidance from and cooperate with the government authorities to comply with the Alleviating Burden Opinion and its implementation measures. Among other things, we have ceased providing and will not provide tutoring services on academic subjects during national holidays, weekends and school breaks, and we intend to make changes to our tutoring services on academic subjects for students in compulsory education in the near future. The following descriptions of our after-school tutoring courses and pre-school, primary and secondary schools cover the periods through the end of our last fiscal year ended May 31, 2021, and unless the context indicates otherwise, do not reflect our plan to modify our after-school tutoring services on academic subjects for students in compulsory education in the near future to be in compliance with applicable regulations, rules and policies and our future operations in this area.

After-School Tutoring Courses for Middle School and High School Students. Our after-school tutoring courses for middle school and high school students are designed to supplement students’ regular school curricula and help students improve their exam scores.

We first established our English after-school training program for middle and high school students in the early 2000s. In March 2008, we launched our “New Oriental U-Can All Subjects” training program, which covers all academic subjects for middle and high school in China and targets students from ages 13 to 18 who are preparing for the high school entrance examination in China, known as “zhongkao,” and the college entrance examination, known as “gaokao.” Gaokao is required for admission to bachelor’s degree programs and most associate degree programs at Chinese colleges and universities. Students take our courses in affordable larger classes that typically range from 25 to 50 students per class, as well as higher priced small class tutoring, in particular, 1-on-1 tutoring. Our flexible class sizes enable us to meet the diversified education needs of students and capture a greater market share in the K-12 after-school tutoring market in China.

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Our typical after-school tutoring courses for middle school and high school students last for 2 to 16 weeks with classroom instruction one to seven times per week for 1.5 to 4 hours per class. 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.

In our fiscal year ended May 31, 2021, we had approximately 6,723,000 student enrollments in our after-school tutoring courses for middle school and high school students. Course fees for our all-subject after-school tutoring courses for middle school and high school students range from approximately RMB500 to approximately RMB5,000 per course.

After-School Tutoring Courses for Children. We established our English for children program in the early 2000s for children in kindergarten and primary school. We designed this program based upon the following principles: (1) we use localized materials originally published by international education content providers and publishers while taking into account the local public schools' curricula, and the skills and abilities of the individual student and adapting to his or her particular needs; (2) we assist students in mastering the basics of the language in various fun ways, including interactive games, activities and cultural studies; and (3) we help children develop a passion for learning the language and guide and inspire them to develop their self-learning abilities. In 2008, we launched our "Pop Kids All Subjects" training program, which includes after-school tutoring courses in English, Chinese, math, writing, music and arts for children in kindergarten and primary schools. In 2019, we grouped our "Pop Kids All Subjects" training program together with our "New Oriental U-Can All Subjects" program under "New Oriental Primary and Secondary School All Subjects" program.

We continuously seek to optimize our programs and services through technology development. For example, we developed our innovative English listening and speaking learning app, which combines our English teaching experience with AI-powered voice evaluation technology to help children improve their English listening and speaking skills and improve test scores.

Our after-school tutoring courses for kindergarten and primary school students are typically divided into classes of approximately 8 to 24 students per class. Students attend class approximately one time per week for 2 to 3 hours per class. We test our students to evaluate their learning 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, 2021, we had approximately 5,348,000 student enrollments in our after-school tutoring courses for children. Course fees for these courses range from approximately RMB300 to approximately RMB4,000 per course.

Test Preparation Courses

We began offering TOEFL preparation courses in 1993. We have evolved to provide a wide range of test preparation courses to students taking language and entrance exams used by educational institutions in the United States, the PRC and Commonwealth countries. Our overseas test preparation courses primarily include IELTS, TOEFL, SAT, SSAT, ACT, GRE, GMAT and LSAT preparation courses and our PRC test preparation courses primarily include CET 4, CET 6 and Postgraduate Entrance Exam.

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. We recognize that students begin test preparation at different levels, have different strengths and weaknesses, and learn at different rates. We offer a range of basic and advanced test preparation courses tailored to students at different levels.

In our fiscal year ended May 31, 2021, we had approximately 390,000 student enrollments in our test preparation courses, of which approximately 198,000 were in overseas test preparation courses, and 193,000 were in PRC test preparation courses. Our test preparation courses generally range from 6 to 40 students per class. We also have students from our overseas test preparation courses that take our small class, in particular 1-on-1, tutoring courses. Our students typically enroll in a 60 to 350 hour program with classes meeting one to six times per week for approximately 1 to 3 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 approximately RMB1,500 to RMB48,000 per course, as overseas test preparation courses generally have higher course fees.

Language Training Courses for Adults

We mainly provide various types of English language training courses, and to a lesser extent, training courses for other foreign languages, including German, Japanese, French, Korean, Italian and Spanish.

Our English for adults program offers courses primarily designed to teach and improve students' English writing, reading, listening and speaking skills. Our typical English course for adults lasts for 1 to 16 weeks with classroom instruction 1 to 5 times per week for 1.5 to 3.5 hours per class. We also offer more intensive and condensed versions of our courses. The class size of our English courses for adults typically range from approximately 6 to 40 students per class. Our other foreign language courses for adults consist of proficiency lessons and test preparation courses for language certification exams.

In our fiscal year ended May 31, 2021, we had approximately 5,000 student enrollments in our English courses for adults. Course fees for our English courses for adults range from approximately RMB500 to approximately RMB7,500 per course.

Pre-school, Primary and Secondary Schools

We established our first full-time private primary and secondary school in Yangzhou, or the Beijing New Oriental Yangzhou Foreign Language School, in 2002. Our Yangzhou school is a private boarding school for students in grades 1 to 12 seeking a full curriculum, with a strong emphasis on English language training. As of May 31, 2021, there were over 3,236 students, over 355 teachers and over 225 supporting staff at the Yangzhou school. In our fiscal year ended May 31, 2021, tuition, including boarding fees, at the Yangzhou school ranged from RMB29,400 to RMB104,400 per year. Following the success of Yangzhou school, we opened an international high school in Beijing, or the Beijing Changping New Oriental Bilingual School, in July 2010, which has evolved into a private school for students in grades 1 to 12. In our fiscal year ended May 31, 2021, tuition, including boarding fees, at our Beijing school ranged from RMB126,800 to RMB184,700 per year. We established our pre-school business with the opening of our first kindergarten in Beijing in September 2007. We subsequently opened five more kindergartens in five cities and acquired three kindergarten chains in three cities.

After the effectiveness of the Amended Implementation Rules for the Private Education Law from September 1, 2021, Beijing Changping New Oriental Bilingual School and Beijing New Oriental Yangzhou Foreign Language School were removed from our master exclusive service agreement. The contribution of Beijing Changping New Oriental Bilingual School and Beijing New Oriental Yangzhou Foreign Language School have been immaterial to our business, we derived less than 1% of our total net revenues from these two schools for each of the fiscal years ended May 31, 2019, 2020 and 2021. After the promulgation of the Preschool Opinions, we did not make any investment in for-profit kindergartens using funds from the capital market or acquire any for-profit kindergartens assets with stock or cash consideration in order to comply with the Preschool Opinions. The contribution of kindergartens have been immaterial to our business, we derived less than 1% of our total net revenues from our kindergartens for each of the fiscal years ended May 31, 2019, 2020 and 2021. Based on the foregoing, Tian Yuan Law Firm, our PRC legal counsel is of the view that the restrictions of the Preschool Opinions on the investment in or acquisition of for-profit kindergartens would not materially and negatively impact our business and operations. See "Risk Factors — Risks Related to Our Corporate Structure — If the PRC government finds that the agreements that establish the structure for operating some of our China business do not comply with applicable PRC laws and regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations."

Educational Materials and Distribution

We develop and edit educational materials for language training and test preparation and distribute these materials through various distribution channels, consisting of our bookstores as well as third-party distributors. In our fiscal year ended May 31, 2021, we developed and edited approximately 320 titles and distributed approximately 18.2 million books authored or licensed by us in China. Most of the materials distributed by us are education-related and include the materials that we use in our courses and titles that we market for use in different education areas.

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Our extensive distribution channels have attracted international education content providers to cooperate with us in distributing localized versions of their materials in China. For example, we have worked with Cambridge University Press, Oxford University Press, Educational Testing Service, Cengage Learning and other education content providers in distributing their education materials in China. With access to such high-quality education content, we further develop localized products that best serve the needs for millions of students and families in the China market.

Online Education

We commenced our online education services in 2005 through the [Koolearn.com](#) platform as one of the earliest online education providers in China. We have since evolved into a comprehensive online education services provider under Koolearn Technology Holding Limited, our majority-owned subsidiary, and offer comprehensive online education courses to students through our pure-play online learning platforms, including [Koolearn.com](#), DFUB, and Donut. We offer our courses and programs in multiple formats, including live and pre-recorded courses in different class sizes.

We launched online college education services in 2005 through our Koolearn.com platform. Our college educational services primarily include college test preparation, overseas test preparation, and English language learning, targeted to college students and working professionals preparing for standardized tests or seeking to improve their English language proficiency. Historically, we offered online K-12 courses and pre-school education services.

In addition, we also use our online education modules to provide educational content packages to schools and institutional customers such as universities, public libraries, telecom operators and online video streaming providers.

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 make informed decisions. We also counsel and assist students with the immigration process for overseas studies, such as obtaining visas and arranging housing.

Overseas Study Tour. We organize study tours for students to go overseas to learn foreign languages and other short-term curriculum, attend summer/winter school programs, or take part in other educational activities.

Our Teachers

We have a team of passionate and high quality teachers that are essential to our success. We have established well-developed methods for hiring, training and retaining qualified teachers, which include a rigorous recruiting process, periodic training in teaching methods and skills, school culture and philosophy, as well as a competitive base salary coupled with performance-based bonuses. We believe that our competitive and incentivizing remuneration package, career advancement opportunities, and systematic teacher training programs allow us to recruit, train and retain top quality teachers in the industry. As of May 31, 2021, we employed approximately 54,200 teachers, many of whom are from top universities in China or have studied overseas. Our teachers consist primarily of full-time teachers, and to a lesser extent, contract teachers. The number of contract teachers we employ may be subject to seasonal fluctuations as we tend to have more student enrollments in our test preparation courses during summer school holidays.

Recruitment

Leveraging our extensive experience in the private education sector, we have been able to effectively recruit and retain high quality teachers across our course offerings. We have a strong multi-step recruitment process for prospective candidates, including (i) application; (ii) screening; (iii) qualification tests; (iv) in-person interviews; and (v) demonstration lessons. During the recruitment process, we focus on the educational background, teaching experience, communication skills and performance in demonstration lessons of the prospective candidates. We target prospective candidates who are passionate about education and who can effectively connect with and motivate our students.

Training and supervision

We have established systematic teacher training programs to standardize and streamline the professional training of our teachers. Our training focuses on standardizing and enhancing teaching methods, teaching new skills, and fostering a school culture based on innovation, inspiration and community. The systematic training programs also ensure that teachers can adapt to our innovative and inspirational instruction approach and adhere to the New Oriental culture throughout their teaching. We offer training through our online teacher training platform and onsite training courses both in China and overseas. Throughout our operating history, we have continually fine-tuned our teacher-training programs to strike a balance between standardized teaching to promote efficiency and creativity to foster innovation and inspiration.

Utilizing our data insights from our OMO system, we ensure consistency in teaching quality across our courses. We use our Quality Assurance Development (QAD) system to monitor and evaluate the performance of teachers. We identify the weaknesses of our teachers and provide tailored recommendations to them to address particular areas for improvement. We use our Visible Progress System (VPS) throughout our course delivery, providing a proprietary seven-step teaching method to standardize and maintain teaching quality across our educational services. Our proprietary seven-step teaching method includes pre-lesson quizzes to reinforce previous course materials, teaching tools that help to standardize students' notes and grasp new knowledge points, local teachers and learning tools that monitor students' in-class learning progress, Q&A machines that allow teachers to quickly identify students' learning progress in-class and their areas for improvement, in-class post-lesson quizzes to identify students' learning outcome, post-class interactive exercises and quizzes for students to review and better grasp new knowledge, and online bulletin boards that post students' exam and quiz results.

Career advancement and compensation

We are committed to the career advancement of our teachers. Our different business models give our teachers exposure to a broad range of educational scenarios to enhance their teaching experience for our teachers. We motivate our teachers by providing a dual-track career development framework, under which our top quality teachers may be promoted as teacher trainers or considered for management positions in our company. We support our teachers in building their personal brand image and expanding their personal influence through various measures, including helping teachers publish their teaching content and providing enhanced support to teachers on their teaching platforms.

Our compensation package is comprised of a fixed base salary and performance-based bonus fees. We believe that the compensation package we offer to our teachers is among the highest in the private education industry in China. We believe that our competitive compensation and career advancement contributes to the stability of our teaching staff.

Our Proprietary Teaching Content and Methodologies

We emphasize the quality of our teaching content which is crucial to the effectiveness of our teaching methodologies. We had approximately 5,100 personnel involved in our content development as of May 31, 2021. Our proprietary seven-step teaching method ensures that we standardize and maintain consistent teaching quality across our educational services. We develop our proprietary educational materials for our language training and test preparation courses, and leverage our big data algorithms and massive student data base to tailor course materials based on student learning behavior and performance. We continuously update our educational materials and expand our course offerings to ensure we stay abreast of the latest education trends. In addition, we distinguish ourselves from our competitors by publishing our in-house developed educational materials via partnerships with international education content providers, which enables us to increase market share in the competitive private education industry.

Marketing and Student Acquisition

We have a variety of marketing and student acquisition channels to attract new and retain existing students. We primarily attract prospective students through our brand name, the quality of our education services and products and our long operating history. In addition, our OMO system amplifies student acquisition effectiveness while reducing acquisition costs, enabling us to multiply student acquisition efforts. We integrate our offline presence with online traffic acquisition channels, media and efforts, such as providing online demonstration courses and social media promotions, to attract prospective students.

We employ the following marketing and student acquisition channels to attract new and retain existing students:

Referrals. With nearly 30 years of operating history, we have successfully established “New Oriental” as one of the most trusted brands with well-established brand recognition in the private education industry. We have focused on delivering high quality and differentiated educational services and products to across two generations of students in China. Our strong brand has allowed us to generate significant organic growth in student enrollments through word-of-mouth referrals. We expect our student enrollments to continue to grow from referrals through our extensive network of students and alumni.

Cross-Selling. As we have presence in 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 encompass students’ lifelong learning journeys and cross-sell our course offerings to maximize students’ lifetime value. Outside of our network, we have established cross-promotional relationships with a number of companies to promote our programs, services and products and awareness of our brand.

Speeches and Seminars. Our management, most of whom are experienced teachers and were among our earliest teachers, and our teachers 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. Their speeches include direct program promotion speeches during which they 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.

Demo Courses and Advertisements. We provide online demo courses and social media promotions to attract target students, which has enabled us to maintain growth in student acquisition while reducing acquisition costs. We also advertise through our own websites.

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. For example, we face competition from companies that focus on test preparation and language training services in China.

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

- brand recognition;
- nationwide coverage and high level of scalability;
- high teaching quality with superior content;

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- breadth and quality of program, service and product offerings;
- overall student experience; and
- innovative technology capabilities.

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 and experiences 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 students’ preferences in these markets.

We also face competition from online education service providers that offer online test preparation and language training courses. These online education service providers use advanced technologies, such as online live broadcasting technologies, to offer their programs, services and products quickly and cost-effectively to a large number of students.

Seasonality

We have experienced, and expect to continue to experience, seasonal fluctuations in our operations, primarily due to seasonal changes in student enrollments. Historically, our test preparation courses tend to have the highest revenue in our first fiscal quarter, which runs from June 1 to August 31 of each year, primarily because a significant number of students enroll in our courses during the summer vacation to prepare for admissions and assessment tests. In addition, we have generally experienced higher revenue in our third fiscal quarter, which runs from December 1 to February 28 of each year, primarily because many students enroll in our test preparation courses during the winter school holidays. In the past, our K-12 after-school tutoring courses generally had higher revenue in the second half of our fiscal year, primarily because we gained more student enrollments as it gets closer to the exam season, such as the Zhongkao and Gaokao. We expect quarterly fluctuations in our revenues and results of operations to continue.

Regulation

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 the MOE, the National Press and Publication Administration, or NPPA, the Ministry of Industry and Information Technology, or the MIIT, the SAMR, the Ministry of Civil Affairs and their respective authorized local counterparts.

Regulations on Private Education

Education Law of the PRC

In March 1995, the National People’s Congress enacted the Education Law of the PRC, or the Education Law, which was later amended on August 27, 2009. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising kindergarten education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the State formulates plans for the development of education, establishes and operates schools and other educational institution. Furthermore, it provides that enterprises, other social organizations and individual citizens are encouraged to establish and operate schools and other types of educational institutions in accordance with PRC laws. The Education Law also provides that some basic conditions shall be met for the establishment of a school or any other educational institution, and the establishment, modification or termination of a school or any other educational institution shall, in accordance with the relevant PRC laws, go through the formalities of examination, verification, approval, registration or filing for record.

The 2009 amended Education Law prohibits any organization or individual from establishing or operating a school or any other educational institution for profit-making purposes. In December 2015, the Education Law was further amended with effect from June 2016. The 2015 amended Education Law abolishes the aforesaid provision and was subsequently amended on March 29, 2021. Thereafter, establishing or operating schools for profit-making purposes is allowed under the newly amended Education Law. Nevertheless, schools and other educational institutions sponsored wholly or partially by government funds or donated assets are still prohibited from being operated as for-profit.

The Law for Promoting Private Education and Its Implementation Rules

The principal regulations governing private education in China are the Law for Promoting Private Education, or the Private Education Law, and its implementation rules.

Prior to the amendment of the Private Education Law in 2016, private education is treated as a public welfare undertaking in all aspects. 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 were 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. Prior to the amendment of the Private Education Law in 2016, a duly approved private school will be granted a Permit for Operating a Private School and shall be registered with the Ministry of Civil Affairs or its local counterparts as a privately run non-enterprise institution.

Every private school was required to allocate a certain amount to its development fund for the construction or maintenance of school facilities or procurement or upgrade of educational equipment. In the case of a private school that required 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 did 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.

On November 7, 2016, the Standing Committee of the National People’s Congress promulgated the Amended Private Education Law, which became effective on September 1, 2017. The 2016 Amended Private Education Law was last amended and became effective on December 29, 2018.

Under the Amended Private Education Law, the term “reasonable return” is no longer used. Instead, a new classification system for private schools on the basis of whether they are established and operated for profit-making purposes is adopted. Under the new classification system, sponsors of private school may choose to establish non-profit or for-profit private schools at their own discretion, save for private schools providing compulsory education are not allowed to be registered as for-profit. The key differences between for-profit private schools and non-profit private schools under this system include the following:

- sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations, whereas sponsors of non-profit private schools are not entitled to the distribution of profits or proceed from the non-profit schools and all operation surplus of non-profit schools shall be used for the operation of the schools;

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- for-profit private schools are entitled to set their own tuition and other miscellaneous fees without seeking prior approval from the relevant government authorities, whereas the collection of fees by non-profit private schools shall be regulated in accordance with rules promulgated by governments at provincial level;
- private schools (for-profit and non-profit alike) may enjoy preferential tax treatments; non-profit private schools will be entitled to the same tax benefits as public schools whereas taxation policies for for-profit private schools are still unclear as more specific provisions are yet to be introduced;
- for construction or expansion of the school, non-profit schools may acquire the land use rights in the form of allocation by the government as a preferential treatment, whereas for-profit private schools shall acquire the land use rights by purchasing them from the government;
- the remaining assets of non-profit private schools after liquidation shall continue to be used for the operation of non-profit schools, whereas the remaining assets of for-profit private schools shall be distributed to the sponsors in accordance with the PRC Company Law; and
- governments at or above the county level may support private schools (for-private and non-private alike) by subscribing to their services, providing student loans and scholarships, and leasing or transferring unused state assets to the schools, and the governments may further support non-profit private schools in the form of government subsidies, bonus funds and incentives for donation.

On December 29, 2016, the State Council issued the Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education, which calls for the ease of access to the operation of private schools and encourage social forces to enter into the education industry. The opinions also provide that each level of the government shall increase their support to the private schools in terms of financial investment, financial support, autonomy policies, preferential tax treatments, land policies, fee policies, autonomy operation, protection of the rights of teachers and students etc. Further, the opinions require each level of the government to improve local policies on government support to for-profit and non-profit private schools by such means as preferential tax treatments.

On December 30, 2016, the MOE, Ministry of Civil Affairs, the SAMR, the Ministry of Human Resources and Social Welfare and the State Commission Office of Public Sectors Reform jointly issued the Implementation Rules on the Classification Registration of Private Schools to reflect the new classification system for private schools as set out in the Amended Private Education Law. Generally, if a private school established before promulgation of the Amended Private Education Law chooses to register as a non-profit school, it shall amend its articles of association, continue its operation and complete the new registration process. If such private school chooses to register as a for-profit school, it shall carry out financial liquidation, invite the relevant government authorities to clarify the ownership of such properties as lands, school building and the accumulated operating profits, pay relevant taxes and fees, apply for the new Permit for Operating Private School, re-register as a for-profit school and continue its operation.

On December 30, 2016, the MOE, the SAMR and the Ministry of Human Resources and Social Welfare jointly issued the Implementation Rules on the Supervision and Administration of For-profit Private Schools, which detail the supervision and administration of for-profit private schools regarding the establishment of schools, the organization structure, the education and teaching activities, finance and assets, the information publication, the change and termination of schools and the penalties for violation.

As of the date of this annual report, the majority of provincial governments in the PRC have promulgated their local rules which detail but for the most part repeat the provisions contained in the abovementioned state rules. However, some provinces, such as Beijing, Shanghai, Hubei and Hebei, may require the existing private schools to register either as for-profit or non-profit schools within a specific time period, while other provinces may not have a deadline.

Amended Implementation Rules

On April 7, 2021, the State Council promulgated the Amended Implementation Rules for the Private Education Law, or the Amended Implementation Rules, which became effective on September 1, 2021. The Amended Implementation Rules provides, among others, that:

- social organizations and individuals are prohibited from controlling a private school that provides compulsory education or a non-profit private school that provides pre-school education through mergers and acquisitions and control agreements. A private school providing compulsory education is prohibited from conducting transactions with its related party. Relevant government authorities shall enhance the supervision on the agreements entered into between non-profit private schools and its related party and shall review such transaction on an annual basis; and
- online education activities using internet technology are encouraged by the regulatory authorities and shall comply with laws and regulations related to internet management. A private school engaging in online education activities using internet technology shall obtain the relevant private school operating permit. It shall also establish and implement internet security management systems and take technical security measures. Upon discovery of any information whose release or transmission is prohibited by applicable laws or regulations, the private school shall immediately cease the transmission of that information and take further remedial actions, such as deleting that information, to prevent it from spreading. Records pertaining to the situation shall be kept and reported to the appropriate authorities.

Sponsorship of Private Schools

Under the Law for Promoting Private Education and the Implementation Rules for Promoting Private Education, entities and individuals that establish private schools are referred to as “sponsors.” As of May 31, 2021, New Oriental China was the sponsor of 113 schools, excluding our kindergartens.

Before September 1, 2017, the date the 2016 Amended Private Education Law became effective, the “sponsorship interest” that a sponsor holds in a private school is, for all practical purposes, substantially equivalent under PRC law and practice to the “equity interest” a shareholder holds in a company. Pursuant to the Implementation Rules for Promoting Private Education, a sponsor of a private school has the obligation to make capital contributions to the school in a timely manner. The contributed capital can be in the form of tangible or non-tangible assets such as materials in kind, land use rights or intellectual property rights. Pursuant to the Law for Promoting Private Education, the capital contributed by the sponsor becomes assets of the school and the school has independent legal person status. In addition, pursuant to the Law for Promoting Private Education and the Implementation Rules for Promoting Private Education, the sponsor of a private school has the right to exercise ultimate control over the school. Specifically, the sponsor has control over the private school’s constitutional documents and has the right to elect and replace the private school’s decision making bodies, such as the school’s board of directors, and therefore controls the private school’s business and affairs.

As of September 1, 2017, we were not aware that PRC law provides that upon liquidation of a private school, the sponsor is legally restricted to receive only its invested capital and is not allowed to have other return. As of September 1, 2017, there was no national law that addresses this subject one way or the other. In the absence of a national law providing for the sponsor’s rights upon liquidation of a private school, provincial regulations and interpretations are ambiguous and inconsistent on this subject. There were local regulations or interpretations that specifically provide that sponsors are entitled to private schools’ residual assets pro rata based on their respective capital contribution. Nevertheless, there were also local regulations that are less clear in this regard.

Notwithstanding the legal uncertainties surrounding this issue, we believe that the potential risk that we will not receive all of the residual assets upon the liquidation of a school is immaterial. There were no capital contributions made by any PRC governmental authorities to our schools. Nor did any of our schools ever receive donations from any third parties, including PRC governmental authorities or any third party enterprises. Neither we nor our PRC legal counsel is aware of any case in China where a private school which has been solely funded by private sponsors without any government or donated funds became state property or was otherwise appropriated by a government authority upon liquidation without the prior consent of its sponsor. We historically have never liquidated any school that was profitable and we have no plan to do so in the future unless required by the laws and regulations. If, for any reason, we would like to divest a profitable school, a commercially sensible way to do so is to sell the school, rather than to liquidate the school. In this situation, the sponsor is entitled to receive consideration for transferring sponsorship, which often exceeds its initial investment in the school.

Upon the effectiveness of the 2016 Amended Private Education Law in September 2017, sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations, whereas sponsors of non-profit private schools are not entitled to the distribution of profits or proceed from the non-profit schools and all operation surplus of non-profit schools shall be used for the operation of the schools. The remaining assets of non-profit private schools after liquidation shall continue to be used for the operation of other non-profit schools, whereas the remaining assets of for-profit private schools shall be distributed to the sponsors in accordance with the PRC Company Law.

Regulations on After-School Tutoring

The State Council issued an Opinion on Supervising After-School Tutoring Institutions on August 22, 2018, or the State Council Circular 80, which provided various guidance on regulating after-school tutoring institutions that target primary and secondary school students. The State Council Circular 80 provides for the conditions for approval and registration of after-school tutoring institutions, and requires relevant governmental authorities to tighten regulations on after-school tutoring institutions. The State Council Circular 80 specifies operating requirements that after-school tutoring institutions must meet. Such requirements include, among other things, that after-school tutoring institutions (i) have a fixed training premise that conforms to specified safety criteria, with an average area per student of no less than three square meters during the applicable training period; (ii) comply with relevant fire safety, environmental protection, hygiene, food operation and other specified requirements; (iii) purchase personal safety insurance for students to reduce safety risks; and (iv) not hire teachers who are working concurrently in primary or secondary schools, and teachers tutoring in academic subjects such as English are required to have the corresponding teaching qualifications. After-school tutoring institutions are prohibited from carrying out training that goes beyond the school syllabus, training in advance of the corresponding school schedule and any training activities linked with student admission, nor shall they organize any level test, rank examination or competition on academic subjects for primary and secondary students. According to State Council Circular 80, extracurricular training institutions are also required to disclose and file relevant information, including their training content, schedule, targeted students and school timetable to the relevant education authority, and their training classes may not end later than 8:30 pm each day. After-school tutoring institutions can only collect in advance fees for courses spanning three months or shorter. Additionally, State Council Circular 80 requests that competent local authorities formulate relevant local standards for after-school tutoring institutions within their administrative area.

On May 6, 2020, the General Office of the MOE promulgated the Notice on the Negative List of Advanced Training in Six Subjects of Compulsory Education (for Trial Implementation), which prohibits after-school tutoring institutions from providing advanced training that do not follow the formal school curricula to students in primary schools and secondary schools, and sets forth the typical activities that shall be regarded as advanced training in the six subjects of Chinese, mathematics, English, physics, chemistry and biology.

On June 10, 2020, the General Office of MOE and the General Office of SAMR promulgated the Notice on Issuing the Form of Service Contract for After-school Training Provided to Primary and Secondary School Students, which requires the local competent regulatory authorities to guide the relevant parties to use the model form of service contract for after-school training activities provided to primary and secondary school students. The model form of service contract covers the obligations and rights of parties involved in the after-school training, including detailed provisions on training fees, refund arrangement and default liabilities.

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On October 13, 2020, the General Office of the MOE and the General Office of the SAMR jointly promulgated the Notice on the Centralized Rectification of After-school Tutoring Institutions' Illegal Acts of Infringing Customers' Rights by Using Unfair Standard Terms. The Notice stipulates that local education and market regulation authorities shall increase the efforts for the investigation of after-school tutoring institutions' illegal acts which infringes customers' rights by using unfair standard terms to exempt their own liability, increase customers' liability and exclude customers' legal rights.

On March 30, 2021, the MOE promulgated the Guiding Opinions of the Ministry of Education on Vigorously Promoting the Scientific Connection of Kindergartens and Primary Schools, which prohibits after-school tutoring institutions from providing training for pre-school children in violation of regulations and provides that after-school tutoring institutions in violation of regulations above shall be included in the blacklist.

On April 8, 2021, the General Office of the MOE enacted the Notice of Strengthening the Management of Homework for Compulsory Education, which requires that the local governments shall implement prohibition measures on leaving homework as an important part of the daily supervision on after-school training institutions in accordance with relevant regulations, and in order to avoid reducing the burden in schools but increasing the burden after-school, after-school training institutions shall not leave homework to primary and secondary school students.

On July 24, 2021, the General Office of State Council and the General Office of Central Committee of the Communist Party of China jointly promulgated the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education, or the Alleviating Burden Opinion, which provides that, among other things, (i) local government authorities shall no longer approve new after-school tutoring institutions providing tutoring services on academic subjects for students in compulsory education, and the existing after-school tutoring institutions providing tutoring services on academic subjects shall be registered as non-profit; (ii) online Academic AST Institutions that have filed with the local education administration authorities providing tutoring services on academic subjects shall be subject to review and re-approval procedures by competent government authorities, and any failure to obtain such approval will result in the cancellation of its previous filing and ICP license; (iii) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities and listed companies are prohibited from investing in Academic AST Institutions through capital markets fund raising activities, or acquiring assets of Academic AST Institutions by paying cash or issuing securities; and (iv) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities.

Any violation of the foregoing shall be rectified. Moreover, the Alleviating Burden Opinion specifies a series of operating requirements that after-school tutoring institutions must meet, including, among other things, (i) after-school tutoring institutions shall not provide tutoring services on academic subjects during national holidays, weekends and school breaks; (ii) for online tutoring, each session shall be no more than thirty minutes and the training shall end no later than 9:00 p.m.; (iii) no advertisements for after-school tutoring shall be published or broadcasted in the network platforms and billboards displayed in the mainstream media, new media, public place and residential areas; (iv) the provision of overseas education courses is strictly prohibited; (v) fees charged for academic subjects tutoring in compulsory education shall be included into government-guided price management, and excessive high fees and excessive profit-seeking behaviors will be suppressed; (vi) government authorities will implement risk management and control for the pre-collection of fees by after-school tutoring institutions with requirements such as setting up third-party custodians and risk reserves, and strengthen supervision over loans regarding tutoring services; (vii) online tutoring for preschool-age children is prohibited, and offline academic subjects (including foreign language) tutoring services for preschool-age children is also strictly prohibited; (viii) no more approval of new after-school tutoring institutions providing tutoring services on academic subjects for pre-school-age children and students on grade ten to twelve will be granted; and (ix) administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be implemented by reference to the relevant provisions of the Alleviating Burden Opinion.

On July 28, 2021, the General Office of MOE promulgated the Notice on Further Clarifying the Scope of Academic Subjects and Non-Academic Subjects of After-School Tutoring in the Compulsory Education, which specifies that according to the national curriculum on compulsory education, when after-school institutions carry out tutoring, morality and rule of law, Chinese, history, geography, mathematics, foreign language (including English, Japanese, Russian), physics, chemistry and biology are classified as academic subjects, while sports (or sports and health), art (or music, art), and comprehensive practical activities (including information technology education, labor and technology education) are classified as non-academic subjects.

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On August 18, 2021, the Beijing Municipality Government and the Beijing Municipal Committee of the Communist Party of China jointly published the full text of the Beijing Municipality's Measures to Further Reduce the Burden of Homework and After-School Tutoring on Students in Compulsory Education in Beijing, or the Beijing Measures, to implement the Alleviating Burden Opinion. The Beijing Measures provide, among others, that (i) no new Academic AST Institutions will be approved, while existing Academic AST Institutions will be subject to review and re-registration aimed at reducing their numbers by phases; the remaining Academic AST Institutions shall all be registered as non-profit; (ii) online Academic AST Institutions previously filed with the local education administration authorities will be subject to review and re-approval; the registration and ICP license of any disqualifying online Academic AST Institutions will be rescinded; (iii) after-school tutoring institutions are strictly prohibited from providing tutoring services on academic subjects during any national holiday, weekend, winter and summer break period; (iv) Academic AST Institutions are prohibited from (a) offering classes over contents outside of or in advance of the school curriculum, (b) offering classes based on any foreign curriculum, (c) soliciting and recruiting school teacher by offering excessive compensation, or (d) employing foreign personnel abroad to carry out training activities; non-Academic AST Institutions providers are prohibited from offering tutoring services on academic subjects; (v) prices for Academic AST Institutions will need to follow the guidelines from the government to prevent any excessive charging or excessive profit-seeking activity; (vi) Academic AST Institutions are prohibited from financing by way of listing its securities or conducting other capital market activities; listed companies may not invest in Academic AST Institutions through capital markets fundraising activities, and may not acquire assets of Academic AST Institutions by paying cash or issuing securities; foreign capital is prohibited from controlling or participating in Academic AST Institutions through merger and acquisitions, entrusted operations, joining franchise or using variable interest entities.

On August 25, 2021, the General Office of MOE issued the Administrative Measures for After-School Tutoring Materials for Primary and Secondary School Students (for Trial Implementation), which provide that, among others, (i) after-school tutoring materials for primary and secondary school students and staff preparing such tutoring materials shall meet certain requirements specified in such measures, which include, among others, tutoring materials shall follow the national curriculum standard and shall not provide contents in advance of the school curriculum; (ii) after-school tutoring institutions shall establish internal management system for the tutoring materials and the staff preparing such tutoring materials; (iii) after-school tutoring institutions shall conduct internal review of the tutoring materials and the local education administrations shall conduct external review of the tutoring materials; (iv) after-school tutoring institutions may only use tutoring materials that have been internally and externally reviewed or if the materials have been officially published; (v) after school tutoring institutions shall file with the relevant education administrations the tutoring materials and the staff preparing such materials; (vi) after-school tutoring institutions in violation of the measures will be subject to rectification and shall not use the relevant tutoring materials during the rectification period; if the after-school tutoring institution refuses to rectify within the time limit or if the violation is severe, its private school operating permit may be revoked by the local education administration.

On September 7, 2021, the MOE published on its official website that the MOE, together with two other government authorities, issued a circular requiring all Academic AST Institutions to complete registration as non-profit by the end of 2021, and all Academic AST Institutions shall, before completing such registration, suspend enrollment of students and charging fees.

On September 9, 2021, the General Office of MOE and the General Office of the Ministry of Human Resources and Social Welfare jointly issued the Administrative Measures for Practitioners of the After-School Tutoring Institutions (for Trial Implementation), which set out a series of requirements for the after-school tutoring institutions with respect to their employed teachers, research staff and teaching assistants. After-school tutoring institutions in violation of such requirements will be subject to rectification. If an after-school tutoring institution violates the requirements several times or violates several requirements, such after-school tutoring institution is prohibited from enrollment of students and shall not conduct tutoring activities during the rectification period; and if the after-school tutoring institution refuses to rectify within the time limit or if the violation is severe, its private school operating permit may be revoked by the local education administration.

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Regulations on Kindergarten

On September 11, 1989, the MOE issued the Kindergarten Management Regulations. The Kindergarten Management Regulations provide some basic principles for the establishment and management of kindergartens enrolling children aged three years or above and call for local regulations following such principles.

On November 7, 2018, the Central Committee of the Communist Party of China and State Council jointly promulgated Opinions of the Central Committee of the Communist Party of China and State Council on Deepening Reform in Preschool Education, or the Preschool Opinions. The Preschool Opinions laid out overall requirements for the reform and development of preschool education and specified measures to be taken in eight areas: planning and distribution of kindergartens, expansion of preschool education resources, long-term funding mechanisms, teaching workforce, supervision systems, regulation of private kindergartens, childcare and teaching quality, and administrative systems. The Preschool Opinions aim to increase the accessibility of preschool education to children and see the pre-school gross enrollment rate reach 85% by 2020. The Preschool Opinions propose to build a preschool education system centered on kindergartens with universal access (including public kindergartens and private kindergartens with universal access) and expect the coverage of kindergartens with universal access amount to 80% by 2020. The Preschool Opinions demand the regulation on the development of private kindergartens, including that (i) non-state capital is prohibited from controlling non-profit kindergartens through acquisitions and contractual arrangements, and (ii) private kindergartens are prohibited from listing as public companies by themselves or through packaging with other assets; and listed companies are not allowed to invest in for-profit kindergartens using funds from the capital market, or acquire for-profit kindergarten assets with stock or cash consideration. It is uncertain whether it would become illegal to use contractual arrangements to consolidate operation results of kindergartens under the new regulation regime, and the above rules may materially affect our expansion and operation of kindergartens in the future. On September 7, 2020, the MOE published on its website the Draft Preschool Education Law to solicit for public comments. The Draft Preschool Education Law repeats the provisions restricting kindergartens from pursuing profits and sets forth the legal liabilities for violation of such provisions.

Regulations on Compulsory Education

The Compulsory Education Law of the PRC was promulgated by the NPC on April 12, 1986, and last amended on December 29, 2018. According to the Compulsory Education Law of the PRC, a system of nine-year compulsory education, including six-year primary school and three-year middle school, was adopted.

Further, the MOE issued the Reform Guideline on the Curriculum System of Basic Education (Trial) on June 8, 2001, which became effective on the same day, pursuant to which schools providing basic education shall follow a “state-local-school” three-tier curriculum system. In other words, schools must follow the state curriculum standard for state courses, while the local educational authorities have the power to determine the curriculum standard for other courses, and schools may also develop curricula that are suitable for their specific needs.

According to the Interim Administrative Measures on the Compilation and Vetting of Primary and Secondary School Textbooks amended on November 10, 2015 by the MOE, textbooks must be vetted before being used in primary and secondary schools. According to the Interim Administrative Measures on the Selection of the Primary and Secondary School Textbooks promulgated on September 30, 2014, the MOE is responsible for publishing the catalog of textbooks for selection, and the provincial education authority is in charge of textbook selection within its relevant administrative jurisdiction. On December 16, 2019, the MOE issued the Administrative Measures on Primary and Secondary School Textbooks, which detail the regulations on the authoring, vetting, publication and schools’ selection of primary and secondary school textbooks.

On June 23, 2019, the Central Committee of the Communist Party of China and the State Council jointly promulgated the Opinions on Deepening the Education Reform and Comprehensively Improving the Quality of Compulsory Education, which emphasizes, among other issues, that schools providing compulsory education shall not admit students based on the results of any examination or competition, training scores, or any certificate, and shall not choose students based on interview or evaluation. The admission process of private schools providing compulsory education will be brought into a unified administration system and take place at the same time as that of public schools; and if applications exceed the enrollment plan, applicants will be admitted randomly by lottery. The above opinions also underline that it is prohibited for schools to replace the national curriculums with local or their specific curriculums, or to use uncertified textbooks, and schools providing compulsory education are not allowed to introduce overseas curriculums or use overseas textbooks.

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On April 8, 2021, the General Office of the MOE enacted the Notice of Strengthening the Management of Homework for Compulsory Education, which requires that schools shall not assign written homework for students in grade one and two in primary school. The time for finishing the written homework for students in other grades in primary school shall not exceed sixty minutes per day, and for junior high students, such time shall not exceed ninety minutes per day.

The Amended Implementation Rules further prohibit social organizations and individuals from controlling a private school that provides compulsory education or a non-profit private school that provides pre-school education through mergers and acquisitions and control agreements. A private school providing compulsory education is prohibited from conducting transactions with its related party. Relevant government authorities shall enhance the supervision on the agreements entered into between non-profit private schools and its related party and shall review such transaction on an annual basis.

Regulations Relating to Online Education

Regulations on Online After-School Tutoring

The MOE, jointly with certain other PRC government authorities, promulgated the Implementation Opinion on Regulating Online After-school Tutoring Activities, which became effective on July 12, 2019. The Implementation Opinion on Regulating Online After-school Tutoring Activities restates certain requirements that apply to all after-school tutoring institutions and further provides that, among others: (1) online after-school tutoring institutions shall publicly make available their teachers' name, photograph, teaching classes and teaching qualification number at prominent location on their home page, and shall publicly make available education background as well as working and education experience of foreign teachers; (2) information including licenses (including ICP), administration of funds, system of privacy and information safety, courses, course schedules, advertisement for student enrollment and teacher qualifications shall be filed with education administration authorities at provincial level before October 31, 2019 and education administration authorities at provincial level shall examine these materials and inspect the online tutoring institutions by December 2019, and education administration authorities at provincial level are authorized to issue detailed rules to implement the filing process; (3) the tutoring contents and data shall be kept for more than one year and the videos of live-streaming tutoring courses shall be kept for at least six months; (4) each class shall not last for more than 40 minutes and the break between two courses shall last for more than 10 minutes; (5) live-streaming tutoring activities for students in the compulsory education stage shall end before 9:00 p.m.; (6) online after-school tutoring institutions shall implement the internet safety procedures and establish privacy protection system; (7) fee policies, standards and refund policies shall be made public at prominent location on the online tutoring platform, and the advance payment shall not be used for investing purpose and the scale of advance payment shall fit the tutoring capability; and (8) when charging by training hours, tutoring institutions shall not collect pre-paid tutoring fees for more than 60 training hours; when charging by training cycles, tutoring institutions shall not collect pre-paid tutoring fees for a training period spanning more than three months.

On September 19, 2019, the MOE, jointly with certain other PRC government authorities, issued the Guidance Opinions on Promoting the Healthy Development of Online Education, which provides, among others, that (i) social forces are encouraged to establish online education institutions, develop online education resources, and provide high quality educational services; and (ii) an online education negative list shall be promulgated and industries not included in the negative list are open for all types of entities to enter into.

On November 27, 2020, the MOE and the Office of the Central Cyberspace Affairs Commission jointly promulgated the Notice on Further Strengthening the Standardized Management of Online Course Platforms for Minors. The Notice emphasizes that local cyberspace authorities and education authorities shall regularly organize screening of the training platforms for minors and take measures such as suspending or removing training platforms or requiring training platforms to rectify within a given time limit. After such rectification is completed, the education authorities will review the filings.

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On March 30, 2021, the Basic Education Department of the MOE promulgated the Circular on Further Strengthening the Sleep Management of Primary and Secondary School Students, which restates that offline after-school trainings shall end no later than 8:30 p.m. and online live trainings shall end no later than 9:00 p.m., and provides that no homework shall be arranged in any form such as pre-class preparation, after-class consolidation, homework practice and WeChat group punching.

On May 18, 2021, Beijing Municipal Education Commission, jointly with certain other PRC government authorities, promulgated the Trial Administrative Measures on the Pre-payment of Tuition Fees Collected by Academic After-school Tutoring Institutions in Beijing, which intends to regulate the pre-payment of tuition fees collected by online and offline academic after-school tutoring institutions in Beijing. The measures provides, among others, that (i) tuition fees collected by an online or offline academic after-school tutoring institution shall not be collected in a lump sum for more than 60 course sessions when charged based on the number of classes, or for a course length of more than three months when charged based on the length of the course; (ii) tuition fees shall not be collected earlier than one month before commencement of new course sessions when charged based on the length of the course, and shall not be collected earlier than one month or the date when there are still more than twenty course sessions left before commencement of new course sessions when charged based on the number of the classes; and (iii) an academic after-school tutoring institution shall set up a custodian bank account for pre-payment tuition fees it collects and the bank will provide fund custodian services without charging from the academic after-school tutoring institution and students.

Pursuant to the Law for Protection of Minors which was issued by the SCNPC on September 4, 1991 and was recently amended on October 17, 2020 and became effective on June 1, 2021, online education products and services which are targeted at minors shall not include any links to online games or provide any push advertisements and other information that is irrelevant to teaching. In addition, schools shall not use public holidays, weekends, winter and summer break periods to organize students in primary and secondary schools to take lessons collectively, which will aggregate students' burden of study and after-school tutoring service providers may not provide primary school curriculum education to the preschool-aged minors.

Regulations on Education APPs

The Opinion on Guiding and Regulating the Healthy Development of Online Education Applications, issued by the MOE and seven other authorities on August 10, 2019, restates certain requirements that apply to online education application providers, as stated above, and further provides that: (1) online after-school tutoring institutions shall examine the teaching qualifications, education background and capability of their foreign teachers; (2) online education applications providers shall file information about themselves as well as their apps with education administration authorities at provincial level, and the MOE will promulgate detailed filing rules to guide such filing and make such filing results publicly available on official website; (3) online education applications providers whose apps mainly face juveniles shall limit the length of using time, specify age group of target users and strictly review the content of the apps, and the collection of personal information of juveniles shall be permitted by the custodian of such juveniles; (4) online education application providers shall build up data security systems covering the collection, storage, transfer, using and other respects of personal information, and shall set up a name verification system; (5) education authorities at provincial level shall set up negative lists of the online education apps. In November 2019, the MOE issued implementation rules with respect to the filings of online education apps. We have made the filings in accordance with the Implementation Opinion on Regulating Online After-school Tutoring Activities and the Opinion on Guiding and Regulating the Healthy Development of Online Education Applications.

Regulations on Value-added Telecommunications Services

Under the PRC Telecommunications Regulations, promulgated by the State Council and most recently amended in February 2016, a telecommunication services provider in China must obtain an operating license from the MIIT, or its provincial authorities. The PRC Telecommunications Regulations categorize all telecommunication services in China as either basic telecommunications business or value-added telecommunications business. Internet information service is a typical value-added telecommunications business.

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As a subsector of the value-added telecommunications business, Internet information services are also regulated by the Administrative Measures on Internet Information Services promulgated by the State Council, or the Internet Information 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 news, publishing, education, health care, medicine and medical devices, must obtain additional approvals from the relevant authorities in charge of those sectors as well. New Oriental China and Beijing Xuncheng have obtained the ICP licenses.

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 were last amended on December 15, 2017. 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.

On May 14, 2019, the General Office of the Ministry of Culture promulgated the Notice on Adjusting the Scope of Internet Culture Business Operating License and Further Standardizing the Approval Work, which provides that online music, online shows and plays, online performances, online works of art, and online cartoons, displays and competitions are the activities that fall in the scope of Internet Culture Business Operating License and further clarifies that educational live streaming activities are not online performances. Therefore, we are not required to obtain the Internet Culture Operation License for our online tutoring business.

Regulation on Production and Operation of Radio and Television Programs

The Administrative Measures on the Production and Operation of Radio and Television Programs, or the Radio and TV Programs Measures, promulgated by the State Administration of Press Publication Radio Film and Television, or the SAPPRT (currently known as National Radio and Television Administration), regulates institutions that produce and distribute radio and television programs or for the production of radio and television programs like programs with a special topic, column programs, variety shows, animated cartoons, radio plays and television dramas and for activities like transactions and agency transactions of program copyrights. Pursuant to the Radio and TV Programs Measures, any entity that intends to produce or operate radio or television programs must first obtain the Permit for Production and Operation of Radio and TV Programs from the SAPPRT or its local branches. However, due to the ambiguity of the definition of “Radio and Television Programs,” there is uncertainty as to whether our online courses fall within such definition.

Regulation Related to Online Transmission of Audio-Visual Programs

To regulate the provision of audio-visual program services to the public via the internet, including through mobile networks, within the territory of the PRC, the SAPPRT and the MIIT jointly promulgated the Administrative Provisions on Internet Audio-Visual Program Service, or the Audio-Visual Program Provisions, on December 20, 2007, which came into effect on January 31, 2008 and was last amended on August 28, 2015. Under the Audio-Visual Program Provisions, “online audio-visual program services” is defined as activities of producing, redacting and integrating audio-visual programs, providing them to the general public via internet, and providing service for other people to upload and transmit audio-visual programs, and providers of online audio-visual program services are required to obtain a License for Online Transmission of Audio-Visual Programs issued by the SAPPRT, or complete certain registration procedures with the SAPPRT. In general, providers of online audiovisual program services must be either state-owned or state-controlled entities, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audiovisual program service determined by the SAPPRT. However, due to the ambiguity of the definition of “Audio-visual Programs,” there is uncertainty as to whether our online courses fall within the definition of “Audio-visual Programs” and whether we are required to obtain the License for Online Transmission of Audio-Visual Programs. On January 20, 2020, in the Q&A section of its website, the Beijing Radio and Television Bureau confirmed that online education is not subject to the License for Online Transmission of Audio-Visual Programs.

Regulation Related to Internet Information Security and Privacy Protection

Pursuant to the PRC Cyber Security Law issued by the SCNPC on November 7, 2016, effective as of June 1, 2017, “personal information” refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify individuals’ personal information including but not limited to: individuals’ names, dates of birth, ID numbers, biologically identified personal information, addresses and telephone numbers, etc. The PRC Cyber Security Law also provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data is collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception.

The Office of the Central Cyberspace Affairs Commission, the MIIT, the MPS, and the SAMR jointly issued an Announcement of Launching Special Crackdown Against Illegal Collection and Use of Personal Information by Apps on January 23, 2019 to implement special rectification works against mobile Apps that collect and use personal information in violation of applicable laws and regulations, where business operators are prohibited from collecting personal information irrelevant to their services, or forcing users to give authorization in a disguised manner. On November 28, 2019, the National Internet Information Office, the MIIT, the MPS and the SAMR further jointly issued a notice to classify and identify illegal collection and use of personal information.

On August 22, 2019, the Office of the Central Cyberspace Affairs Commission issued the Provisions on the Cyber Protection of Children’s Personal Information, which took effect on October 1, 2019. The Provisions on the Cyber Protection of Children’s Personal Information apply to the collection, storage, use, transfer and disclosure of the personal information of children under the age of fourteen via the internet. The Provisions on the Cyber Protection of Children’s Personal Information require that network operators shall establish special rules and user agreements for protection of personal information for children under the age of fourteen, inform their guardians in a noticeable and clear manner, and shall obtain the consent of their guardians. When obtaining the consent of their guardians, network operators shall explicitly disclose several matters, including, without limitation, the purpose, method and scope of collection, storage, use, transfer and disclosure of such personal information, and methods for correcting and deleting such personal information. Provisions on the Cyber Protection of Children’s Personal Information also require that when collecting, storing, using, transferring and disclosing such personal information, network operators shall comply with certain regulatory requirements, including, without limitation, that network operators shall designate specific personnel to take charge of the protection of such personal information and shall strictly grant information access authorization for their staff to such personal information under the principle of minimal authorization.

On April 13, 2020, the Office of the Central Cyberspace Affairs Commission, the MIIT and certain other government authorities jointly promulgated the Measures for Cybersecurity Reviews, which took effect on June 1, 2020. The Measures for Cybersecurity Reviews requires that critical information infrastructure operators purchasing network products and services, which affects or may affect national security, shall apply for cybersecurity review to the cyberspace administrations in accordance with the provisions thereunder. On July 10, 2021, the Office of the Central Cyberspace Affairs Commission published on its official website the Draft Amended Measures for Cybersecurity Reviews to solicit comments from the public, which, when formally promulgated and come into effect, will repeal the current effective Measures for Cybersecurity Reviews. The Draft Amended Measures for Cybersecurity Reviews provide that critical information infrastructure operators purchasing network products and services and data processors carrying out data processing activities, which affect or may affect national security, shall apply for cybersecurity review to the cyberspace administrations in accordance with the provisions thereunder. The Draft Amended Measures for Cybersecurity Reviews were released for public comment only and the final version and effective date of such Draft Amended Measures for Cybersecurity Reviews may be subject to change with substantial uncertainty.

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Pursuant to the Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications, which was promulgated by the CAC, the MIIT and certain other government authorities on March 12, 2021 and became effective on May 1, 2021, “necessary personal information” refers to the personal information necessary for ensuring the normal operation of an app’s basic functional services, without which the app cannot achieve its basic functional services. For learning and education App, the basic functional services are “online tutoring, online classes, etc.” and the necessary personal information is mobile phone numbers of registered users.

Further, the SAMR promulgated the Measures for the Supervision and Administration of Online Transactions, which became effective from May 1, 2021. The measures require that online transaction operators shall not force customers, whether or not in a disguised manner, to consent to the collection and use of information not directly related to their business activities by means of one-off general authorization, default authorization, bundling with other authorizations, or the suspension of installation and use. Otherwise, such online transaction operator may be subject to fines and consequences under related laws and regulations, including without limitation suspension of business for rectification and revocation of permits and licenses.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law, which will take effects on November 1, 2021. The Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. According to the Personal Information Protection Law, personal information includes all kinds of identified or identifiable information related to natural persons recorded by electronic or other means, but excludes de-identified information. The Personal Information Protection Law also specified the rules for handling sensitive personal information, which includes biometrics, religious beliefs, specific identities, medical health, financial accounts, trails and locations, and personal information of teenagers under fourteen years old and other personal information, which, upon leakage or illegal usage, may easily infringe the personal dignity or harm of safety of livelihood and property. Personal information handlers shall bear responsibility for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered for rectification or suspension or termination of provision of services, confiscation of illegal income, subject to fines or other penalties.

Regulations on Publishing and Distribution of Publications

The State Council promulgated the Administrative Regulations on Publication, or the Publication Regulations, which was most recently amended on February 6, 2016. 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. According to the Publication Regulations, any entity engaging in the activities of publishing, printing, copying, importation or distribution of publications, shall obtain relevant permits of publishing, printing, copying, importation or distribution of publications. We do not engage in publishing business. Instead, 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 in-house developed teaching materials and other content.

According to Measures for the Administration of Internal Informative Publications, the editing and printing of internal informative publications is subject to the internal informative publications printing permit, though the permit of publishing is not required. Internal informative publications are defined as publications used for internal information communication and work guidance purpose and are not for sale. Measures for the Administration of Internal Informative Publications particularly clarify that textbooks and ancillary teaching materials should be published by publishing companies and are not internal informative publications. New Oriental China and its schools and subsidiaries engage in printing and providing teaching handouts and other materials to our students. Under the new regulation, it is uncertain whether printing and providing teaching handouts and other materials to our students would be deemed publishing activities. If the NPPA or its local branches or other competent authorities deem such activities as publishing, we may become subject to significant penalties, fines, legal sanctions or an order suspending our printing and providing of teaching handouts and other materials to our students.

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On May 31, 2016, the SAPPRFT and the Ministry of Commerce jointly promulgated the Provisions on the Administration of the Publication Market, which govern the wholesale, retail, lease and exhibition of publications. Pursuant to such provisions, institutions carrying on the wholesale of publications shall obtain approval and apply for the Permit for Operating Publications from the publication administration authorities at provincial level, while institutions carrying on the retail of publications shall get approval and apply for the Permit for Operating Publications from the publication administration authorities at county level.

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 Business. During the term of the above-mentioned permits or licenses, NPPA or its local counterparts or other competent authorities may conduct annual or random examination or inspection from time to time to ascertain their compliance with applicable regulations and may require for change or renewal of such permits or licenses. If the subsidiaries of New Oriental China engaged in the wholesale and retail distribution of books, periodicals, audio-visual products and electronic publications are not able to pass the subsequent inspection or examination, they may not be able to maintain such permits or licenses necessary for their business.

Regulations on Tourism

Tourism Law of the PRC, which was promulgated by the Standing Committee of the NPC and most recently amended on October 26, 2018, provides that, among other things, to engage in the businesses of outbound tourism, a travel agency shall obtain corresponding business permit, and the specific conditions shall be provided for by the State Council and that when organizing an outbound touring group, or organizing or receiving an inbound touring group, a travel agency shall, in accordance with the relevant provisions, arrange for a tour leader or tour guide to accompany the touring group in the whole tour. Regulations on Travel Agencies promulgated by the State Council, revised on March 1, 2017, and the implementation rules of Regulations on Travel Agencies, provide that, among other things, travel agent shall mean any entity that engages in the business of attracting, organizing, and receiving tourists, providing tourism services for tourists and operating domestic, outbound or border tourism; the aforementioned business shall include but not limit to arranging for transport services, arranging for accommodation services, providing services for tour guides or team leaders, providing services of tourism consultation and tourism activities design. According to the Regulations on Travel Agencies and its implementation rules, any tourism agent that engages in the outbound tourism shall apply for a permit to engage in the outbound tourism from the administrative department of tourism under the State Council, the governments of provinces, autonomous regions, or municipalities.

The touring group for the overseas study tours participated in by primary and middle school students shall be organized by a qualified travel agent. Beijing New Oriental Walkite International Travel Co., Ltd, our subsidiary that engages in the businesses of outbound tourism, has obtained the aforementioned permit.

Guidelines for Overseas Study Tour participated by Primary and Middle School Students (Trial)

The MOE promulgated the Guidelines for Overseas Study Tour participated by Primary and Middle School Students (Trial) in July 2014. Under such guidelines, overseas study tours participated in by primary and middle school students means, by adapting to the characteristics of primary and middle school students and the educational needs, programs that organize primary and middle school students to go overseas to learn foreign languages and other short-term curriculum, perform art shows, compete in contests, visit schools, attend summer/winter school programs, or take part in other activities that help students expand their horizon and promote enrichment and enhancement, in the manner of group travel and group accommodation during the academic semesters or vacations. Overseas study tours attended by primary and middle school students shall follow the principles of safety, civility and efficiency. The schedule for study, from the perspective of both the content and the duration, shall be no less than 1/2 of the total schedule. The organizer shall choose legitimate and qualified cooperation institutions, and stress the importance of safe education, and shall appoint a guiding teacher for each group. The organizer shall apply the rules of cost accounting, notify the students and their supervisors of the composition of the fees and expenses, and enter into an agreement as required by law. The school and its staff shall not seek any economic benefit from organizing its own students to attend an Overseas Study Tour.

Regulations Relating to Private Education Fees

On August 17, 2020, MOE and other four departments jointly promulgated the Opinions on Further Strengthening and Regulating the Administration of Education Fees, or the Education Fees Opinions, which reiterate the previous provision that the fee level of for-profit private schools is open for market adjustment and can be determined by for-profit private schools at their own discretion, while the fee-collecting regulatory policies for non-profit private schools shall be formulated by the provincial governments. The Education Fees Opinions further clarify that private schools established prior to November 7, 2016 shall be regulated in the same way as non-profit private schools in terms of fee-collecting policies before they have completed the classification registration procedures. Besides the fee-collecting policies, the Education Fees Opinions also contain provisions regarding the management and use of education fees. The Education Fees Opinions require that all education fee revenue of a private school shall be deposited into a bank account filed with education authorities and be used mainly for education activities, the improvement of school conditions, faculty and staff's compensation and the appropriation of development fund. The Education Fees Opinions propose to explore a special audit system for school education fees, in particular for non-profit private schools. The Education Fees Opinions underline that sponsors of non-profit private schools shall not obtain proceeds from schools' operating profits, distribute the operating surplus or residual assets, or transfer operating profits through related-party transactions or related parties.

On September 2, 2021, the NDRC, the MOE and the SAMR jointly promulgated a Circular on Strengthening the Supervision over Fees for After-School Tutoring on Academic Subjects in Compulsory Education Stage, which provides that fees charged for online and offline after-school tutoring on academic subjects in compulsory education are subject to government-guided prices determined by local education administrations. The circular further provides that by the end of June each year, after-school institutions shall file with the local education administration, development and reform administration and market regulation administration the enrollment brochures, fee standards, teacher qualifications and other materials, along with incomes, costs, profits, related-party transactions and policy implementation information for the previous year.

Regulations Relating to Advertising and Promotion

The principal regulations governing advertising businesses in China are the PRC Advertising Law as last amended on October 26, 2018 and the Advertising Administrative Regulations issued on October 26, 1987. These laws, rules and regulations require companies that engage in advertising activities to obtain a business license that explicitly includes advertising in the business scope from the SAMR or its local branches.

Applicable PRC advertising laws, rules and regulations contain certain prohibitions on the content of advertisements in China (including prohibitions on misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest). Education and/or training advertisements shall not contain the following content: (i) explicit or implicit guarantee for successful enrolment to a higher grade, passing an examination, obtaining a certain degree or qualification or obtaining a certificate, or the effect of education or training; (ii) explicit or implicit expression of participation by the relevant examination body or its personnel, personnel setting examination questions in the education or training; and (iii) recommendation and/or endorsement by scientific research institutes, academic institutions, educational organizations, industry associations, professionals or beneficiaries using their name or image.

Advertisers, advertising operators and advertising distributors are required by applicable PRC advertising laws, rules and regulations to ensure that the content of the advertisements they prepare or distribute is true and in compliance with applicable laws, rules and regulations. Violation of these laws, rules and regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, the SAMR or its local branches may revoke the violator's license or permit for advertising business operations. In addition, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe the legal rights and interests of third parties, such as infringement of intellectual proprietary rights, unauthorized use of a name or portrait and defamation.

In addition, the Anti-Unfair Competition Law promulgated by the SCNPC, last amended on April 23, 2019 requires that business operators shall not make false or misleading commercial promotion for the performance, functions, quality, sales, user evaluation, accolades etc. as to defraud or mislead customers.

Regulations Relating to Anti-Monopoly

The Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress which became effective on August 1, 2008 and the Interim Provisions on the Review of Concentrations of Undertakings promulgated by the SAMR which became effective on December 1, 2020 require that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the SAMR before they can be completed. Where the participation in concentration of undertakings by way of foreign-funded merger and acquisition of domestic enterprises or any other method which involves national security, the examination of concentration of undertakings shall be carried out pursuant to the provisions of the Anti-Monopoly Law and examination of national security shall be carried out pursuant to the relevant provisions of the PRC. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, on August 25, 2011, the Ministry of Commerce promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors, or the Ministry of Commerce Security Review Regulations, which became effective on September 1, 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. Under the Ministry of Commerce Security Review Regulations, the Ministry of Commerce will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If the Ministry of Commerce decides that a specific merger or acquisition is subject to security review, it will submit it to the Inter-Ministerial Panel, an authority established under the Circular 6 led by the NDRC, and the Ministry of Commerce under the leadership of the State Council, to carry out the security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

On February 7, 2021, the Anti-monopoly Commission of the State Council issued the Anti-monopoly Guidelines for the Internet Platform Economy Sector that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as classifying that concentrations involving variable interest entities shall also be subject to anti-monopoly review.

Regulation Related to Anti Long-Arm Jurisdiction

The MOFCOM issued Provisions on the List of Unreliable Entities, or the MOFCOM Order No. 4 of 2020, on September 19, 2020. Pursuant to the MOFCOM Order No. 4 of 2020, the relevant governmental authorities shall, according to the investigation results and by taking the following factors into comprehensive consideration, decide whether or not to include a foreign entity concerned in the list of unreliable entities, and make an announcement on such inclusion. Such factors include: (i) the extent of damage caused to China's sovereignty, security and development interests; (ii) the extent of the damage to the legitimate rights and interests of Chinese enterprises, other organizations or individuals; (iii) whether or not the international economic and trade rules are followed; (iv) other factors that shall be taken into consideration. If a foreign entity is included in the list of unreliable entities, the working mechanism may decide to take one or more of the following measures: (i) restricting or prohibiting the foreign entity from engaging in import or export activities related to China; (ii) restricting or prohibiting the foreign entity's investment within the territory of China; (iii) restricting or prohibiting the entry of the foreign entity's relevant personnel or transport vehicles into the territory of China; (iv) restricting or cancelling the work permit, stay or residence qualification of the foreign entity's relevant personnel in China; (v) imposing a fine corresponding to the seriousness of the case against the foreign entity; and/or (vi) other necessary measures.

On January 9, 2021, the MOFCOM promulgated the Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures, or the MOFCOM Order No. 1 of 2021. Pursuant to the MOFCOM Order No. 1 of 2021, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with another country (or region) or its citizens, legal persons or other organizations, he/she/it shall truthfully report such matters to the competent department of commerce of the State Council within 30 days. The working mechanism will take following factors into overall account when assessing whether there exists unjustified extraterritorial application of foreign legislation and other measures: (i) whether international law or the basic principles of international relations are violated; (ii) potential impact on China's national sovereignty, security and development interests; (iii) potential impact on the legitimate rights and interests of the citizens, legal persons or other organizations of China; (iv) other factors that shall be taken into account. If the working mechanism determines that there exists unjustified extra-territorial application of foreign legislation and other measures, MOFCOM may issue an injunction providing that the relevant foreign legislation and other measures shall not be accepted, executed, or observed. A citizen, legal person or other organization in China may apply for exemption from compliance with an injunction.

Regulations Relating to Foreign Investment

Foreign Investment Access Special Management Measures (Negative List) (2020 Version)

Investment activities in the PRC by foreign investors are governed by the Guiding Foreign Investment Direction, which was promulgated by the State Council in February 2002 and came into effect in April 2002, and the Special Administrative Measures for the Access of Foreign Investment (Negative List), or the 2020 Negative List, which was promulgated by the Ministry of Commerce and National Development and Reform Commission in June 2020 and came into effect in July 2020. The 2020 Negative List sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The 2020 Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. Under such 2020 Negative List, pre-school education, senior high school education in grades 10 to 12, publishing and value-added telecommunications services are in a restricted industry, meaning foreign educational organizations with relevant qualifications and experience and Chinese educational organizations are only allowed to operate pre-school education, senior high schools, publishing and value-added telecommunication services in cooperative ways by the form of a cooperative joint venture in the PRC. Foreign investment is banned from compulsory education, which means grades 1 to 9. After-school tutoring services and training services which do not grant certificates or diplomas and non-academic vocational training institutions are not listed on the 2020 Negative List.

The PRC Foreign Investment Law and Its Implementation Rules

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which came into effect on January 1, 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The existing foreign-invested enterprises established prior to the implementation of the Foreign Investment Law may keep their corporate forms within five years. Pursuant to the Foreign Investment Law, "foreign investors" means natural person, enterprise, or other organization of a foreign country, "foreign-invested enterprises" (FIEs) means any enterprise established under PRC law that is wholly or partially invested by foreign investors and "foreign investment" means any foreign investor's direct or indirect investment in mainland China, including: (i) establishing FIEs in mainland China either individually or jointly with other investors; (ii) obtaining stock shares, stock equity, property shares, other similar interests in Chinese domestic enterprises; (iii) investing in new projects in mainland China either individually or jointly with other investors; and (iv) making investment through other means provided by laws, administrative regulations, or State Council provisions.

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The Foreign Investment Law stipulates that China implements the management system of pre-establishment national treatment plus a negative list to foreign investment and the government generally will not expropriate foreign investment, except under special circumstances, in which case it will provide fair and reasonable compensation to foreign investors. Foreign investors are barred from investing in prohibited industries on the negative list and must comply with the specified requirements when investing in restricted industries on that list. When a license is required to enter a certain industry, the foreign investor must apply for one, and the government must treat the application the same as one by a domestic enterprise, except where laws or regulations provide otherwise. In addition, foreign investors or FIEs are required to file information reports and foreign investment shall be subject to the national security review.

On December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law with effect from January 1, 2020 to provide implementing measures and detailed rules to ensure the effective implementation of the Foreign Investment Law.

Restrictions on Foreign Investment in Education

Pursuant to the 2020 Negative List, foreign investment in pre-school education and senior high school education in grades 10 to 12 is restricted, meaning that it shall only take the form of Sino-foreign cooperative schools and the domestic party shall play a dominant role. A dominant role requires that (i) the school's principal or chief executive must be a PRC national, and (ii) the school's governing body (including the board of directors, executive council or joint administration committee) must consist of a majority of representatives from the domestic party. Training business is not on the 2020 Negative List.

Sino-foreign cooperation in operating schools is specifically governed by (i) the Regulation on Operating Sino-foreign Cooperative Schools of the PRC, which was promulgated by the State Council in March 2003 and last amended in March 2019 respectively, and (ii) the Implementing Measures for the Regulations on Operating Sino-foreign Cooperative Schools of the PRC, which was issued by the MOE in June 2004. Pursuant to these rules, "Sino-foreign cooperative schools" are educational institutions established in China jointly by foreign parties and domestic parties targeting primarily students of PRC nationality. Both the foreign and domestic parties of a Sino-foreign cooperative school shall be educational institutions with the commensurate qualification for running schools and a good track record in providing high quality education. However, no implementing measures or specific guidance has been released as to what specific criteria must be met by the foreign party to demonstrate to the relevant authority that it meets the qualification requirements. The establishment of a Sino-foreign cooperative school shall be approved by the relevant education authority or human resources and social security authority.

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital into the Field of Education and Promoting the Healthy Development of Private Education, with the aim of encouraging private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital contribution in a Sino-foreign cooperative school shall be less than 50%.

Restrictions on Foreign Investment in Publishing

In July 2005, the Ministry of Culture, the State Administration of Radio, Film and Television, the NPPA, the NDRC, and Ministry of Commerce jointly formulated the Several Opinions on Drawing Foreign Investment into the Cultural Sector, pursuant to which foreign investors are prohibited from engaging in business such as the publication of books, audio-visual products and electronic publications, and internet publishing. The 2020 Negative List also lists foreign investments in the publication of books, audio-visual products and electronic publications and in the provision of internet publishing services as a prohibited category.

The wholesale and retail of publications is not listed in the 2020 Negative List, indicating that the wholesale and retail of publications is a permitted area where foreign investment can enter. In particular, the Provisions on the Administration of the Publication Market clearly states that PRC allows foreign-invested enterprises to carry out the publication distribution (including wholesale and retail) business.

Restrictions on Foreign Investments in Value-added Telecommunications Services

The Regulations on Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, which took effect on January 1, 2002 and last amended on February 6, 2016, are the key regulations for foreign direct investment in telecommunications companies in China. The FITE Regulations stipulate that the foreign investor of a telecommunications enterprise is prohibited from holding more than 50% of the equity interest in a foreign-invested enterprise that provides value-added telecommunications services. In addition, the main foreign investor who invests in a value-added telecommunications enterprise in China must demonstrate a positive track record and experience in providing such services. Moreover, foreign investors that meet these qualification requirements that intend to invest in or establish a value-added telecommunications enterprise operating the value-added telecommunications business must obtain approvals from the MIIT and the Ministry of Commerce, or their authorized local counterparts, which retain considerable discretion in granting approvals.




On July 13, 2006, the MIIT, issued the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services, or the MIIT Circular 2006, which requires that (i) foreign investors can only operate a telecommunications business in China through establishing a telecommunications enterprise with a valid telecommunications business operation license; (ii) domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in China; (iii) value-added telecommunications services providers or their shareholders must directly own the domain names and registered trademarks they use in their daily operations; (iv) each value-added telecommunications services provider must have the necessary facilities for its approved business operations and maintain such facilities in the geographic regions covered by its license; and (v) all value-added telecommunications services providers should improve network and information security, enact relevant information safety administration regulations and set up emergency plans to ensure network and information safety. The provincial communications administration bureaus, as local authorities in charge of regulating telecommunications services, may revoke the value-added telecommunications business operation licenses of those who fail to comply with the above requirements or fail to rectify such noncompliance within specified time limits. Due to the lack of any additional interpretation from the regulatory authorities, it remains unclear what impact MIIT Circular 2006 will have on us or the other PRC internet companies with similar corporate structures and contractual arrangements.

Regulations on Copyright and Trademark Protection

China has adopted legislation governing intellectual property rights, including copyrights, trademarks and domain names. 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 2001.

Copyright. The National People’s Congress amended the Copyright Law 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 the MIIT jointly promulgated the Administrative Measures for Copyright Protection Related to the Internet.

Trademark. The PRC Trademark Law, most recently revised in April 2019, protects the proprietary rights to registered trademarks. The Trademark Office under the SAMR 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 certain trademarks and logos, including “New Oriental” and “Pop Kids,” with the Trademark Office and are in the process of registering additional marks. 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. In July 2014, the State Administration for Market Regulation released Provisions on the Recognition and Protection of Well-Known Trademarks. According to these provisions, well-known trademarks shall be recognized on a case-by-case basis, and be subject to the principle of passive protection. Our trademarks “,” “,” and “” have been recognized as “well-known trademarks” in civil action adjudicated and/or administrative determination in China.

Domain names. Pursuant to the Measures for the Administration of Internet Domain Names, which was promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 with effect from November 1, 2017, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer and the principle of “first come, first serve” is followed for the domain name registration service. Domain name applicants shall provide true, accurate and complete identification of the domain name holder as requested by the domain name registration service provider.

Regulations on Foreign Currency Exchange

Pursuant to applicable PRC regulations on foreign currency exchange, RMB is freely convertible to 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 or prior registration with banks for conversion of RMB into a foreign currency.

Domestic companies or individuals can repatriate payments received from abroad in foreign currencies or deposit those payments abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks. Foreign exchange on the current account and capital account can be either retained or sold to financial institutions that have foreign exchange settlement or sales business based on the need of the enterprise without prior approval from SAFE, subject to certain restrictions.

SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular 142, to regulate the conversion by a foreign-invested company of its capital contribution in foreign currency into RMB. The circular requires that the paid-in capital of a foreign-invested company settled in RMB converted from foreign currencies shall be used only for purposes within the business scope as approved by the authorities in charge of foreign investment or by other competent authorities and as registered with the local branch of Administration for Industries and Commerce and, unless set forth in the business scope or in PRC regulations, may not be used for equity investments within the PRC. In addition, SAFE has strengthened its oversight of the flow and use of the paid-in capital of a foreign-invested company settled in RMB converted from foreign currencies. The use of such RMB paid-in capital may not be changed without SAFE’s approval. Violations of Circular 142 will result in severe monetary or other penalties.

SAFE promulgated SAFE Circular 19, effective in June 2015 to abolish SAFE Circular 142. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third-party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be used, directly or indirectly, for purposes beyond its business scope. Therefore, foreign-invested companies’ applications to make equity investment with their capital were often rejected on the ground of exceeding the business scope. SAFE promulgated SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the limitation on the use of RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company from prohibiting using such capital to issue RMB entrusted loans to prohibiting using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 23, 2019, the SAFE promulgated SAFE Circular 28, which, among other things, allows all foreign-invested companies to use RMB converted from foreign currency-denominated capital for equity investments in China, for so long as there is a truthful equity investment, such equity investment does not violate applicable laws, and such equity investment complies with the negative list on foreign investment. The SAFE Circular 28 aims to lift the restriction on foreign-invested companies’ equity investment with capital on the ground of business scope implied by SAFE Circular 19. According to the Circular of SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business promulgated and effective on April 10, 2020 by the SAFE, the reform of facilitating the payments of income under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

Regulations on Foreign Exchange Registration of Offshore Investment by PRC Residents

Pursuant to the Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Round-Trip Investment Conducted by Domestic Residents through Special-Purpose Companies, or SAFE Circular 37, effective in July 2014 and repealed the previous 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 75 on the same date, a PRC Resident, including both PRC domestic institutions and PRC domestic individual residents, shall register with the local branch of SAFE before it establishes or controls a company outside of China with the domestic or overseas assets or equity they legally hold for the purpose of investment and financing and conducting roundtrip investment in China. Such a company located outside of China is referred to as an offshore special purpose vehicle.

Under SAFE Circular 37, 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.

In June 2015, SAFE promulgated SAFE Circular 13, according to which, in order to simplify the procedures of performing the foreign exchange control policy of direct investment, the registration authorities under the SAFE foreign exchange control policies, including the registration of PRC residents under SAFE Circular 37 change from local SAFE branches to local banks authorized by SAFE and SAFE will strengthen the training and supervision for banks in performing the foreign exchange control policy of direct investment. Thus, according to SAFE Circular 13, the registration of PRC residents under SAFE Circular 37 shall be conducted with local banks authorized by SAFE.

Our beneficial owners immediately before our initial public offering who are PRC residents had registered with the local branch of SAFE prior to our initial public offering in 2006.

Regulations on Dividend Distribution

The principal regulations governing dividend distributions by wholly foreign-owned enterprises and Sino-foreign equity joint ventures include:

- Foreign Investment Law; and
- The Implementation Rules of Foreign Investment Law.

As these regulations were newly adopted and replaced the Sino-foreign Equity Joint Venture Enterprise Law, Wholly Foreign Owned Enterprise Law and all implementing rules thereunder, these regulations do not provide specific dividend distribution rules for foreign invested enterprises. However, they provide that after the conversion from a wholly foreign-owned enterprise or sino-foreign equity joint venture to a foreign invested enterprise under the Foreign Investment Law, distribution method of gains agreed in the joint venture agreements may continue to apply.

Regulations on Labor

Pursuant to the PRC Labor Law, the PRC Labor Contract Law and its Implementing Regulations of the Employment Contracts Law, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The employer must establish a system for labor safety and sanitation, strictly abide by state standards, and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions meeting State rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

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The Notice of Issues Related to the Management of Employment of Foreigners in China provides that, among other things, the Ministry of Labor and Social Security should cooperate with Ministry of Public Security to carry out regular and irregular investigation on the entities that employ relatively large number of foreigners about their employment of foreigners.

According to the Circular on the Comprehensive Implementation of the Permit System for Foreigners to Work in China promulgated by the State Administration of Foreign Experts Affairs, the Ministry of Human Resources and Social Welfare, the Ministry of Foreign Affairs, and the Ministry of Public Security on March 28, 2017, from April 1, 2017, a foreigner who is approved to work in China will be issued a Permit to Working in China. According to the circular, new and detailed regulation of the application and approval process of Permit to Working in China is to be promulgated shortly. As of the date of this annual report, we are not aware of any new and detailed regulation set up regarding application and approval of the Permit to Working in China.

If the employment of foreigners is not in compliance with the above relevant regulations, the employer may become subject to penalties, fines or an order to terminate such employment and to bear all the expenses and costs arising from the repatriation of such foreigner.

Regulations on Employee Share Incentive Awards Granted by Listed Companies

According to a series of notices concerning individual income tax on earnings from employee share incentive awards, issued by the Ministry of Finance and the SAT, companies that implement employee stock ownership programs shall file the employee stock ownership plans and other relevant documents with the local tax authorities having jurisdiction over such companies before implementing such plans, and shall file share option exercise notices and other relevant documents with local tax authorities before exercise by their employees of any share options, and clarify whether the shares issuable under the employee share options referenced in the notice are shares of publicly listed companies.

The SAFE issued the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in a Stock Incentive Plan of an Overseas Publicly-Listed Company, or SAFE Circular 7, in February 2012, pursuant to which if “domestic individuals” (meaning both PRC residents and non-PRC residents who reside in China for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) participate in any stock incentive plan of an overseas listed company, a qualified PRC domestic agent, which could be the PRC subsidiaries of such overseas listed company, shall, among other things, file, on behalf of such individuals, an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock purchase or stock option exercise. Such PRC individuals’ foreign exchange income received from the sale of stocks and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in China opened and managed by the PRC domestic agent before distribution to such individuals. In addition, such domestic individuals must also retain an overseas entrusted institution to handle matters in connection with the exercise of their stock options and their purchase and sale of stock. The PRC domestic agent also needs to update registration with the local branches of SAFE within three months after the overseas-listed company materially changes its stock incentive plan or make any new stock incentive plans.

According to SAFE Circular 7, from time to time, we need to make applications or update our registration with local branches of SAFE on behalf of our employees who are affected by our new share incentive plan or material changes in our current share incentive plan. However, we may not always be able to make applications or update our registration on behalf of our employees who hold our restricted shares or other types of share incentive awards in compliance with SAFE Circular 7, nor can we ensure you that such applications or update of registration will be successful. If we or the participants of our share incentive plans who are PRC citizens fail to comply with SAFE Circular 7, we and/or such participants of our share incentive plans may be subject to fines and legal sanctions, there may be additional restrictions on the ability of such participants to exercise their stock options or remit proceeds gained from sale of their stock into China, and we may be prevented from further granting share incentive awards under our share incentive plans to our employees who are PRC citizens.

Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the M&A Rule to more effectively regulate foreign investment in PRC domestic enterprises. The M&A Rule, as amended on June 22, 2009, provides that the Ministry of Commerce must be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise and any of the following situations exists: (1) the transaction involves an important industry in China, (2) the transaction may affect national “economic security,” or (3) the PRC domestic enterprise has a well-known trademark or historical Chinese trade name in China. Complying with the requirements of the M&A Rules to complete acquisitions of PRC companies by foreign investors could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit the ability to complete such transactions.

Regulations on Taxation

PRC Enterprise Income Tax. The National People’s Congress, the Chinese legislature, passed the EIT Law, as last amended in 2018. The EIT Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises. Preferential tax treatments are granted to industries and projects that are strongly supported and encouraged by the state, and enterprises otherwise classified as “high and new technology enterprises strongly supported by the state” upon re-examination will be entitled to a 15% enterprise income tax rate. The State Council promulgated the implementation rules of the EIT Law in 2007, as last amended in 2019, and the Ministry of Science and Technology, the Ministry of Finance and the SAT promulgated other supplemental rules in 2008 which were amended in 2016, respectively, regarding new criteria for the granting of “high and new technology enterprises” status. Upon the expiration of the initial term, the enterprise shall file a new application to obtain such status. Loss of any preferential tax treatments previously granted to us could have a material and adverse effect on our financial condition and results of operations.

According to the Circular On Several Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry promulgated by the State Council in January 2011 and the Circular On Policies of Enterprises Income Tax for Further Encouraging the Development of Software Industry and Integrated Circuit Industry, jointly promulgated by the Ministry of Finance and the SAT in April 2012 and effective from January 1, 2011, or Circular 27, an enterprise that qualifies as a “software enterprise” established after January 1, 2011, or a software enterprise, is exempt from enterprise income tax for two years beginning in the enterprise’s first profitable year followed by a tax rate of 12.5% for the succeeding three years.

Enterprises which have been entitled to similar tax preferential treatments according to previous tax regulations are allowed to continue enjoying the above preferential treatments until the tax holiday granted to them expires, even though they were established before January 1, 2011.

Pursuant to the Notice on Issues Related to the Enterprise Income Tax Preferential Policies of Software and Integrated Circuit Industry on May 4, 2016, the software enterprises which enjoy preferential tax treatments shall provide filing documents with respect to preferential tax treatments to the relevant tax authority when filing annual enterprise income tax returns for the settlement of tax payments. In addition, pursuant to the Measures for Handling Matters Relating to Preferential Enterprise Income Tax Policies promulgated by the SAT on April 25, 2018, or Circular 23, an enterprise shall independently judge whether it satisfies the conditions prescribed under preferential taxation policies. The enterprises which satisfy such conditions shall calculate the tax reduction amount and enjoy the preferential tax treatments by filling out and submitting the enterprise income tax returns to the competent tax authority, and properly collect and retain relevant materials for future reference. For software enterprises, materials listed in the “follow-up management requirements,” which are contained in the catalog attached to Circular 23, shall be prepared and submitted to the competent tax authority after annual financial settlement completed every year.

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The EIT Law also provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate on their global income. Although the term “de facto management bodies” is defined as “management bodies which has substantial and overall management and control power on the operation, human resources, accounting and assets of the enterprise,” the circumstances under which an enterprise’s “de facto management body” would be considered to be located in China are currently unclear. A circular issued by the SAT in April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with its “de facto management bodies” located within China if the following requirements are satisfied: (1) the senior management and core management departments in charge of its daily operations function mainly in the PRC; (2) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (3) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (4) at least half of the enterprise’s directors or senior management with voting rights reside in the PRC.

In addition, the SAT issued a bulletin in August 2011, effective as of September 1, 2011, to provide more guidance on the implementation of the above circular. The bulletin clarified certain matters relating to resident status determination, post determination administration and competent tax authorities. It also specifies that when provided with a copy of a PRC tax resident determination certificate from a resident PRC-controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the PRC-sourced dividends, interest and royalties to the PRC-controlled offshore incorporated enterprise. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

In addition, the SAT issued a bulletin in January 2014, to provide more guidance on the implementation of the above circular. This bulletin further provided that, among other things, an entity that is classified as a “resident enterprise” in accordance with the circular shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors registered. From the year in which the entity is determined as a “resident enterprise,” any dividend, profit and other equity investment gain shall be taxed in accordance with the Article 26 of EIT law and the Article 17 and Article 83 of its implementation rules.

The EIT Law provides that a maximum income tax rate of 20% may apply to dividends payable to non-PRC investors that are “non-resident enterprises,” to the extent such dividends are derived from sources within the PRC. The State Council has reduced such rate to 10%, in the absence of any applicable tax treaties that may reduce such rate. We are a Cayman Islands holding company and substantially all of our income may be derived from dividends we receive from our operating subsidiaries located in the PRC. If we are required under the EIT Law to pay income tax for any dividends we receive from our PRC subsidiaries, the amount of dividends, if any, we may pay to our shareholders and ADS holders may be materially and adversely affected.

PRC Withholding Tax. According to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion, dividends paid to shareholders residing in Hong Kong are subject to a withholding tax of 5% provided that a Hong Kong resident enterprise owns over 25% of the PRC enterprise distributing the dividend and can be considered as a “beneficial owner” and entitled to treaty benefits under the DTA. In January 2018, the SAT promulgated Circular 9, to clarify the definition of beneficial owner under PRC tax treaties and tax arrangements. According to Circular 9, a beneficial owner refers to a party who holds ownership and control over incomes or the rights or assets from which the incomes are derived. In determining whether a resident of the other contracting party to a double taxation agreement, or a DTA, who is applying for enjoying preferential treatment under the DTA has the status as a beneficial owner, comprehensive analysis shall be conducted in light of the actual circumstances of the specific case and based on several factors, include among others, if (1) an applicant is under the obligation to pay 50% or more of the incomes received to any resident of any third country (region) within 12 months upon receipt of the incomes; and (2) if the business activities carried out by an applicant constitutes substantive business activities. Substantive business activities shall include substantive manufacturing, distribution, management and other activities. Whether an applicant’s business activities are substantive shall be determined based on the functions actually performed by the applicant and the risks assumed thereby. The substantive investment and shareholding management activities carried out by the applicant may constitute substantive business activities. Where the applicant concurrently engages in investment and shareholding management activities that do not constitute substantive business activities and other business activities, if the other business activities are not significant enough, the applicant will not be considered as engaging in substantive business activities and hence more likely not a beneficial owner. In addition, if the incomes derived by any of the following applicants from China are dividends, the relevant applicant may be directly determined as having the status of a “beneficial owner”:

- The government of the other contracting party to the relevant DTA;
- A company that is a resident of, and is listed on the market of, the other contracting party to the relevant DTA;
- A resident individual of the other contracting party to the relevant DTA; or
- Where one or more parties referred to in Item (1) through Item (3) directly or indirectly hold 100% of the shares of the applicant, and the mid-tier in the case of indirect shareholding is a resident of China or a resident of the other contracting party to the relevant DTA.

Further, According to Circular 9, agents or designated payees are not beneficial owners. The fact that an applicant collects incomes via an agent or a designated payee does not affect the determination of whether the applicant has the status of a beneficial owner irrespective of whether an agent or a designated payee is a resident of the other contracting party to the relevant DTA.

According to such SAT Circular 9, if the business activities carried out by an applicant do not constitute substantive business activities, then such applicant is likely not to be regarded as a beneficial owner. Our wholly-owned Hong Kong subsidiaries, Elite Concept Holdings Limited, Winner Park Limited and Smart Shine International Limited, own 100% of our PRC subsidiaries. Thus, dividends paid to us by our PRC subsidiaries through our Hong Kong wholly-owned subsidiaries may be subject to the 5% withholding tax if we and our Hong Kong subsidiaries are considered as “non-resident enterprises” under the EIT Law and our Hong Kong subsidiaries are considered as “beneficial owners” and entitled to treaty benefits under the DTA. If our Hong Kong subsidiaries are not regarded as the beneficial owners of any such dividends, it will not be entitled to the treaty benefits under the DTA. As a result, such dividends would be subject to regular withholding tax of 10% as provided by the PRC domestic law rather than the favorable rate of 5% applicable under the DTA.

In addition, in September 2018, SAT and other authorities jointly promulgated Notice on Expanding Application Scope of the Policy for Temporary Exemption of Withholding Income Tax on Direct Investment by Overseas Investors with Distributed Profits, or Circular 102, which became effective retroactively in January 2018. According to the Circular 102, where overseas investors use the profits obtained from resident enterprises within China to invest directly in the projects that are not prohibited from foreign investment, the deferred tax payment policy shall apply thereto and withholding income tax thereon shall be exempted temporarily. An overseas investor that is entitled to but has not actually enjoyed the policy of temporary exemption of withholding income tax under this Notice may apply to retroactively enjoy such policy within three years from the date of actual payment of relevant tax and for refund of the tax already paid.

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According to the Circular 102, for the temporary exemption of overseas investors from payment of withholding income tax, the following conditions must be satisfied at the same time:

- (1) Direct investment made by overseas investors with the profits distributed thereto, includes their activities of equity investment with the distributed profits such as capital increase, new establishment and equity purchase and excludes the increase through purchase or distribution and purchase of the shares of listed companies (excluding the conforming strategic investment), specifically including:
(i) Increasing through purchase or distribution of the paid-in capital or capital reserve of resident enterprises within PRC; (ii) Investing in new establishment of resident enterprises within PRC; (iii) Purchasing the shares of resident enterprises within China from nonaffiliated parties; and (iv) Other methods prescribed by the Ministry of Finance and the SAT. The enterprises in which overseas investors invest through above investment activities shall be collectively referred to the invested enterprises.
- (2) The profits distributed to overseas investors fall under the dividends, bonus and other equity investment income formed from the actual distribution of the retained income already realized by resident enterprises within China to investors.
- (3) Where the profits used by overseas investors for direct investment are paid in cash, relevant amounts shall be transferred directly from the accounts of the profits distributing enterprises to the accounts of the invested enterprises or equity transferors and shall not be circulated among other domestic and overseas accounts before direct investment; where the profits used by overseas investors for direct investment are paid in kind, negotiable securities and other non-cash form, the ownership to relevant assets shall be transferred directly from the profits distributing enterprises to the invested enterprises or equity transferors and shall not be held by other enterprises and individuals on behalf thereof or temporarily.

In October 2018, SAT further promulgated Notice on Issues Relating to Expanding Application Scope of the Policy for Temporary Exemption of Withholding Income Tax on Direct Investment by Overseas Investors with Distributed Profits, which became effective retroactively in January 2018, to implement Circular 102 in detail.

PRC Value-Added Tax (VAT). The VAT reform program change the charge of sales tax from business tax to VAT for certain pilot industries, and was initially applied only to certain pilot industries in Shanghai and was extended to apply nationwide and to cover more additional industry sectors. On March 24, 2016, the Ministry of Finance and the State Administration promulgated the Circular Regarding Overall Promotion of Pilot Practice of Replacing Business Tax with Value-Added Tax, effective on May 1, 2016. On June 18, 2016, the Ministry of Finance and the SAT promulgated the Circular Regarding Overall Promotion of Pilot Practice of Replacing Business Tax with Value-Added Tax in the Policy of Reinsurance, Real Estate Leasehold and Non-formal Education, in which the general taxpayers providing non-academic educational services may apply a simple method for calculating the tax payable amount in accordance with the tax rate of 3%. Since January 2020, in accordance with the Announcement on Tax Policies to Support Prevention and Control of Pneumonia Caused by Novel Coronavirus Infection issued by Ministry of Finance and SAT, or the Cai Shui [2020] No.8, due to the COVID-19 virus, the VAT from providing daily life services were exempted from January 1, 2020 to March 31, 2021.

Administrative Measures for Outbound Investment by Enterprises

Administrative Measures for Outbound Investment by Enterprises, or Circular 11, is promulgated by NDRC, on December 26, 2017 and became effective on March 1, 2018. According to Circular 11, to make Outbound Investment, the investor shall go through verification and approval, record-filing and other procedures applicable to outbound investment projects, report relevant information, and cooperate with supervision and inspection. Outbound investments for purpose of Circular 11 are the investment activities whereby an enterprise within PRC, directly or via overseas enterprises under its control, acquires ownership, controlling power, rights of operation and management and other relevant rights and interests overseas by making asset or equity investment, providing financing or guarantee, etc., and the aforementioned investment activities shall include but not limited to (1) acquiring land ownership, land-use rights and other rights and interests overseas; (2) acquiring concession rights to explore or exploit natural resources and other rights and interests overseas; (3) acquiring ownership, rights of operation and management and other rights and interests of infrastructure overseas; (4) acquiring ownership, rights of operation and management and other rights and interests of enterprises or assets overseas; (5) constructing new fixed assets overseas, or renovating or expanding existing fixed assets overseas; (6) establishing a new enterprise overseas or increasing investment in an existing enterprise overseas; (7) setting up a new overseas equity investment fund or purchasing units in an existing overseas equity investment fund; and (8) controlling enterprises or assets overseas by agreements or trusts. Individual resident of PRC who invest overseas via overseas enterprises or enterprises in Hong Kong, Macao and Taiwan regions which are under their control shall also be subject to this Circular 11.

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According to Circular 11, sensitive outbound investment projects carried out by an enterprise within PRC directly or via the overseas enterprises under their control should obtain verification and prior approval from NDRC. For the purpose of the Circular 11, sensitive outbound investment projects include: (1) Projects involving sensitive countries and regions, including (i) countries and regions that have not established diplomatic relations with China; (ii) countries and regions where war or civil unrest has broken out; (iii) countries and regions in which investment by enterprises shall be restricted pursuant to the international treaties, agreements, etc. concluded or acceded to by China; and (iv) other sensitive countries and regions, and (2) Projects involving sensitive industries, including (i) research, production and maintenance of weaponry and equipment; (ii) development and utilization of cross-border water resources; (iii) news media; and (iv) other industries in which outbound investment needs to be restricted pursuant to China's laws and regulations as well as related control policies.

Further according to Circular 11, the non-sensitive projects carried out by the overseas enterprise directly controlled by PRC residents, including by means of making asset or equity investment by companies established for financing and investing, such as fund institutions, or providing financing or guarantee, shall complete record-filing with the competent authority prior to the implementation of such project. The non-sensitive projects carried out by the overseas enterprise indirectly controlled by PRC residents with the investment amount over US\$300 million shall be reported to the NDRC of relevant information by submitting an information reporting form for large-amount non-sensitive projects.

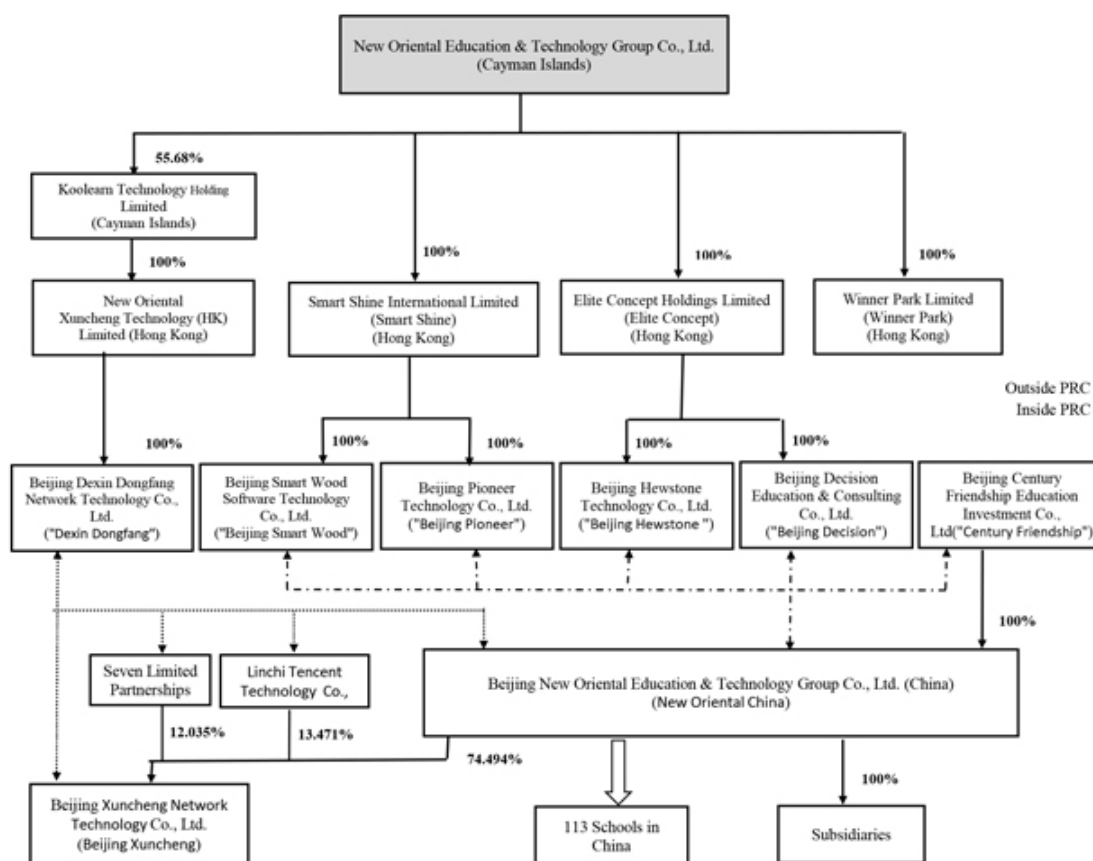
Where an outbound investment project falls within the scope of administration by verification and approval or record-filing but its investor within the PRC fails to obtain a valid verification and approval document or notice of record-filing, departments in charge of foreign exchange administration and customs, should, pursuant to the law, not process its application, and no financial enterprises should, pursuant to the law, provide relevant fund settlement and financing services.

C. Organizational Structure

Except our online education business that is operated by our majority-owned subsidiary, Koolearn, and its subsidiaries and consolidated variable interest entities, substantially all of our operations are conducted in China through contractual arrangements between our wholly-owned subsidiaries in China, New Oriental China (our variable interest entity) and New Oriental China's schools and subsidiaries and shareholder. The wholly-owned subsidiaries that are currently parties to these contractual arrangements are Beijing Hewstone, Beijing Decision, Beijing Pioneer and Beijing Smart Wood. Beijing Hewstone primarily engages in the educational software development business and also sub-licenses our trademarks to New Oriental China and its schools and subsidiaries. Beijing Decision primarily engages in the business of providing educational technology services and educational management services. Beijing Pioneer primarily engages in the educational software development business. Beijing Smart Wood primarily engages in the educational software development and consulting business.

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The following diagram sets out details of our significant subsidiaries and New Oriental China and its schools and subsidiaries as of May 31, 2021:



- Equity interest for companies.
- ⇒ Sponsorship interest for schools.
- - - Contractual arrangements including equity pledge agreements, option agreement and proxy agreement, power of attorney, master exclusive service agreement and related service agreements. See “—C. Organizational Structure—Contractual Arrangements with New Oriental China, Its Schools and Subsidiaries and Its Shareholder.”
- - - Contractual arrangements including equity pledge agreements, option agreement and proxy agreement, power of attorney, master exclusive service agreement and related service agreements. See “—C. Organizational Structure—Contractual Arrangements with Beijing Xuncheng, Its Subsidiaries and Shareholders.”

- (1) Beijing Century Friendship Education Investment Co., Ltd, or Century Friendship, is 99% owned by Mr. Michael Minhong Yu, our founder and executive chairman, and 1% owned by Mr. Zhihui Yang, our executive president and chief financial officer. In November 2019, Ms. Bamei Li, Mr. Yu’s mother, completed the transfer of the equity interest in Century Friendship held by her to Mr. Michael Minhong Yu and Mr. Zhihui Yang, prior to such transfer, Century Friendship was 80% owned by Mr. Yu and 20% owned by Ms. Bamei Li.
- (2) Excluding certain schools that are separate legal entities but have been counted to our learning centers and certain schools that have been counted as the same school in the same city or region from the perspective of our internal management and our kindergartens.
- (3) Consisting of various PRC companies operating our educational content and other technology development and distribution business, and overseas studies consulting business in China.

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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 offshore holding companies are not educational institutions and do not provide educational services outside China. In addition, in the PRC, foreign ownership of high schools for students in grades ten to twelve is restricted and foreign ownership of primary and middle schools for students in grades one to nine is prohibited. As a result, our offshore holding companies are not allowed to directly own and operate schools in China. We conduct substantially all of our education business in China through contractual arrangements between our wholly-owned subsidiaries in China, and our variable interest entities, their schools and subsidiaries and their shareholders. In the fiscal years ended May 31, 2019, 2020 and 2021, our variable interest entities contributed in aggregate 98.7%, 96.5% and 99.9% of our total net revenues, respectively.

Contractual Arrangements with New Oriental China, Its Schools and Subsidiaries and Its Shareholder

New Oriental China is our variable interest entity which is directly wholly owned by Century Friendship, a PRC domestic company controlled by Mr. Michael Minhong Yu, our founder and executive chairman. New Oriental China's schools and subsidiaries hold the requisite licenses and permits necessary to conduct our education business and have been directly conducting our education business. We have been and are expected to continue to be dependent on New Oriental China and its schools and subsidiaries to operate our education business until we qualify for direct ownership of our education business in China under PRC laws and regulations and acquire New Oriental China as our direct, wholly-owned subsidiary. We have entered into contractual arrangements with New Oriental China, its schools and subsidiaries and its shareholder, which enable us to:

- have power to direct the activities that most significantly affect the economic performance of New Oriental China and its schools and subsidiaries;
- receive substantially all of the economic benefits from New Oriental China and its schools and 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, when and to the extent permitted by PRC law, or request the existing shareholder of New Oriental China to transfer all or part of the equity interest in New Oriental China to another PRC person or entity designated by us at any time in our discretion.

These contractual arrangements are summarized in the following paragraphs.

Equity Pledge Agreements. Pursuant to the equity pledge agreements dated as of May 25, 2006 among New Oriental China, all of the eleven shareholders of New Oriental China, Beijing Hewstone and Beijing Decision, each shareholder of New Oriental China agreed to pledge his or its equity interests in New Oriental China to Beijing Hewstone and Beijing Decision to secure the performance of obligations of New Oriental China and its schools and subsidiaries under the existing service agreements and any such agreements to be entered into in the future. The shareholders of New Oriental China agreed not to transfer, sell, pledge, dispose of or otherwise create any encumbrance on their equity interests in New Oriental China without the prior written consent of Beijing Decision and Beijing Hewstone. All parties to the equity pledge agreement have agreed that the equity pledge agreement is binding upon New Oriental China's shareholders and their successors.

In January 2012, the ten former shareholders of New Oriental China completed the transfer of all of their equity interests in New Oriental China to Century Friendship, a PRC domestic enterprise controlled by Mr. Michael Minhong Yu, our founder and executive chairman, without consideration. Prior to the transfer, Century Friendship had held 53% of the equity interests in the New Oriental China while the ten former shareholders of New Oriental China held the remaining equity interests. The purpose of the transfers was to further strengthen our corporate structure by simplifying the shareholding structure of New Oriental China.

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Pursuant to the five equity pledge agreements dated April 23, 2012 among New Oriental China, Century Friendship and five of our wholly-owned subsidiaries in China, namely Beijing Hewstone, Beijing Decision, Shanghai Smart Words, Beijing Pioneer and Beijing Smart Wood, Century Friendship agreed to pledge its equity interests in New Oriental China to these five subsidiaries to secure New Oriental China's and its schools and subsidiaries' performance of their obligations under the relevant principal agreements, and Century Friendship has agreed not to transfer, sell, pledge, dispose of or otherwise create any encumbrance on its equity interests in New Oriental China without the prior written consents of our wholly-owned subsidiaries in China. Upon the conclusion of the master exclusive service agreement on September 19, 2014 between Beijing Pioneer and New Oriental China, the list of principal agreements has been updated to include the master exclusive service agreement and the relevant service agreements. The equity pledges of Century Friendship under these equity pledge agreements have been registered with the Haidian District, Beijing branch of the SAMR. The terms of the April 2012 equity pledge agreements are substantially the same as the 2006 equity pledge agreements.

In February 2017, as part of our efforts to streamline the corporate structure, we removed Shanghai Smart Words as a party to the contractual arrangements with New Oriental China and its schools and subsidiaries and shareholder. The rights and obligations of Shanghai Smart Words under these contractual arrangements have been assumed by Beijing Decision. The April 2012 equity pledge agreements have been amended to reflect the foregoing change while the other terms of these agreements remain unchanged. The equity pledges of Century Friendship under the amended agreements have been registered with the Haidian District, Beijing branch of the SAMR.

Exclusive Option Agreement. Exclusive option agreements were entered into by us and New Oriental China and the shareholders of New Oriental China on various dates, and amended on May 25, 2006. After the ten former shareholders of New Oriental China completed the transfer of all of their equity interests in New Oriental China to Century Friendship in early 2012, Century Friendship, as the sole shareholder of New Oriental China, executed a new option agreement with Shanghai Smart Words, one of our wholly-owned subsidiaries in China, and New Oriental China on April 23, 2012, replacing previous exclusive option agreements. On February 16, 2017, Beijing Decision entered into a new option agreement with Century Friendship and New Oriental China, replacing the previous option agreement dated April 23, 2012. Pursuant to the current option agreement, Century Friendship is obligated to sell to Beijing Decision, and Beijing Decision has an exclusive, irrevocable and unconditional right to purchase from Century Friendship, in its sole discretion, part or of all of Century Friendship's equity interests in New Oriental China when and to the extent that applicable PRC law permits it to own part or all of the equity interest in New Oriental China. In addition, Beijing Decision has an exclusive option to require Century Friendship to transfer all or part of Century Friendship's equity interest in New Oriental China to another PRC person or entity designated by Beijing Decision at any time in its discretion. The purchase price to be paid by Beijing Decision will be the minimum amount of consideration permitted by applicable PRC law at the time when such share transfer occurs.

Power of Attorney. On December 3, 2012, Century Friendship, in the capacity of the sole shareholder of New Oriental China, executed a proxy agreement and power of attorney with Beijing Pioneer, one of our wholly-owned subsidiaries in China, and New Oriental China, whereby Century Friendship irrevocably appoints and constitutes Beijing Pioneer as its attorney-in-fact to exercise on Century Friendship's behalf any and all rights that Century Friendship has in respect of its equity interests in New Oriental China. This proxy agreement and power of attorney became effective on December 3, 2012 and replaces the powers of attorney executed by Century Friendship on April 23, 2012. The proxy agreement and power of attorney will remain effective as long as New Oriental China exists. Century Friendship does not have the right to terminate the proxy agreement and power of attorney or revoke the appointment of the attorney-in-fact without the prior written consent of Beijing Pioneer.

Service Agreements. Our wholly-owned subsidiaries in China have entered into a series of service agreements with New Oriental China and its schools and subsidiaries to enable them to receive substantially all of the economic benefits of New Oriental China and its schools and subsidiaries. On September 19, 2014, one of our wholly-owned subsidiaries, Beijing Pioneer, has entered into a master exclusive service agreement, as amended, with New Oriental China to enable our wholly-owned subsidiaries in China to receive substantially all of the economic benefits of New Oriental China and its schools and subsidiaries. After the conclusion of the master exclusive service agreement, the various existing service agreements between our wholly-owned subsidiaries will remain effective; however, if they have any conflict with the terms and conditions of the master exclusive service agreement, the master exclusive service agreement will prevail.

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Under the master exclusive service agreement, Beijing Pioneer has the exclusive right to provide or designate any entities affiliated with it to provide New Oriental China and its schools and subsidiaries the technical and business support services set forth in schedule 2 of the agreement, including new enrollment system development service, sale of educational software and other operating services. Each service provider has the right to determine the fees associated with the services it provides based on factors such as the technical difficulty and complexity of the services and the actual labor costs it incurs for providing the services during the relevant period. The term of this agreement is ten years and will be automatically extended upon the expiration. Beijing Pioneer may terminate the agreement at any time with a 30-day prior written notice to New Oriental China, whereas none of New Oriental China and its schools and subsidiaries can terminate this agreement. In the fiscal years ended May 31, 2019, 2020 and 2021, the total amount of service fees that our PRC subsidiaries received from New Oriental China and its schools and subsidiaries under all the service agreements was US\$402.3 million, US\$440.3 million and US\$376.5 million, respectively. In accordance with the Amended Implementation Rules, the master exclusive service agreement was further amended and effective from September 1, 2021, to exclude Beijing Changping New Oriental Bilingual School and Beijing New Oriental Yangzhou Foreign Language School from such agreement. We may take further necessary measures to comply with the Amended Implementation Rules.

Contractual Arrangements with Beijing Xuncheng, Its Subsidiaries and Shareholders

Subsequent to the voluntary delisting from the National Equities Exchange and Quotations in China in February 2018, Beijing Xuncheng went through a series of restructuring transactions and became a variable interest entity controlled by Koolearn, our majority-owned subsidiary which operates our online education business, through a series of contractual arrangements. Beijing Dexin Dongfang Network Technology Co., Ltd., or Dexin Dongfang, a wholly-owned PRC subsidiary of Koolearn, has entered into contractual arrangements with Beijing Xuncheng, its subsidiaries and shareholders, which enables us, through Koolearn, to:

- have the power to direct the activities and most significantly affect the economic performance of Beijing Xuncheng and its subsidiary;
- receive substantially all of the economic benefits from Beijing Xuncheng and its subsidiary; and
- have an exclusive option to purchase all or part of the equity interest in Beijing Xuncheng, when and to the extent permitted by PRC law, or request any existing shareholder of Beijing Xuncheng to transfer all or part of the equity interest in Beijing Xuncheng to another PRC person or entity designated by us at any time in our discretion.

These contractual arrangements are summarized in the following paragraphs.

Equity Pledge Agreement. Pursuant to share pledge agreements dated as of May 10, 2018 among Dexin Dongfang, Beijing Xuncheng and all of its shareholders, each shareholder of Beijing Xuncheng agreed to irrevocably and unconditionally pledge its equity interest in Beijing Xuncheng to Dexin Dongfang to secure the performance of obligations of Beijing Xuncheng, its shareholders, and relevant subsidiaries under the exclusive option agreement, the powers of attorney, the exclusive management consultancy and business cooperation agreement, and the letters of undertaking. Beijing Xuncheng's shareholders agreed not to transfer or dispose of the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests without prior written consent of Dexin Dongfang. The pledge takes effect upon registration with the relevant authorities and will remain in effect until the satisfaction of all contractual obligations of Beijing Xuncheng, its subsidiaries and its shareholders under the principal agreements or the termination of the principal agreements or 30 days after Dexin Dongfang provides a written termination notice to other parties, whichever is later.

Exclusive Option Agreement. Exclusive Option Purchase Agreement dated as of May 10, 2018 was entered into by Dexin Dongfang, Beijing Xuncheng and all of its shareholders. Pursuant to this agreement, Beijing Xuncheng's shareholders unconditionally and irrevocably agreed to grant Dexin Dongfang an exclusive option to purchase all or part of the equity interests in Beijing Xuncheng for the minimum amount of consideration permitted by PRC law. Where the purchase price is required by PRC law to be an amount other than nil consideration, Beijing Xuncheng's shareholders undertake to return the amount of purchase price they shall have received to Dexin Dongfang or any of its designated third party. Dexin Dongfang has the sole discretion to decide whether to exercise the option in part, in full or at all. Without the prior written consent of Dexin Dongfang, none of the assets of Beijing Xuncheng may be sold, transferred or otherwise disposed of. In addition, without Dexin Dongfang's prior written consent, none of Beijing Xuncheng's shareholders may transfer or permit to create any encumbrance, guarantee or security over its equity interests in Beijing Xuncheng. Beijing Xuncheng's shareholders also undertook that if they receive any profit distribution or dividend from Beijing Xuncheng, they will immediately pay or transfer such amount, subject to the relevant tax payment being made under the relevant laws and regulations, to Dexin Dongfang. This agreement will remain in effect until Dexin Dongfang or its designated third parties have acquired all the equity interests in Beijing Xuncheng. Dexin Dongfang may unilaterally terminate this agreement through a 30-day prior written notice.

Powers of Attorney. On May 10, 2018, each of Beijing Xuncheng's shareholders executed a power of attorney whereby such shareholder irrevocably appoints Dexin Dongfang or any person designated by Dexin Dongfang as its attorney-in-fact to exercise on the shareholder's behalf any and all rights the shareholder has in respect of its equity interests in Beijing Xuncheng. The power of attorney will remain effective as long as the shareholder holds any equity interest in Beijing Xuncheng. On May 10, 2018, Beijing Xuncheng also executed a power of attorney whereby it irrevocably appoints Dexin Dongfang or any person designated by Dexin Dongfang as its attorney-in-fact to exercise on its behalf any and all rights it has in respect of its equity interest in its current or future majority-owned subsidiaries. The power of attorney will remain effective as long as Beijing Xuncheng continues to hold any equity interest in its subsidiaries.

Exclusive Management Consultancy and Cooperation Agreement. Exclusive Management Consultancy and Cooperation Agreement dated as of May 10, 2018 was entered into by and among Dexin Dongfang, Beijing Xuncheng and its subsidiaries, and all of its shareholders. Pursuant to the agreement, Dexin Dongfang has the exclusive right to provide, or designate any third party to provide Beijing Xuncheng and its subsidiaries with corporate management services, intellectual property licenses, technical and business supports, and other additional services as the parties may agree from time to time. Without Dexin Dongfang's prior written consent, neither Beijing Xuncheng nor any of its subsidiaries may accept foregoing services from a third party. Dexin Dongfang owns all intellectual property rights arising out of the performance of this agreement. In exchange for the services, Beijing Xuncheng and its subsidiaries agree to pay their entire income to Dexin Dongfang as the service fee. In addition, without Dexin Dongfang's prior written consent, Beijing Xuncheng and its subsidiaries shall not enter into any transactions that may affect its assets, obligations, rights or operations, other than those transactions entered into in the ordinary course of business. Dexin Dongfang has the right to appoint directors, general managers, financial controllers and other senior managers Beijing Xuncheng and its subsidiaries. Without Dexin Dongfang's prior written consent, Beijing Xuncheng shall not change or remove any directors or make any distribution to its shareholders. This agreement will remain effective until terminated upon the agreement of the parties.

Letters of Undertaking. As of the date of this annual report, Century Friendship directly held the entire equity interest in New Oriental China, the largest shareholder of Beijing Xuncheng. To ensure stability and continued validity and enforceability of the foregoing agreements, Century Friendship and its shareholders, our founder Mr. Yu and Ms. Li Bamei, have executed a letter of undertaking dated May 10, 2018 whereby they undertake not to enter into any arrangement, including pledge, sale, disposal or creation of other third party rights, in relation to Century Friendship's equity interests in New Oriental China which may adversely affect the implementation of the foregoing agreements entered into by New Oriental China unless they have obtained consent from Koolearn or Dexin Dongfang, and the counterparties or beneficiaries of such arrangement have executed written undertaking(s) to the effect that they will not affect the performance of the foregoing agreements entered into by New Oriental China. The general partner of each limited partnership that holds equity interest in Beijing Xuncheng executed a similar letter of undertaking as of May 10, 2018 to the same effect. In addition, Century Friendship and its shareholders undertook not to participate in, invest in, own or manage any businesses competing with that of Beijing Xuncheng and its subsidiaries as long as they continue to hold equity interest in Beijing Xuncheng.

Supplemental Agreement. Pursuant to the supplemental agreement dated October 10, 2019 entered into by and among Dexin Dongfang, Zhuhai Chongsheng Heli Network Technology Co., Ltd., or Zhuhai Chongsheng, a wholly-owned PRC subsidiary of Koolearn, Beijing Xuncheng and its subsidiaries and all of its shareholders, Zhuhai Chongsheng joined as a party to the contractual agreements between Dexin Dongfang, Beijing Xuncheng and its subsidiaries and shareholders (including the Exclusive Option Agreement, Exclusive Management Consultancy and Cooperation Agreement, Equity Pledge Agreement, Letters of Undertaking and Powers of Attorney). Pursuant to the supplemental agreement, Zhuhai Chongsheng assumed the same rights and share the same obligations as Dexin Dongfang under the contractual agreements.

Second Supplemental Agreement. Pursuant to the second supplemental agreement dated February 1, 2021 entered into by and among Dexin Dongfang, Zhuhai Chongsheng, Xi'an Ruiying Huishi Network Technology Co., Ltd., or Xi'an Ruiying, Hainan Haiyue Dongfang Network Technology Co., Ltd., or Hainan Haiyue, Wuhan Dongfang Youbo Network Technology Co., Ltd., or Wuhan Dongfang, Beijing Xuncheng and its subsidiaries and all of its shareholders, Xi'an Ruiying, Hainan Haiyue and Wuhan Dongfang joined as parties to the contractual agreements between Dexin Dongfang, Beijing Xuncheng and its subsidiaries and shareholders (including the Exclusive Option Agreement, Exclusive Management Consultancy and Cooperation Agreement, Equity Pledge Agreement, Letters of Undertaking and Powers of Attorney) and the supplemental agreement. Pursuant to the second supplemental agreement, Xi'an Ruiying, Hainan Haiyue and Wuhan Dongfang assumed the same rights and share the same obligations as Dexin Dongfang and Zhuhai Chongsheng under the contractual agreements and the supplemental agreement.

Acceptance Letter. Beijing Dongfang Youbo Network Technology Co., Ltd., a subsidiary of Beijing Xuncheng, executed a letter of acceptance dated October 10, 2019 whereby it assumed the same rights and obligations as Beijing Xuncheng's subsidiary under the Exclusive Management Consultancy and Cooperation Agreement.

On April 7, 2021, the State Council promulgated the Amended Implementation Rules for the Private Education Law, which became effective on September 1, 2021, or the Amended Implementation Rules. The Amended Implementation Rules provide that a private school providing compulsory education is prohibited from conducting transactions with its related party. New Oriental China has two private schools providing compulsory education, Beijing Changping New Oriental Bilingual School and Beijing New Oriental Yangzhou Foreign Language School. As a result of the effectiveness of the Amended Implementation Rules from September 1, 2021, we shall not conduct any related party transaction, including the related party transaction under our contractual arrangements with these two compulsory-education schools. In accordance with the Amended Implementation Rules, the master exclusive service agreement entered between Beijing Pioneer and New Oriental China, was further amended and effective from September 1, 2021, to exclude Beijing Changping New Oriental Bilingual School and Beijing New Oriental Yangzhou Foreign Language School from such agreement. We may take further necessary measures to comply with the Amended Implementation Rules.

In addition, on July 24, 2021, the General Office of State Council and the General Office of Central Committee of the Communist Party of China jointly promulgated the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education, or the Alleviating Burden Opinion, which provides, among others, that (i) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities; (ii) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities; (iii) online tutoring for preschool-age children is prohibited, and offline academic subjects (including foreign language) tutoring services for preschool-age children is also strictly prohibited. The Alleviating Burden Opinion provides that any violation of the foregoing shall be rectified. The Alleviating Burden Opinion further states that the administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be implemented by reference to the relevant provisions of the Alleviating Burden Opinion. It remains uncertain as to how and to what extent the administration over academic subjects tutoring institutions for students on grade ten to twelve will be implemented by reference of the Alleviating Burden Opinion.

In the opinion of Tian Yuan Law Firm, our PRC legal counsel, as of May 31, 2021:

- (i) the corporate structure of New Oriental China and its schools and subsidiaries, and our wholly-owned subsidiaries in China, and (ii) the corporate structure of Beijing Xuncheng and its subsidiaries, Dexin Dongfang and Zhuhai Chongsheng are not in violation of existing PRC laws and regulations as of May 31, 2021; and
- (i) the contractual arrangements among our wholly-owned subsidiaries in China, New Oriental China and its schools and subsidiaries and the shareholder of New Oriental China, and (ii) the contractual arrangements among Dexin Dongfang, Zhuhai Chongsheng, Beijing Xuncheng and its subsidiaries and shareholders are valid, binding and enforceable under, and do not violate, PRC laws or regulations in effect as of May 31, 2021.

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. For example, if the relevant government authorities take a different view from ours on the Preschool Opinions and/or the Amended Implementation Rules and determine that our for-profit and/or non-profit kindergartens and/or compulsory education schools shall be excluded from our company, we may be requested to unwind the contractual arrangements for some or all of our kindergartens and/or compulsory education schools. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our education business in China do not comply with PRC regulatory restrictions on foreign investment in the education business, we could be subject to severe penalties. The imposition of any of these penalties could result in a material adverse effect on our ability to conduct our business. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating some of our China business do not comply with applicable PRC laws and regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

D. Property, Plants and Equipment

Our headquarters are located in Beijing, China, where we own approximately 49,000 square meters of office and training center. In addition, we own approximately 210,000 square meters of schools in Yangzhou and an aggregate of approximately 52,000 square meters of space for our schools, learning centers and bookstores in Xi’an, Tianjin, Kunming, Wuhan, Guangzhou, Xiamen, Changsha, Hangzhou, Zhengzhou and Hefei. We lease all of our facilities for our schools, learning centers and bookstores in 96 other cities throughout China. For more information concerning our schools, learning centers and bookstores, see “Item 4. Information on the Company—B. Business Overview—Our Network.”

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

A. Operating Results

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 educational services in China. We expect that the demand for private educational services in China will be driven by (i) increasing disposable income per capita along with increasing level of urbanization, (ii) increasing education and employment opportunities requiring educational services beyond school curriculum, and (iii) advancement and wide application of innovative technology.

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 and any heightened tension in international relations or global pandemic can have an adverse impact on our overseas related businesses, such as test preparation and consulting services. For example, on July 24, 2021, the General Office of State Council and the General Office of Central Committee of the Communist Party of China jointly promulgated the Alleviating Burden Opinion, which provides, among others, that (i) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities; (ii) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities; (iii) online tutoring for preschool-age children is prohibited, and offline academic subjects (including foreign language) tutoring services for preschool-age children is also strictly prohibited. The Alleviating Burden Opinion provides that any violation of the foregoing shall be rectified. The Alleviating Burden Opinion further states that the administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be implemented by reference to the relevant provisions of the Alleviating Burden Opinion. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Private Education—Regulations on After-School Tutoring” for more details.

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 cost and expenses.

The number of student enrollments is in turn largely driven by the demand for our courses, our ability to maintain the consistency and quality of our teaching, our established brand and reputation and effectiveness of our marketing and brand promotion efforts, our ability to optimize our comprehensive online and offline integrated education ecosystem and our OMO (online-merge-offline) standardized digital classroom teaching system on a constant basis, the locations of our schools and learning centers, and our ability to respond to competitive pressure, as well as seasonal factors. The demand for our courses also depends on the continued use of admissions and assessment tests by educational institutions and governmental authorities both in China and abroad. 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. 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. The level of our operating cost and expenses will depend on our ability to carry out our systemized and centralized approach to improve operational efficiency through refinement of our centralized operation platform that supports all service offerings and continued investment in technologies.

Our future results of operations will depend significantly upon our ability to maintain and increase student enrollments both online and offline and offer a greater variety of courses, including those related to non-academic subjects. Our business changes may result in substantial demands on our management, operational, technological, financial and other resources. To manage and support our further development, 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 areas. We will continue to implement additional systems and measures and recruit qualified personnel in order to effectively manage and support our business. If we cannot achieve these improvements, our financial condition and results of operations may be materially adversely affected.

Impact of COVID-19

The outbreak of COVID-19 pandemic around the globe has had and is expected to continue to have an impact on our operations and financial performance. Our student acquisition efforts were affected, and the enrollment for summer courses were delayed in 2020. While our K-12 after-school tutoring courses, or “K-12 AST courses”, experienced continued growth, our overseas related businesses, including test preparation and consulting services, have been negatively affected due to cancellation of overseas exams, suspension of overseas schools and restrictions on travels.

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During the COVID-19 outbreak, our continued investment in OMO system enabled us to swiftly and effectively move our offline classes to online live broadcasting classes while maintaining the high quality of our services. Our students' satisfaction and the effectiveness of our online courses through our OMO system was demonstrated by more students retained from winter to spring semester and from spring to summer semester as compared with the same period during last fiscal year.

The COVID-19 outbreak may continue affect our business operations and its financial condition and operating results for the fiscal year 2022, including but not limited to negative impact to our total revenues, fair value adjustments or impairment to our long term investments and impairment of long-lived assets.

Selected Statements of Operations Items

Net Revenues. In the fiscal years ended May 31, 2019, 2020 and 2021, we generated total net revenues of US\$3,096.5 million, US\$3,578.7 million and US\$4,276.5 million, respectively. Our revenues are net of PRC business taxes and related surcharges as well as refunds.

We currently derive revenues from the following sources:

- educational programs and services, which accounted for 90.0%, 90.3% and 92.1% of our total net revenues in the fiscal years ended May 31, 2019, 2020 and 2021, respectively; and
- books and other services, which accounted for 10.0%, 9.7% and 7.9% of our total net revenues in the fiscal years ended May 31, 2019, 2020 and 2021, respectively.

Educational Programs and Services. Our educational programs and services consist of K-12 AST, test preparation, and other courses (which we formerly referred to as language training and test preparation courses), pre-school education, primary and secondary school education and online education. Revenues from K-12 AST, test preparation, and other courses accounted for 84.2%, 85.0% and 85.8%, respectively, of our total net revenues in the fiscal years ended May 31, 2019, 2020 and 2021.

We recognize revenues from course fees collected for enrollment in our K-12 AST, test preparation, and other courses and online education proportionally as we deliver the instruction over the period of the course. Course fees are generally paid in advance by students and are initially recorded as deferred revenue. Students are entitled to a short-term trial period which commences on the date the course begins. Tuition refunds are provided to students if they decide within the trial period that they no longer want to take the course. After the trial period, if a student withdraws from a class, usually only those collected but unearned portion of the fee is available to be refunded. We recognize revenues from school fees collected for enrollment in our pre-school education and primary and secondary schools ratably over the corresponding academic year.

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Books and Other Services. 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, 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.

Other service revenues are primarily derived from consulting services to students regarding overseas studies and study tours.

Operating Cost and Expenses. Our operating cost 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 cost and expenses as a percentage of total net revenues for the periods indicated.

(in thousands, except percentages)	For the Years Ended May 31,					
	2019		2020		2021	
	US\$	%	US\$	%	US\$	%
Net revenues	3,096,491	100.0	3,578,682	100.0	4,276,539	100.0
Operating cost and expenses:						
Cost of revenues	(1,376,269)	(44.5)	(1,588,899)	(44.4)	(2,036,875)	(47.6)
Selling and marketing	(384,287)	(12.4)	(445,259)	(12.4)	(600,778)	(14.0)
General and administrative	(1,028,783)	(33.2)	(1,145,521)	(32.0)	(1,489,826)	(34.8)
Impairment loss on intangible assets and goodwill	(5,245)	(0.2)	—	—	(31,794)	(0.7)
Total operating cost and expenses	(2,794,584)	(90.3)	(3,179,679)	(88.9)	(4,159,273)	(97.3)

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.

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. Full-time teachers' 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, who we mainly hire based on fluctuation in demand, is comprised primarily of teaching fees based on hourly rates and performance-linked bonuses based on student evaluations and other factors. 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. Cost of books and other materials 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.

Selling and Marketing Expenses. Our selling and marketing expenses primarily consist of human resources expenses and other expenses relating to advertising, seminars, marketing and promotional trips and other community activities for brand promotion purpose.

General and Administrative Expenses. Our general and administrative expenses primarily consist of compensation and benefits of administrative staff, R&D expenses, 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.

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Share-based Compensation Expenses

In January 2016, we adopted the 2016 Share Incentive Plan, under which we are authorized to issue up to 100,000,000 common shares (taking into account the one-for-ten share split that took effect on March 10, 2021) pursuant to awards (including options) granted to our employees, directors and consultants. Since the adoption of our 2016 Share Incentive Plan, we have granted a total of 50,922,168 non-vested equity shares, among which, 1,817,150 and 19,595,518 were granted in the fiscal years ended May 31, 2020 and 2021, respectively, 1,437,440 and 428,228 shares were forfeited in the fiscal years ended May 31, 2020 and 2021, respectively.

On July 13, 2018, the board of directors of Koolearn approved an employee's share option plan, or the Koolearn Pre-IPO Share Option Scheme, under which Koolearn is authorized to issue up to 47,836,985 shares in Koolearn pursuant to awards granted to the directors, senior management, employees and contractors of Koolearn. Since the adoption of the Koolearn Pre-IPO Share Option Scheme, Koolearn has granted options to obtain an aggregate of 47,836,985 shares in Koolearn to 144 grantees under the Koolearn Pre-IPO Share Option Scheme. 680,500 shares were forfeited and no shares were cancelled in the fiscal year ended May 31, 2021.

On January 30, 2019, the board of directors of Koolearn approved an employee's share option plan, or the Koolearn Post-IPO Share Option Scheme, under which Koolearn is authorized to issue up to 91,395,910 shares in Koolearn pursuant to awards granted to, among others, directors, employees of Koolearn or its affiliate. Since the adoption of the Koolearn Post-IPO Share Option Scheme, Koolearn has granted options to obtain an aggregate of 65,000,000 shares in Koolearn to 650 grantees under the Koolearn Post-IPO Share Option Scheme. 12,773,185 shares were forfeited and 30,000 shares were cancelled in the fiscal year ended May 31, 2021.

We account for share-based compensation expenses in accordance with an authoritative accounting pronouncement, which requires share-based compensation expense to be determined based on the fair value of our common shares as of their grant date. The following table sets forth the allocation of our share-based compensation expenses (including Koolearn's 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.

(in thousands, except percentages)	For the Years Ended May 31,					
	2019		2020		2021	
	US\$	%	US\$	%	US\$	%
Allocation of Share-based Compensation Expense:						
Cost of revenues	134	0.2	2,224	3.6	6,698	9.7
Selling and marketing	1,205	1.7	4,227	6.8	6,922	10.1
General and administrative	69,997	98.1	55,606	89.6	55,260	80.2
Total	<u>71,336</u>	<u>100.0</u>	<u>62,057</u>	<u>100.0</u>	<u>68,880</u>	<u>100.0</u>

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. For non-vested equity shares granted to employees and directors, we record share-based compensation expenses based on the quoted market price of our ADSs on the grant date and amortize the expenses over the vesting periods of the non-vested equity shares.

Taxation

Cayman Islands

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.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000. Under the Hong Kong tax law, our Hong Kong subsidiaries are exempted from the Hong Kong income tax on its foreign-derived income. Hong Kong does not impose a withholding tax on dividends.

PRC

Other than our primary and secondary schools, our operating entities in China are subject to a value-added tax (“VAT”) at varying rates ranging from 3% to 16% (or 13% starting April 1, 2019) on their respective net revenues. Our operating entities that provide educational services are subject to a simple VAT collection method and apply for a 3% VAT rate since June 2016 according to the Notice of the Ministry of Finance and the State Administration of Taxation on Further Clarifying the Policies regarding Reinsurance, Immovable Property Leasing and Non-Academic Education in the Comprehensive Promotion of the Pilot Program of Replacing Business Tax with Value-Added Tax, or the Circular 68. VAT is reported as a deduction to revenue when incurred.

With regard to income tax, enterprises in China are generally subject to enterprise income tax at a rate of 25%. Enterprise that qualifies as a high and new technology enterprise (“HNTE”) is subject to a tax rate of 15%. Beijing Shenghe, and Beijing Pioneer’s HNTE certificates will terminate on November 30, 2021. Kuxue Huisi and Dogwood Cultural’s HNTE certificates will terminate on October 31, 2021. These four enterprises are in the process of renewing their HNTE qualification. Once their renewals are completed, they will be eligible for a favorable enterprise income tax rate of 15% starting January 1, 2021. Beijing Smart Wood, Beijing Hewstone, Beijing Right Time, Beijing Joy Tend, Beijing Decision, Beijing Magnificence, Dexin Dongfang, Beijing Sifenke Education Consulting Company Limited, Be-linked Online Education and Xuncheng continued to qualify as HNTE and were subject to a tax rate of 15% during the year ended May 31, 2021.

Hainan Haiyue, Hainan Dongfang Zhixin Technology Company Limited, Zhuhai Chongsheng, Zhuhai Zekai Software Technology Company Limited, Hainan Dongfang Huizhi Technology Company Limited enjoyed the enterprise income tax of 15% because of the preferential corporate income tax policies for local tax concessions.

Enterprise that qualifies as the newly established software enterprise (“NESE”) is exempt from the enterprise income tax for two years beginning from the enterprise’s first profitable year followed by a tax rate of 12.5% for the succeeding three years. Beijing Jinghong, Beijing Zhiyuan Hangcheng Software Technology Company Limited, Beijing Chuangying Oriental Technology Co., Ltd, and Beijing Zhihong Oriental Technology Co., Ltd were qualified as NESE and enjoyed the EIT tax benefit from January 2017 to December 2021, from January 2019 to December 2023, from January 2019 to December 2023, and from January 2019 to December 2023, respectively.

In addition, under the current regulatory regime, whether our schools are entitled to any preferential income tax treatment remains unclear, and practice varies across different cities in China. Pursuant 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, no regulations have been promulgated by the relevant authorities with regard to the preferential income tax treatment applicable to private schools requiring reasonable returns. As of May 31, 2021, 11 of our schools elected as schools not requiring reasonable returns, and 31 of our schools elected as schools requiring reasonable returns and the remaining schools were not classified or registered as companies. The Amended Private Education Law, which became effective on September 1, 2017, no longer uses the term “reasonable return.” Instead, under the Amended Private Education Law, sponsors of private schools may choose to establish non-profit or for-profit private schools at their own discretion, except that private schools in compulsory education area can only be registered as non-profit private schools, and after-school tutoring institutions providing tutoring services on academic subjects can only be registered as non-profit private schools under the Alleviating Burden Opinion. Pursuant to the Amended Private Education Law, non-profit private schools will be entitled to the same tax benefits as public schools while taxation policies for for-profit private schools are still unclear. Due to a lack of implementation rules, whether our schools can be entitled to any preferential income tax treatment remains unclear. In practice, tax treatments for private schools vary across different cities in China. For example, private schools in certain cities are subject to a 25% standard enterprise income tax, while in other cities, private schools are subject to a fixed amount of enterprise income tax each year as determined by the local tax authority in lieu of the 25% standard enterprise income tax or are not required to pay enterprise income tax at all. Among our schools in four major cities from which we derived a significant portion of our revenues in the fiscal year ended May 31, 2021, three schools are subject to the standard 25% enterprise income tax rate and one school was not required by the governing tax bureau to pay any EIT from its establishment through May 31, 2021.

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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 “high and new technology enterprises,” our wholly-owned subsidiaries and variable interest entities in China would be subject to the 25% uniform statutory tax rate. The discontinuation of any preferential tax treatments currently available to our schools, especially those schools in major cities, and to our wholly-owned subsidiaries and variable interest entities, will cause our effective tax rate to increase, which could have a material adverse effect on our results of operations.

For additional information on PRC regulations on taxation, see “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Taxation.” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The discontinuation of any preferential tax treatments currently available to us could materially and adversely affect our results of operations.”

Recent Acquisitions

During the year ended May 31, 2021, we made several business acquisitions, which were insignificant. The total cash consideration of these other business acquisitions was US\$15.2 million, in which US\$13.1 million had been paid during the year ended May 31, 2021.

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 annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

(in thousands of US\$ except share and per share data)	For the Years Ended May 31,		
	2019	2020	2021
Net revenues:			
Educational programs and services	2,785,254	3,230,378	3,936,969
Books and other services	311,237	348,304	339,570
Total net revenues	3,096,491	3,578,682	4,276,539
Operating cost and expenses: ⁽¹⁾			
Cost of revenues	(1,376,269)	(1,588,899)	(2,036,875)
Selling and marketing	(384,287)	(445,259)	(600,778)
General and administrative	(1,028,783)	(1,145,521)	(1,489,826)
Impairment loss on intangible assets and goodwill ⁽⁴⁾	(5,245)	—	(31,794)
Total operating cost and expenses	(2,794,584)	(3,179,679)	(4,159,273)
Gain on disposal of a subsidiary	3,627	—	—
Operating income	305,534	399,003	117,266

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(in thousands of US\$ except share and per share data)	For the Years Ended May 31,		
	2019	2020	2021
Other income, net:			
Interest income	97,530	116,117	141,511
Interest expense	(1,615)	(4,627)	(6,747)
Realized gain from long-term investments	26,379	407	3,535
Impairment loss from long-term investments	(5,919)	(31,750)	(40,207)
Loss from fair value change of long-term investments	(104,636)	(18,451)	(3,824)
Miscellaneous income, net	(1,424)	27,137	103,443
Provision for income (loss) taxes:			
Current	(103,031)	(142,992)	(127,313)
Deferred	17,317	8,630	43,725
Provision for income taxes	(85,714)	(134,362)	(83,588)
(Loss) gain from equity method investments	(2,289)	1,385	(1,368)
Net income	227,846	354,859	230,021
Less: Net income (loss) attributable to noncontrolling interests	(10,219)	(58,474)	(104,393)
Net income attributable to New Oriental Education & Technology Group Inc.'s shareholders	<u>238,065</u>	<u>413,333</u>	<u>334,414</u>
Net income per common share attributable to shareholders of New Oriental Education & Technology Group Inc. ⁽²⁾⁽³⁾			
-Basic	0.15	0.26	0.20
-Diluted	0.15	0.26	0.20
Weighted average shares used in calculating basic net income per common share ⁽³⁾	1,582,938,900	1,584,295,760	1,645,463,440
Weighted average shares used in calculating diluted net income per common share ⁽³⁾	1,590,393,450	1,595,368,900	1,651,982,384

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

(in thousands of US\$)	For the Years Ended May 31,		
	2019	2020	2021
Cost of revenues	134	2,224	6,698
Selling and marketing	1,205	4,227	6,922
General and administrative	69,997	55,606	55,260
Total	<u>71,336</u>	<u>62,057</u>	<u>68,880</u>

(2) Each ADS represents one common share

(3) For the years ended May 31, 2019 and 2020, the number of shares used in calculating basic and diluted net income per common share have been retrospectively adjusted to reflect the 1-for-10 share split that became effective on March 10, 2021.

(4) The amount of impairment loss on intangible assets and goodwill that has been reclassified to conform to the current period financial statement presentation were US\$5.2 million and nil for the years ended May 31, 2019 and 2020, respectively.

Fiscal Year Ended May 31, 2021 Compared to Fiscal Year Ended May 31, 2020

Net Revenues. Our total net revenues increased by 19.5% from US\$3,578.7 million for the fiscal year ended May 31, 2020 to US\$4,276.5 million for the fiscal year ended May 31, 2021. This increase was due to the increased revenues from educational programs. The number of student enrollment is the main driver for our revenue. We track the number of student enrollment as a key indicator for our business growth and manage our course offerings and sales strategies accordingly.

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- *Educational Programs and Services.* Net revenues from our educational programs and services increased by 21.9% from US\$3,230.4 million for the fiscal year ended May 31, 2020 to US\$3,937.0 million for the fiscal year ended May 31, 2021. This increase was primarily due to the growth in revenues from K-12 AST, test preparation, and other courses from US\$3,040.7 million in the fiscal year ended May 31, 2020 to US\$3,667.3 million in the fiscal year ended May 31, 2021. The increase in revenues from K-12 AST, test preparation, and other courses was mainly attributable to the increase in revenues from K-12 AST courses, partially offset by a decrease in revenues from overseas test preparation courses due to the COVID 19 pandemic. The increase in revenues from K-12 AST courses was mainly due to the increase in student enrollment in those courses. The number of student enrollments for our K-12 AST, test preparation, and other courses increased from approximately 10.6 million in the fiscal year ended May 31, 2020 to approximately 12.5 million in the fiscal year ended May 31, 2021.
- *Books and Other Services.* Net revenues from sales of books and other educational materials and services decreased by 2.5% from US\$348.3 million in the fiscal year ended May 31, 2020 to US\$339.6 million in the fiscal year ended May 31, 2021, primarily due to the decreased revenue of US\$16.8 million from overseas study tour in the fiscal year ended May 31, 2021.

Operating Cost and Expenses. Our total operating cost and expenses increased by 30.8% from US\$3,179.7 million in the fiscal year ended May 31, 2020 to US\$4,159.3 million in the fiscal year ended May 31, 2021. This increase resulted from increases in each of our cost of revenues, selling and marketing expenses, general and administrative expenses and impairment loss in intangible assets and goodwill. Our operating cost and expenses continue to increase as we continue to open new schools and learning centers and hire additional teachers. We track the number of teachers, schools and learning centers as a key indicator for our operating cost and expenses and manage our expenditures and budget accordingly. Our total numbers of schools and learning centers were 122 and 1,547, respectively, as of May 31, 2021, compared to 104 and 1,361, respectively, as of May 31, 2020. We employed approximately 41,400 and 54,200 teachers as of May 31, 2020 and 2021, respectively.

- *Cost of Revenues.* Our cost of revenues increased by 28.2% from US\$1,588.9 million in the fiscal year ended May 31, 2020 to US\$2,036.9 million in the fiscal year ended May 31, 2021. This increase was in line with the increase in revenues and primarily due to an increase in teachers' compensation for more aggregated teaching hours and higher rental costs for the increased number of schools and learning centers in operation during the fiscal year ended May 31, 2021.
- *Selling and Marketing Expenses.* Our selling and marketing expenses increased by 34.9% from US\$445.3 million in the fiscal year ended May 31, 2020 to US\$600.8 million in the fiscal year ended May 31, 2021. This increase was primarily due to the increase in online marketing efforts and the addition of marketing staff with the aim of rolling out our OMO (online-merge-offline) system to capture the new market opportunity during COVID 19 pandemic, especially for new initiatives in our pure online education platform, Koolearn.com.
- *General and Administrative Expenses.* Our general and administrative expenses increased by 30.1% from US\$1,145.5 million in the fiscal year ended May 31, 2020 to US\$1,489.8 million in the fiscal year ended May 31, 2021. This increase was primarily due to an increase of US\$152.0 million in human resources expenses, and an increase of US\$157.9 million in general operational expenses as a result of the increased headcount as we grew our network of schools and learning centers, as well as increases in research and development expenses and human resources expenses related to the development of our online and offline integrated education ecosystem during the fiscal year ended May 31, 2021.

Other Income, Net. Our other income, net increased from US\$88.8 million in the fiscal year ended May 31, 2020 to US\$197.7 million in the fiscal year ended May 31, 2021, which was primarily due to loss from fair value change of long-term investments in the fiscal year ended May 31, 2020 and certain VAT exemption due to the COVID-19 in the fiscal year ended May 31, 2021.

Provision for Income Tax. Our income tax expense decreased by 37.8% from US\$134.4 million in the fiscal year ended May 31, 2020 to US\$83.6 million in the fiscal year ended May 31, 2021. The decrease was primarily due to an increase in net operating loss carry-forward for deferred tax assets in the fiscal year ended May 31, 2021.

Net Income. As a result of the foregoing, our net income for the fiscal year ended May 31, 2021 was US\$230.0 million, compared to US\$354.9 million for the fiscal year ended May 31, 2020.

Fiscal Year Ended May 31, 2020 Compared to Fiscal Year Ended May 31, 2019

Net Revenues. Our total net revenues increased by 15.6% from US\$3,096.5 million for the fiscal year ended May 31, 2019 to US\$3,578.7 million for the fiscal year ended May 31, 2020. This increase was due to the increased revenues from both educational programs and services as well as from books and other services. The number of student enrollment is the main driver for our revenue. We track the number of student enrollment as a key indicator for our business growth and manage our course offerings and sales strategies accordingly.

- *Educational Programs and Services.* Net revenues from our educational programs and services increased by 16% from US\$2,785.3 million for the fiscal year ended May 31, 2019 to US\$3,230.4 million for the fiscal year ended May 31, 2020. This increase was primarily due to the growth in revenues from K-12 AST, test preparation, and other courses from US\$2,605.8 million in the fiscal year ended May 31, 2019 to US\$3,040.7 million in the fiscal year ended May 31, 2020. The increase in revenues from K-12 AST, test preparation, and other courses was mainly attributable to the increase in revenues from K-12 AST courses, partially offset by a decrease in revenues from overseas test preparation courses due to the COVID 19 pandemic. The increase in revenues from K-12 AST courses was mainly due to the increase in student enrollment in those courses. The number of student enrollments for our K-12 AST, test preparation, and other courses increased from approximately 8.4 million in the fiscal year ended May 31, 2019 to approximately 10.6 million in the fiscal year ended May 31, 2020, despite the dampened growth in the quarter ended May 31, 2020 due to the impact of COVID 19.
- *Books and Other Services.* Net revenues from sales of books and other educational materials and services increased by 11.9% from US\$311.2 million in the fiscal year ended May 31, 2019 to US\$348.3 million in the fiscal year ended May 31, 2020, primarily due to the increased revenue of US\$30.1 million from overseas consulting business in the fiscal year ended May 31, 2020.

Operating Cost and Expenses. Our total operating cost and expenses increased by 13.8% from US\$2,794.6 million in the fiscal year ended May 31, 2019 to US\$3,179.7 million in the fiscal year ended May 31, 2020. This increase resulted from increases in each of our cost of revenues, selling and marketing expenses and general and administrative expenses. Our operating cost and expenses continue to increase as we continue to open new schools and learning centers and hire additional teachers. We track the number of teachers, schools and learning centers as a key indicator for our operating cost and expenses and manage our expenditures and budget accordingly. Our total numbers of schools and learning centers were 104 and 1,361, respectively, as of May 31, 2020, compared to 95 and 1,159, respectively, as of May 31, 2019. We employed approximately 33,900 and 41,400 teachers as of May 31, 2019 and 2020, respectively.

- *Cost of Revenues.* Our cost of revenues increased by 15.4% from US\$1,376.3 million in the fiscal year ended May 31, 2019 to US\$1,588.9 million in the fiscal year ended May 31, 2020. This increase was in line with the increase in revenues and primarily due to an increase in teachers' compensation for more aggregated teaching hours and higher rental costs for the increased number of schools and learning centers in operation during the fiscal year ended May 31, 2020.
- *Selling and Marketing Expenses.* Our selling and marketing expenses increased by 15.9% from US\$384.3 million in the fiscal year ended May 31, 2019 to US\$445.3 million in the fiscal year ended May 31, 2020. This increase was primarily due to the increase in online marketing efforts and the addition of a number of customer service representatives and marketing staff with the aim of capturing the new market opportunity during COVID 19 pandemic, especially for new initiatives in our pure online education platform, Koolearn.com.
- *General and Administrative Expenses.* Our general and administrative expenses increased by 10.8% from US\$1,034.0 million in the fiscal year ended May 31, 2019 to US\$1,145.5 million in the fiscal year ended May 31, 2020. This increase was primarily due to an increase of US\$41.3 million in human resources expenses, and an increase of US\$34.7 million in general operational expenses during the fiscal year ended May 31, 2020.

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Other Income, Net. Our other income, net increased from US\$10.3 million in the fiscal year ended May 31, 2019 to US\$88.8 million in the fiscal year ended May 31, 2020, which was primarily due to higher loss from fair value change of long-term investments in the fiscal year ended May 31, 2019 and certain VAT exemption due to the COVID-19 in the fiscal year ended May 31, 2020.

Provision for Income Tax. Our income tax expense increased by 56.8% from US\$85.7 million in the fiscal year ended May 31, 2019 to US\$134.4 million in the fiscal year ended May 31, 2020. The increase was primarily due to an increase in valuation allowance for deferred tax assets in the fiscal year ended May 31, 2020.

Net Income. As a result of the foregoing, our net income for the fiscal year ended May 31, 2020 was US\$354.9 million, compared to US\$227.8 million for the fiscal year ended May 31, 2019.

Discussion of Segment Operations

For the years ended May 31, 2019, 2020 and 2021, we identified seven operating segments, including (i) K-12 AST, test preparation, and other courses, (ii) primary and secondary school education, (iii) online education, (iv) content development and distribution, (v) pre-school education, (vi) overseas study consulting services, and (vii) study tour. During the years ended May 31, 2019 and 2020, we identified K-12 AST, test preparation and other courses, as a reportable segment, and online education, content development and distribution, overseas study consulting services, pre-school education, primary and secondary school education and study tour operating segments were aggregated as others because individually they did not exceed the 10% quantitative threshold. During the year ended May 31, 2021, online education became a reportable segment as it individually exceeded the 10% quantitative threshold. As a result, prior period segment information has been restated to conform to the fiscal year of 2021.

Net revenues from our K-12 AST, test preparation, and other courses accounted for 84.2%, 85.0% and 85.8%, respectively, of our total net revenues in the fiscal years ended May 31, 2019, 2020 and 2021. Net revenues from online education accounted for 5.5%, 4.3% and 4.9%, respectively, of our total net revenues in the fiscal years ended May 31, 2019, 2020 and 2021. We recognize revenues from course fees collected for enrollment in our K-12 AST, test preparation, and other courses, and online education proportionally as we deliver the instruction over the period of the course.

Cost of revenues for our K-12 AST, test preparation, and other 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 online education primarily consists of teaching staff costs and course research staff costs.

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 each of our reportable segments primarily consist of compensation and benefits of administrative staff of our reportable segments, compensation and benefits, rental and utilities payments relating to office and administrative functions of our reportable segments, depreciation and amortization of property and equipment used in the general and administrative activities of our reportable segments and, to a lesser extent, costs to develop our curriculum.

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

<i>(in thousands of US\$)</i>	For the Years Ended May 31,		
	2019	2020	2021
Net revenues of the reportable segment:			
K-12 AST, test preparation, and other courses	2,605,829	3,040,741	3,667,270
Online education	132,844	152,542	210,591
Total net revenues of the reportable segment	2,738,673	3,193,283	3,877,861
Total net revenues of our company	3,096,491	3,578,682	4,276,539
Operating cost and expenses of the reportable segment:			
Cost of revenues:			
K-12 AST, test preparation, and other courses	(1,128,355)	(1,304,239)	(1,680,779)
Online education	(59,878)	(84,896)	(145,428)
Selling and marketing:			
K-12 AST, test preparation, and other courses	(212,170)	(218,739)	(326,708)
Online education	(65,289)	(126,471)	(175,092)
General and administrative:			
K-12 AST, test preparation, and other courses	(675,315)	(729,125)	(955,211)
Online education	(40,773)	(69,060)	(124,897)
Total operating cost and expenses of the reportable segments	(2,181,780)	(2,532,530)	(3,408,115)
Total operating cost and expenses of our company	(2,794,584)	(3,179,679)	(4,159,273)

Fiscal Year Ended May 31, 2021 Compared to Fiscal Year Ended May 31, 2020

Net Revenues of Reportable Segments

Net Revenues of K-12 AST, Test Preparation, and Other Courses

Net revenues from our K-12 AST, test preparation, and other courses increased by 20.6% from US\$3,040.7 million for the fiscal year ended May 31, 2020 to US\$3,667.3 million for the fiscal year ended May 31, 2021, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2021 Compared to Fiscal Year Ended May 31, 2020—Net Revenues—Educational Programs and Services.”

Net Revenues of Online Education

Net revenues from online education increased by 38.1% from US\$152.5 million for the fiscal year ended May 31, 2020 to US\$210.6 million for the fiscal year ended May 31, 2021, primarily due to the increased student enrolments of online education.

Operating Costs and Expenses of Reportable Segments

Operating Cost and Expenses of K-12 AST, Test Preparation, and Other Courses

- *Cost of Revenues.* Cost of revenues for our K-12 AST, test preparation, and other courses increased by 28.9% from US\$1,304.2 million for the fiscal year ended May 31, 2020 to US\$1,680.8 million for the fiscal year ended May 31, 2021, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2021 Compared to Fiscal Year Ended May 31, 2020—Operating Costs and Expenses—Cost of Revenues.”
- *Selling and Marketing Expenses.* Selling and marketing expenses for our K-12 AST, test preparation, and other courses increased by 49.4% from US\$218.7 million for the fiscal year ended May 31, 2020 to US\$326.7 million for the fiscal year ended May 31, 2021, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2021 Compared to Fiscal Year Ended May 31, 2020—Operating Costs and Expenses—Selling and Marketing Expenses.”
- *General and Administrative Expenses.* General and administrative expenses for our K-12 AST, test preparation, and other courses increased by 31.0% from US\$729.1 million for the fiscal year ended May 31, 2020 to US\$955.2 million for the fiscal year ended May 31, 2021, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2021 Compared to Fiscal Year Ended May 31, 2020—Operating Costs and Expenses—General and Administrative Expenses.”

Operating Cost and Expenses of Online Education

- *Cost of Revenues.* Cost of revenues for online education increased by 71.3% from US\$84.9 million for the fiscal year ended May 31, 2020 to US\$145.4 million for the fiscal year ended May 31, 2021, primarily due to an increase in teaching staff costs and course research staff costs.
- *Selling and Marketing Expenses.* Selling and marketing expenses for online education increased by 38.4% from US\$126.5 million for the fiscal year ended May 31, 2020 to US\$175.1 million for the fiscal year ended May 31, 2021, primarily due to an increase in staff costs, as we established multi-channel marketing teams.
- *General and Administrative Expenses.* General and administrative expenses for online education increased by 80.8% from US\$69.1 million for the fiscal year ended May 31, 2020 to US\$124.9 million for the fiscal year ended May 31, 2021, primarily due to an increase in share-based compensation expenses and staff costs.

Fiscal Year Ended May 31, 2020 Compared to Fiscal Year Ended May 31, 2019

Net Revenues of Reportable Segments

Net Revenues of K-12 AST, Test Preparation, and Other Courses

Net revenues from our K-12 AST, test preparation, and other courses increased by 16.7% from US\$2,605.8 million for the fiscal year ended May 31, 2019 to US\$3,040.7 million for the fiscal year ended May 31, 2020, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2020 Compared to Fiscal Year Ended May 31, 2019—Net Revenues—Educational Programs and Services.”

Net Revenues of Online Education

Net revenues from online education increased by 14.8% from US\$132.8 million for the fiscal year ended May 31, 2019 to US\$152.5 million for the fiscal year ended May 31, 2020, primarily due to increased student enrolments of online education.

Operating Costs and Expenses of Reportable Segments

Operating Cost and Expenses of K-12 AST, Test Preparation, and Other Courses

- *Cost of Revenues.* Cost of revenues for our K-12 AST, test preparation, and other courses increased by 15.6% from US\$1,128.4 million for the fiscal year ended May 31, 2019 to US\$1,304.2 million for the fiscal year ended May 31, 2020, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2020 Compared to Fiscal Year Ended May 31, 2019—Operating Costs and Expenses—Cost of Revenues.”.
- *Selling and Marketing Expenses.* Selling and marketing expenses for our K-12 AST, test preparation, and other courses increased by 3.1% from US\$212.2 million for the fiscal year ended May 31, 2019 to US\$218.7 million for the fiscal year ended May 31, 2020, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2020 Compared to Fiscal Year Ended May 31, 2019—Operating Costs and Expenses—Selling and Marketing Expenses.”
- *General and Administrative Expenses.* General and administrative expenses for our K-12 AST, test preparation, and other courses increased by 8.0% from US\$675.3 million for the fiscal year ended May 31, 2019 to US\$729.1 million for the fiscal year ended May 31, 2020, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2020 Compared to Fiscal Year Ended May 31, 2019—Operating Costs and Expenses—General and Administrative Expenses.”

Operating Cost and Expenses of Online Education

- *Cost of Revenues.* Cost of revenues for online education increased by 41.7% from US\$59.9 million for the fiscal year ended May 31, 2019 to US\$84.9 million for the fiscal year ended May 31, 2020, primarily due to an increase in teaching staff costs and course research staff costs.
- *Selling and Marketing Expenses.* Selling and marketing expenses for online education increased by 93.7% from US\$65.3 million for the fiscal year ended May 31, 2019 to US\$126.5 million for the fiscal year ended May 31, 2020, primarily due to a substantial increase in marketing expenses and staff costs.
- *General and Administrative Expenses.* General and administrative expenses for online education increased by 69.4% from US\$40.8 million for the fiscal year ended May 31, 2019 to US\$69.1 million for the fiscal year ended May 31, 2020, primarily due to an increase in staff costs and share-based compensation expenses.

Inflation

According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index in China for May 2019, 2020 and 2021 were increases of 2.5%, 2.4% and 1.3%, respectively. Inflation has had some impact on our operations in recent years, in the form of higher salaries for our teachers and other staff and higher rental payments for certain of the properties we lease. Additionally, because a substantial portion of our assets consists of cash and cash equivalents and short-term investments in RMB, high inflation could significantly reduce the value and purchasing power of these assets. We are not able to hedge our exposure to higher inflation in China. We can provide no assurance that we will not be affected in the future should rates of inflation increase again in China.

Critical Accounting Policies

We prepare our consolidated 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.

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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 consolidated financial statements.

Revenue recognition

Revenue is recognized when control of promised goods or services is transferred to our customers in an amount of consideration to which we expect to be entitled to in exchange for those goods or services. We follow the five steps approach for revenue recognition under Topic 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) we satisfy a performance obligation.

The primary sources of our company's revenues are as follows:

Educational programs and services

The educational programs and services consist of K-12 AST, test preparation, and other courses, pre-school education, primary and secondary school education and online education. Each contract of educational programs and services is accounted for as a single performance obligation which is satisfied proportionately over the service period. Tuition is generally collected in advance and is initially recorded as deferred revenue. Refunds are provided to students if they decide within the trial period that they no longer want to take the course. After the trial period, if a student withdraws from a class, usually only those unearned portion of the fee is available to be returned. Historically, we have not had material refund. We recognize the revenue, net of VAT and surcharges from the educational programs and services proportionately when the services are delivered. US\$3,667 million of revenues of educational programs and services was derived from K-12 AST, test preparation and other courses, and the remaining amount was derived from other segments.

Books and other services

Other service revenues are primarily derived from consulting services to students regarding overseas studies and study tours. Revenues are recognized when promised services are delivered to the customers in an amount of consideration to which we expect to be entitled to in exchange for those services. Each contract includes certain milestones and each of the milestones is considered a single performance obligation which is satisfied at the point of time when the related milestone is reached. We estimate the variable consideration to be earned and recognize revenues related to each milestone when the related milestone is achieved. Our company sells books or other educational materials developed or licensed by our own book stores or websites or through third party distributors. Revenues from sales of books and other educational materials is recognized when control of the promised goods is transferred to the customers, in an amount that reflects the consideration we expects to be entitled to in exchange for the goods. All revenues of books and other services were derived from other segments. Our company provides books and other educational materials that are required for our courses and does not separately charge students for these items.

Our contract assets consist of accounts receivable and our contract liabilities mainly consist of prepayments from customers (deferred revenue).

Refund liability mainly related to the estimated refunds that are expected to be provided to students if they decide they no longer want to take the course. Refund liability estimates are based on historical refund ratio on a portfolio basis using the expected value method.

Consolidation of Variable Interest Entity

The 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 offshore holding companies are not educational institutions and do not provide educational services outside China. To comply with the PRC laws and regulations, we conduct substantially all of our business through New Oriental China and its subsidiaries and schools. We have, through our wholly-owned subsidiaries in the PRC, entered into contractual arrangements with New Oriental China, its schools and subsidiaries, and their shareholders such that New Oriental China and its schools and subsidiaries (collectively the “VIEs”) are considered variable interest entities for which we are considered their primary beneficiary. We believe we have substantive kick-out rights per the terms of the option agreement, which gives us the power to control the shareholder of New Oriental China. More specifically, we believe that the terms of the exclusive option agreement are currently exercisable and legally enforceable under PRC laws and regulations. We also believe that the minimum amount of consideration permitted by the applicable PRC law to exercise the option does not represent a financial barrier or disincentive for us to exercise our rights under the exclusive option agreement. A simple majority vote of our board of directors is required to pass a resolution to exercise our rights under the exclusive option agreement, for which consent of the shareholder of New Oriental China is not required. Therefore, we believe this gives us the power to direct the activities that most significantly impact the VIEs’ economic performance. We believe that our ability to exercise effective control, together with the service agreements and the equity pledge agreements, give us the rights to receive substantially all of the economic benefits from the VIEs in consideration for the services provided by our wholly-owned subsidiaries in China as of May 31, 2021. Accordingly, as the primary beneficiary of the VIEs and in accordance with U.S. GAAP, we consolidate their financial results and assets and liabilities in our consolidated financial statements.

On May 10, 2018, Dexin Dongfang, a wholly-owned PRC subsidiary of Koolearn, our controlled subsidiary, entered into contractual arrangements with Beijing Xuncheng, its subsidiaries, and its shareholders such that Beijing Xuncheng and its subsidiaries (collectively the “Xuncheng VIEs”) are considered variable interest entities for which Koolearn is considered as their primary beneficiary. We believe Koolearn has substantive kick-out rights per the terms of the exclusive option agreement, which gives Koolearn the power to control the shareholders of Beijing Xuncheng. More specifically, we believe that the terms of the exclusive option agreement are currently exercisable and legally enforceable under PRC laws and regulations. We also believe that the minimum amount of consideration permitted by the applicable PRC law to exercise the option does not represent a financial barrier or disincentive for Koolearn to exercise its rights under the exclusive option agreement. A simple majority vote of Koolearn’s board of directors is required to pass a resolution to exercise its rights under the exclusive option agreement, for which consent of the shareholders of Beijing Xuncheng is not required. Therefore, we believe this gives Koolearn the power to direct the activities that most significantly impact the Xuncheng VIEs’ economic performance. We believe that Koolearn’s ability to exercise effective control, together with the exclusive management consultancy and business cooperation agreement and the equity pledge agreement, give Koolearn the rights to receive substantially all of the economic benefits from the Xuncheng VIEs in consideration for the services provided by Koolearn’s wholly-owned subsidiaries in China as of May 31, 2021. Accordingly, as the primary beneficiary of the Xuncheng VIEs and in accordance with U.S. GAAP, we consolidate their financial results and assets and liabilities in our consolidated financial statements.

On October 10, 2019, Dexin Dongfang and Zhuhai Chongsheng Heli Network Technology Co., Ltd. or Zhuhai Chongsheng, a wholly-owned PRC subsidiary of Koolearn entered into a supplemental agreement with Beijing Xuncheng and its subsidiaries and all of its shareholders. Pursuant to the supplemental agreement, Zhuhai Chongsheng joined as a party to the contractual agreements between Dexin Dongfang, Beijing Xuncheng and its subsidiaries and shareholders, and assumed the same rights and share the same obligations as Dexin Dongfang under the contractual agreements.

Pursuant to the second supplemental agreement dated February 1, 2021 entered into by and among Dexin Dongfang, Zhuhai Chongsheng, Xi’an Ruiying, Hainan Haiyue, Wuhan Dongfang, Beijing Xuncheng and its subsidiaries and all of its shareholders, Xi’an Ruiying, Hainan Haiyue and Wuhan Dongfang joined as parties to the contractual agreements between Dexin Dongfang, Beijing Xuncheng and its subsidiaries and shareholders and the supplemental agreement. Pursuant to the second supplemental agreement, Xi’an Ruiying, Hainan Haiyue and Wuhan Dongfang assumed the same rights and share the same obligations as Dexin Dongfang and Zhuhai Chongsheng under the contractual agreements and the supplemental agreement.

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On October 10, 2019, Beijing Dongfang Youbo Network Technology Co., Ltd., a subsidiary of Beijing Xuncheng, executed a letter of acceptance whereby it assumed the same rights and obligations as Beijing Xuncheng's subsidiary under the exclusive management consultancy and business cooperation agreement.

On April 7, 2021, the State Council promulgated the Amended Implementation Rules for the Private Education Law, which became effective on September 1, 2021, or the Amended Implementation Rules. The Amended Implementation Rules provide that a private school providing compulsory education is prohibited from conducting transactions with its related party. New Oriental China has two private schools providing compulsory education, Beijing Changping New Oriental Bilingual School and Beijing New Oriental Yangzhou Foreign Language School. As a result of the effectiveness of the Amended Implementation Rules from September 1, 2021, we shall not conduct any related party transaction, including the related party transaction under our contractual arrangements with these two compulsory-education schools. One of our wholly-owned subsidiaries, Beijing Pioneer, has entered into a master exclusive service agreement on September 19, 2014, as amended, with New Oriental China to enable our wholly-owned subsidiaries in China to receive substantially all of the economic benefits of New Oriental China and its schools and subsidiaries. In accordance with the Amended Implementation Rules, the master exclusive service agreement was further amended and effective from September 1, 2021, to exclude Beijing Changping New Oriental Bilingual School and Beijing New Oriental Yangzhou Foreign Language School from such agreement. We may take further necessary measures to comply with the Amended Implementation Rules.

In addition, on July 24, 2021, the General Office of State Council and the General Office of Central Committee of the Communist Party of China jointly promulgated the Alleviating Burden Opinion, which provides, among others, that (i) Academic AST Institutions are prohibited from raising funds by listing on stock markets or conducting any capitalization activities; (ii) foreign capital is prohibited from controlling or participating in any Academic AST Institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities; (iii) online tutoring for preschool-age children is prohibited, and offline academic subjects (including foreign language) tutoring services for preschool-age children is also strictly prohibited. The Alleviating Burden Opinion provides that any violation of the foregoing shall be rectified. The Alleviating Burden Opinion further states that the administration and supervision over academic subjects tutoring institutions for students on grade ten to twelve shall be implemented by reference to the relevant provisions of the Alleviating Burden Opinion. It remains uncertain as to how and to what extent the administration over academic subjects tutoring institutions for students on grade ten to twelve will be implemented by reference of the Alleviating Burden Opinion.

As advised by Tian Yuan Law Firm, our PRC legal counsel, our corporate structure in China did not violate any existing PRC laws and regulations as of fiscal year ended May 31, 2021 covered by this report. However, our PRC legal counsel has also advised us that as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including the Alleviating Burden Opinion, and we cannot assure you that the PRC government would agree that our corporate structure or any of the above contractual arrangements comply with current or future PRC laws or regulations. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities may have broad discretion in interpreting these laws and regulations. See “Item 3. Risk factors—D. Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating some of our China business do not comply with applicable PRC laws and regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations” and “Item 3. Risk factors—D. Risks Related to Our Corporate Structure—We rely on contractual arrangements for our operations in China, which may not be as effective in providing operational control as direct ownership,” “Item 3. Risk factors—D. Risks Related to Our Corporate Structure —Our ability to enforce the equity pledge agreements between us and the shareholders of our variable interest entities may be subject to limitations based on PRC laws and regulations” and “Item 3. Risk factors— D. Risks Related to Our Corporate Structure —The controlling shareholder of Century Friendship, which is the sole shareholder of New Oriental China, may have potential conflicts of interest with us, and if any such conflicts of interest are not resolved in our favor, our business may be materially and adversely affected.”

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We are a holding company with no material operations of our own. We conduct substantially all of our education business in China through contractual arrangements with the VIEs. See “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with New Oriental China, Its Schools and Subsidiaries and Its Shareholder” and “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Beijing Xuncheng, Its Subsidiaries and Shareholders” for a summary of these contractual arrangements. In the fiscal years ended May 31, 2019, 2020 and 2021, the VIEs contributed in aggregate 98.7%, 96.5% and 99.9%, respectively, of our total net revenues. As of the years ended May 31, 2019, 2020 and 2021, the VIEs accounted for an aggregate of 67.5%, 74.0% and 68.0%, respectively, of the consolidated total assets, and 90.5%, 93.9% and 92.6%, respectively, of the consolidated total liabilities. The assets not associated with the VIEs primarily consist of cash, investments and commercial property.

Long-term investments

Our long-term investments include equity securities without readily determinable fair values, equity securities with readily determinable fair values, equity method investments and available-for-sale investments.

Equity securities

- Equity securities with readily determinable fair values

Equity securities with readily determinable fair values are measured at fair value and any changes in fair value are recognized in the consolidated statements of operations.

- Equity securities without readily determinable fair values

We elect a practicability exception to the fair value measurement for the equity securities without readily determinable fair values, under which these investments are measured at cost, less impairment, plus or minus observable price changes of an identical or similar investment of the same issuer with the fair value change recorded in the consolidated statements of operations.

We review the equity securities without readily determinable fair value for impairment at each reporting period. If a qualitative assessment indicates that the investment is impaired, we estimate the investment’s fair value in accordance with the principles of ASC Topic 820, Fair Value Measurements and Disclosures (“ASC 820”). If the fair value is less than the investment’s carrying value, we recognize an impairment loss equal to the difference between the carrying value and the fair value in the consolidated statements of operations.

Equity method investments

Investee companies over which we have the ability to exercise significant influence, but does not have a controlling interest through investment in common shares or in-substance common shares, are accounted for using the equity method. Significant influence is generally considered to exist when we have an ownership interest in the voting stock of the investee between 20% and 50%, and other factors, such as representation on the investee’s board of directors, voting rights and the impact of commercial arrangements, are also considered in determining whether the equity method of accounting is appropriate. For certain investments in limited partnerships, where we hold less than a 20% equity or voting interest, we may also have significant influence.

Under the equity method, we initially records its investment at cost and subsequently recognizes the proportionate share of each equity investee’s net income or loss after the date of investment into the consolidated statements of operations and accordingly adjusts the carrying amount of the investment.

We review its equity method investments for impairment whenever an event or circumstance indicates that an other-than-temporary impairment has occurred. We consider available quantitative and qualitative evidence in evaluating potential impairment of its equity method investments. An impairment charge is recorded when the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary.

Available-for-sale investments

For investments in investee's shares which are determined to be debt securities, we account for them as available-for-sale investments when they are not classified as either trading or held-to-maturity investments. Available-for-sale investments are reported at fair value, with unrealized gains and losses, net of taxes recorded in accumulated other comprehensive income (loss). Realized gains or losses on the sales of these securities are recognized in the consolidated statements of operations. We measured the fair value of available-for-sale investments based on recent transactions or based on the market approach or income approach when no recent transactions are available.

We evaluate each individual investment periodically for impairment. For investments where we do not intend to sell, we evaluate whether a decline in fair value is due to deterioration in credit risk. Credit-related impairment losses, not to exceed the amount that fair value is less than the amortized cost basis, are recognized through an allowance for credit losses on the consolidated balance sheet with corresponding adjustment in the consolidated statements of operations and comprehensive income. Subsequent increases in fair value due to credit improvement are recognized through reversal of the credit losses and corresponding reduction in the allowance for credit losses. Any decline in fair value that is non-credit related is recorded in accumulated other comprehensive income as a component of shareholder's equity.

Income taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. Significant judgment is required in determining our provision for income taxes and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws.

We account for income taxes using the asset and liability approach. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities, net of operating loss carry forwards and credits, by applying enacted tax rates that will be in effect for the period in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of operations in the period of change. Deferred tax assets are reduced by a valuation allowance when it is considered more likely than not that some portion or all of the deferred tax assets will not be realized.

We account for uncertain tax positions by reporting a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Tax benefits are recognized from uncertain tax positions when we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. We recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expenses.

Uncertainties exist with respect to how the PRC's Enterprise Income Tax Law applies to our overall operations, and more specifically, with regard to our tax residency status. The Enterprise Income Tax Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for PRC income tax purposes if their place of effective management or control is within the PRC. The implementation rules to the Enterprise Income Tax Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, among others, occur within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside of the PRC should be treated as residents for the Enterprise Income Tax Law's purposes. If one or more of our legal entities organized outside of the PRC were characterized as PRC tax residents, the impact would adversely affect our results of operation. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We may be treated as a resident enterprise for PRC tax purposes under the EIT Law, which may subject us to PRC income tax for our global income and withholding for any dividends we pay to our non-PRC shareholders and ADS holders."

Operating leases

Before June 1, 2019, we adopted ASC Topic 840 (“ASC 840”), *Leases*, and each lease is classified at the inception date as either a capital lease or an operating lease.

On June 1, 2019, we adopted the New Leasing Standard (“ASC 842”), using the modified retrospective transition method resulting in the recording of operating lease right-of-use (ROU) assets of US\$1,254.6 million and operating lease liabilities of US\$1,238.1 million upon adoption. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance. The adoption of the new guidance did not have a material effect on the consolidated statements of operations.

We determine if an arrangement is a lease or contains a lease at lease inception. Operating leases are required to be recorded in the balance sheets as ROU and lease liabilities, initially measured at the present value of the lease payments. We have elected the package of practical expedients, which allows us not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. We account for the lease and non-lease components separately. Lastly, we also have elected to utilize the short-term lease recognition exemption and, for those leases that qualified, we did not recognize operating lease ROU assets or operating lease liabilities.

As the rate implicit in the lease is not readily determinable, we estimate our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated in a portfolio approach to approximate the interest rate on a collateralized basis with similar terms and payments in a similar economic environment. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expenses are recorded on a straight-line basis over the lease term.

Recently Issued Accounting Pronouncements

For a summary of recently issued accounting pronouncements, see Note 2 to our consolidated financial statements.

B. Liquidity and Capital Resources

Our principal source of liquidity has been cash generated from operating activities. As of May 31, 2021, we had US\$1,612.2 million and US\$19.9 million in cash and cash equivalents and restricted cash, respectively. 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 schools and 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 schools and subsidiaries are paid to our wholly-owned subsidiaries in China pursuant to contractual arrangements for the services our subsidiaries provide to New Oriental China and its schools and subsidiaries.

We expect to require cash to fund our ongoing business needs, particularly the rent and other cost and expenses relating to developing new businesses. Other cash needs include acquisitions of businesses and properties that complement our operations when suitable opportunities arise. We have not encountered any difficulties in meeting our cash obligations to date. We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the foreseeable future.

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

<i>(in thousands of US\$)</i>	For the Years Ended May 31,		
	2019	2020	2021
Net cash provided by operating activities	805,648	804,455	1,130,085
Net cash used in investing activities	(574,712)	(1,256,370)	(2,177,639)
Net cash (used in) provided by financing activities	266,649	(17,862)	1,654,084
Effect of foreign exchange rate changes	(66,123)	(29,026)	106,173
Net change in cash and cash equivalents	431,462	(498,803)	712,703
Cash and cash equivalents and restricted cash at beginning of the period	986,765	1,418,227	919,424
Cash and cash equivalents and restricted cash at end of the period	1,418,227	919,424	1,632,127

Operating Activities

Net cash provided by operating activities amounted to US\$1,130.1 million in the fiscal year ended May 31, 2021. Our net cash provided by operating activities in the fiscal year ended May 31, 2021 reflected net income of US\$230.0 million, as adjusted by the reconciliation of certain non-cash items, including US\$225.7 million in depreciation and US\$68.9 million in share-based compensation expense. Additional factors affecting operating cash flow included an increase in the deferred revenue in the amount of US\$420.3 million due to the increased amount of course fees received during the period, and an increase in the accrued expenses and other current liabilities account of US\$122.1 million, primarily due to an increase in accrued employee salary expenses and welfare benefits.

Net cash provided by operating activities amounted to US\$804.5 million in the fiscal year ended May 31, 2020. Our net cash provided by operating activities in the fiscal year ended May 31, 2020 reflected net income of US\$354.9 million, as adjusted by the reconciliation of certain non-cash items, including US\$146.3 million in depreciation and US\$62.1 million in share-based compensation expense. Additional factors affecting operating cash flow included an increase in the deferred revenue in the amount of US\$61.9 million due to the increased amount of course fees received during the period, and an increase in the accrued expenses and other current liabilities account of US\$63.7 million, primarily due to an increase in accrued employee salary expenses and welfare benefits.

Net cash provided by operating activities amounted to US\$805.6 million in the fiscal year ended May 31, 2019. Our net cash provided by operating activities in the fiscal year ended May 31, 2019 reflected net income of US\$227.8 million, as adjusted by the reconciliation of certain non-cash items, including US\$110.0 million in depreciation and US\$71.3 million in share-based compensation expense. Additional factors affecting operating cash flow included an increase in the deferred revenues in the amount of US\$336.9 million due to the increased amount of course fees received during the period.

Investing Activities

We lease all of our facilities except for part of the premises for the Beijing, Xi'an, Tianjin, Kunming, Wuhan, Guangzhou, Changsha, Xiamen, Zhengzhou, Hangzhou, Hefei and Yangzhou schools, which premises we own. Our cash used in investing activities is primarily related to the premises for the facilities we own and equipment used in our operations, our investment in term deposits and short term investments.

Net cash used in investing activities amounted to US\$2,177.6 million in the fiscal year ended May 31, 2021, compared to US\$1,256.4 million in the fiscal year ended May 31, 2020 and US\$574.7 million in the fiscal year ended May 31, 2019.

Net cash used in investing activities in the fiscal year ended May 31, 2021 was primarily attributable to net purchase of short term held-to-maturity investments in the amount of US\$801.3 million, purchase of term deposits in the amount of US\$1,203.6 million and the purchase of property and equipment in the amount of US\$429.2 million in connection with the expansion of our school network.

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Net cash used in investing activities in the fiscal year ended May 31, 2020 was primarily attributable to net purchase of short term held-to-maturity investments in the amount of US\$715.9 million, purchase of term deposits in the amount of US\$249.0 million and the purchase of property and equipment in the amount of US\$309.5 million in connection with the expansion of our school network.

Net cash used in investing activities in the fiscal year ended May 31, 2019 was primarily attributable to net purchase of short term held-to-maturity investments in the amount of US\$162.7 million, purchase of term deposits in the amount of US\$104.2 million and the purchase of property and equipment in the amount of US\$269.1 million in connection with the expansion of our school network.

Financing Activities

Net cash provided by financing activities amounted to US\$1,654.1 million in the fiscal year ended May 31, 2021, compared to net cash used in financing activities of US\$17.9 million in the fiscal year ended May 31, 2020 and net cash provided by financing activities of US\$266.6 million in the fiscal year ended May 31, 2019.

Net cash provided by financing activities in the fiscal year ended May 31, 2021 was primarily attributable to proceeds from secondary public offering in Hong Kong in the amount of US\$1,482.8 million and the unsecured senior notes in the amount of US\$297.1 million and the repayments of long-term loan in the amount of US\$120.0 million.

Net cash used in financing activities in the fiscal year ended May 31, 2020 was primarily attributable to proceeds from long-term loan in the amount of US\$20.0 million and contingent consideration payments made after a business combination in the amount of US\$18.3 million.

Net cash provided by financing activities in the fiscal year ended May 31, 2019 was primarily attributable to proceeds from issuance of ordinary shares relating to the IPO of Koolearn in the amount of US\$233.3 million.

Holding Company Structure

Overview

We are a holding company with no material operations of our own. We conduct substantially all of our education business in China through contractual arrangements with our variable interest entities, and their schools and subsidiaries and shareholders. See “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with New Oriental China, Its Schools and Subsidiaries and Its Shareholder” and “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Beijing Xuncheng, Its Subsidiaries and Shareholders” for a summary of these contractual arrangements. In the fiscal years ended May 31, 2019, 2020 and 2021, our variable interest entities contributed in aggregate 98.7%, 96.5% and 99.9%, respectively, of our total net revenues. Our operations not conducted through contractual arrangements with our variable interest entities primarily consist of the leasing of our commercial property. As of May 31, 2020 and 2021, our variable interest entities accounted for an aggregate of 74.0% and 68.0%, respectively, of our total assets, and 93.9% and 92.6%, respectively, of our total liabilities. The assets not associated with our variable interest entities primarily consist of cash and cash equivalents, term deposits and short-term investments. As of May 31, 2020 and 2021, US\$344.5 million and US\$612.3 million, respectively, of these assets were denominated in U.S. dollars, and US\$3,172.9 million and US\$4,500.0 million, respectively, of these assets were denominated in RMB and the remaining are denominated in other foreign currencies, including British pounds and Hong Kong dollars.

As a holding company, our ability to pay dividends and other cash distributions to our shareholders depends in part upon dividends and other distributions paid to us by our PRC subsidiaries. The amount of dividends paid by our PRC subsidiaries to us primarily depends on the service fees paid to our PRC subsidiaries from our variable interest entities, and, to a lesser degree, our PRC subsidiaries’ retained earnings. As of May 31, 2019, 2020 and 2021, the total amount of service fees payable to our PRC subsidiaries from our variable interest entities under the service agreements was US\$412.8 million, US\$429.8 million and US\$462.6 million, respectively.

Conducting our operations through contractual arrangements with our variable interest entities entails a risk that we may lose the power to direct the activities that most significantly affect the economic performance of our variable interest entities, which may result in our being unable to consolidate their financial results with our results and may impair our access to their cash flow from operations and thereby reduce our liquidity. See “Item 3. Risk Factors—D. Risks Related to Our Corporate Structure” for more information, including the risk factors titled “If the PRC government finds that the agreements that establish the structure for operating some of our China business do not comply with applicable PRC laws and regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations” and “We rely on contractual arrangements for our operations in China, which may not be as effective in providing operational control as direct ownership.”

Dividend Distributions

Under PRC law, each of our PRC subsidiaries, variable interest entities and their respective subsidiaries which is not a for-profit private school is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory surplus reserve until such reserve reaches 50% of its registered capital and to further set aside a portion of its after-tax profit to fund the reserve fund at the discretion of our board of directors. 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. In addition, each of our schools that requires or does not require reasonable returns in China is required to allocate a certain amount out of its annual net income or annual increase in the net assets, if any, to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. For our schools which have elected to require reasonable returns, this amount shall be no less than 25% of the annual net income of the school, and for our schools which have elected not to 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. Upon the effectiveness of the Amended Law for Promoting Private Education in September 2017, sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations. Our PRC 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.

Pursuant to contractual arrangements that our wholly-owned subsidiaries in China have with our variable interest entities, the earnings and cash of variable interest entities and their schools and subsidiaries are used to pay service fees in RMB to our PRC subsidiaries in the manner and amount set forth in these agreements. After paying the applicable withholding taxes and making appropriations for its statutory reserve requirement, the remaining net profits of our PRC subsidiaries would be available for distribution to three Hong Kong-incorporated intermediate holding companies wholly owned by our company, and from these three Hong Kong-incorporated intermediate holding companies to our company. See “Item 4. Information on the Company—C. Organizational Structure” for a diagram of our corporate structure. As of May 31, 2021, the net assets of our PRC subsidiaries and variable interest entities and their schools and subsidiaries which were restricted due to statutory reserve requirements and other applicable laws and regulations, and thus not available for distribution, were in aggregate US\$724.9 million, and the net assets of our PRC subsidiaries and variable interest entities and their schools and subsidiaries which were unrestricted and thus available for distribution were in aggregate US\$3,242.3 million. We do not believe that these restrictions on the distribution of our net assets will have a significant impact on our ability to timely meet our financial obligations in the future. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We may rely 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 or New Oriental China and its schools and subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business” for more information.

Furthermore, cash transfers from our PRC subsidiaries to our Hong Kong-incorporated intermediate holding companies are subject to PRC government control of currency conversion. Restrictions on the availability of foreign currency may affect the ability of our PRC subsidiaries and New Oriental China and its schools and subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Governmental control of currency conversion may affect the value of your investment.”

Capital Expenditures

The expansion of our network of schools, learning centers, OMO system and bookstores has required significant investment. Our capital expenditures were US\$269.1 million, US\$309.5 million and US\$429.2 million in the fiscal years ended May 31, 2019, 2020 and 2021, respectively. Our capital expenditures are incurred primarily in connection with facility acquisitions, leasehold improvements and investments in equipment, technology and operating systems. Our capital expenditures for the fiscal year ended May 31, 2021 were primarily due to our 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.

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

Technology Capabilities and Infrastructure

Our continuous development in technology capabilities has contributed to our sustained success in the private education industry. We believe our strong technology capabilities enable us to deliver a superior learning experience and improve our operational efficiency. We employ experienced research and development personnel to build, maintain and upgrade our technologies and systems. With the development of our online and offline integration, we have increased our research and development staff in recent years. We had approximately 1,800, 4,000 and 5,100 research and development personnel as of May 31, 2019, 2020 and 2021, respectively.

Our online and offline integration

We have integrated our offline network and operations with online technology for our educational services and operations. Our OMO system serves as the core of this integration. We developed and launched our OMO system in 2014 as a standardized digital classroom teaching system to digitalize our offline teaching materials and education resources. Capitalizing on our technology advancements, we continued to upgrade the functions and features of our OMO system over the years and it has evolved into an online education system, with a comprehensive set of technologies and initiatives that complements and supports students' offline learning activities and improves students' learning experience. Our OMO system has been extensively integrated into our educational services and operations.

Leveraging our big data analytics capabilities, our OMO system provides multiple interactive online learning features that benefit students, teachers, and parents, including offering self-adaptive and interactive courseware to students, pushing customized content to students, recommending additional courses based on their online study records and performance, offering real-time feedback to parents to help improve students' academic performance and closely connecting teachers, students and parents. For example, we have developed the Visible Progress System (VPS), which provides a proprietary seven-step teaching method and divides students' grasp of knowledge into six levels to create clear measurement standards that visualizes students' learning progress. This allows students to immediately and clearly see the results of their own efforts and parents and teachers to monitor each student's learning progress. Students have a clearer understanding of which level they have achieved, and the requirements for the next stage of their learning. Teachers can give targeted guidance to students during the teaching process. Our OMO system also helps teachers prepare lessons, both those delivered online and offline, through a standardized and structured process. Based on our rich database, teaching materials can be generated automatically and tailored to the needs of the specific classes.

The integration of online and offline education powered by our OMO system also allows us to quickly adapt to the constantly evolving private education industry trends, further strengthening our leadership position in the private education industry. We have achieved high scalability with our dual-teacher model tailored to students in lower-tier cities and offered new innovative course offerings to address unmet student demands.

Big data analytics technology

Throughout our long operating history, we have accumulated a large student data base, including complex students' learning behavior and performance data, and extensive data on teaching techniques, materials, and resources, while maintaining a high standard of data protection and privacy. We have built strong data analytics capabilities using algorithms, models and data analytics tools. Our OMO system leverages big data analysis to enhance our operational efficiency, including understanding students' learning needs and generating customized teaching content and services for each student, as well as allowing teachers to prepare lessons through a standardized and structured process. Our OMO system not only benefits from our extensive data accumulated over our long operating history and as a result of our large scale, but also constantly accumulates more data from all participants in the education ecosystem, such as students, teachers, parents, and administrators, through a wide range of interfaces and terminals. As the database expands with the accumulation of new data, we continue to advance and evolve our data analytics capabilities. The continued accumulation of data also enables us to develop new teaching services, which in turn feeds new data back into the system, creating a virtuous cycle.

AI-powered technologies

Our access to a vast amount of student data enables us to develop and refine robust AI technologies. We have developed a series of AI-driven learning systems and learning tools to improve teaching and learning efficiency, including:

Proprietary self-adaptive learning system. Since 2014, we have developed our self-adaptive learning system which dynamically adjusts the course content based on students' in-class performance and progress to help them to better grasp key knowledge points.

Proprietary computerized assessment testing system. We have developed our computerized assessment testing system which tests students' capabilities and presents summary reports on students' performance in class and within their student group.

Interactive courseware. We have developed digital interactive courseware which standardizes course materials and provides more interaction between teachers and students.

Realskill. Realskill is a learning platform developed by a joint venture between our company and an AI company in China. The platform utilizes our teaching expertise, materials, data and other resources with deep learning algorithms. The platform automatically and intelligently grades and comments on students' writing for IELTS and TOEFL and speaking practices for TOEFL based on AI-powered analysis of authentic test materials. The platform can be used by students for personal learning purposes and teaching institutions for teaching services and platform and engine access.

Technology Platform and Infrastructure

Our technology platform is designed to provide systems that help distinguish ourselves in the marketplace, operate cost-effectively and accommodate future growth. Our technology platform is a combination of our proprietary self-adaptive learning systems, content management systems, interactive courseware, exam platforms, computerized assessment testing systems, a proprietary Visible Progress System, and big data analytics. We have been investing in infrastructure to achieve simplification of the storage and processing of large amounts of data, facilitation of the deployment and operation of large-scale programs and services, automation of much of the administration of our business, and the ability to scale both capacity and functionality and build large clusters seamlessly.

One of our ongoing focuses 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 customers can access our services at any time. Our websites are hosted at third party facilities in Beijing. These facilities provide 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. We do not capitalize any related costs.

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Application of 5G

We have partnered with hardware service providers and telecom operators to provide remote education services leveraging 5G technologies to further differentiate us from smaller-scale peers and at the same time reduce reliance on local teachers. We have also been helping students from remote and less developed areas to gain access to high quality teaching content with the help of 5G technology and we are committed to continuing to do so as the technology improves.

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 secrets laws as well as confidentiality agreements with our employees, contractors and others. As of May 31, 2021, we had 28 main works of art copyrights and 45 main software copyrights in China relating to various aspects of our operations, and 16 main trademark registrations in China, of which “,” “,” and “” have been recognized as “well-known trademarks” in civil action adjudicated and/or administrative determination in China. Our main websites are located at www.xdf.cn, www.neworiental.org and www.koolearn.com. In addition, we have registered other domain names, including dogwood.com.cn, blingabc.com, ileci.com, donut.cn, 51pigai.com and steamxdf.com.

We have 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. 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. We believe these guidelines, procedures and safeguards increase our ability to avoid infringing or potentially infringing activities, reduce our exposure to third party claims and protect our reputation as a company that respects the intellectual property rights of third parties.

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased limited liability insurance for some of our schools and learning centers. We also provide social security insurance for our employees as required by local governmental authorities. We maintain key-man life insurance. We consider our insurance coverage to be in line with that of other private education providers in China.

D. Trend Information

Please refer to “—A. Results of Operations” for a discussion of known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net revenues, income from operations, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

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E. [Off-balance Sheet Arrangements](#)

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. 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.

F. [Tabular Disclosure of Contractual Obligations](#)

The following table sets forth our contractual obligations as of May 31, 2021:

<i>(in thousands of US\$)</i>	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Lease Obligations ⁽¹⁾	2,113,799	552,470	890,290	475,857	195,182
Purchase and Leasehold Improvements Obligations ⁽²⁾	55,601	55,601	—	—	—
Unsecured Senior Notes Obligations	300,000	—	—	300,000	—
Other Commitment ⁽³⁾	28,688	6,375	12,750	9,563	—
Total	2,498,088	614,446	903,040	785,420	195,182

(1) Represents lease obligations under our facility leases.

(2) Represents leasehold improvement obligations in connection with renovations of the leased facilities and purchase of property and equipment.

(3) Represents interests to be paid for the unsecured senior notes entered in July 2020 as discussed in Note 14.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. [Directors and Senior Management](#)

The following table sets forth information regarding our executive officers and directors as of the date of this annual report.

Name	Age	Position/Title
Michael Minhong Yu	58	Executive Chairman
Chenggang Zhou	59	Director and Chief Executive Officer
Zhihui Yang	47	Executive President and Chief Financial Officer
Louis T. Hsieh	56	Director
Robin Yanhong Li	52	Independent Director
Denny Ting Bun Lee	53	Independent Director
John Zhuang Yang	66	Independent Director

Mr. Michael Minhong Yu is the founder of our company and has served as the chairman of our board of directors since August 2001. He was also our chief executive officer from 2001 to September 2016. Mr. Yu also serves as Standing Committee Member of the Central Committee of the China Democratic League. Formerly, Mr. Yu served as Vice Chairman of China Youth Entrepreneurs Association. Prior to founding our first school in 1993, Mr. Yu was an English instructor at Peking University from 1985 and 1991. Mr. Yu currently serves as the chairman of the board and non-executive director of Koolearn (HKEX:1797), and was a director of Sunlands Technology Group (NYSE:STG) from August 2017 (and an independent director from March 2018) to June 2019. Mr. Yu received his bachelor's degree in English from Peking University.

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Mr. Chenggang Zhou has served as our director since November 2010 and chief executive officer since September 2016. Mr. Zhou joined New Oriental in 2000 and has held multiple positions in our company since then, including president, executive president for domestic business, executive vice president, vice president and president of Beijing and Shanghai New Oriental Schools. Prior to joining us, 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. Zhihui Yang has served as our chief financial officer since April 2015 and executive president since January 2021. Prior to that, Mr. Yang held multiple positions after he joined our company in April 2006, including vice president of finance, deputy director of president office and senior financial manager. Prior to joining us, Mr. Yang served as the financial director of Beijing Hua De Xin Investment Co., Ltd. from July 2002 to April 2006. From August 1997 and May 2002, Mr. Yang worked for PricewaterhouseCoopers as a senior auditor. Mr. Yang received his bachelor's degree in economics from Guanghua School of Management of Peking University.

Mr. Louis T. Hsieh has served as our director since March 2007. From May 2009 to January 2016, Mr. Hsieh served as our president, and from December 2005 to April 2015, he served as our chief financial officer. Mr. Hsieh currently serves as the global chief financial officer and board director for Hesai Group, a leading 3-D LIDAR and robotics company based in China, since April 2021 (director since June 2021). Mr. Hsieh served as the global chief financial officer of NIO Inc. (NYSE: NIO), an NYSE-listed electronic vehicle company in China, from May 2017 to October 2019. Mr. Hsieh also serves as an independent director of JD.com Inc. (Nasdaq: JD; HKEX: 9618), a leading technology driven e-commerce company in China listed on Nasdaq and the Hong Kong Stock Exchange, and an independent director of Yum China Holdings, Inc. (NYSE: YUMC; HKEX: 9987), a leading restaurant company in China listed on the NYSE and Hong Kong Stock Exchange. Mr. Hsieh holds a bachelor'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. Robin Yanhong Li has served as our independent director since September 2006. Mr. Li is a co-founder of Baidu, Inc., the leading Chinese language Internet search provider listed on the Nasdaq Global Select Market and the Hong Kong Stock Exchange (NASDAQ:BIDU; HKEX: 9888). Mr. Li has served as the chairman of the board of directors of Baidu since its inception in January 2000 and as its chief executive officer since February 2004. He served as the president of Baidu from February 2000 to December 2003. Prior to founding Baidu, Mr. Li worked as an engineer at Infoseek, a pioneer in the Internet search engine industry, from July 1997 to December 1999. Currently, Mr. Li acts as the vice chairman of the Internet Society of China (ISC). Mr. Li has also been a vice chairman of All-China Federation of Industry & Commerce since December 2012. 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 Ting Bun Lee has served as our independent director since September 2006. Mr. Lee has served as a director of NetEase, Inc., formerly known as Netease.com, Inc., a leading internet technology company in China listed on the Nasdaq Global Select Market (NASDAQ:NTES) and the Hong Kong Stock Exchange (HKEX:9999), since April 2002. He was the chief financial officer of NetEase.com, Inc. from April 2002 to June 2007 and its financial controller from November 2001 to April 2002. Prior to joining NetEase.com, Inc. in 2001, Mr. Lee worked in the Hong Kong office of KPMG for more than ten years. Mr. Lee currently serves as the chairman of the audit committees and an independent non-executive director on the boards of Jianpu Technology Inc. (NYSE:JT) and NIO Inc. (NYSE:NIO), which are listed on the New York Stock Exchange, and as an independent non-executive director on the board of China Metal Resources Utilization Ltd. (HKEX: 1636), which is listed on the main board of Hong Kong Stock Exchange. 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.

Dr. John Zhuang Yang has served as our independent director since August 2007. Dr. Yang currently serves as a professor of management at National School of Development of Peking University and the academic director of the Doctor of Professional Studies in Business (DPS) Program at National School of Development of Peking University. Dr. Yang holds a Ph.D. degree in business administration from Columbia University, a master's degree in sociology from Columbia University, a master's degree in international and public affairs from the Woodrow Wilson School of Public and International Affairs at Princeton University, and a bachelor's degree from the English Language and Literature Department of Peking University.

Employment Agreements

We have entered into employment agreements with each of our executive officers. We may terminate employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, such as a conviction of 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. 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 or her authority, duties and responsibilities or if there is a material reduction in his or her 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 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. Our 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, 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 (1) 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; (2) 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 (3) 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.

B. Compensation of Directors and Executive Officers

For the fiscal year ended May 31, 2021, we paid an aggregate of approximately US\$2.6 million in cash to our executive officers and non-executive directors as a group. In addition, we made contributions to the pension insurance, medical insurance, housing fund, unemployment and other benefits for the benefits of our executive officers and non-executive directors in the aggregate amount of US\$116 thousand. See “—Share Incentives” below for more information. No executive officer is entitled to any severance benefits upon termination of his employment with our company except as required under applicable PRC law.

Share Incentives

2006 Share Incentive Plan

Our 2006 Share Incentive Plan, as amended, or the 2006 plan, is designed 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) granted under the 2006 plan is 8,000,000 shares (without taking into account the one-for-ten share split that took effect on March 10, 2021), plus (1) 5,000,000 shares added on January 1, 2007, (2) 5,000,000 shares added on January 1, 2008 and (3) 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. The 2006 plan expired in January 2016. No additional awards may be granted under the 2006 plan after its expiration, but the expiration of the plan would not impair any award previously granted under the plan. We do not have any outstanding awards under our 2006 plan.

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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;
- 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;
- 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; and
- dividend equivalent rights, which entitle the grantee to compensation measured by dividends paid with respect to common shares.

Plan Administration. Our board of directors, or a committee designated by our board or directors, administers the 2006 plan. The committee or the full board of directors, as appropriate, determines 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, 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. In September 2012, we amended the 2006 plan to clarify that the plan administrator has the power to reduce the exercise price of an outstanding option and also reduce the number of the underlying common shares without seeking shareholders' approval, if such modification would not result in significant additional share-based compensation expenses to be incurred by our company.

The term of each award under our 2006 plan will be specified in an award agreement, but the term of an ISO shall not exceed ten years from the date of grant thereof.

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Vesting Schedule. In general, 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. The vesting schedule of equity share awards is subject to the applicable award agreement.

2016 Share Incentive Plan

We adopted our 2016 Share Incentive Plan, or the 2016 plan, in January 2016 to continue to provide incentives to employees, directors and consultants after the expiration of our 2006 plan. The maximum aggregate number of shares which may be issued pursuant to all awards (including options) granted under the 2016 plan is 100,000,000 shares (taking into account the one-for-ten share split that took effect on March 10, 2021). The 2016 plan has a term of 10 years, unless terminated earlier. As of May 31, 2021, an aggregate of 24,915,990 non-vested equity shares remain outstanding under the 2016 Share Incentive Plan, excluding non-vested equity shares that were forfeited or cancelled after the relevant grant date.

The following paragraphs describe the principal terms of the 2016 plan.

Amendment of the Plan. Our board of director may at any time amend, suspend or terminate the 2016 plan. Unless we decide to follow home country practice, the following amendments to the 2016 plan require approval from our shareholders (i) increase of the number of shares available under the 2016 plan, (ii) extension of the term of the 2016 plan, (iii) extension of the exercise period of an option beyond ten years, and (iv) any other amendments about which shareholders' approval are necessary and desirable under applicable laws or stock exchange rules.

The remaining terms of the 2016 plan are substantially identical to the terms of the 2006 plan described above.

The following table summarizes, as of September 17, 2021, the outstanding non-vested equity shares granted under our 2016 plan to our directors and executive officers (taking into account the one-for-ten share split that took effect on March 10, 2021).

Name	Common Shares Underlying Outstanding NES	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Michael Minhong Yu	*	†	05/14/2021	06/30/2022
	*	†	05/14/2021	06/30/2023
	*	†	05/14/2021	06/30/2024
Chenggang Zhou	*	†	05/14/2021	06/30/2022
	*	†	05/14/2021	06/30/2023
	*	†	05/14/2021	06/30/2024
Zhihui Yang	*	†	05/14/2021	06/30/2022
	*	†	05/14/2021	06/30/2023
	*	†	05/14/2021	06/30/2024
Louis T. Hsieh	*	†	05/14/2021	06/30/2022
	*	†	05/14/2021	06/30/2023
	*	†	05/14/2021	06/30/2024
Robin Yanhong Li	*	†	05/14/2021	06/30/2022
	*	†	05/14/2021	06/30/2023
	*	†	05/14/2021	06/30/2024
Denny Ting Bun Lee	*	†	05/14/2021	06/30/2022
	*	†	05/14/2021	06/30/2023
	*	†	05/14/2021	06/30/2024
John Zhuang Yang	*	†	05/14/2021	06/30/2022
	*	†	05/14/2021	06/30/2023
	*	†	05/14/2021	06/30/2024

* Less than 1% of our total outstanding voting securities.

† Non-vested equity share awards.

Koolearn Share Option Schemes

On July 13, 2018, the board of directors of Koolearn approved an employee's share option plan, or the Koolearn Pre-IPO Share Option Scheme, under which Koolearn is authorized to issue up to 47,836,985 shares in Koolearn pursuant to awards granted to the directors, senior management, employees and contractors of Koolearn. Koolearn has granted options underlying all of its shares issuable under the Pre-IPO Share Option Scheme. As of May 31, 2021, options to subscribe for an aggregate of 36,902,985 shares remain outstanding under the Pre-IPO Share Option Scheme, excluding options that were forfeited, cancelled or exercised after the relevant grant date.

On January 30, 2019, the board of directors of Koolearn approved an employee's share option plan, or the Koolearn Post-IPO Share Option Scheme, under which Koolearn is authorized to issue up to 91,395,910 shares in Koolearn pursuant to awards granted to, among others, directors, employees of Koolearn or its affiliate. Koolearn has granted options underlying an aggregate of 65,000,000 shares under the Post-IPO Share Option Scheme, of which options underlying 14,574,185 shares were forfeited. As of May 31, 2021, options to subscribe for an aggregate of 50,389,815 shares remain outstanding under the Post-IPO Share Option Scheme, excluding options that were forfeited, cancelled or exercised after the relevant grant date.

C. Board Practices

Our board of directors currently consists of six directors, which consist of three independent directors and three directors who are our executive officers or employed by us. Section 303A.01 of the NYSE Listed Company Manual requires each listed company to have a majority of independent directors on the board of directors after the first anniversary of the company's listing on the NYSE. We are not required under the laws of the Cayman Islands to have a majority of independent directors on our board of directors. Pursuant to the exception granted to foreign private issuers under Section 303A.00 of the NYSE Listed Company Manual, we have elected to follow our home country practice with respect to our board of 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. Our independent directors hold executive sessions, during which only the independent directors are present, at least once a year. Depending on the nature of the discussion at an executive session, each of the three independent directors may preside at the executive sessions. In the fiscal year ended May 31, 2021, our board held meetings or passed resolutions by unanimous written consent 24 times.

Committees of the Board of Directors

We have established three fully independent 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. The committee charters are available on our website at <http://investor.neworiental.org>. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Mr. Denny Ting Bun Lee, Mr. Robin Yanhong Li and Dr. John Zhuang Yang. Mr. Lee is the chairman of our audit committee. All of the members of our audit committee satisfy the "independence" requirements of Section 303A of the NYSE Listed Company Manual and Rule 10A-3 under the Exchange Act.

Our board of directors has determined that Mr. Denny Ting Bun Lee's simultaneous service on the audit committee of two other public companies would not impair his ability to effectively serve on our audit committee. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;

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- reviewing with the independent registered public accounting firm 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 U.S. Securities Act of 1933, as amended;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- 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 registered public accounting firm.

In the fiscal year ended May 31, 2021, the audit committee held meetings or passed resolutions by unanimous written consent four times, and also approved certain other matters together with the rest of the board members four times, including the audit committee’s approval of three quarterly earnings releases and annual result.

Compensation Committee. Our compensation committee consists of Mr. Robin Yanhong Li, Mr. Denny Ting Bun Lee and Dr. John Zhuang Yang. Mr. Li is the chairman of our compensation committee. All of the members of our compensation committee satisfy the “independence” requirements of Section 303A of the NYSE Listed Company Manual. 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 is 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, and employee pension and welfare benefit plans.

In the fiscal year ended May 31, 2021, the compensation committee passed resolutions by unanimous written consent once, and also approved certain matters together with the rest of the board members once.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Dr. John Zhuang Yang, Mr. Robin Yanhong Li and Mr. Denny Ting Bun Lee. Dr. Yang is the chairman of our nominating and corporate governance committee. All of the members of our nominating and corporate governance committee satisfy the “independence” requirements of Section 303A of NYSE Listed Company Manual. 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 is 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;

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- 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.

In the fiscal year ended May 31, 2021, the nominating and corporate governance committee passed resolutions by unanimous written consent once, and also approved certain matters together with the rest of the board members once.

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 resign or are removed from office by ordinary resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (1) becomes bankrupt or makes any arrangement or composition with his creditors; or (2) is found by our company to be or becomes of unsound mind.

D. Employees

We had 54,758, 69,438 and 88,126 full-time employees and 9,569, 11,689 and 17,086 contract teachers and staff as of May 31, 2019, 2020 and 2021, respectively. We enter into employment contracts with our full-time employees which contain standard confidentiality provisions. We also enter into standalone confidentiality and non-compete agreements with our key full-time employees. Our contract teachers generally enter into exclusive service agreements with us.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments for our PRC-based full-time employees, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC law to make contributions from time to time to employee benefit plans for our PRC-based full-time employees at specified percentages of the salaries, bonuses and certain allowances of such employees, up to a maximum amount specified by the local governments in China.

Our employees are not covered by any collective bargaining agreement. We consider our relations with our employees to be generally good.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our common shares by:

- each of our directors and executive officers; and
- each person known to us who owns beneficially more than 5% of our common shares.

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Except as specifically noted, the beneficial ownership is as of September 17, 2021.

	<u>Shares Beneficially Owned</u>	
	<u>Number (1)</u>	<u>% (2)</u>
Directors and Executive Officers:		
Michael Minhong Yu ⁽³⁾	197,634,600	11.6
Chenggang Zhou	*	*
Zihui Yang	*	*
Louis T. Hsieh	*	*
Robin Yanhong Li	*	*
Denny Ting Bun Lee	*	*
John Zhuang Yang	*	*
All Directors and Executive Officers as a Group ⁽⁴⁾	205,483,315	12.1
Principal Shareholders:		
Tigerstep Developments Limited ⁽⁵⁾	197,385,540	11.6

* Less than 1%

- (1) Beneficial ownership is determined in accordance with the rules of the SEC.
- (2) For each person and group included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of (i) 1,696,966,183, being the number of common shares outstanding as of September 17, 2021 and (ii) the number of non-vested equity shares held by such person or group that will vest within 60 days after September 17, 2021.
- (3) Includes (i) 165,235,000 common shares held by Tigerstep Developments Limited, a British Virgin Islands company wholly owned by Mr. Michael Minhong Yu and (ii) 32,399,600 ADSs (representing the same number of underlying common shares), which consist of 32,150,540 ADSs held by Tigerstep Developments Limited and 249,060 ADSs held by Mr. Yu. Through a trust arrangement, Mr. Michael Minhong Yu, together with his family, holds beneficial interest in Tigerstep Development Limited. The business address of Mr. Yu is No. 6 Hai Dian Zhong Street, Haidian District, Beijing 100080, People's Republic of China.
- (4) Includes (i) common shares and (ii) non-vested equity shares that will vest within 60 days after September 17, 2021 held by all of our directors and senior executive officers as a group.
- (5) Tigerstep Developments Limited, a company incorporated in the British Virgin Islands, is wholly owned by Mr. Michael Minhong Yu. The registered address of Tigerstep Developments Limited is Marcy Building, 2nd Floor, P.O. Box 2416, Road Town, Tortola, the British Virgin Islands.

None of our existing shareholders have different voting rights from other shareholders. To our knowledge, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any other natural or legal persons, severally or jointly. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

As of September 17, 2021, we had 1,696,966,183 common shares issued and outstanding, and Deutsche Bank Trust Company Americas, as the depository of our ADS facility, was the only record holder of our common shares in the United States, holding approximately 81.4% of our total outstanding common shares. The number of beneficial owners of our ADSs in the United States is much larger than the one record holder of our common shares in the United States.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Agreements with Koolearn

Deed of Non-Competition Undertakings

On March 28, 2019, Koolearn completed its initial public offering and the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited, or the HKEx. We issued a deed of non-competition undertakings on August 28, 2018 in favor of Koolearn with respect to the ongoing relationship between us and Koolearn after the listing of Koolearn's securities on the HKEx. Pursuant to this deed, we undertake, among other things, not to, and procure our group entities not to, carry on engage or participate in online education services within China, except for (i) making minority investments in a business that provide online education services in China, or (ii) operating our existing Blingabc and Leci businesses with the restrictions set forth in the deed of non-competition undertakings, provided, however, if we propose to issue or transfer any equity interest in these businesses, Koolearn has the option to purchase all or any portion of the offered equity interest. The foregoing undertaking will end if Koolearn's securities cease to be listed on HKEx or 12 months after we cease to be the controlling shareholder of Koolearn, whichever is earlier.

Contractual Arrangements with New Oriental China, Its Schools, Subsidiaries and Shareholder

See "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with New Oriental China, Its Schools and Subsidiaries and Its Shareholder" for a summary of the contractual arrangements we have entered into with New Oriental China and its subsidiaries and shareholder.

Contractual Arrangements with Beijing Xuncheng, Its Subsidiaries and Shareholders

See "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Beijing Xuncheng, Its Subsidiaries and Shareholders" for a summary of the contractual arrangements we have entered into with Beijing Xuncheng, its subsidiaries and shareholders.

Employment Agreements

See "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management" for a description of the employment agreements we have entered into with our senior executive officers.

Share Incentives

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers" for a description of share-based compensation we have provided to our directors, officers and other individuals as a group.

Lease Arrangements with an Affiliate

Since April 2010, we have been renting several floors of office space in a building in Beijing owned by Metropolis Holding China Limited, or Metropolis Holding. In March 2012, Fine Talent Holdings Limited, a British Virgin Islands company wholly-owned by Mr. Michael Minhong Yu, our executive chairman, purchased all of the equity interests in Metropolis Holding from its former owner which was and is unrelated to us. As a result, our lease agreements with Metropolis Holding became related parties transactions. As of May 31, 2021, 14 of our operating entities rented office space from Metropolis Holding pursuant to a series of lease agreements. The terms and conditions, including rental rates, of these lease agreements are generally the same as other tenants in the same building. These lease agreements are typically three years and can be renewed upon mutual agreements upon expiration. The lease arrangements were approved by all of our directors, including all of the disinterested directors. During the fiscal year ended May 31, 2021, we accrued a total of US\$11.7 million rent to Metropolis Holding. As of May 31, 2021, amounts due from Metropolis Holding were US\$4.5 million, which represented prepaid rent and rental deposit.

New Oriental Education and Culture Industry Investment Fund

In July 2018, New Oriental Education and Culture Industry Fund (Zhangjiagang) Partnership (Limited Partnership), or the New Oriental Education and Culture Industry Investment Fund, a 7-year growth equity fund with the total committed capital of RMB1.5 billion, was established. One of the general partners of the fund is an entity invested by Mr. Michael Minhong Yu and the other general partner is an unrelated third party. We participate in the fund as a limited partner and invested RMB500 million in the fund. The fund will focus on investment opportunities in the education industry and expects to invest in the whole industry chain of education with emphasis on six main themes, including pre-school education, K-12 education, non-disciplinary education, occupational education, international education and AI in education.

Loans to Related Parties

Beijing Dianshi Jingwei Technology Co., Ltd., or Dianshi Jingwei, is an equity method investee of us. The loans were initially granted in 2018 and the maturity date of the loans were extended several times and recorded as non-current assets as of May 31, 2020. The extended loans were personally guaranteed by Mr. Michael Minhong Yu, our executive chairman, and Mr. Yunhai Jia, the chief executive officer of Dianshi Jingwei. According to the loan agreements, if Dianshi Jingwei defaults on the loan payments and interests, we have the right to convert the unpaid loans into Dianshi Jingwei's equity. As of May 31, 2021, the outstanding balance of US\$21.0 million has been fully repaid by Dianshi Jingwei and there is no amount due from Dianshi Jingwei.

Beijing MaxEn International Education Consulting Company Limited, or Beijing MaxEn is an equity method investee of us. As of May 31, 2021, we recorded amounts due from Beijing MaxEn of US\$5.5 million, which was fully impaired.

Transactions with Other Related Parties

During the fiscal year ended May 31, 2021, we recorded revenue in the amount of US\$1.1 million from other related parties. As of May 31, 2021, we had US\$3.7 million in aggregate due from other related parties and US\$33 thousand in aggregate due to other related parties.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See Item 18 "Financial Statements."

Legal and Administrative Proceedings

From time to time, we may be subject to legal or regulatory proceedings, investigations and claims incidental to the conduct of our business.

Litigation

Our company and certain of our officers and directors have been named as defendants in a putative securities class action filed in the United States District Court for the District of New Jersey: Amy Chan v. New Oriental Education & Technology Group Inc., et al., Civil Action No. 16-cv-9279-KSH-CLW (filed on December 15, 2016). On March 30, 2017, the court entered an order appointing lead plaintiffs of this action. On May 30, 2017, the lead plaintiffs filed a first amended complaint.

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The pending action was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in our ADSs between September 28, 2016 and December 1, 2016. The first amended complaint alleges that our company's public filings contained material misstatements and omissions in violation of the U.S. federal securities laws. On July 31, 2017, our company filed a motion to dismiss the first amended complaint. On July 3, 2019, the court granted our company's motion to dismiss the first amended complaint in its entirety for failure to state a claim.

On August 19, 2019, the lead plaintiffs filed a second amended complaint advancing similar allegations against defendants as the first amended complaint. On September 3, 2019, our company filed a motion to dismiss the second amended complaint which motion is currently pending before the court. On May 5, 2020, the court administratively terminated the case upon the parties' notification of their intention to settle the matter, if possible. On June 3, 2020, the lead plaintiffs filed a motion for preliminary approval of a class action settlement. On June 4, 2021, the court granted the order for preliminary approval. A settlement hearing is scheduled on October 19, 2021 to consider final approval of the settlement.

As the case remains ongoing, we express no opinion as to the likelihood that final approval for the class action settlement will be forthcoming, or of any other outcome, favorable or unfavorable, or any estimate of the amount or range of any potential loss. For risks and uncertainties relating to the pending case against us, please see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We and certain of our directors and officers have been named as a defendant in a putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operations, cash flows and reputation."

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 "Item 3. Key Information—D. 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."

Dividend Policy

On July 25, 2017, our board of directors declared a special cash dividend in the amount of US\$0.45 per ADS. The cash dividend was paid in October 2017 to shareholders of record at the close of business on September 6, 2017. The aggregate amount of cash dividends paid was approximately US\$71.2 million. We currently do not have any dividend policy.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China and consulting, license and other fees paid to us by New Oriental China and its schools and subsidiaries for our cash requirements, including any debt we may incur. PRC regulations may restrict the ability of our PRC subsidiaries and New Oriental China and its schools and subsidiaries to pay dividends to us. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We may rely 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 or New Oriental China and its schools and subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business."

Our board of directors has complete discretion regarding whether to declare and distribute dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. 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.

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B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

See “—C. Markets.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the NYSE since September 7, 2006 and trade under the symbol “EDU.” Prior to August 18, 2011, each of our ADSs represented four common shares. On August 18, 2011, we effected a change in the ratio of our ADSs to common shares from one ADS representing four common shares to one ADS representing one common share. Our common shares have been listed on the Hong Kong Stock Exchange since November 9, 2020 under the stock code “9901.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands company and our affairs are governed by our memorandum and articles of association, the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, or the Companies Act, and the common law of the Cayman Islands. The following are summaries of material provisions of our second amended and restated memorandum and articles of association in effect as of the date of this annual report insofar as they relate to the material terms of our common shares.

Registered Office and Objects

Our registered office in the Cayman Islands is located at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, or at such other place as our board of directors may from time to time decide. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Act, as amended from time to time, or any other law of the Cayman Islands.

Board of Directors

A director is not required to hold any shares in our 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 our 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 our company or of any third party. The directors may receive such remuneration as our board may from time to time determine. There is no age limit requirement with respect to the retirement or non-retirement of a director. See also “Item 6. Directors, Senior Management and Employees—C. Board Practices—Duties of Directors” and “Item 6. Directors, Senior Management and Employees—C. Board Practices—Terms of Directors and Officers.”

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 Act and our memorandum and articles of association.

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-tenth of the voting share capital, for as long as the shares remain listed on the Hong Kong Stock Exchange, or otherwise 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 not less than 10% of our voting share capital for as long as the shares remain listed on the Hong Kong Stock Exchange, or (ii) otherwise not less than 33% of our voting share capital. Advance notice of at least fourteen days, for as long as the shares remain listed on the Hong Kong Stock Exchange, or otherwise 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 not 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 affect 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 canceling 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 prescribed by the New York Stock Exchange or in 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 (1) 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; (2) the instrument of transfer is in respect of only one class of common shares; (3) the instrument of transfer is duly and properly signed; (4) 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; (5) the shares conceded are free of any lien in favor of us; or (6) a fee of such maximum sum as the New York Stock Exchange 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.

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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 Act, 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 Act, be varied either with the written consent of the holders of two-thirds 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 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 “—H. Documents on Display.”

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 second amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed. An exempted company incorporated under the laws of the Cayman Islands, is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the NYSE. Accordingly, for so long as our shares are listed on the NYSE, we are not required to maintain a beneficial ownership register.

Differences in Corporate Law

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent statutory enactments in England. In addition, the Companies Act 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 Act applicable to us and the laws applicable to companies incorporated in the United States.

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Mergers and Similar Arrangements. The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association.

The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, 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 75% 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 Grand Court of the Cayman Islands can be expected to approve the arrangement if it determines that (a) the statutory provisions as to the required majority vote have been met; (b) the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class; (c) the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and (d) the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

If an 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 Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four 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 in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

Shareholders’ Suits. In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when (a) a company acts or proposes to act illegally or ultra vires; (b) the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and (c) those who control the company are perpetrating a “fraud on the minority.”

Indemnification of Directors and Executive Officers and Limitation of Liability. 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. Our second amended and restated memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our second amended and restated memorandum and articles of association.

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

Anti-Takeover Provisions in the Memorandum and Articles of Association. Some provisions of our second amended and restated memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties. As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

In addition, directors of a Cayman Islands company must not place themselves in a position in which there is a conflict between their duty to the company and their personal interests. However, this obligation may be varied by the company's articles of association, which may permit a director to vote on a matter in which he has a personal interest provided that he has disclosed that nature of his interest to the board. Our second amended and restated memorandum and articles of association provides that a director with an interest (direct or indirect) in a contract or arrangement or proposed contract or arrangement with the company must declare the nature of his interest at the meeting of the board of directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the board of directors after he is or has become so interested.

A general notice may be given at a meeting of the board of directors to the effect that (i) the director is a member/officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice in writing be made with that company or firm; or (ii) he is to be regarded as interested in any contract or arrangement which may after the date of the notice in writing to the board of directors be made with a specified person who is connected with him, will be deemed sufficient declaration of interest. Following the disclosure being made pursuant to our second amended and restated memorandum and articles of association and subject to any separate requirement for Audit Committee approval under applicable law or the listing rules of the NYSE, and unless disqualified by the chairman of the relevant board meeting, a director may vote in respect of any contract or arrangement in which such director is interested and may be counted in the quorum at such meeting. However, even if a director discloses his interest and is therefore permitted to vote, he must still comply with his duty to act bona fide in the best interest of our company.

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In comparison, under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

Shareholder Proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided that it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

There are no statutory requirements under Cayman Islands law allowing our shareholders to requisition a shareholders' meeting. However, under our second amended and restated articles of association, on the requisition of shareholders representing not less than 33% of the voting rights entitled to vote at general meetings, the board shall convene an extraordinary general meeting. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings, and our second amended and restated articles of association do not require us to call such meetings every year.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our second amended and restated articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our second amended and restated articles of association, directors may be removed by an ordinary resolution of shareholders.

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

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Dissolution; Winding Up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Act, our company may be dissolved, liquidated or wound up by a special resolution of our shareholders.

Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our second amended and restated articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the consent in writing of the holders of two-thirds of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under Cayman Islands law, our second amended and restated memorandum and articles of association may only be amended by a special resolution of our shareholders.

Rights of Non-Resident or Foreign Shareholders. There are no limitations imposed by our second amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our second amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares. Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with New Oriental China, Its Schools and Subsidiaries and Shareholder" and "—Contractual Arrangements with Beijing Xuncheng, Its Subsidiaries and Shareholders" or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Foreign Currency Exchange."

E. Taxation

The following discussion of the material Cayman Islands, PRC and United States federal income tax consequences of an investment in our ADSs or common shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report on Form 20-F, 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. Accordingly, each investor should consult its own tax advisor regarding the tax consequences of an investment in our ADSs or common shares applicable under its particular circumstances.

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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

PRC Taxation

Under the PRC Enterprise Income Tax Law, or the EIT Law, an enterprise established outside the PRC with “de facto management body” within the PRC is considered as a “resident enterprise,” meaning that it can be treated in a manner similar to a PRC enterprise for enterprise income tax purposes, although the dividends paid to one resident enterprise from another may qualify as “tax-exempt income.” The implementation rules of the EIT Law define de facto management as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. The SAT has issued circular to provide that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with its “de facto management body” located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function are mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (iv) at least half of the enterprise’s directors with voting right or senior management reside in the PRC. In addition, the SAT issued a bulletin on August 3, 2011, effective as of September 1, 2011, to provide more guidance on the implementation of the above circular. The bulletin clarified certain matters relating to resident status determination, post-determination administration and competent tax authorities. It also specifies that when provided with a copy of a PRC tax resident determination certificate from a resident PRC-controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the PRC-sourced dividends, interest and royalties to the PRC-controlled offshore incorporated enterprise. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals. In addition, the SAT issued a bulletin on January 29, 2014, to provide more guidance on the implementation of the above circular. This bulletin further provided that, among other things, an entity that is classified as a “resident enterprise” in accordance with the circular shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors registered. From the year in which the entity is determined as a “resident enterprise,” any dividend, profit and other equity investment gain shall be taxed in accordance with the Article 26 of EIT law and the Article 17 and Article 83 of its implementation rules. If we are deemed to be a PRC resident enterprise, dividends distributed to our non-PRC enterprise shareholders by us, or the gain our non-PRC enterprise shareholders may realize from the transfer of our common shares or ADSs, may be treated as PRC-sourced income and therefore be subject to a 10% PRC withholding tax pursuant to the EIT Law.

For more information on PRC taxation applicable to our company, see “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Taxation” and “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation.”

U.S. Federal Income Taxation

The following discussion applies only to U.S. Holders (as defined below) that hold our ADSs or common shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based upon existing U.S. federal tax law as in effect on the date of this annual report, which is subject to differing interpretations or change (possibly with retroactive effect), and could affect the tax consequences described below.

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The following discussion does not deal with the tax consequences to any particular holder 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 (including private foundations);
- pension plans;
- cooperatives;
- holders that are not U.S. Holders;
- persons whose functional currency is not the U.S. dollar;
- real estate investment trusts;
- regulated investment companies;
- persons liable for alternative minimum tax;
- persons holding ADSs or common shares as part of a straddle, hedging, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes;
- persons that actually or constructively own 10% or more of our stock (by vote or value);
- 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 compensation.

U.S. HOLDERS 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, LOCAL AND FOREIGN TAX, MEDICARE TAX AND NON-INCOME TAX (SUCH AS THE UNITED STATES FEDERAL ESTATE OR GIFT TAX) CONSIDERATIONS OF THE 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.;

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- 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.

If a partnership (including any entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of common shares or ADSs, the tax treatment of a partner in such partnership will depend upon the status of the partner and the activities of the partnership. Partners in a partnership holding our common shares or ADSs should consult their tax advisors regarding the United States federal income tax considerations relating to the ownership or disposition of our common shares or ADSs.

If you hold ADSs, it is generally expected that you should be treated as the beneficial owner of the underlying common shares represented by those ADSs for U.S. federal income tax purposes. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner.

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 paid to you with respect to the ADSs or common shares out of our current or accumulated earnings and profits, will generally 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. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution paid will generally be reported as a “dividend” for U.S. federal income tax purposes. 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, dividends may be “qualified dividend income” which is taxed at the lower applicable capital gains rate provided that (1) the ADSs or common shares, as applicable, are readily tradable on an established securities market in the United States, or we are eligible for the benefit of the income tax treaty between the U.S. and the PRC, (2) the non-United States corporation is not a passive foreign investment company (as discussed below) for either its taxable year in which the dividend was paid or the preceding taxable year and (3) certain holding period requirements are met. Although we expect our ADSs will be considered to be readily tradable on the NYSE, which is an established securities market in the U.S., there can be no assurance that our ADSs will be considered readily tradable on an established securities market in the future. Since we do not expect that our common shares will be listed on an established securities market in the U.S., it is unclear whether dividends that we pay on our common shares that are not backed by ADSs currently meet the conditions required for the reduced tax rate. In the event, however, that we are deemed to be a PRC resident enterprise under the EIT Law, we may be eligible for the benefits of the U.S.—PRC income tax treaty. U.S. Holders are advised to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to our ADSs or common shares.

Dividends paid on our ADSs and common shares will generally be treated as income from foreign sources for U.S. foreign tax credit purposes and will generally constitute passive category income. In the event that we are deemed to be a PRC resident enterprise under the EIT Law, a U.S. Holder may be subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or common shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction for U.S. federal income tax purposes in respect of such withholdings, but only for a year in which such U.S. Holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. U.S. Holders are advised to consult their tax advisors regarding the creditability of any PRC tax.

Taxation of Disposition of Shares

Subject to the passive foreign investment company rules discussed below, a U.S. Holder 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 for the ADS or common share and such holder's tax basis in the ADS or common share. The gain or loss will generally be capital gain or loss. A non-corporate U.S. Holder, including an individual, who has held the ADS or common share for more than one year will be eligible for reduced capital gains rates. The deductibility of capital losses is subject to limitations. Any such gain or loss will generally be treated as U.S. source income or loss. In the event that we are deemed to be a PRC resident enterprise under the EIT Law and gain from the disposition of the ADSs or common shares is subject to tax in the PRC, a U.S. Holder that is eligible for the benefits of the U.S.-PRC treaty may elect to treat the gain as PRC source income. See "—PRC Taxation." U.S. Holders are advised to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or common shares, including the availability of the foreign tax credit, under their particular circumstances.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be a "passive foreign investment company," or a "PFIC," for United States federal income tax purposes, if either (1) 75% or more of its gross income for such year consists of certain types of "passive" income or (2) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce passive income or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company's goodwill and other unbooked intangibles associated with active business activities may generally be classified as active assets. If a non-U.S. corporation directly or indirectly owns at least 25% (by value) of the stock of another corporation, such corporation will be treated, for purposes of the PFIC tests, as owning a proportionate share of the assets and earning a proportionate share of the other corporation's assets and receiving a proportionate share of the other corporation's income.

Although the law in this regard is unclear, we treat our VIEs (including their subsidiaries) as being owned by us for U.S. federal income tax purposes, not only because we control their management decisions but also because we are entitled to substantially all of the economic benefits associated with these entities, and, as a result, we consolidate their operating results in our combined financial statements. If it were determined, however, that we are not the owner of our VIEs (including their subsidiaries) for U.S. federal income tax purposes, we may be or become a PFIC. Assuming that we are the owner of our VIEs (including their subsidiaries) for U.S. federal income tax purposes, and based upon the company's current income and assets, including goodwill and other unbooked intangibles, we do not believe that we were a PFIC for our taxable year ended May 31, 2021 and we do not presently expect to be a PFIC for the current taxable year or the foreseeable future. The value of our assets for purposes of the PFIC test will generally be determined by reference to the market value of our ADSs, the determination of whether we will be or become a PFIC will depend in large part upon the market value of our ADSs, which we cannot control. Accordingly, fluctuations in the market price of our ADSs may cause us to become a PFIC for the current taxable year or future taxable years. The determination of whether we will be or become a PFIC will also depend, in part, upon the nature of our assets and income over time, which are subject to change from year to year. Because PFIC status is a fact-intensive determination made on an annual basis, no assurance can be given that we are not or will not become classified as a PFIC.

Passive Foreign Investment Company Rules

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or common shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (1) any excess distribution that we make to the U.S. Holder which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, (2) if shorter, the U.S. Holder's holding period for the ADSs or common shares. Under these PFIC rules:

- such excess distribution and/or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or common shares;

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- such amount allocated to the current taxable year, and any taxable years in the U.S. Holder’s holding period prior to the first taxable year in which we were a PFIC (a “pre-PFIC year”), will be taxable as ordinary income;
- such amount allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as applicable, for each such year; and
- an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than the current taxable year or a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or common shares and any of our non-U.S. subsidiaries is also a PFIC (i.e., a lower-tier PFIC), such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of shares of a lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. U.S. Holders are advised to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed above. If a U.S. Holder makes a mark-to-market election for the ADSs or common shares, such holder will include in income for each year that we are treated as a PFIC with respect to such holder 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 the holder’s adjusted basis in such ADSs or common shares. A U.S. Holder will be 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 will be allowable only to the extent of any net mark-to-market gains on the ADSs or common shares included in a U.S. Holder’s income for prior taxable years. Amounts included in a U.S. Holder’s income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or common shares, will be treated as ordinary income. Ordinary loss treatment will also apply 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. A U.S. Holder’s basis in the ADSs or common shares will be adjusted to reflect any such income or loss amounts. If a U.S. Holder makes a valid 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 capital gains rate applicable to qualified dividend income (discussed above under “—Taxation of Distributions on the ADSs or Common Shares”) 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 United States Treasury regulations. Our ADSs are listed on the NYSE, which is a qualified exchange or market for these purposes. Consequently, if the ADSs continue to be listed on the NYSE and are regularly traded, and a U.S. Holder holds ADSs, we expect that the mark-to-market election would be available to such U.S. Holder were we to be or become a PFIC although there can be no assurance in this regard. Because a mark-to-market election cannot technically be made for equity interests in any lower-tier PFICs that we own, a U.S. Holder may continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. In the case of a U.S. Holder who has held ADSs or common shares during any taxable year in respect of which we were classified as a PFIC and continues to hold such ADSs or common shares (or any portion thereof) and has not previously determined to make a mark-to-market election, and who is now considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs or common shares.

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We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and possibly less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder holds ADSs or common shares in any year in which we are treated as a PFIC with respect to such U.S. Holder, the U.S. Holder will generally be required to file United States Internal Revenue Service Form 8621 and such other form as is required by the United States Treasury Department. U.S. Holders are urged to consult their tax advisor regarding the application of the PFIC rules to their ownership or disposition of our ADSs or common shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. In particular, we are required to file annually a Form 20-F within four months after the end of each fiscal year. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. Copies of reports and other information, when filed, may also be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Deutsche Bank Trust Company Americas, the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

In accordance with NYSE Rule 203.01, we will post this annual report on our website at <http://investor.neworiental.org>. In addition, we will provide hardcopies of our annual report to shareholders, including ADS holders, free of charge upon request.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash invested in liquid investments with original maturities of three months or less and term deposits with maturities of greater than three months and less than a year. 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. A hypothetical one percentage point decrease in interest rates would have resulted in a decrease of approximately US\$49.0 million in our interest income for the year ended May 31, 2021.

Foreign Exchange Risk

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. We do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposures denominated in foreign currencies or used 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 are traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollar-denominated financial assets 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. A hypothetical 10% appreciation of the RMB against the U.S. dollar would have resulted in a decrease of RMB310.8 million in the value of our U.S. dollar denominated financial assets as of May 31, 2021. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

The depositary of our ADS facility, Deutsche Bank Trust Company Americas, shall charge the following fees for the services performed under the terms of the deposit agreement, unless otherwise agreed in writing by us and the depositary; provided, however, that no fees shall be payable upon distribution of cash dividends so long as the charging of such fee is prohibited by the exchange, if any, upon which the ADSs are listed:

- to any person to whom ADSs are issued or to any person to whom a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash), a fee not in excess of US\$5.00 per 100 ADSs (or fraction thereof) so issued under the terms of the deposit agreement to be determined by the depositary;
- to any person surrendering ADSs for cancellation and withdrawal of deposited securities including, inter alia, cash distributions made pursuant to a cancellation or withdrawal, a fee not in excess of US\$5.00 per 100 ADSs (or fraction thereof) so surrendered;
- to any holder of ADSs, a fee not in excess of US\$0.05 per ADS held for the distribution of cash proceeds, including cash dividends or sale of rights and other entitlements, not made pursuant to a cancellation or withdrawal;
- to any holder of ADSs, a fee not in excess of US\$5.00 per 100 ADSs (or portion thereof) issued upon the exercise of rights; and
- for the operation and maintenance costs in administering the ADSs, an annual fee of US\$0.05 or less per ADSs (such fee to be assessed against holders of record as of the date or dates set by the depositary as it sees fit and collected at the sole discretion of the depositary by billing such holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions).

In addition, holders, beneficial owners, persons depositing our common shares for deposit and persons surrendering ADSs for cancellation and withdrawal of deposited securities will be required to pay the following charges:

- taxes (including applicable interest and penalties) and other governmental charges;
- such registration fees as may from time to time be in effect for the registration of our common shares or other deposited securities with the foreign registrar and applicable to transfers of common shares or other deposited securities to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;
- such cable, telex, facsimile and electronic transmission and delivery expenses as are expressly provided in the deposit agreement to be at the expense of the person depositing or withdrawing common shares or holders and beneficial owners of ADSs;
- the expenses and charges incurred by the depositary in the conversion of foreign currency;
- such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to common shares, deposited securities, ADSs and ADRs;
- the fees and expenses incurred by the depositary in connection with the delivery of deposited securities, including any fees of a central depositary for securities in the local market, where applicable; and
- any additional fees, charges, costs or expenses that may be incurred by the depositary from time to time.

Any other charges and expenses of the depositary under the deposit agreement will be paid by our company upon agreement between the depositary and us. All fees and charges may, at any time and from time to time, be changed by agreement between the depositary and our company but subject, in the case of fees and charges payable by holders or beneficial owners, to the limitations set forth in the Form of ADR.

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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. The fees described above may be amended from time to time.

The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide services until its fees for those services and any other unpaid fees are paid.

Fees and Other Payments Made by the Depositary to Us

The depositary has agreed to reimburse us for the establishment and maintenance of the ADS 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. Since the commencement of our most recent fiscal year, we have received a sum of US\$1.84 million for the expenses related to our investor relations program, directors and officers liability and company insurance reimbursement, listing fees and legal service fees. The payment we received is offset against general and administrative expenses.

Conversion between Common Shares and ADSs

Dealings and Settlement of Common Shares in Hong Kong

Our common shares trade on the Hong Kong Stock Exchange in board lots of 100 common shares following a share subdivision that took effect on March 10, 2021. Dealings in our common shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars.

The transaction costs of dealings in our common shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.2% of the value of the transaction, with 0.1% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- the Hong Kong share registrar will charge HK\$2.50 (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of common shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

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Investors must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor who has deposited his/her common shares in his/her stock account or in his/her designated CCASS participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his/her broker or custodian before the settlement date.

Conversion between Common Shares Trading in Hong Kong and ADSs

In connection with the initial public offering of common shares in Hong Kong, or the Hong Kong IPO, we have established a branch register of members in Hong Kong, or the Hong Kong share register, which will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members, or the Cayman share register, will continue to be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands.

All common shares offered in the Hong Kong IPO have been registered on the Hong Kong share register. As described in further detail below, holders of common shares registered on the Hong Kong share register will be able to convert these shares into ADSs, and vice versa.

In connection with the Hong Kong public offering, and to facilitate fungibility and conversion between ADSs and common shares and trading between NYSE and the Hong Kong Stock Exchange, we intend to move a portion of our issued common shares from our register of members maintained in the Cayman Islands to our Hong Kong share register.

Converting Common Shares Trading in Hong Kong into ADSs

An investor who holds common shares registered in Hong Kong and who intends to convert them to ADSs to trade on the NYSE must deposit or have his or her broker deposit the common shares with the depository's Hong Kong custodian, Deutsche Bank AG, Hong Kong Branch, Hong Kong, or the custodian, in exchange for ADSs.

A deposit of common shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- If common shares have been deposited with CCASS, the investor must transfer common shares to the depository's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- If common shares are held outside CCASS, the investor must arrange to deposit his or her common shares into CCASS for delivery to the depository's account with the custodian within CCASS, submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depository will issue the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs to the designated DTC account of the person(s) designated by an investor or his or her broker.

For common shares deposited in CCASS, under normal circumstances, the above steps generally require two business days. For common shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depository may from time to time be closed to ADS issuances. The investor will be unable to trade the ADSs until the procedures are completed.

Converting ADSs to Common Shares Trading in Hong Kong

An investor who holds ADSs and who intends to convert his/her ADSs into common shares to trade on the Hong Kong Stock Exchange must cancel the ADSs the investor holds and withdraw common shares from our ADS program and cause his or her broker or other financial institution to trade such common shares on the Hong Kong Stock Exchange.

An investor that holds ADSs indirectly through a broker should follow the broker's procedure and instruct the broker to arrange for cancellation of the ADSs, and transfer of the underlying common shares from the depository's account with the custodian within the CCASS system to the investor's Hong Kong stock account.

For investors holding ADSs directly, the following steps must be taken:

- To withdraw common shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depository (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depository.
- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depository will instruct the custodian to deliver common shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If an investor prefers to receive common shares outside CCASS, he or she must receive common shares in CCASS first and then arrange for withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register common shares in their own names with the Hong Kong share registrar.

For common shares to be received in CCASS, under normal circumstances, the above steps generally require two business days. For common shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the common shares on the Hong Kong Stock Exchange until the procedures are completed.

Temporary delays may arise. For example, the transfer books of the depository may from time to time be closed to ADS cancellations. In addition, completion of the above steps and procedures is subject to there being a sufficient number of common shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of common shares on the Hong Kong share register to facilitate such withdrawals.

Depository Requirements

Before the depository issues ADSs or permits withdrawal of common shares, the depository may require:

- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including, but not limited to, presentation of transfer documents.

The depository may refuse to deliver, transfer, or register issuances, transfers and cancellations of ADSs generally when the transfer books of the depository or our Hong Kong share registrar are closed or at any time if the depository or we determine it advisable to do so.

All costs attributable to the transfer of common shares to effect a withdrawal from or deposit of common shares into our ADS program will be borne by the investor requesting the transfer. In particular, holders of common shares and ADSs should note that the Hong Kong share registrar will charge HK\$2.50 (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of common shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of common shares and ADSs must pay up to US\$5.00 (or less) per 100 ADSs for each issuance of ADSs and each cancellation of ADSs, as the case may be, in connection with the deposit of common shares into, or withdrawal of common shares from, our ADS program.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-3ASR (File Number 333-249642) and prospectus supplement filed on November 3, 2020 for our public offering of our common shares in connection with the listing on the Hong Kong Stock Exchange in November 2020. The public offering closed in November 2020. Credit Suisse (Hong Kong) Limited, Merrill Lynch (Asia Pacific) Limited, and UBS AG Hong Kong Branch, are the joint representatives of the underwriters for our public offering. We offered and sold an aggregate of 9,786,500 common shares at a public offering price of HK\$1,190.00 per common share (without taking into account of the one-for-ten share split effective from March 10, 2021), taking into account the ADSs sold upon the exercise of the over-allotment option by our underwriters. We raised US\$1,482.8 million in net proceeds from our public offering after deducting underwriting commissions and discounts and the offering expenses payable by us.

For the period from the closing of our public offering to May 31, 2021, the total expenses incurred for our company’s account in connection with our public offering was US\$19.7 million, which included US\$13.6 million in underwriting discounts and commissions for the public offering and US\$6.1 million in other costs and expenses for our public offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

For the period from November 9, 2020, the closing date of our public offering, to May 31, 2021, we did not use any net proceeds from our public offering.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our management has concluded that, as of May 31, 2021, our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) under the Exchange Act. Our management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our internal control over financial reporting based on criteria established in the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of May 31, 2021.

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

Our independent registered public accounting firm has audited our internal control over financial reporting as of May 31, 2021 and has issued an attestation report set forth below.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of New Oriental Education & Technology Group Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of New Oriental Education & Technology Group Inc. and subsidiaries (the “Company”) as of May 31, 2021, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2021, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended May 31, 2021 of the Company and our report dated September 24, 2021, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the adoption of the new lease accounting standard, ASC Topic 842, Leases, on June 1, 2019.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
September 24, 2021

Changes in Internal Control Over Financial Reporting

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

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Denny Ting Bun Lee, an independent director (under the standards set forth in Section 303A of the NYSE Listed Company Manual and Rule 10A-3 under the Exchange Act) and the chairman of our audit committee, is our audit committee financial expert.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, vice presidents and any other persons who perform similar functions for us. We have posted a copy of our code of business conduct and ethics on our website at <http://investor.neworiental.org>.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP, our independent registered public accounting firm, for the periods indicated. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

(in thousands of US\$)	For the Years Ended May 31,	
	2020	2021
Audit fees ⁽¹⁾	2,363	2,629
Audit related fees ⁽²⁾	570	1,717
Tax fees ⁽³⁾	202	31
All other fees	54	195

- (1) "Audit fees" means the aggregate fees billed for professional services rendered by our independent registered public accounting firm for the audit of our annual consolidated financial statements and the review of our comparative interim financial information.
- (2) "Audit related fees" means the fees billed for the audit services provided for issuing comfort letter, rendering of listing advice and other audit related services to our company, including our consolidated subsidiaries and the audit services provided to potential investees.
- (3) "Tax fees" represents the aggregated fees billed for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice, and tax planning. The policy of our audit committee is to pre-approve all audit and non-audit services provided by Deloitte Touche Tohmatsu Certified Public Accountants LLP, including audit services, audit-related services, tax services and other services as described above, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit.

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

Not applicable.

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

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANTS

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Section 303A.12(a) of the NYSE Listed Company Manual requires each listed company's chief executive officer to certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards. We are a Cayman Islands company, and our chief executive officer is not required under applicable Cayman Islands law to make such a certification. Pursuant to the exception granted to foreign private issuers under Section 303A.00 of the NYSE Listed Company Manual, we have followed our home country practice in this regard and have not in the past submitted the certification set forth in Section 303A.12(a) of the NYSE Listed Company Manual.

Section 303A.01 of the NYSE Listed Company Manual requires each listed company to have a majority of independent directors on the board of directors after the first anniversary of the company's listing on the NYSE. We are not required under the laws of the Cayman Islands to have a majority of independent directors on our board of directors. Pursuant to the exception granted to foreign private issuers under Section 303A.00 of the NYSE Listed Company Manual, we have elected to follow our home country practice with respect to our board of directors. Currently, we have six directors on our board, consisting of three independent directors and three directors who are our executive officers or employed by us. Nevertheless, we have maintained fully independent audit, compensation and nominating and corporate governance committees on our board of directors since the first anniversary of our NYSE listing.

Section 303A.08 of the NYSE Listed Company Manual requires a listed company to obtain its shareholders' approval of all equity-compensation plans, and any material revisions to the terms of such plans. Under Cayman Islands law, we are not required to obtain shareholders' approval for adoption of new equity-compensation plans or amendments to our existing equity incentive plan. Our board amended our 2006 share incentive plan in September 2012 to clarify that the administrator of the plan has the power to reduce the exercise price of an outstanding option and also reduce the number of the underlying common shares without seeking shareholders' approval, if such modification would not result in significant additional share-based compensation expenses to be incurred by our company. In addition, our board adopted our 2016 share incentive plan in January 2016. We have followed the home country practice and obtained the board approval but not shareholder approval for amending our 2006 share incentive plan as well as adopting the 2016 share incentive plan as described above.

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Section 302 of the NYSE Listed Company Manual requires each issuer to hold an annual meeting of shareholders of the issuer's fiscal year-end. Conyers, Dill & Pearman, our Cayman Islands counsel, has provided a letter to the NYSE certifying that under Cayman Islands law, we are not required to hold annual shareholders meetings every year. We followed home country practice and did not hold an annual meeting of shareholders in the fiscal year of 2020. We revised our articles of association to comply with Rule 19C.07(4) of the Hong Kong Listing Rules in March 2021 and we will hold an annual general meeting every year for as long as our common shares remain listed on the Hong Kong Stock Exchange. The next annual general meeting is expected to be held before November 30, 2021.

Other than the requirements discussed above, there are no significant differences between our corporate governance practices and those followed by domestic listed companies as required under the NYSE Listed Company Manual. A copy of our corporate governance guidelines is available on our website at <http://investor.neworiental.org>.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

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

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of New Oriental Education & Technology Group Inc. are included at the end of this annual report.

ITEM 19. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	Second Amended and Restated Memorandum and Articles of Association (incorporated by reference to Exhibit 3.1 of the Registrant's Form 6-K (File No. 001-32993) filed with the Commission on March 10, 2021)
2.1	Form of Registrant American Depositary Receipt (incorporated by reference to the prospectus filed with the Commission on March 10, 2021 pursuant to Rule 424(b)(3) (File No. 333-253812) under the registration statement on Form F-6 filed with the Commission on March 3, 2021)
2.2*	Registrant's Specimen Certificate for Common Shares
2.3	Deposit Agreement, dated as of September 12, 2006, between the Registrant, the depositary and holders of the American Depositary Receipts (incorporated by reference to Exhibit 4.2 of the Registrant's F-3 registration statement (File No. 333-249642) filed with the Commission on October 23, 2020)
2.4	Supplemental Agreement to Deposit Agreement, dated as of June 5, 2007, between the Registrant, the depositary and holders and beneficial owners of American Depositary Receipts issued thereunder (incorporated by reference to Exhibit (a)(2) to the registration statement on Form F-6/A (File No. 333-136862) filed with the Commission on June 5, 2007)

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- 2.5 [Supplement and Amendment No. 2 to Deposit Agreement, dated as of August 5, 2011, between the Registrant, the depositary and holders and beneficial owners of American Depositary Receipts issued thereunder \(incorporated by reference to Exhibit \(a\)\(3\) to the registration statement on Form F-6 \(File No. 333-176069\), filed with the Commission on August 5, 2011\)](#)
- 2.6 [Supplement and Amendment No. 3 to Deposit Agreement, dated as of April 25, 2012, between the Registrant, the depositary and holders and beneficial owners of American Depositary Receipts issued thereunder \(incorporated by reference to Exhibit \(a\)\(4\) of post-effective amendment No. 1 to the registration statement on Form F-6 \(File No. 333-176069\), filed with the Commission on April 25, 2012\)](#)
- 2.7 [Trust Deed, dated as of July 2, 2020, between the Registrant and DB Trustees \(Hong Kong\) Limited \(incorporated herein by reference to Exhibit 2.7 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on September 16, 2020\)](#)
- 2.8 [Agency Agreement, dated as of July 2, 2020, by and among the Registrant, DB Trustees \(Hong Kong\) Limited and Deutsche Bank AG, Hong Kong Branch \(incorporated herein by reference to Exhibit 2.8 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on September 16, 2020\)](#)
- 2.9* [Description of Securities](#)
- 4.1 [2006 Share Incentive Plan, as amended \(incorporated by reference to Exhibit 4.1 of the Registrant's annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on October 12, 2012\)](#)
- 4.2 [Form of Indemnification Agreement with the Registrant's directors and officers \(incorporated by reference to Exhibit 10.2 of the Registrant's F-1 registration statement \(File No. 333-136825\), as amended, initially filed with the Commission on August 22, 2006\)](#)
- 4.3 [Form of Employment Agreement \(incorporated by reference to Exhibit 10.3 of the Registrant's F-1 registration statement \(File No. 333-136825\), as amended, initially filed with the Commission on August 22, 2006\)](#)
- 4.4 [English Translation of Form of New Enrollment System Development Service Agreement between Beijing Decision and New Oriental schools \(incorporated by reference to Exhibit 99.4 of the Registrant's F-1 registration statement \(File No. 333-136825\), as amended, initially filed with the Commission on August 22, 2006\)](#)
- 4.5 [English Translation of Trademark License Agreement dated May 13, 2006 between the Registrant and New Oriental China \(incorporated by reference to Exhibit 99.6 of the Registrant's F-1 registration statement \(File No. 333-136825\), as amended, initially filed with the Commission on August 22, 2006\)](#)
- 4.6 [English Translation of Equity Pledge Agreement dated April 23, 2012 and its Supplemental Agreements dated September 19, 2014 and February 16, 2017 among New Oriental China, Beijing Century Friendship Education Investment Co., Ltd. and Beijing Hewstone Technology Co., Ltd. \(incorporated by reference to Exhibit 4.6 of the Registrant's annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2017\)](#)

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- 4.7 [English Translation of Equity Pledge Agreement dated April 23, 2012 and its Supplemental Agreements dated September 19, 2014 and February 16, 2017 among New Oriental China, Beijing Century Friendship Education Investment Co., Ltd. and Beijing Decision Education & Consulting Co., Ltd. \(incorporated by reference to Exhibit 4.7 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2017\)](#)
- 4.8 [English Translation of Equity Pledge Agreement dated April 23, 2012 and its Supplemental Agreements dated September 19, 2014 and February 16, 2017 among New Oriental China, Beijing Century Friendship Education Investment Co., Ltd. and Beijing Pioneer Technology Co., Ltd. \(incorporated by reference to Exhibit 4.9 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2017\)](#)
- 4.9 [English Translation of Equity Pledge Agreement dated April 23, 2012 and its Supplemental Agreements dated September 19, 2014 and February 16, 2017 among New Oriental China, Beijing Century Friendship Education Investment Co., Ltd. and Beijing Smart Wood Software Technology Co., Ltd. \(incorporated by reference to Exhibit 4.10 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2017\)](#)
- 4.10 [Proxy Agreement and Power of Attorney, dated as of December 3, 2012, by and among Beijing Pioneer Technology Co., Ltd., Beijing Century Friendship Education Investment Co., Ltd. and New Oriental China \(incorporated by reference to Exhibit 4.34 of amendment no. 2 to the Registrant’s annual report on Form 20-F/A \(File No. 001-32993\) filed with the Securities and Exchange Commission on February 22, 2013\)](#)
- 4.11* [Master Exclusive Service Agreement, dated as of September 19, 2014, its Amendment No. 1 dated as of January 28, 2016 and Amendment No. 2 dated as of February 16, 2017, and Amendment No. 3 dated as of September 1, 2021 by and between Beijing Pioneer and New Oriental China](#)
- 4.12 [English Translation of Option Agreement dated February 16, 2017 among New Oriental China, Beijing Century Friendship Education Investment Co., Ltd. and Beijing Decision Education & Consulting Co., Ltd. \(incorporated by reference to Exhibit 4.15 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2017\)](#)
- 4.13 [2016 Share Incentive Plan \(incorporated by reference to Exhibit 4.15 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2016\)](#)
- 4.14 [Deed of Non-Competition Undertakings, dated as of August 28, 2018 issued by New Oriental Education & Technology Group Inc. in favor of Koolearn Technology Holding Limited \(incorporated by reference to Exhibit 4.14 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2018\)](#)
- 4.15 [English Translation of Equity Pledge Agreement, dated as of May 10, 2018 among Beijing Dexin Dongfang Network Technology Co., Ltd., Beijing New Oriental Xuncheng Network Technology Co., Ltd. and its shareholders \(incorporated by reference to Exhibit 4.15 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2018\)](#)

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- 4.16 [English Translation of Exclusive Option Agreement, dated as of May 10, 2018 among Beijing Dixin Dongfang Network Technology Co., Ltd., Beijing New Oriental Xuncheng Network Technology Co., Ltd. and its shareholders \(incorporated by reference to Exhibit 4.16 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2018\)](#)
- 4.17 [English Translation of Powers of Attorney, dated as of May 10, 2018 issued by Beijing New Oriental Xuncheng Network Technology Co., Ltd and its shareholders \(incorporated by reference to Exhibit 4.17 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2018\).](#)
- 4.18 [English Translation of Exclusive Management Consultancy and Cooperation Agreement, dated as of May 10, 2018 among Beijing Dixin Dongfang Network Technology Co., Ltd., Beijing New Oriental Xuncheng Network Technology Co., Ltd. and its subsidiaries and shareholders \(incorporated by reference to Exhibit 4.18 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2018\)](#)
- 4.19 [English Translation of Letters of Undertaking, dated as of May 10, 2018, issued by \(i\) Beijing Century Friendship Education Investment Co., Ltd. and its shareholders and \(ii\) each of the general partners of limited partnerships that are shareholders of Beijing New Oriental Xuncheng Network Technology Co., Ltd. to Koolearn Technology Holding Limited and Beijing Dixin Dongfang Network Technology Co., Ltd. \(incorporated by reference to Exhibit 4.19 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 27, 2018\)](#)
- 4.20 [English Translation of Supplemental Agreement, dated as of October 10, 2019, among Beijing Dixin Dongfang Network Technology Co., Ltd., Beijing New Oriental Xuncheng Network Technology Co., Ltd. and its subsidiaries and shareholders, and Zhuhai Chongsheng Heli Network Technology Co., Ltd. \(incorporated herein by reference to Exhibit 4.20 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on September 16, 2020\)](#)
- 4.21 [English Translation of Letter of Acceptance, dated as of October 10, 2019, issued by Beijing Dongfang Youbo Network Technology Co., Ltd. \(incorporated herein by reference to Exhibit 4.21 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on September 16, 2020\)](#)
- 8.1* [Subsidiaries of the Registrant](#)
- 11.1 [Amended and Restated Code of Business Conduct and Ethics of the Registrant \(incorporated by reference to Exhibit 11.1 of the Registrant’s annual report on Form 20-F \(File No. 001-32993\) filed with the Securities and Exchange Commission on September 25, 2015\)](#)
- 12.1* [Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 12.2* [Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 13.1** [Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 13.2** [Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

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15.1*	Consent of Tian Yuan Law Firm
15.2*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP
101.INS*	Inline XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File — the cover page XBRL tags are embedded within the Exhibit 101 Inline XBRL document set

* Filed herewith.

** Furnished herewith.

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NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

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NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of New Oriental Education & Technology Group Inc. and its subsidiaries (the “Company”) as of May 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended May 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of May 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of May 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 24, 2021, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for leases in the year ended May 31, 2020 due to the modified retrospective adoption of Accounting Standard Codification 842, Leases.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Fair value measurement of AFS investments—Refer to Notes 2 and 11 to the Financial Statements

Critical Audit Matter Description

The Company has assets whose fair values are based on complex proprietary models and unobservable inputs. These financial assets mainly include investments in debt and equity securities.

We identified the fair value measurement of the available-for-sale (“AFS”) investments as a critical audit matter because of the complex proprietary models and unobservable inputs management uses to estimate the fair value. In addition, it requires a high degree of the management’s and auditor’s judgment and an increased extent of effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the complex proprietary models and unobservable inputs used by management to estimate the fair value of AFS investments included the following, among others:

- We tested the effectiveness of controls over management’s valuation of the AFS investments including the management review control over the valuations of the AFS investments.
- We evaluated management’s ability to appropriately estimate fair value by comparing management’s historical estimates to actual results, taking into account changes in market conditions.
- With the assistance of the internal valuation specialists, we evaluated the appropriateness of the valuation methodologies and techniques used in determining the fair value of the AFS investments. Also, we evaluated the appropriateness of the judgements and estimates of the key inputs used in determining the fair value of the AFS investments including but not limited to the revenue growth rate, weighted average cost of capital and expected volatility.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People’s Republic of China

September 24, 2021

We have served as the Company’s auditor since 2006.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data, or otherwise noted)

	As of May 31,	
	2020	2021
	US\$	US\$
ASSETS		
Current assets		
Cash and cash equivalents	915,057	1,612,211
Term deposits	284,793	1,214,025
Short-term investments	2,318,280	3,434,726
Accounts receivable, net of allowance of US\$557 and US\$1,613 as of May 31, 2020 and 2021, respectively	4,178	8,667
Inventory, net	31,324	31,175
Prepaid expenses and other current assets, net of allowance of US\$149 and US\$215 as of May 31, 2020 and 2021, respectively	199,404	269,233
Amounts due from related parties, current	3,384	4,118
Total current assets	3,756,420	6,574,155
Restricted cash, non-current		
Property and equipment, net	4,367	19,916
Land use rights, net	672,455	865,030
Amounts due from related parties, non-current	6,037	13,989
Long-term deposits	22,709	4,157
Intangible assets, net	62,116	74,796
Goodwill, net	10,246	4,836
Long-term investments, net (including available-for-sale investment of US\$201,815 and US\$224,315 as of May 31, 2020 and 2021, respectively)	80,366	73,254
Deferred tax assets, non-current, net	431,101	537,749
Right-of-use assets	63,324	103,587
Other non-current assets	1,425,466	1,857,533
Total assets	6,556,885	10,151,053
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable (including accounts payable of the consolidated variable interest entities without recourse to the Company of US\$31,658 and US\$36,032 as of May 31, 2020 and 2021, respectively)	33,147	38,441
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated variable interest entities without recourse to the Company of US\$581,576 and US\$900,877 as of May 31, 2020 and 2021, respectively)	634,619	908,231
Income taxes payable (including income taxes payable of the consolidated variable interest entities without recourse to the Company of US\$87,331 and US\$46,248 as of May 31, 2020 and 2021, respectively)	101,385	84,321
Amounts due to related parties (including amounts due to related parties of the consolidated variable interest entities without recourse to the Company of US\$1,590 and US\$33 as of May 31, 2020 and 2021, respectively)	1,590	33
Deferred revenue (including deferred revenue of the consolidated variable interest entities without recourse to the Company of US\$1,317,645 and US\$1,923,007 as of May 31, 2020 and 2021, respectively)	1,324,384	1,926,386
Operating lease liabilities-current (including operating lease liabilities-current of the consolidated variable interest entities without recourse to the Company of US\$376,177 and US\$501,049 as of May 31, 2020 and 2021, respectively)	384,239	514,033
Total current liabilities	2,479,364	3,471,445
Deferred tax liabilities, non-current (including deferred tax liabilities, non-current of the consolidated variable interest entities without recourse to the Company of US\$12,392 and US\$12,924 as of May 31, 2020 and 2021, respectively)		
Long-term loan (including long-term loan of the consolidated variable interest entities without recourse to the Company of nil and nil as of May 31, 2020 and 2021, respectively)	11,906	13,172
Unsecured senior notes (including unsecured senior notes of the consolidated variable interest entities without recourse to the Company of nil and nil as of May 31, 2020 and May 31, 2021, respectively)	117,881	—
Operating lease liabilities (including operating lease liabilities of the consolidated variable interest entities without recourse to the Company of US\$1,054,149 and US\$1,333,961 as of May 31, 2020 and 2021, respectively)	—	297,631
Total liabilities	1,077,923	1,350,629
	3,687,074	5,132,877

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NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

CONSOLIDATED BALANCE SHEETS - CONTINUED
(In thousands, except share and per share data, or otherwise noted)

	As of May 31,	
	2020	2021
	US\$	US\$
Commitments and contingencies (Note 21)		
Equity		
Common shares (US\$0.001 par value; 3,000,000,000 shares authorized as of May 31, 2020 and 2021; 1,588,017,140 and 1,690,082,150 shares issued as of May 31, 2020 and 2021; 1,585,400,800 and 1,690,082,150 shares outstanding as of May 31, 2020 and 2021 respectively)*	1,588	1,690
Treasury stock	(3)	—
Additional paid-in capital	456,088	1,948,884
Statutory reserves	380,078	447,504
Retained earnings	1,986,411	2,253,399
Accumulated other comprehensive (loss) income	(90,867)	261,798
Total New Oriental Education & Technology Group Inc. shareholders' equity	<u>2,733,295</u>	<u>4,913,275</u>
Non-controlling interests	136,516	104,901
Total equity	<u>2,869,811</u>	<u>5,018,176</u>
Total liabilities and equity	<u>6,556,885</u>	<u>10,151,053</u>

* Retrospectively restated for the effect of stock split. (Note 16)

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

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CONSOLIDATED STATEMENTS OF OPERATIONS
(All amounts in thousands, except for share and per share data, or otherwise noted)

	For the years ended May 31,		
	2019 US\$	2020 US\$	2021 US\$
Net revenues			
Educational programs and services	2,785,254	3,230,378	3,936,969
Books and other services	311,237	348,304	339,570
Total net revenues	3,096,491	3,578,682	4,276,539
Operating cost and expenses			
Cost of revenues	(1,376,269)	(1,588,899)	(2,036,875)
Selling and marketing	(384,287)	(445,259)	(600,778)
General and administrative	(1,028,783)	(1,145,521)	(1,489,826)
Impairment loss on intangible assets and goodwill	(5,245)	—	(31,794)
Total operating cost and expenses	(2,794,584)	(3,179,679)	(4,159,273)
Gain on disposal of a subsidiary	3,627	—	—
Operating income	305,534	399,003	117,266
Other income, net			
Interest income	97,530	116,117	141,511
Interest expense	(1,615)	(4,627)	(6,747)
Realized gain from long-term investments	26,379	407	3,535
Impairment loss from long-term investments	(5,919)	(31,750)	(40,207)
Loss from fair value change of long-term investments	(104,636)	(18,451)	(3,824)
Miscellaneous (loss) income, net	(1,424)	27,137	103,443
Income before income taxes and loss from equity method investments	315,849	487,836	314,977
Provision for income taxes:			
Current	(103,031)	(142,992)	(127,313)
Deferred	17,317	8,630	43,725
Provision for income taxes	(85,714)	(134,362)	(83,588)
(Loss) gain from equity method investments	(2,289)	1,385	(1,368)
Net income	227,846	354,859	230,021
Less: Net loss attributable to non-controlling interests	(10,219)	(58,474)	(104,393)
Net income attributable to New Oriental Education & Technology Group Inc.'s shareholders	238,065	413,333	334,414
Net income per common share*(Note 19)			
- Basic	0.15	0.26	0.20
- Diluted	0.15	0.26	0.20
Weighted average shares used in calculating basic and diluted net income per common share*			
- Basic	1,582,938,900	1,584,295,760	1,645,463,440
- Diluted	1,590,393,450	1,595,368,900	1,651,982,384

* Retrospectively restated for the effect of stock split. (Note 16)

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

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NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except share and per share data, or otherwise noted)

	For the years ended May 31,		
	2019	2020	2021
	US\$	US\$	US\$
Net income	227,846	354,859	230,021
Other comprehensive (loss) income, net of tax			
Foreign currency translation adjustment	(190,358)	(67,529)	327,236
Purchase of non-controlling interests	—	—	59
Unrealized gain (loss) on available-for-sale investments, net of tax effect of US\$3,463, US\$60 and US\$4,014 for the years ended May 31, 2019, 2020 and 2021, respectively	19,483	(748)	27,318
Other comprehensive (loss) income, net of tax	(170,875)	(68,277)	354,613
Comprehensive income	56,971	286,582	584,634
Comprehensive loss attributable to non-controlling interests	(11,130)	(58,891)	(102,445)
Comprehensive income attributable to New Oriental Education & Technology Group Inc.'s shareholders	<u>68,101</u>	<u>345,473</u>	<u>687,079</u>

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

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NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(All amounts in thousands, except for share data)

	Common shares		Additional paid-in capital US\$	Treasury stock US\$	Accumulated other comprehensive income (loss) US\$	Statutory reserves US\$	Retained earnings US\$	Total New Oriental Education & Technology Group Inc. shareholders' equity US\$	Non- controlling interests US\$	Total shareholders' equity US\$
	Number*	US\$								
Balance as of May 31, 2018	1,583,199,100	1,584	129,059	(1)	244,886	263,518	1,352,543	1,991,589	16,482	2,008,071
Issuance of treasury stock and common shares for nonvested equity shares ("NES")	4,818,040	4	(5)	1	—	—	—	—	—	—
Shares repurchase	(9,520,000)	—	(55,952)	(10)	—	—	—	(55,962)	—	(55,962)
Share-based compensation expenses	—	—	71,336	—	—	—	—	71,336	—	71,336
Transfer to statutory reserves	—	—	—	—	—	42,011	(42,011)	—	—	—
Net income	—	—	—	—	—	—	238,065	238,065	(10,219)	227,846
Foreign currency translation adjustment	—	—	—	—	(188,982)	—	—	(188,982)	(1,376)	(190,358)
Unrealized gain on available-for-sale investments, net of tax effect of US\$3,463	—	—	—	—	19,018	—	—	19,018	465	19,483
Capital contribution from non-controlling interests	—	—	15,181	—	—	—	—	15,181	5,317	20,498
Change in non-controlling interests resulting from the initial public offering (the "IPO") of Koolearn Technology Holding Limited ("Koolearn Holding"), net of issuance cost	—	—	139,211	—	—	—	—	139,211	94,136	233,347
Reclassification of redeemable non-controlling interests	—	—	145,690	—	—	—	—	145,690	60,934	206,624
Purchase of non-controlling interests	—	—	(15,190)	—	—	—	—	(15,190)	(1,696)	(16,886)
Non-controlling interests arising from acquisitions	—	—	—	—	—	—	—	—	288	288
Disposal of a subsidiary	—	—	(371)	—	—	—	—	(371)	80	(291)
Cumulative-effect adjustment upon adoption of ASU 2016-01	—	—	—	—	(97,929)	—	97,929	—	—	—
Cumulative-effect adjustment upon adoption of ASC Topic 606	—	—	—	—	—	—	1,101	1,101	—	1,101
Balance as of May 31, 2019	<u>1,578,497,140</u>	<u>1,588</u>	<u>428,959</u>	<u>(10)</u>	<u>(23,007)</u>	<u>305,529</u>	<u>1,647,627</u>	<u>2,360,686</u>	<u>164,411</u>	<u>2,525,097</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED
(All amounts in thousands, except for share data)

	Common shares		Additional paid-in capital US\$	Treasury stock US\$	Accumulated other comprehensive loss US\$	Statutory reserves US\$	Retained earnings US\$	Total New Oriental Education & Technology Group Inc. shareholders' equity US\$	Non- controlling interests US\$	Total shareholders' equity US\$
	Number*	US\$								
Balance as of May 31, 2019	1,578,497,140	1,588	428,959	(10)	(23,007)	305,529	1,647,627	2,360,686	164,411	2,525,097
Issuance of treasury stock and common shares for NES	6,903,660	—	(7)	7	—	—	—	—	—	—
Share-based compensation expenses	—	—	41,326	—	—	—	—	41,326	20,731	62,057
Exercise of share options in Koolearn Holding	—	—	—	—	—	—	—	—	3,629	3,629
Transfer to statutory reserves	—	—	—	—	—	74,549	(74,549)	—	—	—
Net income	—	—	—	—	—	—	413,333	413,333	(58,474)	354,859
Foreign currency translation adjustment	—	—	—	—	(67,112)	—	—	(67,112)	(417)	(67,529)
Unrealized gain on available-for-sale investments, net of tax effect of US\$60	—	—	—	—	(748)	—	—	(748)	—	(748)
Purchase of non-controlling interests	—	—	(20,045)	—	—	—	—	(20,045)	6,675	(13,370)
Share option gain	—	—	5,752	—	—	—	—	5,752	—	5,752
Capital contribution from non-controlling interests	—	—	103	—	—	—	—	103	(39)	64
Balance as of May 31, 2020	<u>1,585,400,800</u>	<u>1,588</u>	<u>456,088</u>	<u>(3)</u>	<u>(90,867)</u>	<u>380,078</u>	<u>1,986,411</u>	<u>2,733,295</u>	<u>136,516</u>	<u>2,869,811</u>

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NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - CONTINUED
(All amounts in thousands, except for share data)

	Common shares		Additional paid-in capital US\$	Treasury stock US\$	Accumulated other comprehensive (loss)/income US\$	Statutory reserves US\$	Retained earnings US\$	Total New Oriental Education & Technology Group Inc. shareholders' equity US\$	Non- controlling interests US\$	Total shareholders' equity US\$
	Number*	US\$								
Balance as of May 31, 2020	1,585,400,800	1,588	456,088	(3)	(90,867)	380,078	1,986,411	2,733,295	136,516	2,869,811
Issuance of treasury stock and common shares for NES	5,706,350	3	(6)	3	—	—	—	—	—	—
Vested NES	1,110,000	1	(1)	—	—	—	—	—	—	—
HK initial public offering, net of issuance cost	97,865,000	98	1,482,670	—	—	—	—	1,482,768	—	1,482,768
Share-based compensation expenses	—	—	29,353	—	—	—	—	29,353	39,527	68,880
Exercise of share options in Koolearn Holding	—	—	—	—	—	—	—	—	1,929	1,929
Transfer to statutory reserves	—	—	—	—	—	67,426	(67,426)	—	—	—
Net income	—	—	—	—	—	—	334,414	334,414	(104,393)	230,021
Foreign currency translation adjustment	—	—	—	—	325,288	—	—	325,288	1,948	327,236
Unrealized gain on available-for-sale investments, net of tax effect of US\$4,014	—	—	—	—	27,318	—	—	27,318	—	27,318
Purchase of non-controlling interests	—	—	(19,092)	—	59	—	—	(19,033)	(626)	(19,659)
Shares issuance of Koolearn Holdings	—	—	(128)	—	—	—	—	(128)	30,000	29,872
Balance as of May 31, 2021	<u>1,690,082,150</u>	<u>1,690</u>	<u>1,948,884</u>	<u>—</u>	<u>261,798</u>	<u>447,504</u>	<u>2,253,399</u>	<u>4,913,275</u>	<u>104,901</u>	<u>5,018,176</u>

* Retrospectively restated for the effect of stock split. (Note 16)

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(All amounts in thousands)

	For the years ended May 31,		
	2019 US\$	2020 US\$	2021 US\$
Cash flows from operating activities			
Net income	227,846	354,859	230,021
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation of property and equipment	110,042	146,310	225,657
Amortization of intangible assets	3,699	4,530	4,524
Amortization of land use rights	263	162	262
Loss on disposal of property and equipment	10,685	4,866	5,380
Gain on disposal of a subsidiary	(3,627)	—	—
Goodwill impairment	5,245	—	28,858
Impairment loss from intangible assets	—	—	2,936
Impairment loss from long-term investments	5,919	31,750	40,207
Impairment loss from long-lived assets	—	—	33,769
Realized gain from long-term investments	(26,379)	(407)	(3,535)
Loss from fair value change of long-term investments	104,636	18,451	3,824
Share-based compensation expenses	71,336	62,057	68,880
Allowance for doubtful accounts	146	329	3,106
Loss (gain) from equity method investments	2,289	(1,385)	1,368
Deferred income taxes	(17,273)	(8,566)	(44,644)
Amortization of discounts and issuance costs of the unsecured senior notes	—	—	548
Changes in operating assets and liabilities			
Accounts receivable	(509)	(1,422)	(4,627)
Inventory	6,032	(3,278)	3,752
Prepaid expenses and other current assets	(23,624)	(40,713)	(15,229)
Amounts due from related parties	(3,022)	14,106	(661)
Long-term deposits	(12,622)	(14,266)	(5,020)
Long-term prepaid rents	858	658	—
Operating lease rights-of-use assets	—	(170,871)	(252,297)
Accounts payable	(2,747)	82	12,809
Accrued expenses and other current liabilities	(18,321)	63,667	122,147
Income taxes payable	27,210	56,372	33,533
Amounts due to related parties	670	1,152	(1,667)
Deferred revenue	336,896	61,930	420,340
Operating lease liabilities	—	224,082	215,844
Net cash provided by operating activities	805,648	804,455	1,130,085
Cash flows from investing activities			
Purchase of term deposits	(104,178)	(249,048)	(1,203,630)
Proceeds from maturity of term deposits	95,402	69,740	296,077
Payments for short-term investments	(3,595,634)	(2,964,402)	(4,253,957)
Proceeds from maturity of short-term investments	3,432,981	2,248,486	3,452,642
Purchase of property and equipment	(269,140)	(309,548)	(429,197)
Proceeds from disposal of property and equipment	17,238	24,477	45,392
Payments for long-term investments	(128,970)	(92,087)	(106,965)
Proceeds from disposal of long-term investments	46,956	8,480	24,623
Business acquisitions, net of cash acquired of US\$2,697, US\$1,419 and US\$430 for the years ended May 31, 2019, 2020 and 2021, respectively (Note 3)	(36,367)	1,073	(12,701)
Purchase of land use rights	(7,738)	—	(7,151)
Loans provided to related parties	(61,155)	(7,128)	(10,486)
Repayment of loan provided to related parties	45,682	712	27,714
Disposal of subsidiaries, net of cash disposed of US\$12,050, US\$665 and nil for the years ended May 31, 2019, 2020 and 2021, respectively	(9,789)	12,875	—
Net cash used in investing activities	(574,712)	(1,256,370)	(2,177,639)

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NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(All amounts in thousands)

	For the years ended May 31,		
	2019 US\$	2020 US\$	2021 US\$
Cash flows from financing activities			
Net proceeds from HK initial public offering	—	—	1,482,768
Proceeds from issuances of common shares upon exercise of share options	—	3,629	1,929
Proceeds from issuance of ordinary shares relating to the IPO of Koolearn Holding	233,347	—	—
Cash paid for employees' individual income taxes on withheld shares from exercise of NES	(12,085)	(9,853)	(16,168)
Payments made after a business combination	—	(18,332)	(1,741)
Repayment of long-term debt	—	—	(120,000)
Proceeds from long-term loan	96,457	20,000	297,083
Cash paid for shares repurchase	(55,962)	—	—
Capital contribution from non-controlling interests	20,498	64	—
Share issuances of Koolearn Holdings	—	—	29,872
Purchase of non-controlling interests	(15,606)	(13,370)	(19,659)
Net cash provided by (used in) financing activities	266,649	(17,862)	1,654,084
Effects of exchange rate changes	(66,123)	(29,026)	106,173
Net change in cash, cash equivalents and restricted cash	431,462	(498,803)	712,703
Cash, cash equivalents and restricted cash at beginning of year	986,765	1,418,227	919,424
Cash, cash equivalents and restricted cash at end of year	1,418,227	919,424	1,632,127
Supplement disclosure of cash flow information:			
Income taxes paid	75,346	135,678	144,377
Interests paid	833	4,665	4,219
Non-cash investing and financing activities			
Payable for investments and acquisitions	21,962	3,917	6,536
Payable for purchase of property and equipment	44,445	65,335	79,132
Receivable from the disposal of a subsidiary	13,760	—	—

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2019, 2020 AND 2021

(All amounts in thousands, except for share and per share data, or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

New Oriental Education & Technology Group Inc. (the “Company”) was incorporated in the Cayman Islands. The Company, its consolidated subsidiaries, its variable interest entities (the “VIEs”) and the VIEs’ subsidiaries and schools are collectively referred to as the “Group”.

The Group provides educational services in the People’s Republic of China (the “PRC”) primarily under the “New Oriental” brand. The Group offers a wide range of educational programs, services and products, consisting primarily of K-12 after-school tutoring (“K-12 AST”), test preparation and other courses, primary and secondary school education, online education, content development and distribution, overseas study consulting services, pre-school education and study tour.

On July 24, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council of the PRC jointly issued the “Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (compulsory education includes primary school education of six years and middle school education of three years, together as the “Compulsory Stage Education”)” (the “Opinion”). The key provisions of the Opinion include, but are not limited to: (i) institutions providing after-school tutoring (the “AST”) services on academic subjects in relation to the Compulsory Stage Education (“Academic AST Institutions”) are required to be registered as non-profit organization, (ii) Academic AST Institutions providing online tutoring services are required to make application to renew their operating permit in order to maintain the internet content provider license (the “ICP License”); (iii) foreign investors shall not control or hold interest in Academic AST Institutions by means of direct investment, merger and acquisition, franchise or contractual arrangements; (iv) certain restrictions on timing and fee of academic AST services.

On September 7, 2021, to implement the Opinion, the Chinese Ministry of Education (“MOE”) published on its website that the MOE, together with two other government authorities, issued a circular requiring all Academic AST Institutions to complete registration as non-profit by the end of 2021, and all Academic AST Institutions shall, before completing such registration, suspend enrollment of students and charging fees.

The Opinion and a related series of notice, administrative measures or circular are expected to have a material adverse impact on the Group’s AST services relating to academic subjects in the PRC’s Compulsory Stage Education, which is part of the Group’s K-12 AST, test preparation and other course. The Group is currently in the process of considering the impact of the Opinion on its current business and determining the necessary steps that need to be undertaken in order to fully comply with the Opinion. At this stage, the Group is unable to determine the full impact of the Opinion on its future consolidated financial statements. A significant portion of the Group’s deferred revenue as of May 31, 2021 related to its AST services. To the extent the Group is unable to provide AST related services related to this obligation in the future as a result of the Opinion, the Group may be required to refund any remaining balance in cash to its customers. Additionally, a significant portion of the Group’s long-lived assets related to its AST business. Those assets might be subject to future impairment based on the future steps that the Group will take to comply with the Opinion. The Company expects that businesses other than the academic AST, which are currently operated by the VIEs, would not be materially affected after taking necessary measures to comply with the Opinion.

On April 7, 2021, the State Council promulgated the Amended Implementation Rules for the Private Education Law, which became effective on September 1, 2021, or the Amended Implementation Rules. The Amended Implementation Rules provide that a private school providing compulsory education is prohibited from conducting transactions with its related party. Relevant government authorities shall enhance the supervision on the agreements entered into between non-profit private schools and its related party and shall review such transaction on an annual basis.

New Oriental China has two private schools providing compulsory education, Beijing Changping New Oriental Bilingual School (“Changping School”) and Beijing New Oriental Yangzhou Foreign Language School (“Yangzhou School”). As a result of the effectiveness of the Amended Implementation Rules from September 1, 2021, the Company shall not conduct any related party transaction, including the master exclusive service agreement with these two compulsory-education schools further described below. In accordance with the Amended Implementation Rules, the master exclusive service agreement was further amended and effective from September 1, 2021, to exclude Changping School and Yangzhou School from such agreement. The Company may take further necessary measures to comply with the Amended Implementation Rules. The financial results of those two compulsory-education schools were historically insignificant compared to the Group’s consolidated results. The Group is in the process of considering the impact of the amendment of the exclusive service agreement on its future consolidated financial statements.

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As of May 31, 2021, details of the Company’s major subsidiaries, its VIEs and the VIEs’ major subsidiaries and schools were as follows:

Name	Date of incorporation or acquisition	Place of incorporation (or establishment)/ operation	Legal ownership	Principal activity
Major subsidiaries of the Company:				
Beijing Decision Education & Consulting Company Limited (“Beijing Decision”)	April 20, 2005	PRC	100%	Educational technology and management services
Beijing Hewstone Technology Company Limited (“Beijing Hewstone”)	April 20, 2005	PRC	100%	Educational software development
Elite Concept Holdings Limited (“Elite Concept”)	December 3, 2007	Hong Kong	100%	Educational consulting
Winner Park Limited (“Winner Park”)	December 9, 2008	Hong Kong	100%	Educational consulting
Smart Shine International Limited (“Smart Shine”)	December 9, 2008	Hong Kong	100%	Educational consulting
Beijing Pioneer Technology Company Limited (“Beijing Pioneer”)	January 8, 2009	PRC	100%	Educational software development
Beijing Smart Wood Software Technology Company Limited (“Beijing Smart Wood”)	December 21, 2011	PRC	100%	Educational consulting and software development
Koolearn Holding	February 7, 2018	Cayman Islands	55.68%	Online education service
New Oriental Xuncheng Technology (HK) Limited (“Koolearn Tech”)	March 2, 2018	Hong Kong	55.68%	Online education service
Beijing Dexin Dongfang Network Technology Co., Ltd. (“Dexin Dongfang”)	March 21, 2018	PRC	55.68%	Educational consulting and software development
Zhuhai Chongsheng Heli Network Technology Co., Ltd (“Zhuhai Chongsheng”)	July 23, 2019	PRC	55.68%	Educational consulting and software development
VIEs of the Company:				
New Oriental Education & Technology Group Co., Ltd (“New Oriental China”)	August 2, 2001	PRC	N/A	Education consulting, software development and distributions and other services
Beijing New Oriental Xuncheng Network Technology Co., Ltd. (“Xuncheng”)	March 11, 2005	PRC	N/A	Online education service
Major subsidiaries and schools of the VIEs:				
Beijing Haidian District Privately-Funded New Oriental School (“Beijing Haidian School”)	October 5, 1993	PRC	N/A	Language training and test preparation
Yangzhou School	June 6, 2002	PRC	N/A	Primary and secondary school education
Wuhan New Oriental Training School	April 28, 2002	PRC	N/A	Language training and test preparation
Xi’an Yanta District New Oriental School	November 26, 2002	PRC	N/A	Language training and test preparation
Nanjing Gulou New Oriental Advanced Study School	November 28, 2002	PRC	N/A	Language training and test preparation
Beijing New Oriental Dogwood Cultural Communications Co., Ltd. (“Dogwood”)	May 16, 2003	PRC	N/A	Content development and distribution
Beijing New Oriental Vision Overseas Consultancy Co., Ltd.	February 19, 2004	PRC	N/A	Overseas study consulting service
Hangzhou New Oriental Advanced Study School	July 21, 2005	PRC	N/A	Language training and test preparation
Beijing Chaoyang District Kindergarten of Stars	November 20, 2007	PRC	N/A	Pre-school education

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The VIE arrangements

The 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 of China. The Company's offshore holding companies are not educational institutions and do not provide educational services outside of China. In addition, in the PRC, foreign ownership of high schools for students in grades ten to twelve is restricted and foreign ownership of primary and middle schools for students in grades one to nine is prohibited. Accordingly, the Company's offshore holding companies are not allowed to directly own and operate schools in China. The Company conducts substantially all of its education business in China through contractual arrangements with its VIEs, New Oriental China and its subsidiaries and schools and Xuncheng and its subsidiaries. Since the operations of New Oriental China and its subsidiaries and schools and Xuncheng and its subsidiaries are closely interrelated and almost indistinguishable from one another, the risks and rewards associated with their operations are substantially the same. In addition, the Company consolidates New Oriental China, its subsidiaries and schools, Xuncheng and its subsidiaries as disclosed. Therefore, the Company aggregates the disclosures related to New Oriental China, its subsidiaries and schools, and Xuncheng and its subsidiaries as the VIEs in the Company's consolidated financial statements. The VIEs hold the requisite licenses and permits necessary to conduct the Company's education business. In addition, the VIEs hold leases and other assets necessary to operate the Company's schools and learning centers, employ teachers and generate substantially all of the Company's revenues.

VIE Arrangements between New Oriental China and the Company's PRC subsidiaries

The Company and its wholly owned subsidiaries in China (the "WFOEs") have entered into the following contractual arrangements with New Oriental China, New Oriental China's subsidiaries and schools and New Oriental China's shareholders that enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of the VIEs, (2) receive substantially all of the economic benefits of the VIEs that could be significant to the VIEs and (3) have an exclusive option to purchase all or part of the equity interests in New Oriental China, when and to the extent permitted by the PRC law, or request the existing shareholder of New Oriental China to transfer all or part of the equity interest in New Oriental China to another PRC person or entity designated by us at any time in the Company's discretion. Accordingly, the Company is considered the primary beneficiary of the VIE and has consolidated the VIE's financial results of operations, assets and liabilities in the Company's consolidated financial statements. In making the conclusion that the Company is the primary beneficiary of the VIE, the Company believes the Company's rights under the terms of the exclusive option agreement provide it with the substantive kick-out rights. More specifically, the Company believes the terms of the exclusive option agreement are valid, binding and enforceable under the PRC laws and regulations currently in effect. The Company also believes that the minimum amount of consideration permitted by the applicable PRC law to exercise the option does not represent a financial barrier or disincentive for the Company to currently exercise its rights under the exclusive option agreement.

A simple majority vote of the Company's board of directors is required to pass a resolution to exercise the Company's rights under the exclusive option agreement, for which Mr. Michael Minhong Yu ("Mr. Yu")'s consent is not required. The Company's rights under the exclusive option agreement give the Company the power to control the shareholders of New Oriental China and thus the power to direct the activities that most significantly impact the schools' economic performance given that New Oriental China has the power to direct the activities of the schools via its sponsorship interest. In addition, the Company's rights under the power of attorney also reinforce the Company's abilities to direct the activities that most significantly impact the VIE's economic performance. The Company also believes that this ability to exercise control ensures that the VIE will continue to execute and renew service agreements and pay service fees to the Company. By charging service fees in whatever amounts the Company deems fit, and by ensuring that service agreements are executed and renewed indefinitely, the Company has the rights to receive substantially all of the economic benefits from the VIE.

Service agreements. There are four types of service agreements: (i) trademark license agreements, (ii) new enrollment system development service agreements, (iii) other operating service agreements, and (iv) sale of educational software agreements.

- (i) Trademark license agreements. Pursuant to the trademark license agreement dated May 13, 2006 between the Company as the licensor and New Oriental China as the licensee, the Company has licensed the trademarks to New Oriental China for its use in China. The Company has also allowed New Oriental China to enter into sub-license agreements with its subsidiaries and schools pursuant to which each of the subsidiaries and schools may use the trademarks in China by paying license fees. This license is valid from May 14, 2006 to December 31, 2050, subject to the renewal every ten years upon the expiration of the trademark registration.
- (ii) New enrollment system development service agreements. Beijing Decision has entered into new enrollment system development service agreements with the schools of New Oriental China, under which Beijing Decision agreed to provide new enrollment system development and regular maintenance services to those schools of New Oriental China for a fee equal to the applicable fee rate multiplied by the number of new student enrollments. These agreements can be renewed by both parties to the agreements.

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- (iii) Other operating service agreements. Pursuant to operating service agreements between certain WFOEs and the subsidiaries or schools of New Oriental China, the WFOEs have agreed to provide certain operating services to the subsidiaries or schools of New Oriental China for fees that are calculated based on a percentage, ranging from 2.0% to 6.0%, of respective revenues of each of the subsidiaries and schools. A majority of these agreements provide unlimited two-year or five-year automatic renewal without consent of the WFOEs. The remaining agreements can be renewed by both parties to the agreements.
- (iv) Sale of educational software agreements. Ten WFOEs, namely Beijing Hewstone, Beijing Pioneer, Beijing Smart Wood, Beijing Joy Tend Technology Company Limited (“Beijing Joy Trend”), Beijing magnificence Technology Company Limited (“Beijing Magnificence”), Beijing Top Technology Company Limited (“Beijing Top”), Beijing Shenghe Technology Company Ltd. (“Beijing Shenghe”), Beijing Right Time Technology Company Limited (“Beijing Right Time”), Beijing Sincerity Technology Company Limited and Beijing Jinghong Software Technology Company Ltd. (“Beijing Jinghong”), entered into agreements whereby the WFOEs sell various self-developed educational software to the subsidiaries or schools of New Oriental China. Except for four agreements that are silent on renewal, these agreements provide unlimited two-year automatic renewal terms, and the subsidiaries and schools of New Oriental China cannot terminate the agreements without the consent of the WFOEs in China.

Master exclusive service agreement. On September 19, 2014, Beijing Pioneer entered into a master exclusive service agreement with New Oriental China to enable the Company’s wholly owned subsidiaries in China to receive substantially all of the economic benefits of New Oriental China and its subsidiaries and schools. Under the master exclusive service agreement, Beijing Pioneer has the exclusive rights to provide or designate any entities affiliated with it to provide New Oriental China and its subsidiaries and schools the technical and business support services, including new enrollment system development service, sale of educational software and other operating services. Each service provider specified in the service agreement (iv) has the rights to determine the fees associated with the services it provides based on the technical difficulty and complexity of the services and the actual labor costs it incurs for providing the services during the relevant period. The term of this agreement is ten years and will be automatically extended upon expiration. Beijing Pioneer may terminate the agreement at any time with a 30-day prior written notice to New Oriental China, whereas none of New Oriental China and its subsidiaries and schools can terminate this agreement. The various existing service agreements mentioned in service agreements (i)~(iv) will remain effective after the inclusion of the master exclusive service agreement; however, if they have any conflict with the terms and conditions of the master exclusive service agreement, the master exclusive service agreement will prevail. The master exclusive service agreement was effective on September 19, 2014.

As discussed in the preceding paragraphs, the Group further amended its master exclusive service agreement on September 1, 2021 to exclude two compulsory-education schools from such agreement. As a result, the wholly-owned subsidiaries in China stopped providing any exclusive services to or receive any fees from those two schools.

Equity pledge agreements. Pursuant to the equity pledge agreements dated May 25, 2006 among New Oriental China, all of the shareholders of New Oriental China, Beijing Hewstone and Beijing Decision, each shareholder of New Oriental China agreed to pledge his or its equity interest in New Oriental China to Beijing Hewstone and Beijing Decision to secure the performance of the VIEs’ obligations under the existing service agreements and any such agreements to be entered into in the future. The shareholders of New Oriental China agreed not to transfer, sell, pledge, dispose of or otherwise create any encumbrance on their equity interests in New Oriental China without the prior written consent of Beijing Hewstone and Beijing Decision.

In January 2012, ten former shareholders of New Oriental China completed the transfer, for no consideration, of all of their equity interests in New Oriental China to Beijing Century Friendship Education Investment Co., Ltd. (“Century Friendship”), a PRC domestic enterprise controlled by the Company’s founder and chairman, Mr. Yu. Prior to the transfer, Century Friendship had held 53% of the equity interests in New Oriental China while the ten former shareholders of New Oriental China held the remaining equity interests. In connection to the transfer, five new equity pledge agreements dated April 23, 2012 were entered into among New Oriental China, Century Friendship and five WFOEs, whereby Century Friendship has agreed to pledge all of its equity interests in New Oriental China to the WFOEs to secure the VIEs’ performance of their obligations under the trademark license agreements, new enrollment system development service agreements, other operating service agreements and sale of educational software agreements. Century Friendship has agreed not to transfer, sell, pledge, dispose of or otherwise create any encumbrance on its equity interests in New Oriental China without the prior written consents of the WFOEs. The terms of the April 2012 equity pledge agreements are substantially the same as the 2006 equity pledge agreements.

In February 2017, as part of efforts to streamline the corporate structure, the Group removed Shanghai Smart Words Software Technology Co., Ltd. (“Shanghai Smart Words”) as a party to the contractual arrangements with New Oriental China and its subsidiaries and schools and the shareholders. The rights and obligations of Shanghai Smart Words under these contractual arrangements have been assumed by Beijing Decision. The April 2012 equity pledge agreements have been amended to reflect the foregoing change while the terms of these agreements remain unchanged. The equity pledges of Century Friendship under the amended agreements have been registered with the Haidian District, Beijing branch of the State Administration of Market Regulation (the “SAMR”).

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Exclusive option agreements. Pursuant to the exclusive option agreements entered into on various dates, as amended on May 25, 2006, among the Company, New Oriental China and its shareholders, the shareholders of New Oriental China are obligated to sell to the Company, and the Company has an exclusive, irrevocable and unconditional rights to purchase, or cause the shareholders of New Oriental China to sell to the Company's designated party, in the Company's sole discretion, part or all of the 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. In addition, pursuant to the exclusive option agreements, the Company has an exclusive, irrevocable and unconditional right to request any existing shareholders of New Oriental China to transfer all or part of the equity interest in New Oriental China held by such shareholder to another PRC person or entity designated by the Company at any time in the discretion. The price to be paid by the Company or a PRC person or entity designated by the WFOEs will be the minimum amount of consideration permitted by applicable PRC law at the time when such share transfer occurs. As a result of the ten former shareholders of New Oriental China transferring all of their equity interests in New Oriental China to Century Friendship in January 2012, Century Friendship executed a new option agreement with Shanghai Smart Words and New Oriental China on April 23, 2012. The terms of this new option agreement are substantially the same as the 2006 exclusive option agreements.

On February 16, 2017, Beijing Decision entered into a new option agreement with Century Friendship and New Oriental China, replacing the previous option agreement dated April 23, 2012. Pursuant to the current option agreement, Century Friendship is obligated to sell to Beijing Decision, and Beijing Decision has an exclusive, irrevocable and unconditional rights to purchase from Century Friendship, in its sole discretion, part or all of Century Friendship's equity interests in New Oriental China when and to the extent that applicable PRC law permits it to own part or all of the equity interest in New Oriental China. In addition, Beijing Decision has an exclusive option to require Century Friendship to transfer all or part of Century Friendship's equity interest in New Oriental China to another PRC person or entity designated by Beijing Decision at any time in its discretion. The purchase price to be paid by Beijing Decision will be the minimum amount of consideration permitted by the applicable PRC law at the time when such share transfer occurs.

Power of Attorney. On December 3, 2012, Century Friendship, in the capacity of the sole shareholder of New Oriental China, executed a proxy agreement and power of attorney with Beijing Pioneer, which is one of the Company's wholly owned subsidiaries in China, and New Oriental China, whereby Century Friendship irrevocably appoints and constitutes Beijing Pioneer as its attorney-in-fact to exercise on Century Friendship's behalf any and all rights that Century Friendship has in respect of its equity interests in New Oriental China. This proxy agreement and power of attorney became effective on December 3, 2012 and replaces the powers of attorney executed by Century Friendship on April 23, 2012. The proxy agreement and power of attorney will remain effective as long as New Oriental China exists. Century Friendship does not have the rights to terminate the proxy agreement and power of attorney or revoke the appointment of the attorney-in-fact without the prior written consent of Beijing Pioneer.

VIE Arrangements between Dexin Dongfang and Xuncheng

On May 10, 2018, Dexin Dongfang, a wholly-owned subsidiary of Koolearn Holding, entered into certain contractual arrangements (the "Contractual Arrangements") with Xuncheng and the shareholders of Xuncheng, which enable Koolearn Holding to obtain control over Xuncheng, Beijing Kuxue Huisi Network Technology Co., Ltd. ("Kuxue Huisi") and Beijing Dongfang Youbo Network Technology Co.,Ltd. ("Dongfang Youbo") (together the "Xuncheng VIE entities").

The Contractual Arrangements include an Exclusive Management Consultancy and Business Cooperation Agreement, an Exclusive Call Option Agreement, an Equity Pledge Agreement, a Powers of Attorney and Dispute resolution and Letters of undertaking. The terms of these contractual agreements between Dexin Dongfang and Xuncheng are substantially similar to those agreements of New Oriental China described in the preceding paragraphs.

Through these Contractual Agreements, Dexin Dongfang has the ability to (1) expose, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over Xuncheng VIE entities; (2) exercise equity holders' controlling voting rights of Xuncheng VIE entities; (3) receive substantially all of the economic benefits of Xuncheng VIE entities in consideration for the business support, technical and consulting services provided by Dexin Dongfang; (4) obtain an irrevocable and exclusive right to purchase all or part of equity interests in Xuncheng VIE entities from the respective equity holders at nil consideration or a minimum purchase price permitted under the PRC Laws; (5) obtain a pledge over the entire equity interest of Xuncheng from their equity holders as collateral security for all of Xuncheng VIE entities' payments.

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On October 10, 2019, Dexin Dongfang and Zhuhai Chongsheng, a wholly-owned PRC subsidiary of Koolearn Holding entered into a supplemental agreement with Xuncheng and its subsidiaries and all of its shareholders. Pursuant to the supplemental agreement, Zhuhai Chongsheng joined as a party to the contractual agreements between Dexin Dongfang, Xuncheng and its subsidiaries and shareholders and assumed the same rights and shared the same obligations of Dexin Dongfang under the contractual agreements.

On October 10, 2019, Dongfang Youbo, a subsidiary of Xuncheng, executed a letter of acceptance whereby it assumed the same rights and obligations as Xuncheng's subsidiary under the exclusive management consultancy and business cooperation agreement.

On February 1, 2021, Dexin Dongfang, Zhuhai Chongsheng, Xi'an Ruiying Huishi Network Technology Co., Ltd. ("Xi'an Ruiying"), Hainan Haiyue Dongfang Network Technology Co., Ltd. ("Hainan Haiyue"), Wuhan Dongfang Youbo Network Technology Co., Ltd. ("Wuhan Dongfang"), Xuncheng and its subsidiaries and all of its registered shareholders entered into a second supplemental agreement, pursuant to which, Xi'an Ruiying, Hainan Haiyue and Wuhan Dongfang joined as parties to the contractual agreements between Dexin Dongfang, Xuncheng and its subsidiaries and the registered shareholders and the supplemental agreement of Zhuhai Chongsheng, and assumed the same rights and share the same obligations as Dexin Dongfang and Zhuhai Chongsheng under the contractual agreements and the supplemental agreement of Zhuhai Chongsheng.

Risks in relation to the VIE structure

The Company believes that the contractual arrangements with its VIEs and their respective shareholders are in compliance with the PRC laws and regulations and are legally enforceable as of May 31, 2021. However, the uncertainties in the PRC legal system could limit the Company's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of the PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Company's PRC subsidiaries and the VIEs;
- confiscate any of income of the Company that it deems to be obtained through illegal operations;
- discontinue or restrict the operations of any related-party transactions between the Company's PRC subsidiaries and the VIEs;
- restrict right of the Company to collect revenues or limit the Company's business expansion in China by way of entering into contractual arrangements;
- impose fines or other requirements with which the Company's PRC subsidiaries and the VIEs may not be able to comply;
- require the Company or the Company's PRC subsidiaries or the VIEs to restructure the relevant ownership structure or operations;
- restrict or prohibit the Company's use of the proceeds of the further offering to finance the Group's business and operations in China; or
- take other regulatory or enforcement actions against the Group that could be harmful to its business.

The Company's ability to conduct its education business may be negatively affected if the PRC government were to carry out of any the aforementioned actions. As a result, the Company may not be able to consolidate its VIEs in its consolidated financial statements as it may lose the ability to exert effective control over the VIEs and their respective shareholders and it may lose the ability to receive economic benefits from the VIEs. The Company, however, does not believe such actions would result in the liquidation or dissolution of the Company, its PRC subsidiaries or the VIEs.

Mr. Yu is the controlling shareholder of Century Friendship, which owns all of the equity interests in New Oriental China, which in turn owns all of the equity interests in Xuncheng, and Mr. Yu is also a beneficial owner of the Company. The interests of Mr. Yu as the beneficial owner of the VIEs may differ from the interests of the Company as a whole, since Mr. Yu is one of the beneficial shareholders of the Company, holding 11.5% of the total common shares outstanding as of May 31, 2021. The Company cannot assure that when conflicts of interest arise, Mr. Yu will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. Currently, the Company does not have existing arrangements to address potential conflicts of interest Mr. Yu may encounter in his capacity as a beneficial owner and director of the VIEs, on the one hand, and as a beneficial owner and director of the Company, on the other hand. The Company believes Mr. Yu will not act contrary to any of the contractual arrangements and the exclusive option agreement provides the Company with a mechanism to remove Mr. Yu as a beneficial shareholder of the VIEs should he act to the detriment of the Company. The Company relies on Mr. Yu, as a director and the chairman of the Company, to fulfill his fiduciary duties and abide by laws of the PRC and Cayman Islands and act in the best interest of the Company. If the Company cannot resolve any conflicts of interest or disputes between the Company and Mr. Yu, the Company would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.

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In addition, the current shareholders of New Oriental China and Xuncheng are also beneficial owners of the Company and therefore, have no current interest in seeking to act contrary to the contractual arrangements. However, to further protect the investors' interest from any risk that the shareholders of New Oriental China may act contrary to the contractual arrangements, the Company, through Beijing Pioneer, entered into an irrevocable power of attorney with Century Friendship on December 3, 2012, which replaces the powers of attorney executed by Century Friendship on April 23, 2012. Through the power of attorney, Century Friendship entrusted Beijing Pioneer as its proxy to exercise its rights as the shareholder of New Oriental China with respect to an aggregate of 100% of the equity interests in New Oriental China.

The following financial statement balances and amounts of the VIEs were included in the accompanying consolidated financial statements after the elimination of intercompany balances and transactions among the offshore companies, WFOEs and the VIEs in the Group:

	As of May 31		
	2020	2021	
	US\$	US\$	
Total current assets	2,385,315	3,695,432	
Total non-current assets	2,463,751	3,207,820	
Total assets	4,849,066	6,903,252	
Total current liabilities	2,395,977	3,407,246	
Total non-current liabilities	1,066,541	1,346,885	
Total liabilities	3,462,518	4,754,131	
	For the years ended May 31,		
	2019	2020	2021
	US\$	US\$	US\$
Net revenues	3,056,537	3,453,555	4,270,169
Net income	575,614	575,210	663,099
Net cash provided by operating activities	536,631	675,015	1,046,695
Net cash used in investing activities	(450,569)	(780,310)	(789,120)
Net cash used in financing activities	(27,691)	(45,188)	(16,658)

The VIEs contributed an aggregate of 98.7%, 96.5% and 99.9% of the consolidated net revenues for the years ended May 31, 2019, 2020 and 2021, respectively. The Company's operations not conducted through contractual arrangements with the VIEs primarily consist of the lease of its commercial property. As of May 31, 2020 and 2021, the VIEs accounted for an aggregate of 74.0% and 68.0%, respectively, of the consolidated total assets, and 93.9%, and 92.6%, respectively, of the consolidated total liabilities. The assets not associated with the VIEs were primarily consist of cash and cash equivalents, prepaid expenses, short-term investments and long-term investments.

There are no consolidated VIEs' assets that are collateralized for the VIEs' obligations and can only be used to settle the VIEs' obligations. There are no creditors (or beneficial interest holders) of the VIEs that have recourse to the general credit of the Company or any of its consolidated subsidiaries. There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Company or its subsidiaries to provide financial support to the VIEs. However, if the VIEs ever need financial support, the Company or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to its VIEs through loans to the shareholders of the VIEs or entrustment loans to the VIEs.

Relevant PRC laws and regulations restrict the VIEs from transferring a portion of its net assets, equivalent to the balance of its statutory reserve and its share capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 26 for disclosure of restricted net assets.

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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 subsidiaries, its VIEs and the VIEs’ subsidiaries and schools. The Company and its WFOEs have entered into contractual arrangements with the VIEs and its shareholders, which enable the Company to (1) have power to direct activities that most significantly affect the economic performance of the VIEs, and (2) receive the economic benefits of the VIEs that could be significant to the VIEs. Accordingly, the Company is considered the primary beneficiary of the VIEs and has consolidated the VIEs’ financial results of operations, assets and liabilities in the Company’s consolidated financial statements. The consolidated financial statements include the financial statements of the Company, its subsidiaries, which are accounted for under the voting interest model, and its VIEs, VIEs’ subsidiaries and schools consolidated under the variable interest entity consolidation model. All inter-company transactions and balances have been eliminated upon consolidation. See “Note 1 Organization and Principal Activities—The VIE Arrangements”.

Reclassifications

Certain reclassifications have been made to the prior years’ consolidated financial statements to conform to the current year’s presentation. These reclassifications had no impact on net income, total assets and liabilities, shareholders’ equity, or cash flows as previously reported.

Use of estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent liabilities at the balance sheet date, and revenue and expenses in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group’s consolidated financial statements include the purchase price allocation relating to business acquisitions, the valuation allowance for deferred tax assets, economic lives and impairment of property and equipment, impairment of goodwill, intangible assets, long-lived assets and long-term investments, fair value assessment of long-term investments, refund liability, discount rate for leases and allowance for credit losses. Actual results could differ from those estimates.

Business combinations

Business combinations are recorded using the acquisition method of accounting. The purchase price of the acquisition is allocated to the tangible assets, liabilities, identifiable intangible assets acquired and non-controlling interest, if any, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses are expensed as incurred.

Consideration transferred in a business combinations is measured at the fair value as of the date of acquisition. Where the consideration in an acquisition includes contingent consideration, and the payment of which depends on the achievement of certain specified conditions post-acquisition, the contingent consideration is recognized and measured at its fair value at the acquisition date and is recorded as a liability. It is subsequently carried at fair value with changes in fair value reflected in earnings.

In a business combination achieved in stages, the Group remeasures the previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the remeasurement gain or loss, if any, is recognized in the consolidated statements of operations.

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 original maturities of three months or less when purchased.

Restricted cash

Restricted cash represents Renminbi (“RMB”) deposit in bank accounts as deposits required by the PRC government authorities related to educational programs and services and establishment of new subsidiaries. Restricted cash is classified as either current or non-current based on when the funds will be released in accordance with the terms of the respective agreement.

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Term deposits

Term deposits consist of deposits placed with financial institutions with original maturities of greater than three months and less than one year.

Short-term investments

The Group's short-term held-to-maturity investments are classified as short-term investments on the consolidated balance sheets based on their contractual maturity dates which are less than one year and are stated at their amortized costs.

The Group reviews its investments in held-to-maturity investments for impairment periodically, recognizing an allowance, if any, by applying an estimated loss rate. The Group considers available evidence in evaluating the potential impairment of its investments in held-to-maturity investments. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net carrying value at the amount expected to be collected on the held-to-maturity investments. The allowance for credit losses was nil and nil for the years ended May 31, 2020 and 2021, respectively.

Allowance for doubtful accounts

Accounts receivable represents amounts due from corporate customers of the Group's various subsidiaries and schools. The allowance for doubtful accounts is the Group's best estimates of the amount of probable credit losses in the Group's existing accounts receivable balance. The Group provides allowance for doubtful accounts based on historical credit loss experience and a review of the current status and reasonable and supportable forecasts of future events and economic conditions. Accounts receivable and other receivables are presented net of allowance for doubtful accounts.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight line basis over the following estimated useful lives:

Buildings	20-50 years
Transportation equipment	10 years
Furniture and education equipment	5 years
Computer equipment and software	3 years
Leasehold improvements	Shorter of the lease term or estimated useful life

Property and equipment also consist of construction in progress as the Group constructs certain of its property and equipment. Construction in progress represents the costs incurred in connection with the construction of property and equipment. Costs classified as construction in progress include all costs of obtaining the asset and bringing it to the location and in the condition necessary for its intended use. Construction in progress is transferred to specific property and equipment and depreciation of these assets commences when the assets are ready for their intended use.

Land use rights, net

Land use rights are recorded at cost less accumulated amortization and amortized on a straight-line basis over the remaining term of the land certificates, from 38.5 years to 50 years.

Intangible assets, net

Intangible assets with an indefinite life are not amortized and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

Intangible assets with finite lives are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives of the respective assets. Acquired intangible assets from business combination are recognized and measured at fair value at the time of acquisition. Those assets represent assets with finite lives and are further amortized on a straight-line basis over the estimated economic useful lives of the respective assets.

The estimated useful lives of intangible assets are as follows:

Trade mark	10 years
License	20 years
Student base	1.75 years
Favorable lease	8.67 years
Courseware	3 years

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 calculated as an amount by which the carrying value of the cost exceed its fair value.

Goodwill, net

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. The Group's goodwill as of May 31, 2020 and 2021 relates to its acquisition of certain kindergartens and schools. In accordance with Accounting Standard Codification 350, Intangibles — Goodwill and Other, the recorded goodwill amounts are not amortized, but rather are tested for impairment annually or more frequently if there are indicators of impairment present.

Goodwill is tested for impairment at the reporting unit level on an annual basis (May 31 for the Group) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the stock prices, business climate, legal and regulatory factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

On June 1, 2019, the Group early adopted Accounting Standards Update (“ASU”) 2017-04, Intangibles-Goodwill and Other (Topic 350) for the annual goodwill impairment test performed in the fiscal year 2020. Topic 350 permits the Group to first assess qualitative factors to determine whether it is “more likely than not” that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test, which eliminated Step 2 from the goodwill impairment test on a prospective basis. The Group recognizes an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

Long-term investments, net

The Group's long-term investments include equity securities without readily determinable fair values, equity securities with readily determinable fair values, equity method investments and available-for-sale investments.

(a) Equity securities

- Equity securities with readily determinable fair values

Equity securities with readily determinable fair values are measured at fair value and any changes in fair value are recognized in the consolidated statements of operations.

- Equity securities without readily determinable fair values

The Group elects a practicability exception to the fair value measurement for the equity securities without readily determinable fair values, under which these investments are measured at cost, less impairment, plus or minus observable price changes of an identical or similar investment of the same issuer with the fair value change recorded in the consolidated statements of operations.

The Group reviews its equity securities without readily determinable fair value for impairment at each reporting period. If a qualitative assessment indicates that the investment is impaired, the Group estimates the investment's fair value in accordance with the principles of ASC Topic 820, Fair Value Measurements and Disclosures (“ASC 820”). If the fair value is less than the investment's carrying value, the Group recognizes an impairment loss equal to the difference between the carrying value and the fair value in the consolidated statements of operations.

(b) Equity method investments

Investee companies over which the Group has the ability to exercise significant influence, but does not have a controlling interest through investment in common shares or in-substance common shares, are accounted for using the equity method. Significant influence is generally considered to exist when the Group has an ownership interest in the voting stock of the investee between 20% and 50%, and other factors, such as representation on the investee's board of directors, voting rights and the impact of commercial arrangements, are also considered in determining whether the equity method of accounting is appropriate. For certain investments in limited partnerships, where the Group holds less than a 20% equity or voting interest, the Group may also have significant influence.

Under the equity method, the Group initially records its investment at cost and subsequently recognizes the Group's proportionate share of each equity investee's net income or loss after the date of investment into the consolidated statements of operations and accordingly adjusts the carrying amount of the investment.

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The Group reviews its equity method investments for impairment whenever an event or circumstance indicates that an other-than-temporary impairment has occurred. The Group considers available quantitative and qualitative evidence in evaluating potential impairment of its equity method investments. An impairment charge is recorded when the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary.

(c) Available-for-sale investments

For investments in investee's shares which are determined to be debt securities, the Group accounts for them as available-for-sale investments when they are not classified as either trading or held-to-maturity investments. Available-for-sale investments are reported at fair value, with unrealized gains and losses, net of taxes recorded in accumulated other comprehensive income (loss). Realized gains or losses on the sales of these securities are recognized in the consolidated statements of operations.

The Group evaluates each individual investment periodically for impairment. For investments where the Group does not intend to sell, the Group evaluates whether a decline in fair value is due to deterioration in credit risk. Credit-related impairment losses, not to exceed the amount that fair value is less than the amortized cost basis, are recognized through an allowance for credit losses on the consolidated balance sheet with corresponding adjustment in the consolidated statements of operations and comprehensive income. Subsequent increases in fair value due to credit improvement are recognized through reversal of the credit losses and corresponding reduction in the allowance for credit losses. Any decline in fair value that is non-credit related is recorded in accumulated other comprehensive income as a component of shareholder's equity.

Long-term loan

Long-term loan is recognized at carrying amount. Interest expense is accrued over the estimated term of the facilities and recorded in the consolidated statements of operations.

Unsecured senior notes

Unsecured senior notes are recognized initially at fair value, net of debt discounts or premiums and debt issuance costs. Debt discounts or premiums and debt issuance costs are recorded as a reduction of the principal amount and the related accretion is recorded as interest expense in the consolidated statements of operations over the maturities of the notes using the effective interest method.

Non-controlling interests and redeemable non-controlling interests

The Group's consolidated financial statements include entities in which the Company has a controlling financial interest. Earnings or losses attributable to non-controlling interest shareholders of its subsidiaries and VIEs are classified separately as "non-controlling interests" in the Company's consolidated statements of operations.

Value added tax ("VAT")

Pursuant to the PRC tax laws, in case of any product sales, generally the VAT rate is 3% of the gross sales for small scale VAT payer and 13% of the gross sales for general VAT payer. Most of the subsidiaries of the Company are considered as general VAT payers for the sales of guidance materials and the intercompany sales of self-developed software. For general VAT payer, VAT on sales is calculated at 13% on revenues from product sales and paid after deducting input VAT on purchases. The net VAT balance between input VAT and output VAT is recorded as accrued expenses in the Group's consolidated financial statements.

The new enrollment system development services and other operating services, which were previously subject to business taxes, are now subject to VAT at the rate of 6% of revenues. The non-academic educational programs and services in short-term training schools may choose the applicable simple VAT collection method and apply for a 3% VAT rate. The intercompany sales of self-developed software are subject to VAT at the rate of 13% and the part in excess of the rate of 3% the Group can apply for refund upon collection by relevant tax authorities. The intercompany services related to self-developed software are subject to VAT at the rate of 6%. The sales of books are subject to VAT at the rate of 11% since July 1, 2017, decreased to 10% since May 1, 2018 and further decreased to 9% since April 1, 2019.

In accordance with Cai Shui [2020] No. 8, due to the Novel coronavirus ("COVID-19") pandemic, the VAT on certain services was temporarily exempted from January 2020 to March 2021. As a result, the Group's educational services were not subject to any VAT from January 1, 2020 to March 31, 2021. The VAT exemption was accounted for in a similar manner as government subsidiaries. For the years ended May 31, 2020 and 2021, US\$36,005 and US\$95,886 were recognized as other income in the Group's consolidated statements of operations.

Revenue recognition

Revenue is recognized when control of promised goods or services is transferred to the Group's customers in an amount of consideration to which the Group expects to be entitled to in exchange for those goods or services. The Group follows the five steps approach for revenue recognition under Topic 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Group satisfies a performance obligation.

The Group generates substantially all of its revenues through educational programs and services with individual students in the PRC. In addition, the Group generates revenues from other services and the sales of books, which were insignificant for the years ended May 31, 2019, 2020 and 2021. The Group's revenue are reported net of VAT and surcharges.

The primary sources of the Group's revenues are as follows:

(a) Educational programs and services

The educational programs and services consist of K-12 AST, test preparation and other courses, pre-school education, primary and secondary school education and online education. Each contract of educational programs and services is accounted for as a single performance obligation which is satisfied proportionately over the service period. Tuition fee is generally collected in advance and is initially recorded as deferred revenue. Refunds are provided to students if they decide within the trial period that they no longer want to take the course. After the trial period, if a student withdraws from a class, usually only those unearned portion of the fee is available to be returned. Historically, the Group has not had material refunds.

The Group recognizes revenue from the educational programs and services proportionately when the services are delivered. For the years ended May 31, 2019, 2020 and 2021, US\$2,605,829, US\$3,040,741 and US\$3,667,270 of revenues of educational programs and services were derived from K-12 AST, test preparation and other courses, and the remaining amount was derived from other segments.

(b) Books and other services

Other service revenues are primarily derived from consulting services to students regarding overseas studies and study tours. Revenues are recognized when promised services are delivered to the Group's customers in an amount of consideration to which the Group expects to be entitled to in exchange for those services. Each contract includes certain milestones and each of the milestones is considered a single performance obligation which is satisfied at the point of time when each of the milestone is reached. The Group estimates the variable consideration to be earned and recognizes revenues related to each milestone when the related milestone is achieved. The Group sells books or other educational materials developed or licensed by the Group either through its own distribution channels or through third party distributors. Revenues are recognized when control of the promised goods is transferred to the customer, in an amount that reflects the consideration the Group expects to be entitled to in exchange for the goods. All revenues of books and other services were derived from other segments.

The Group's contract assets consist of accounts receivable. The balance of contract assets amounted to US\$4,178 and US\$8,667 as of May 31, 2020 and 2021, respectively. The Group's contract liabilities mainly consist of prepayments from customers (deferred revenue), with a balance of US\$1,324,384 and US\$1,926,386 as of May 31, 2020 and 2021, respectively. Substantial all contract liabilities at the beginning of the year ended May 31, 2021 were recognized as revenues during the year ended May 31, 2021 and substantial all contract liabilities as of May 31, 2020 and 2021 are expected to be realized in the following year. The difference between the opening and closing balances of the Group's contract liabilities primarily results from the timing difference between the Group's satisfaction of performance obligation and the customer's payment.

Refund liability mainly related to the estimated refunds that are expected to be provided to students if they decide they no longer want to take the courses. Refund liability estimates are based on historical refund ratio on a portfolio basis using the expected value method. As of May 31, 2020 and 2021, refund liability amounted to US\$94,006 and US\$164,353, respectively, and are included in accrued expenses and other current liabilities.

Operating leases

Prior to June 1, 2019, the Group adopted ASC Topic 840 ("ASC 840"), *Leases*, and each lease is classified at the inception date as either a capital lease or an operating lease.

On June 1, 2019, the Group adopted Accounting Standard Codification 842—Lease("ASC 842"), using the modified retrospective transition method resulting in the recognition of operating lease right-of-use (ROU) assets of US\$1,254,595 and operating lease liabilities of US\$1,238,080 upon adoption. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance. The adoption of the new guidance did not have a material effect on the consolidated statements of operations.

The Group determines if an arrangement is a lease or contains a lease at lease inception. Operating leases are required to be recorded in the balance sheets as ROU and lease liabilities, initially measured at the present value of the lease payments. The Group has elected the package of practical expedients, which allows the Group not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Group accounts for the lease and non-lease components separately. Lastly, the Company also has elected to utilize the short-term lease recognition exemption and, for those leases that qualified, the Group did not recognize operating lease ROU assets or operating lease liabilities.

As the rate implicit in the lease is not readily determinable, the Group estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated using a portfolio approach to approximate the interest rate on a collateralized basis with similar terms and payments in a similar economic environment. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option. Lease expenses are recorded on a straight-line basis over the lease term.

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Advertising costs

The Group expenses advertising costs as they incurred. Total advertising expenses were US\$72,386, US\$105,538 and US\$77,704 for the years ended May 31, 2019, 2020 and 2021, respectively, and have been included as part of selling and marketing expenses.

Government subsidies

The Group recognizes government subsidies as miscellaneous income when they are received because they are not subject to any past or future conditions, there are no performance conditions or conditions of use, and they are not subject to future return. Government subsidies received and recognized as miscellaneous income totaled US\$3,684, US\$43,476 and US\$109,294, for the years ended May 31, 2019, 2020 and 2021, respectively. The government subsidies income recognized for the year ended May 31, 2021 were mainly from the VAT exemption due to COVID-19.

Foreign currency translation

The Company's functional and reporting currency is the United States dollars ("U.S. dollars"). The financial records of the Company's subsidiaries, the VIEs, the VIEs' subsidiaries and schools located in the PRC are maintained in Renminbi ("RMB"), which is the functional currency of these entities. The financial records of the Company's subsidiaries located in Hong Kong are maintained in U.S. dollars, which is the functional currency of these entities. The financial records of the Company's subsidiaries located in United Kingdom are maintained in their local currency, the Great Britain Pound ("GBP"), which is the functional currency of these entities. The financial records of the Company's subsidiary located in Australia are maintained in its local currency, the Australian Dollar ("AUD"), which is the functional currency of the entity. All financial records of the other entities are maintained in U.S. dollars, which is the functional currency of those entities.

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the year are converted into the functional currencies at the applicable rates of exchange prevailing at the transaction dates. Transaction gains and losses are recognized in the consolidated statements of operations.

For translating to the functional currency of the Company, assets and liabilities are translated into the reporting currency at the rates of exchange ruling at the balance sheet date. Equity accounts are translated at historical exchange rates. Revenues, expenses, gain and loss are translated using the average rate of exchange in effect during the reporting period. Translation adjustments are reported and shown as a separate component of other comprehensive income in the consolidated statements of changes in equity and the consolidated statements of comprehensive income.

Foreign currency risk

RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies. The value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. The Group's cash and cash equivalents, restricted cash, and term deposits denominated in RMB amounted to US\$855,654 and US\$1,065,233 as of May 31, 2020 and 2021, respectively.

Fair value

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when valuing the asset or liability. Authoritative literature provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

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Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Fair value of financial instruments

The Group's financial instruments consist primarily of cash and cash equivalents, restricted cash, term deposit, short-term investments, accounts receivable, amounts due from/to related parties, available-for-sale investments, equity security with/without readily determinable fair values, accounts payable, long-term loan and unsecured senior notes. The Group carries its available-for-sale investments and equity securities with readily determinable fair values at fair value and carries its equity securities without readily determinable fair values at cost, less impairment, plus or minus observable price changes in a similar transaction. The carrying amount of the Group's long-term loan approximates fair value as its interest rates are at the same level of current market yield for comparable debts. The carrying amounts of other financial instruments approximate their fair values due to the short-term maturities of these instruments. The estimated fair value of the Group's unsecured senior notes as of May 31, 2021 approximated US\$291,828 and represented a level 2 measurement.

Net income per share

Basic net income per share is computed by dividing net income attributable to the holders of common shares by the weighted average number of common shares outstanding during the year. Diluted net income per 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. The Group has share options and NES which could potentially dilute basic earnings per share in the future. To calculate the number of shares for diluted net income per share, the effect of the share options and NES is computed using the treasury stock method.

Income taxes

The Group accounts for income taxes using the asset and liability approach. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities, net of operating loss carry forwards and credits, by applying enacted tax rates that will be in effect for the period in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of operations in the period of change. Deferred tax assets are reduced by a valuation allowance when it is considered more likely than not that some portion or all of the deferred tax assets will not be realized.

The Group accounts for uncertain tax positions by reporting a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Tax benefits are recognized from uncertain tax positions when the Group believes that it is more likely than not that the tax position will be sustained on examination by the tax authorities based on the technical merits of the position. The Group recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expenses.

Comprehensive income

Comprehensive income includes net income, unrealized gain or loss on available-for-sale investments and foreign currency translation adjustment. Comprehensive income is reported in the consolidated statements of comprehensive income.

Share-based compensation

Share-based payments to employees and directors are measured based on the grant-date fair value of the equity instrument issued and recognized as compensation expenses net of forfeitures on a straight-line basis over the requisite service period, with a corresponding addition to the additional paid-in capital. The Group uses the binomial option pricing model to measure the fair value of options granted, and the quoted market price of the common shares or the fair value of underlying ordinary shares of Koolearn Holding before its IPO by using the discounted cash flow method, to measure the fair value of options and NES granted to employees at each measurement date. The binomial option pricing model is adopted because the Group believes that considering the possibility of exercise an option over the life of the option, as affected by the reality of changing stock prices and non-constant risk free rates, would better reflect the measurement objective of relevant accounting literature.

The amount of compensation expenses recognized at any date is at least equal to the portion of the fair value of the awards that are vested as of that date. Forfeitures are recognized as they occur.

Concentration of credit risk

Financial instruments that potentially expose the Group to significant concentration of credit risk consist primarily of cash and cash equivalents, term deposits, restricted cash, short-term investments and accounts receivable. As of May 31, 2021 and 2020, substantially all of the Group's cash and cash equivalents, term deposits, restricted cash and short-term investments were deposited with financial institutions with high-credit ratings and quality. Accounts receivable are typically unsecured and are derived from revenues earned from customers in the PRC. The Group performs periodic credit evaluations and provides an allowance for doubtful accounts to reduce the accounts receivable balance to its net realizable value. The Group did not have any customers constituting 10% or more of the consolidated net revenues and accounts receivable in the fiscal years 2020 and 2021, respectively.

Recent accounting pronouncements adopted

In June 2016, FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Statements. This ASU requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. This ASU affects loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For public business entities, this ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All entities may adopt this ASU through a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). On April 25, 2019, ASU 2016-13 was updated with ASU 2019-04, which clarifies certain aspects of accounting for credit losses, hedging activities, and financial instruments. ASU 2019-04 provides certain alternatives for the measurement of the allowance for credit losses (ACL) on accrued interest receivable (AIR). These measurement alternatives include (1) measuring an ACL on AIR separately, (2) electing to provide separate disclosure of the AIR component of amortized cost as a practical expedient, and (3) making accounting policy elections to simplify certain aspects of the presentation and measurement of such AIR. For entities that have adopted ASU 2016-13, the amendments in ASU 2019-04 related to ASU 2016-13 are effective for fiscal years beginning after December 15, 2019, and interim periods therein. An entity may early adopt ASU 2019-04 in any interim period after its issuance if the entity has adopted ASU 2016-13. The Group adopted the new standard beginning June 1, 2020 using the modified retrospective transition approach. The impact of adopting the new standard was not material to the Group's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value". ASU 2018-13 removes and modifies existing disclosure requirements on fair value measurement, namely regarding transfers between levels of the fair value hierarchy and the valuation processes for Level 3 fair value measurements. Additionally, ASU 2018-13 adds further disclosure requirements for Level 3 fair value measurements, specifically changes in unrealized gains and losses and other quantitative information. ASU 2018-13 is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Group adopted the new standard beginning June 1, 2020 and the impact of adopting the new standard was not material to the Group's consolidated financial statements.

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In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to the Related Party Guidance for Variable Interest Entities. ASU 2018-17 changes how entities evaluate decision-making fees under the variable interest entity guidance. To determine whether decision-making fees represent a variable interest, an entity considers indirect interests held through related parties under common control on a proportional basis, rather than in their entirety. This guidance will be adopted using a retrospective approach and is effective for the Company on June 1, 2020. The Group adopted the new standard beginning June 1, 2020 and the impact of adopting the new standard was not material to the Group's consolidated financial statements.

Recently issued accounting pronouncements not yet adopted

In January 2020, the FASB issued ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), which clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments—Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted, including early adoption in an interim period, for periods for which financial statements have not yet been issued. The Group is currently evaluating the impact of this update on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

Business acquisition in fiscal year 2020:

During the year ended May 31, 2020, the Group made a business acquisition for a total consideration of US\$1,153. The Group paid an amount of US\$346 based on the payment schedule during the year ended May 31, 2020 and paid the remaining amount during the year ended May 31, 2021. The acquisition was recorded using the acquisition method of accounting. Accordingly, the acquired assets and liabilities were recorded at their fair value on the date of acquisition. The intangible assets and goodwill amounted to US\$1,149 and US\$2,815, respectively. The purchase price allocation was determined by the Group with the assistance of an independent appraiser.

Pro forma financial information is not presented for the business acquisition in fiscal year 2020 as it is immaterial to the reported results.

The revenue and net loss attributable to this acquisition included in the Company's consolidated statements of operations since the acquisition date were US\$829 and US\$1,115, respectively.

Business acquisition in fiscal year 2021:

During the year ended May 31, 2021, the Group made several other business acquisitions, which were both individually and in aggregate insignificant. The total cash consideration of these other business acquisitions amounted to US\$15,201, for which US\$13,131 was paid as of May 31, 2021. The cash and cash equivalents, intangible assets and goodwill acquired from these business acquisitions were US\$430, US\$2,085 and US\$13,420, respectively. The purchase price allocations were determined by the Group with assistance of an independent appraiser.

Pro forma financial information is not presented for the business acquisition in fiscal year 2021 as it is immaterial to the reported results.

The revenue and net income attributable to these acquisitions included in the Company's consolidated statements of operations since the acquisition date were US\$4,752 and US\$207, respectively.

4. SHORT-TERM INVESTMENTS

Short-term investments consisted of the following:

	As of May 31,	
	2020	2021
	US\$	US\$
Held-to-maturity investments	<u>2,318,280</u>	<u>3,434,726</u>

Short-term investments mainly consist of various financial products purchased from Chinese banks and trusts and are classified as held-to-maturity investments as the Group has the positive intent and ability to hold the investments to maturity. The maturities of these financial products range from one month to less than one year, with variable interest rates. They are classified as short-term investments on the consolidated balance sheets as their contractual maturity dates are equal to or less than one year.

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5. PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET

Prepaid expenses and other current assets, net, consisted of the following:

	As of May 31,	
	2020	2021
	US\$	US\$
Advances to suppliers	49,547	60,231
Interest receivables	33,488	51,249
Receivable from third parties' platforms	10,593	46,789
Staff advances (a)	24,712	34,611
Rental deposits	10,326	24,700
Prepaid rents (b)	39,706	20,152
VAT recoverable	5,562	7,887
Prepaid advertising fees	7,607	7,067
Deposits of advertising and decoration	2,594	1,222
Prepaid property taxes and other taxes	779	116
Others (c)	14,639	15,424
	199,553	269,448
Less: allowance for other receivables	(149)	(215)
	<u>199,404</u>	<u>269,233</u>

- (a) Staff advances were provided to staff for travelling and business related use and are expensed as incurred.
(b) Prepaid rents represent the prepayment of rent related to leases less than 12 months
(c) Others primarily included prepaid maintenance fees, other receivables and other miscellaneous prepayments.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following:

	As of May 31,	
	2020	2021
	US\$	US\$
Buildings	178,782	205,292
Transportation equipment	9,172	8,302
Furniture and education equipment	195,262	279,751
Computer equipment and software	95,385	145,216
Leasehold improvements	579,231	839,150
Construction in progress	44,856	63,060
	1,102,688	1,540,771
Less: accumulated depreciation	(453,218)	(609,768)
Less: accumulated impairment loss	—	(29,541)
Exchange differences	22,985	(36,432)
	<u>672,455</u>	<u>865,030</u>

Depreciation expenses for the years ended May 31, 2019, 2020 and 2021 were US\$110,042, US\$146,310 and US\$225,657, respectively. During the year ended May 31, 2021, US\$29,541 impairment loss was recorded in general and administrative expenses mainly related to leasehold improvements of selected learning centers.

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7. LAND USE RIGHTS, NET

Land use rights, net, consisted of the following:

	As of May 31,	
	2020	2021
	US\$	US\$
Land use rights	7,696	16,121
Less: accumulated amortization	(1,842)	(2,104)
Exchange differences	183	(28)
Land use rights, net	<u>6,037</u>	<u>13,989</u>

Amortization expenses for land use rights for the years ended May 31, 2019, 2020 and 2021 were US\$263, US\$162 and US\$262, respectively. The Group expects to recognize \$359 in amortization expense for each of the next five years and \$12,194 thereafter.

8. INTANGIBLE ASSETS, NET

Intangible assets, net, consisted of the following:

	As of May 31,	
	2020	2021
	US\$	US\$
Intangible assets with indefinite lives:		
Trademark	229	257
Intangible assets with finite lives:		
Trademark	9,170	9,064
Courseware	116	130
Student base	12,719	13,358
Favorable lease	657	737
License	415	415
	<u>23,306</u>	<u>23,961</u>
Less: accumulated amortization	(13,515)	(18,039)
Exchange differences	455	(1,086)
	<u>10,246</u>	<u>4,836</u>

Amortization expenses for the intangible assets for the years ended May 31, 2019, 2020 and 2021, were US\$3,699, US\$4,530 and US\$4,524, respectively. As of May 31, 2021, the Group expects to recognize amortization expenses of US\$1,971, US\$1,353, US\$629, US\$239 and US\$206 for the next five years, respectively, and US\$181 thereafter.

The Group recorded an impairment of nil, nil and US\$2,936 for the years ended May 31, 2019, 2020 and 2021, respectively.

9. GOODWILL, NET

Goodwill, net, consisted of the following:

	As of May 31,	
	2020	2021
	US\$	US\$
Beginning balance	86,541	87,293
Acquisition	2,815	13,420
Exchange differences	(2,063)	8,326
Ending balance	87,293	109,039
Accumulated impairment	(6,927)	(35,785)
Goodwill, net	<u>80,366</u>	<u>73,254</u>

The Group performed its annual goodwill impairment testing at the end of each reporting period or more frequently if events or changes in circumstances indicate that it might be impaired. In its goodwill impairment assessment, the Group concluded that the carrying amounts of certain reporting units exceeded their implied fair values and recorded the impairment losses of US\$5,245, nil and US\$28,858 for the years ended May 31, 2019, 2020 and 2021, respectively. The Group determined the fair value of the reporting units by using the income approach with significant unobservable inputs. As of May 31, 2021, the balance of goodwill mainly relates to the Group's pre-school education and overseas consulting services reporting unit.

10. LONG-TERM INVESTMENTS, NET

Long-term investments, net, consisted of the following:

	As of May 31,	
	2020 US\$	2021 US\$
Equity securities with readily determinable fair value:		
Sunlands Online Education Group (“Sunlands”) (a)	21,440	15,939
Beijing Shengtong Printing Co., Ltd (“Shengtong”) (b)	4,066	4,829
Tarena International, Inc. (“Tarena”) (c)	2,190	3,650
Equity securities without readily determinable fair value:		
Tibet Tianli Education and Technology Co., Ltd (“Tibet Tianli”) (d)	10,512	27,327
EEO Education Technology Co., Ltd. (“EEO”) (e)	8,774	9,312
Other investments (f)	30,797	50,541
Equity method investments:		
New Oriental Education and Culture Industry Fund (Zhangjiagang) Partnership (Limited Partnership) (“Education Industry Fund”) (g)	67,057	86,512
VM EDU Fund I, L.P.(h)	56,734	77,727
Other investments (i)	27,716	37,597
Available-for-sale investments:		
Shanghai Golden Education & Training Co., Ltd. (“Golden Finance”) (j)	59,947	83,188
Happy_seed (Cayman) Ltd. (“Happy Seed”) (k)	10,000	19,050
Tianjin Uhozz Internet Technology Co., Ltd (“Uhozz”) (l)	16,350	16,900
Other available-for-sale investments (m)	115,518	105,177
	<u>431,101</u>	<u>537,749</u>

(a) In January 2016, the Group invested US\$12,310 in Sunlands, a company engaged in online education specific to vocational qualification training, for subscribing the convertible bonds. In July 2016, the Group converted all of the convertible bonds into redeemable preferred shares of Sunlands for a 4.9% equity interests. Additionally, the Group also invested an additional US\$12,205 redeemable preferred shares for another 4.9% equity interests in Sunlands during July 2016. Subsequent to the additional investment, the Group holds 9.8% equity interest in Sunlands.

On March 23, 2018, Sunlands was listed in the New York Stock Exchange Market. All of the preferred shares were converted to 529,426 Class A ordinary shares immediately upon the completion of the listing. Subsequent to the listing, the Group invested an additional US\$10,000 and obtained 34,783 Class A ordinary shares in April 2018 and held 8% aggregate equity interests in Sunlands. Losses of US\$96,621, US\$16,362 and US\$5,501 were recorded in loss from fair value change of long-term investments for the years ended May 31, 2019, 2020 and 2021, respectively, on the Group’s consolidated statements of operations.

(b) In April 2015, the Group acquired 18% equity interests in Beijing ROBOROBO Technology Co., Ltd. (“ROBOROBO”) for a cash consideration of US\$4,356. ROBOROBO is a company applying various robots build training course for kids with different ages. In February 2017, the Group disposed all of its ownership in ROBOROBO, in exchange for 1.87% common shares issued by Shengtong, which is a listed A-share company in China. Realized gain of US\$7,086 was recognized during the year ended May 31, 2017. The equity interests acquired in Shengtong were classified as equity security with readily determinable fair value. Loss of US\$1,605, US\$1,079 and gain of US\$217 were recorded in loss from fair value change of long-term investments for the years ended May 31, 2019, 2020 and 2021, respectively.

- (c) In March 2014, the Group invested US\$13,500 in Tarena, a NASDAQ listed company that provides IT professional education services in China, for 3% equity interests. In July 2017, the Group sold 1% equity interest in Tarena to third parties and the realized gain of US\$4,545 was recognized in investment income for the year ended May 31, 2018. Loss of US\$6,410, US\$1,010 and gain of US\$1,460 were recorded in loss from fair value change of long-term investments for the years ended May 31, 2019, 2020 and 2021, respectively.
- (d) In December 2018, the Group invested 5% equity interests in Tibet Tianli, a company engaged in developing educational products. In April 2020 and December 2020, the Group further subscribed 5% and 11% equity interests, respectively. The Group accounted for the investment as equity securities without readily determinable fair value as Tibet Tianli is a private company without readily determinable fair value. As of May 31, 2021 the Group holds 20.75% of the total equity interests in Tibet Tianli. For the years ended May 31, 2019, 2020 and 2021, no impairment loss was recorded from this investment.
- (e) In April 2017, the Group acquired 10% equity interests in EEO, a company engaged in the business of developing on-line classroom product. The Group accounted an equity security without readily determinable fair value and used the measure alternative for the equity investments when the equity method is not applicable and there is no readily determinable fair value for the investments. For the years ended May 31, 2019, 2020 and 2021, no impairment loss was recorded from this investment.
- (f) The Group holds several insignificant investments in third-party private companies and has no ability to exercise significant influence over the investees. Those investments were accounted using the measurement alternative when there is no readily determinable fair value for the investments. The Group recorded nil, US\$ 9,096 and US\$ 12,532 impairment loss on these investment during the years ended May 31, 2019, 2020 and 2021, respectively.
- (g) In July 2018, Education Industry Fund was established with the total committed capital of US\$224,000. There are two general partners in the fund, which include an entity invested by Mr. Yu and an unrelated third party. The Group participates in the Education Industry Fund as a limited partner and invested US\$86,512 in the Education Industry Fund as of May 31, 2021. The Group accounts for the investment under the equity method in accordance with ASC 323, Equity Method of Accounting (“ASC 323”) because the Group is a limited partner and owns 36.3% interest in the Education Industry Fund.
- (h) In June 2019, VM EDU Fund I, LP, a market-driven investment entity, was established with a total committed capital of US\$100,000. The Group participates in the VM EDU Fund I, LP as a limited partner and invested US\$77,727 in VM EDU Fund I, LP as of May 31, 2021. The Group accounts for the investment under the equity method in accordance with ASC 323 because the Group is a limited partner and owns 49.69% interest in the VM EDU Fund I, LP.
- (i) The Group holds from 6.86% to 50.0% equity interests in other 14 third-party companies through investments in their common shares or in-substance common shares. The Group accounts for these investments under the equity method because the Group has the ability to exercise significant influence but does not have control over the investees.
- (j) In April 2015, the Group invested 9.75% equity interests in Golden Finance, a company engaged in training programs business associated with finance and business management. In November 2015, the Group further subscribed 9.75% equity interests. During the year ended May 31, 2019, the Group disposed of 7.2% equity interests in Golden Finance with total consideration of US\$33,156, and the remaining shares were diluted to 12.3%. Gain of US\$23,096 was recognized as realized gain from long-term investments in the consolidated statements of operations for the year ended May 31, 2019. The Group accounts for the investment as available-for-sale investments since the investee’s preferred shares held are redeemable and determined to be debt securities and measured at fair value.
- (k) In August 2019, the Group invested 6.42% equity interests in Happy Seed, a company engaged in cultivating logical thinking skill. In September 2020, the Group further subscribed additional 1.57% equity interests. The Group accounts for the investment as available-for-sale investments since the investee’s preferred shares held are redeemable and determined to be debt securities and measured at fair value.
- (l) In May 2015, the Group invested in Uhozz, a company providing oversea rental agency services, for a 10% equity interests with redemption and liquidation preferences. In March 2018, the Group further subscribed to 15.18% series B preferred shares. The Group accounted for the investment as available-for-sale investments since the investee’s preferred shares held are redeemable and determined to be debt securities and measured them at fair value.
- (m) Other available-for-sale investments represent several insignificant individual investments classified as available-for-sale investments as of May 31, 2019, 2020 and 2021. Realized gains of US\$3,283, US\$407 and US\$3,535 were recorded in realized gain from long-term investments for the years ended May 31, 2019, 2020 and 2021, respectively. The Group recorded US\$5,919, US\$22,654 and US\$27,675 impairment loss on these investments during the years ended May 31, 2019, 2020 and 2021, respectively.

The Group recognized impairment losses from long-term investments amounting to US\$5,919, US\$31,750 and US\$40,207 during the years ended May 31, 2019, 2020 and 2021, respectively, as the Group believes the carrying value of these investments were no longer recoverable.

11. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value on a recurring basis

The Group measures available-for-sale investments and equity securities with readily determinable fair value at fair value on a recurring basis. The available-for-sale investments recorded in long-term investments include redeemable preferred shares. The equity securities with readily determinable fair value include common shares of three listed companies.

As of May 31, 2020 and 2021, information about inputs for the fair value measurements of the Group's assets that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

Description	As of May 31, 2020			Total US\$
	Quoted Prices in Active Market for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Long-term investments:				
Equity securities with readily determinable fair values	27,696	—	—	27,696
Available-for-sale investments (a)	—	41,889	159,926	201,815
Total	27,696	41,889	159,926	229,511

Description	As of May 31, 2021			Total US\$
	Quoted Prices in Active Market for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Long-term investments:				
Equity securities with readily determinable fair values	24,418	—	—	24,418
Available-for-sale investments (a)	—	159,083	65,232	224,315
Total	24,418	159,083	65,232	248,733

- (a) As of May 31, 2021, the fair value of total available-for-sale investments amounted to US\$224,315, with original cost of US\$123,079 and unrealized gain of US\$101,236. As of May 31, 2020, the fair value of total available-for-sale investments amounted to US\$201,815, with original cost of US\$126,147 and unrealized gain of US\$75,668.

The Company measured the fair value of its investments in common shares using the market approach based on the quoted stock price of its investees in the active market and has classified it as level 1 measurement.

The Company measured the fair value of its investment in convertible note and Assets Management Plan based on the respective principal and expected returns and has classified those as level 2 measurement.

For redeemable preferred shares that do not have a quoted market rate, the Company measured their fair value based on recent transactions or based on the market approach or income approach when no recent transactions are available. Recent transactions include the purchase price agreed by an independent third party for a similar investment and have been classified as level 2 measurement. When no recent transactions are available, a market approach or income approach will be used by the Company to measure fair value. The market approach takes into consideration a number of factors including market multiple and discount rates from traded companies in the industry and requires the Company to make certain assumptions and estimates regarding industry factors. Specifically, some of the significant unobservable inputs included the investee's historical earning, discount of lack of marketability, investee's time to initial public offering as well as related volatility. The income approach takes into consideration a number of factors including management projection of discounted future cash flow of the investee as well as an appropriate discount rate. The Company has classified those as level 3 measurement. The assumptions are inherently uncertain and subjective. Changes in any unobservable inputs may have a significant impact on fair values. As of May 31, 2021, the fair values of available-for-sale investments classified as level 3 were measured using the market and income approaches with significant unobservable inputs were based on the following assumptions: (1) expected volatility ranging from 51.0% to 80.7%, (2) discount rates ranging from 18.0% to 27.8%, and (3) expected life ranging from 1.5 to 4.8 years.

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The Group did not have any transfers neither between level 1 and level 2 nor between level 1 and level 3 fair value measurements during the periods presented. The following table provides additional information about the reconciliation of the fair value measurements of assets and liabilities using significant unobservable inputs (level 3).

	Level 3 investments US\$
Balance as of June 1, 2019	161,031
Initial recognition	10,000
Transfer from level 2	11,534
Transfer to level 2	(5,713)
Unrealized loss	(16,926)
Balance as of May 31, 2020	159,926
Initial recognition	35,705
Transfer to level 2	(122,109)
Disposals	(16,370)
Unrealized gain	24,507
Impairment	(26,289)
Foreign exchange difference	9,862
Balance as of May 31, 2021	<u>65,232</u>

Assets and liabilities measured at fair value on a nonrecurring basis

Goodwill and acquired intangible assets are measured at fair value on a non-recurring basis when an impairment is recognized.

The Group measures goodwill at fair value annually or whenever events or changes in circumstances indicate that the carrying amount of a reporting unit exceeds its fair value. The fair value of goodwill is determined using discounted cash flows, and an impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Refer to Note 9 for the goodwill impairment loss recognized for the years ended May 31, 2019, 2020 and 2021. The Group measures acquired intangible assets using the income approach—discounted cash flow method, when events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable.

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The Group measures long-term investments (excluding the equity securities with readily determinable fair values and available-for-sale investments) at fair value on a nonrecurring basis only if an impairment or observable price adjustment is recognized in the current period. Refer to Note 10 for the long-term investments impairment loss recognized for the years ended May 31, 2019, 2020 and 2021.

For equity securities without readily determinable fair values, the fair value was determined using directly or indirectly observable inputs in the market place (Level 2 inputs). Whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable, the fair value of aforementioned long-term investments was determined using models with significant unobservable inputs (Level 3 inputs), primarily the management projection of discounted future cash flow and the discount rate.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	As of May 31,	
	2020	2021
	US\$	US\$
Accrued payroll	331,172	458,858
Refund liability (a)	94,006	164,353
Payable for purchase of property and equipment	65,335	79,132
Amounts reimbursable to employees (b)	12,674	24,983
Accrued advertising fees	20,231	23,607
VAT payable	2,881	17,358
Rent payable	13,857	17,980
Refundable deposits (c)	14,819	16,263
Refundable fees received from students (d)	15,955	12,999
Welfare payable	12,612	12,593
Other taxes payable	1,785	8,779
Accrued professional service fees	6,199	8,278
Royalty fees payable (e)	6,696	7,967
Payable for investments and acquisitions	3,917	6,536
Others (f)	32,480	48,545
Total	<u>634,619</u>	<u>908,231</u>

- (a) The refund liability is recognized for variable amount of the considerations received from the customers and recorded as refund liability as described in Note 2.
- (b) Amounts reimbursable to employees include travelling and the business related expenses.
- (c) Refundable deposits represent student deposits for dormitory or other fees that will be refunded upon graduation and student security deposits refunded upon completion of the study tour.
- (d) Refundable fees received from students represent (1) the miscellaneous expenses other than tuition fees received from students which will be paid out on their behalf; and (2) tuition fees refundable to students for classes withdrawn.
- (e) Royalty fees payable relate to payments to content providers for on-line learning programs and those to counterparties for copyrights and resource sharing.
- (f) Others primarily include transportation expenses, utility fees, property management fees and other miscellaneous expenses payable.

13. LEASE

The Group has operating leases for learning centers, service centers and office spaces. Certain leases include renewal options and/or termination options, which are factored into the Group's determination of lease payments when appropriate.

Operating lease costs for the years ended May 31, 2020 and 2021 were US\$392,168 and US\$518,798, respectively, which excluded cost of short-term contracts. Short-term lease costs for the years ended May 31, 2020 and 2021 were US\$9,028 and US\$14,149, respectively.

As of May 31, 2020 and 2021, the weighted average remaining lease term was 4.7 years and 4.8 years, respectively, and the weighted average discount rate was 4.2% and 4.5% for the Group's operating leases, respectively.

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Supplemental cash flow information related to the operating leases is as follows:

	For the years ended May 31,	
	2020	2021
	US\$	US\$
Cash payments for the operating leases	371,734	495,819
ROU assets obtained in exchange for the new operating lease liabilities	639,545	764,083

A summary of maturity analysis of the annual undiscounted cash flows for the operating lease liabilities as of May 31, 2021 is as follows:

	As of May 31, 2021 US\$
Fiscal year ending	
May 2022	552,470
May 2023	488,038
May 2024	402,252
May 2025	292,991
May 2026	182,866
Thereafter	195,182
Total future lease payments	2,113,799
Less: Imputed interest	(249,137)
Present value of operating lease liabilities	1,864,662

As of May 31, 2021, the Group has lease contracts that have been entered into but not yet commenced amounting to US\$45,448, and these contracts will commence during fiscal year 2022.

During the year ended May 31, 2021, US\$4,228 impairment loss was recorded in general and administrative expenses mainly related to ROU assets of selected learning centers.

14. UNSECURED SENIOR NOTES

In July 2020, the Company issued unsecured senior notes for a principal amount of US\$300,000 which are listed in the Stock Exchange of Hong Kong Limited. The notes bear fixed interest rate at 2.125% with interest payable semiannually in arrears on January 2 and July 2 of each calendar year, commencing on January 2, 2021.

A summary of the unsecured senior notes as of May 31, 2021 is as follows:

	As of May 31, 2021 US\$	Effective interest rate
Carrying amount of US\$300,000, 2.125% notes due 2025	297,631	2.35%
Unamortized debt discounts, accrued interest expenses and debt issuance costs	2,369	
Total principal amount of the unsecured senior notes	300,000	

The unsecured senior notes were issued at a discount amount at US\$299,181. The debt issuance costs of US\$2,098 were direct deducted from the principal amount of the unsecured senior notes. The effective interest rates for the unsecured senior notes include the interest charged on the notes as well as amortization of the debt discounts and debt issuance costs.

The unsecured senior notes contain covenants including, among others, negative pledge, consolidation, merger and sale all or substantially all of the Company's assets. The notes will rank senior in rights of payment to all of the Company's existing and future obligations expressly subordinated in rights of payment to the notes and rank at least equal in rights of payment with all of the Company's existing and future unsecured and unsubordinated obligations (subject to any priority rights pursuant to applicable law).

As of May 31, 2021, the principal of the unsecured senior notes of US\$300,000 is due in 2025.

15. LONG-TERM LOAN

Facilities Agreement

On December 14, 2018, the Company entered into a three-year US\$250,000 term and revolving facilities agreement (the “Facilities Agreement”) with a group of lenders. The facility, a US\$100,000 three-year bullet maturity term loan (the “Facilities A”), a US\$100,000 three-year revolving facility (the “Facilities B”) and an additional commitment of US\$50,000, are priced at 165 basis points over London Interbank Offered Rate. The additional commitment of US\$50,000 expired in April 2019. The interest is payable on a quarterly basis.

The Company paid a commitment fee of 0.3% per annum based on the undrawn portion of the facilities for the period commencing on 45 days after the falling of the Facilities Agreement to the end of the availability period for the Facilities A. The Company also paid a commitment fee of 0.5% per annum based on the undrawn portion of the facilities for all availability period for the Facilities B.

The debt issuance cost of \$3,543 for the Facilities Agreement of 2018 was amortized over the period from December 2018 to December 2021, the termination date of the Facilities Agreement.

The Facilities Agreement contains financial covenants on the Group’s equity, debt and interest coverage ratio, and also includes acceleration clauses that are triggered upon the occurrence of an event of default.

As of May 31, 2021, the Group repaid all loans under the Facilities A and Facilities B.

	<u>As of May 31,</u>	
	<u>2020</u>	<u>2021</u>
	US\$	US\$
Secured bank loan	117,881	—
The carrying amounts of bank loans are repayable:		
Within a period of more than one year but not exceeding two years	117,881	—
Within a period of more than two years but not exceeding five years	—	—

16. COMMON SHARES AND TREASURY STOCK

On March 8, 2021, the Board of Directors adopted an ordinary resolution effective as of March 10, 2021 whereas each common share (whether issued or unissued) of par value of US\$0.001 each in the share capital of the Company was divided into ten common shares. The Company has retroactively restated all shares and per share data for all the periods presented pursuant to ASC 260, Earnings per Share.

As of May 31, 2020 and 2021, the Company had 3,000,000,000 common shares authorized with par value of US\$0.001.

The movement of the outstanding common shares and treasury stock is listed as follows, taking into the consideration of 1 to 10 stock split on March 10, 2021.

	<u>Number of common shares</u>	<u>Number of treasury stock</u>
Shares outstanding as of June 1, 2019 (restated)	1,578,497,140	9,520,000
Reissuance of treasury stock for NES	6,903,660	(6,903,660)
Shares outstanding as of May 31, 2020 (restated)	<u>1,585,400,800</u>	<u>2,616,340</u>
Issuance of common share for NES	6,816,350	(2,616,340)
Dual listing common shares issued	97,865,000	—
Shares outstanding as of May 31, 2021	<u><u>1,690,082,150</u></u>	<u><u>—</u></u>

17. SHARE-BASED COMPENSATION

2016 Share Incentive Plan

The Company adopted 2016 Share Incentive Plan (“2016 Share Incentive Plan”) in January 2016 to provide incentives to employees and directors after the expiration of the previous 2006 Share Incentive Plan. Under the 2016 Share Incentive Plan, the Company is authorized to issue up to 100,000,000 common shares pursuant to awards (including options) granted to its employees, directors and consultants. The 2016 Share Incentive Plan is effective upon its adoption by the board and continue in effect for a term of ten years unless sooner terminated. Since the adoption of the 2016 Share Incentive Plan, the Company has granted a total of 50,922,168 NES, among which 10,293,040, 1,817,150 and 19,595,518 were granted during the years ended May 31, 2019, 2020 and 2021, respectively. 772,240, 1,437,440 and 428,228 shares were forfeited during the years ended May 31, 2019, 2020 and 2021, respectively.

The Company’s board of directors may at any time amend, suspend or terminate the 2016 Share Incentive Plan. The following amendments to the 2016 Share Incentive Plan require approval from the shareholders (i) increase of the number of shares available under the 2016 Share Incentive Plan, (ii) extension of the term of the 2016 Share Incentive Plan, (iii) extension of the exercise period of an option beyond ten years, and (iv) any other amendments about which shareholders’ approval are necessary and desirable under applicable laws or stock exchange rules. The 2016 Share Incentive Plan is effective upon its adoption by the board and continue in effect for a term of ten years unless sooner terminated.

As of May 31, 2019, all options were fully vested and exercised.

The total intrinsic value of share options exercised during the years ended May 31, 2019, 2020 and 2021 were nil, nil and nil, respectively. As of May 31, 2021, there were no unrecognized compensation expenses related to share options granted.

As of May 31, 2021, 112,855,100 common shares out of 182,560,000 common shares were held by the depositary bank, and 22,570,920 shares out of 61,983,490 treasury stock had been issued to employees and directors upon the exercise of their vested share options.

The exercise price of share options is at least 100% of the common share fair value on the date of the grant. The term of a share option is up to ten years from the date of grant. The share options generally vest over three years at six-month vesting increments per year.

NES

During the year ended May 31, 2021, 2,616,340 treasury stock had been issued to employees and directors upon the vesting of their NES. As of May 31, 2021, 55,568,180 common shares out of 182,560,000 common shares held by the depositary bank had been issued to employees and directors upon the vesting of their NES, and 39,412,570 shares out of 61,983,490 treasury stock had been reissued to employees and directors upon the vesting of their NES.

The NES activities under the 2016 Share Incentive Plan for the year ended May 31, 2021 are summarized as follows:

	<u>Number of NES</u>	<u>Weighted-average grant date fair value and intrinsic value US\$</u>
NES outstanding as of June 1, 2020	12,565,050	7.07
Granted	19,595,518	11.51
Vested	(6,816,350)	7.82
Forfeited	(428,228)	7.24
NES outstanding as of May 31, 2021	<u>24,915,990</u>	10.35
NES vested and expect to vest as of May 31, 2021	<u>24,915,990</u>	

The total fair value of NES vested during the years ended May 31, 2019, 2020 and 2021 were US\$39,869, US\$49,645 and US\$53,335, respectively. The weighted average grant date fair value of NES granted during the years ended May 31, 2019, 2020 and 2021 were US\$5.28, US\$10.84 and US\$11.51, respectively. As of May 31, 2021, the total unrecognized compensation expenses for NES of US\$213,494 are expected to be recognized over a weighted average period of 1.97 years.

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The total compensation expenses of NES are recognized on a straight-line basis over the respective vesting periods. The Group recorded the related compensation expenses of US\$63,315, US\$41,326 and US\$29,353 for the years ended May 31, 2019, 2020 and 2021, respectively.

Koolearn Pre-IPO Share Option Scheme

On July 13, 2018, the board of directors of Koolearn Holding approved an employee's share option plan (the "Pre-IPO Share Option Scheme"). The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time must not exceed 47,836,985 (representing approximately 5.23% of the total number of shares in issue immediately before the date of the commencement of dealings in the shares on the Stock Exchange of Hong Kong Limited (without taking into account any shares that may be issued upon the Listing and any over-allotment option).

On March 7, 2019, pursuant to the list of grantees and respective numbers of options approved by the board of directors of Koolearn Holding, Koolearn Holding granted a total of 47,836,985 options to 144 grantees, including the directors, senior management of Koolearn Holding, contractors and other employees of the Group. The grant date weight average fair value of the option per share is US\$0.53 and the estimated fair value of the share options granted was US\$21,613 on March 7, 2019. The exercise period is 6 years from the listing date of Koolearn Holding and the exercise price is US\$1.13.

The movements of share options under the Pre-IPO Share Option Scheme are summarized as follows:

	Number of share options	Weighted average exercise price per option (US\$)
Outstanding as of June 1, 2019	44,740,485	1.13
Forfeited	(2,360,000)	1.13
Exercised	(3,129,000)	1.13
Outstanding as of May 31, 2020	39,251,485	1.13
Forfeited	(680,500)	1.13
Exercised	(1,668,000)	1.13
Outstanding as of May 31, 2021	<u>36,902,985</u>	<u>1.13</u>

The Group used the discounted cash flow method to determine the fair value of underlying ordinary shares of Koolearn Holding with the assistance of an independent valuation specialist. Based on the fair value of the underlying ordinary shares of Koolearn Holding, the Group used the binomial option-pricing model to determine the fair value of the share option as of the grant date. Option valuation model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying shares, and changes in the subjective input assumptions can materially affect the fair value estimate of share options.

Koolearn Holding recorded the related compensation expense of US\$ 8,391 and US\$3,750 for the years ended May 31, 2020 and 2021, respectively, in relation to the share options issued under the Pre-IPO Share Option Scheme.

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Koolearn Post-IPO Share Option Scheme

On January 30, 2019, the board of directors of Koolearn Holding approved an employee's share option plan (the "Post-IPO Share Option Scheme").

Koolearn Post-IPO Share Option I

On January 29, 2020, pursuant to the list of grantees and respective numbers of options approved by the board of directors of Koolearn Holding, Koolearn Holding granted a total of 40,000,000 options to 552 grantees, including the directors, senior management and other employees of Koolearn Holding ("Koolearn Post-IPO Share Option I"). The grant date weight average fair value of the option per share is US\$1.56 and the estimated fair value of the share options granted was US\$62,135 on January 29, 2020. The exercise period is 10 years from the granting day and the exercise price is US\$3.26.

The movements of share options under the Koolearn Post-IPO Share Option I are summarized as follows:

	Number of share options	Weighted average exercise price per option (US\$)
Granted on January 29, 2020	40,000,000	3.26
Forfeited	(1,801,000)	3.26
Outstanding as of May 31, 2020	38,199,000	3.26
Forfeited	(8,621,185)	3.26
Exercised	(36,000)	3.26
Outstanding as of May 31, 2021	29,541,815	3.26

	January 29, 2020 Koolearn Post-IPO Share Option I
Weighted average share price	US\$ 3.49
Exercise price	US\$ 3.26
Expected volatility	52%
Expected life	10 years
Risk-free rate	1.44%
Expected dividend yield	0.00%

Koolearn Holding has used the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange of Hong Kong Limited on the grant date as the fair value of underlying ordinary shares of Koolearn Holding. Based on the fair value of the underlying ordinary shares of Koolearn Holding, Koolearn Holding has used binomial option-pricing model to determine the fair value of the share option as of the grant date with the assistance of an independent valuation specialist. Option valuation model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying shares, and changes in the subjective input assumptions can materially affect the fair value estimate of share options.

Koolearn Post-IPO Share Option II

On August 25, 2020, pursuant to the list of grantees and respective numbers of options approved by the board of directors of Koolearn Holding, Koolearn Holding granted a total of 25,000,000 options to 162 grantees including employees of Koolearn Holding ("Koolearn Post-IPO Share Option II"). The grant date weight average fair value of the option per share is US\$2.14 and the estimated fair value of the share options granted was US\$53,872 on August 25, 2020. The exercise period is 10 years from the granting day and the exercise price is US\$4.39.

The movements of share options under the Koolearn Post-IPO Share Option II are summarized as follows:

	Number of share options	Weighted average exercise price per option (US\$)
Granted on August 25, 2020	25,000,000	4.39
Forfeited	(4,152,000)	4.39
Outstanding as of May 31, 2021	20,848,000	4.39

	August 25, 2020 Koolearn Post- IPO Share Option II
Weighted average share price	4.52
Exercise price	4.39
Expected volatility	49.5%
Expected life	10 years
Risk-free rate	0.44%
Expected dividend yield	0.00%

Koolearn Holding has used the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange of Hong Kong Limited on the grant date as the fair value of underlying ordinary shares of Koolearn Holding. Based on the fair value of the underlying ordinary shares of Koolearn Holding, Koolearn Holding has used binomial option-pricing model to determine the fair value of the share option as of the grant date with the assistance of an independent valuation specialist. Option valuation model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying shares, and changes in the subjective input assumptions can materially affect the fair value estimate of share options.

Koolearn Holding recognized the total expense of US\$12,340 and US\$35,777 for the years ended May 31, 2020 and 2021 in relation to the Post-IPO Share Option Scheme.

18. INCOME TAXES

Cayman Islands & the British Virgin Islands ("BVI")

The Company and Koolearn Holding are tax-exempted companies incorporated in the Cayman Islands. Under the current law of the Cayman Islands, the Company and Koolearn Holding are not subject to income, corporate or capital gains tax, and the Cayman Islands currently have no form of estate duty, inheritance tax or gift tax. In addition, payments of dividends and capital in respect of their shares are not subject to taxation and no withholding will be required in the Cayman Islands on the payment of any dividend or capital to any holder of their shares, nor will gains derived from the disposal of their shares be subject to the Cayman Islands income or corporation tax.

The Company's subsidiary, Abundant State Limited, is incorporated in BVI and is not subject to income tax.

United States ("US")

Walkite International Academy (U.S.A.) Co., Ltd. and Blingabc Limited are incorporated in the US and are subject to federal income tax and state income tax at 21% and 8.84%, respectively.

In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code including, but not limited to, (1) reducing the U.S. federal corporate tax rate, (2) requiring a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries that is payable over eight years, and (3) bonus depreciation that will allow for full expensing of qualified property. The impact of the Tax Act is not material to the Group's operation and resulted in a decrease in income tax rate from 35% before January 1, 2018 to 21% after January 1, 2018 for tax and income earned as determined in accordance with the relevant tax rules and regulations.

United Kingdom ("UK")

Walkite International Academy Co., Ltd. and New Oriental Vision Overseas Consulting (U.K.) Ltd are incorporated in the UK and are subject to income tax rate at 19%.

Australia

New Oriental Vision Overseas Consulting Australia Pty Ltd. is incorporated in Australia and is subject to income tax rate at 30%.

Canada

Walkite International Academy (Canada) Co., Ltd and New Oriental Vision Overseas Consulting Canada Inc. is incorporated in Canada and is subject to income tax rate at 15% in federal and 11.5% in provincial.

Hong Kong

Smart Shine, Winner Park, Elite Concept, One World Limited, Garden House Limited, New Oriental Xuncheng Technology (HK) Limited (“Koolearn Tech”), Asia Pacific Montessori Education Co., Ltd. (“Asia Pacific”), New Oriental Wuyou Online (HK) Education & Technology Co., Limited (“Wuyou Online”) and Dongfang Youbo (HK) Education Limited (“Dongfang Youbo (HK)”) are incorporated in Hong Kong. Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK\$2 million; and 16.5% on any part of assessable profits over HK\$2 million. Elite Concept and Smart Shine received special dividend of US\$43,420, US\$59,696 and nil during the years ended May 31, 2019, 2020 and 2021, respectively. Withholding taxes of US\$2,171, US\$ 3,062 and nil in connection with the dividends were fully paid during the years ended May 31, 2019, 2020 and 2021, respectively. No provision in Winner Park, One World Limited, Garden House Limited, Koolearn Tech, Asia Pacific, Wuyou Online and Dongfang Youbo (HK) for Hong Kong profit tax has been made in the consolidated financial statements as they do not have any assessable income for the years ended May 31, 2019, 2020 and 2021.

PRC

The Company’s PRC subsidiaries, the VIEs, the VIE’s subsidiaries and schools are subject to 25% standard enterprise income tax (“EIT”) except for those accepted as qualified for small-scale enterprises, or granted preferential tax treatment.

Significant components of provision for income taxes for the years ended May 31, 2019, 2020 and 2021 were as follows:

	For the years ended May 31,		
	2019	2020	2021
	US\$	US\$	US\$
Current:			
PRC	103,031	142,992	127,313
Deferred:			
PRC	(17,317)	(8,630)	(43,725)
Total provision for income taxes	85,714	134,362	83,588

Enterprises that qualify as a high and new technology enterprise (“HNTE”) are subject to a tax rate of 15%. Beijing Shenghe and Beijing Pioneer’s HNTE certificates expected to be terminated on November 30, 2021. Kuxue Huisi, Dogwood Cultural’s HNTE certificates expected to be terminated on October 31, 2021. These enterprises are in the process of renewing their qualification of as of HNTE. Once their renewals are completed, these companies will be eligible for a favorable EIT rate of 15% starting January 1, 2021 again. Beijing Smart Wood, Beijing Hewstone, Beijing Right Time, Beijing Joy Tend, Beijing Decision, Beijing Magnificence, Dexin Dongfang, Beijing Sifenke Education Consulting Company Limited, Be-linked Online Education and Xuncheng continued to qualify as HNTE and were subject to a tax rate of 15% during the year ended May 31, 2021.

Hainan Haiyue, Hainan Dongfang Zhixin Technology Company Limited, Zhuhai Chongsheng, Zhuhai Zekai Software Technology Company Limited, Hainan Dongfang Huizhi Technology Company Limited enjoyed the EIT tax rate of 15% because of the preferential corporate income tax policies for local tax concessions.

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Enterprises that qualify as the newly established software enterprise (“NESE”) are exempt from the EIT for two years beginning the enterprise’s first profitable year followed by a tax rate of 12.5% for the succeeding three years. Beijing Jinghong, Beijing Zhiyuan Hangcheng Software Technology Company Limited, Beijing Chuangying Oriental Technology Co., Ltd, and Beijing Zhihong Oriental Technology Co., Ltd were qualified as NESE and enjoyed the EIT tax benefit from January 2017 to December 2021, from January 2019 to December 2023, from January 2019 to December 2023, and from January 2019 to December 2023, respectively.

Since its establishment through May 31, 2021, Beijing Haidian School was not required by the governing tax bureau to pay any EIT. If Beijing Haidian School is required to pay EIT in the future, this could have material impact to the Group’s consolidated financial statements. However, the Group believes that it is more likely than not that any change to the tax treatment of Beijing Haidian School shall be prospectively applied.

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 were as follows:

	As of May 31,	
	2020 US\$	2021 US\$
Deferred tax assets		
Allowance doubtful accounts	4,677	12,710
Accrued expenses	55,172	76,848
Net operating loss carry-forward	43,049	102,595
Tax impact from the long term investments disposed to a related party	1,521	1,521
Total deferred tax assets	104,419	193,674
Less: valuation allowance	(41,095)	(90,087)
Total deferred tax assets, net	63,324	103,587
Deferred tax liabilities		
Acquired assets	3,598	3,241
Tax impact from the unrealized gain on available-for-sale investments	8,308	9,931
Total deferred tax liabilities	11,906	13,172

The Group does not file combined or consolidated tax returns, therefore, losses from individual subsidiaries or the VIEs may not be used to offset other subsidiaries’ earnings within the Group.

The Group determined the valuation allowance on an entity by entity basis. The valuation allowance, which is primarily related to entities with net operating loss carry-forwards for which the Company does not believe it will ultimately be realized, was US\$9,088, US\$41,095 and US\$90,087 as of May 31, 2019, 2020 and 2021, respectively.

As of May 31, 2021, the Group had net operating loss carried-forwards of US\$85,263 from the Company’s PRC subsidiaries, the VIEs, the VIE’s subsidiaries and schools which will expire on various dates from May 31, 2021 to May 31, 2026.

A reconciliation of the effective tax rates from 25% statutory tax rates for the years ended May 31, 2019, 2020 and 2021 was as follows:

	For the years ended May 31,		
	2019 %	2020 %	2021 %
Statutory tax rate	25.00	25.00	25.00
Effect of permanent differences for tax purposes	16.70	5.93	(1.53)
Tax effect of exempt entities	(6.91)	(5.50)	(3.83)
Effect of tax holiday	(9.73)	(5.13)	(8.66)
Changes in valuation allowance	1.13	6.53	15.55
Effect of dividend withholding tax	0.77	0.63	0.00
Effective tax rate	26.96	27.46	26.53

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If the WFOE and certain subsidiaries and schools of the VIEs did not enjoy income tax exemptions and preferential tax rates for the years ended May 31, 2019, 2020 and 2021, the increase in income tax expenses and the decrease in net income per share amounts would be as follows:

	For the years ended May 31,		
	2019 US\$	2020 US\$	2021 US\$
Increase in income tax expenses	51,002	50,809	33,847
Decrease in net income per share—basic	0.32	0.32	0.20
Decrease in net income per share—diluted	0.32	0.32	0.20

Under the New Income Tax Law effective from January 1, 2008, the rules for determining whether an entity is resident in the PRC for tax purposes have changed and the determination of residence depends among other things on the “place of actual management”. If the Group, or its non-PRC subsidiaries, were to be determined as a PRC resident for tax purposes, they would be subject to a 25% income tax rate on their worldwide income including the income arising in jurisdictions outside the PRC. The Group does not believe that its legal entities organized outside of the PRC are considered the PRC residents.

If the Company were to be a non-resident for PRC tax purposes, dividends paid to it out of profits earned after January 1, 2008 would be subject to a withholding tax. In the case of dividends paid by the PRC schools and subsidiaries to their foreign investors, the withholding tax would be 10%, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. In November 2018, Elite Concept started to enjoy a preferential tax rate of 5% under the tax treaty treatment. During the year ended May 31, 2019, Beijing Decision paid US\$2,171 withholding tax when they paid a special dividend to Elite Concept. During the year ended May 31, 2020, Beijing Decision, Beijing Hewstone, Beijing Right Time, Beijing Top and Beijing Magnificence paid US\$3,062 withholding tax when they paid a special dividend to Elite Concept.

Aggregate undistributed earnings of the Company’s PRC subsidiaries and the VIEs that are available for distribution were US\$1,972,912, US\$2,279,550 and US\$ 2,795,596 as of May 31, 2019, 2020 and 2021, respectively. Upon distribution of such earnings, the Company will be subject to the PRC EIT, the amount of which is impractical to estimate. The Company did not record any withholding tax on any of the aforementioned undistributed earnings because the relevant subsidiaries and the VIEs do not intend to declare dividends and the Company intends to permanently reinvest it within the PRC. Additionally, no deferred tax liabilities were recorded for taxable temporary differences attributable to the undistributed earnings because the Company believes the undistributed earnings can be distributed in a manner that would not be subject to income tax.

The Group did not identify any significant unrecognized tax benefits for the years ended May 31, 2019, 2020 and 2021. The Group did not incur any significant interest and penalties related to potential underpaid income tax expenses and also does not anticipate any significant increases or decreases in unrecognized tax benefits in the next twelve months. The Group has no material unrecognized tax benefits which would favorably affect the effective income tax rate in future periods.

According to the PRC Tax Administration and Collection Law, the tax authority may require the taxpayer or the withholding agent to make delinquent tax payment within three years if the underpayment of taxes is resulted from the tax authority’s act or error. No late payment surcharge will be assessed under such circumstances. The statute of limitation will be three years if the underpayment of taxes is due to the computational errors made by the taxpayer or the withholding agent. Late payment surcharge will be assessed in such case. The statute of limitation will be extended to five years under special circumstances which are not clearly defined (but an underpayment of tax liability exceeding US\$16 (RMB0.1 million) is specifically listed as a “special circumstance”). The statute of limitation for transfer pricing related issue is ten years. There is no statute of limitation in the case of tax evasion. Therefore, the Group’s PRC domiciled entities are subject to examination by the PRC tax authorities based on the above.

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19. NET INCOME PER SHARE

The computation of basic and diluted net income per common share for the years ended May 31, 2019, 2020 and 2021 was as follows:

	For the years ended May 31,		
	2019 US\$	2020 US\$	2021 US\$
Numerator:			
Net income attributable to New Oriental Education & Technology Group Inc.'s shareholders	238,065	413,333	334,414
Net income available for future distribution	238,065	413,333	334,414
Denominator*			
Weighted average common shares outstanding-basic	1,582,938,900	1,584,295,760	1,645,463,440
Plus: incremental weighted average common shares from assumed vesting of NES using the treasury stock method	7,454,550	11,073,140	6,518,944
Weighted average common shares outstanding-diluted	1,590,393,450	1,595,368,900	1,651,982,384
Net income per common share*			
- Basic	0.15	0.26	0.20
- Diluted	0.15	0.26	0.20

* Retrospectively restated for effect of stock split

There was no employee share options included in the dilutive share calculation for the years ended May 31, 2019, 2020 and 2021 due to anti-dilutive effects.

20. RELATED-PARTIES TRANSACTIONS

The Group had the following significant balances and transactions with major related parties:

(a) Amount due from/to related parties:

	Notes	Relationship	Amounts due from related parties, current As of May 31,		Amounts due to related parties, current As of May 31,	
			2020 US\$	2021 US\$	2020 US\$	2021 US\$
Metropolis Holding China Limited ("Metropolis")	(1)	Company controlled by Mr. Yu	1,951	914	159	—
Others			1,433	3,204	1,431	33
Total			3,384	4,118	1,590	33

	Notes	Relationship	Amounts due from related parties, non-current As of May 31,	
			2020 US\$	2021 US\$
Metropolis	(1)	Company controlled by Mr. Yu	1,550	3,623
Beijing Dianshi Jingwei Technololy Co., Ltd ("Dianshi Jingwei")	(2)	Equity method investee	21,024	—
Others			135	534
Total			22,709	4,157

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(b) Transactions:

		Rental expenses For the years ended May 31,		
		2019	2020	2021
		US\$	US\$	US\$
Metropolis	(1) Company controlled by Mr. Yu	7,888	9,615	11,653
		Revenues For the years ended May 31,		
		2019	2020	2021
		US\$	US\$	US\$
Beijing Fishpond Software Technology Co., Ltd. (“Fishpond”)	Equity method investee	1,060	438	—
Others	(4)	—	41	1,114
Total		1,060	479	1,114
		Loans provided to related parties For the years ended May 31,		
		2019	2020	2021
		US\$	US\$	US\$
Dianshi Jingwei	(2) Equity method investee	61,155	7,128	—
Beijing MaxEn International Education Consulting Company Limited (“Beijing MaxEn”)	(3) Equity method investee	—	—	10,486
Total		61,155	7,128	10,486
		Cost For the years ended May 31,		
		2019	2020	2021
		US\$	US\$	US\$
EEO	Equity securities without readily determinable fair values investee	2,408	3,239	—
Beijing Dongfang Heli Investment and Development Ltd (“Dongfang Heli”)	Equity method investee	1,064	1,700	1,915
Others	(4)	460	31	175
Total		3,932	4,970	2,090

- (1) Starting in April 2010, the Group began renting a large portion of a building owned by Metropolis for office space. In March 2012, Metropolis was acquired by a company wholly-owned by Mr. Yu, the Group’s executive chairman. As a result, Metropolis became a related party of the Group. As of May 31, 2020 and 2021, the current amounts due from Metropolis were US\$1,951 and US\$914, respectively and the non-current amounts due from Metropolis were US\$1,550 and US\$3,623, respectively. Those represented prepaid rent related to a short-term lease and deposit for the building. As of May 31, 2020 and 2021, the ROU assets related to the leases rented from Metropolis were US\$15,828 and US\$19,158, respectively, and the relevant lease liabilities were US\$15,475 and US\$18,965, respectively.
- (2) In April 2016, the Group sold 51% of the equity interest of its fully-owned subsidiary Dianshi Jingwei and Dianshi Jingwei became an equity method investee of the Group. As of May 31, 2020, amounts due from Dianshi Jingwei included five outstanding loans provided by the Group with no interest accrued. During the year ended of May 31, 2021, Dianshi Jingwei fully repaid the loan balance amounting to US\$21,024.

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- (3) During the year ended May 31, 2021, the Group provided the loans in aggregate of US\$10,486 to Beijing MaxEn, an equity method investee of the Group. As of May 31, 2021, the outstanding balance of the loans was US\$5,497, which was fully impaired.
- (4) As of May 31, 2020 and 2021, the transactions in “others” included the revenue and cost from long-term investees.

21. COMMITMENTS AND CONTINGENCIES

Capital commitments

As of May 31, 2021, the future minimum capital commitments were as follows:

	US\$
Capital commitment for the purchase of property and equipment	6,446
Capital commitment for leasehold improvements	49,155
Total	<u>55,601</u>

Contingent liabilities

The Group has been named in a number of lawsuits arising in its ordinary course of business. Although the outcome of those lawsuits are uncertain, the Group does not believe the possibility of a material loss is probable. The Group is unable to estimate a range of loss, if any, that could result if there would be an adverse decision, as such, and the Group has not accrued any liabilities.

22. NON-CONTROLLING INTERESTS

	Non-controlling interests
	US\$
Balance as of June 1, 2019	164,411
Purchase of non-controlling interests	6,675
Capital contribution from non-controlling interests	(39)
Share-based compensation expenses from Koolearn Holding	20,731
Exercise of share options in Koolearn Holding	3,629
Foreign currency translation adjustment	(417)
Net loss attributed to non-controlling interests	<u>(58,474)</u>
Balance as of May 31, 2020	136,516
Purchase of non-controlling interests	(626)
Koolearn additional shares issuance	30,000
Share-based compensation expenses from Koolearn Holding	39,527
Exercise of share options in Koolearn Holding	1,929
Foreign currency translation adjustment	1,948
Net loss attributed to non-controlling interests	<u>(104,393)</u>
Balance as of May 31, 2021	<u>104,901</u>

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The effects of changes in the Company's ownership interest in subsidiaries on the Company's equity were as follows:

	For the years ended May 31,		
	2019 US\$	2020 US\$	2021 US\$
Net income attribute to New Oriental Education & Technology Group Inc.'s shareholders	238,065	413,333	334,414
Share option gain	—	5,752	—
Decrease in the Group's additional paid-in capital resulting from disposal of a subsidiary	(371)	—	—
Increase (decrease) in the Group's additional paid-in capital resulting from reclassification and capital injection of non-controlling interests	160,871	103	(128)
Increase in the Group's additional paid-in capital resulting from the change in non-controlling interests resulting from Koolearn Holding's IPO	139,211	—	—
Decrease in the Group's additional paid-in capital resulting from repurchase shares from non-controlling interests	(15,190)	(20,045)	(19,092)
Changes from net income attributable to New Oriental Education & Technology Group Inc.'s shareholders and transfers to non-controlling interests	<u>522,586</u>	<u>399,143</u>	<u>315,194</u>

23. SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the Chief Executive Officer who reviews financial information of operating segments based on US GAAP amounts when making decisions about allocating resources and assessing performance of the Group. The Group identified seven operating segments, including K-12 AST, test preparation and other courses, primary and secondary school education, online education, content development and distribution, overseas study consulting services, pre-school education and study tour. During the years ended May 31, 2019 and 2020, the Group identified K-12 AST, test preparation and other courses, as a reportable segment. Online education, content development and distribution, overseas study consulting services, pre-school education, primary and secondary school education and study tour operating segments were aggregated as others because individually they did not exceed the 10% quantitative threshold. During the year ended May 31, 2021, Online education became a reportable segment as it individually exceeded the 10% quantitative threshold. As a result, prior period segment information has been restated to conform to the current year.

The Group primarily operates in the PRC and substantially all of the Group's long-lived assets are located in the PRC.

The Group's chief operating decision maker evaluates performance based on each reporting segment's net revenue, operating cost and expenses, and operating income. Net revenues, operating cost and expenses, operating income, and total assets by segment were as follows:

For the year ended May 31, 2019

	K-12 AST, test preparation and other courses US\$	Online Education US\$	Others US\$	Consolidated US\$
Net revenues	2,605,829	132,844	357,818	3,096,491
Operating cost and expenses:				
Cost of revenues	(1,128,355)	(59,878)	(188,036)	(1,376,269)
Selling and marketing	(212,170)	(65,289)	(79,939)	(357,398)
General and administrative	(675,315)	(40,773)	(108,420)	(824,508)
Unallocated corporate expenses	—	—	—	(236,409)
Total operating cost and expenses	(2,015,840)	(165,940)	(376,395)	(2,794,584)
Gain on disposal of a subsidiary	—	—	—	3,627
Operating income (loss)	589,989	(33,096)	(18,577)	305,534
Segment assets	2,226,344	539,855	579,029	3,345,228
Unallocated corporate assets	—	—	—	1,301,331
Total assets	2,226,344	539,855	579,029	4,646,559

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For the year ended May 31, 2020

	K-12 AST, test preparation and other courses	Online Education	Others	Consolidated
	US\$	US\$	US\$	US\$
Net revenues	3,040,741	152,542	385,399	3,578,682
Operating cost and expenses:				
Cost of revenues	(1,304,239)	(84,896)	(199,764)	(1,588,899)
Selling and marketing	(218,739)	(126,471)	(76,265)	(421,472)
General and administrative	(729,125)	(69,060)	(110,287)	(908,474)
Unallocated corporate expenses	—	—	—	(260,834)
Total operating cost and expenses	(2,252,103)	(280,427)	(386,316)	(3,179,679)
Operating income (loss)	788,638	(127,885)	(917)	399,003
Segment assets	3,588,900	687,312	701,418	4,977,630
Unallocated corporate assets	—	—	—	1,579,255
Total assets	3,588,900	687,312	701,418	6,556,885

For the year ended May 31, 2021

	K-12 AST, test preparation and other courses	Online Education	Others	Consolidated
	US\$	US\$	US\$	US\$
Net revenues	3,667,270	210,591	398,678	4,276,539
Operating cost and expenses:				
Cost of revenues	(1,680,779)	(145,428)	(210,668)	(2,036,875)
Selling and marketing	(326,708)	(175,092)	(86,605)	(588,405)
General and administrative	(955,211)	(124,897)	(130,104)	(1,210,212)
Unallocated corporate expenses	—	—	—	(323,781)
Total operating cost and expenses	(2,962,698)	(445,417)	(427,377)	(4,159,273)
Operating income (loss)	704,572	(234,826)	(28,699)	117,266
Segment assets	4,380,247	516,488	759,147	5,655,882
Unallocated corporate assets	—	—	—	4,495,171
Total assets	4,380,247	516,488	759,147	10,151,053

24. MAINLAND CHINA CONTRIBUTION PLAN

The Group's full time employees 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. The 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 US\$178,057, US\$217,127 and US\$257,542 for the years ended May 31, 2019, 2020 and 2021, respectively.

25. STATUTORY RESERVES

Prior to payment of dividends, pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, the Company's subsidiaries and the VIEs in the PRC must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each company. These reserves include (i) general reserve and (ii) the development fund.

Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the PRC entity registered capital; the other reserve appropriations are at the Company's discretion. These reserves can only be used for specific purposes of enterprise expansion and are not distributable as cash dividends. During the years ended May 31, 2019, 2020 and 2021, US\$1,875, US\$1,506 and US\$3,302 were accrued for the general reserve, respectively.

The PRC laws and regulations require private schools that require reasonable returns to make annual appropriations of 25% of after-tax income prior to payments of dividend to its development fund, which is to be used for the construction or maintenance of the school or procurement or upgrading of educational equipment, while in the case of a private school that does not require reasonable return, this amount should be equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. During the years ended May 31, 2019, 2020 and 2021, appropriations to the development fund amounted to US\$40,136, US\$73,043 and US\$64,124, respectively.

These reserves are included as statutory reserves in the consolidated statements of changes in equity and comprehensive income. The Group allocated US\$42,011, US\$74,549 and US\$67,426 to statutory reserves during the years ended May 31, 2019, 2020 and 2021, respectively.

26. RESTRICTED NET ASSETS

Relevant PRC laws and regulations restrict the WFOEs and the VIEs from transferring a portion of their net assets, equivalent to the balance of their statutory reserves and their share capital, to the Company in the form of loans, advances or cash dividends, except in the event of liquidation. The balance of restricted net assets was US\$472,924, US\$513,721 and US\$724,854, of which US\$437,121, US\$464,917 and US\$681,309 was attributed to the paid-in capital, additional paid-in capital and statutory reserves of the VIEs and US\$35,803, US\$48,804 and US\$43,545 was attributed to the paid-in capital, additional paid-in capital and statutory reserves of the WFOEs, as of May 31, 2019, 2020 and 2021, respectively. The WFOEs' accumulated profits may be distributed as dividends to the Company without the consent of a third party. The VIEs' revenues and accumulated profits may be transferred to the Company through contractual arrangements without the consent of a third party. Under the applicable PRC law, loans from the PRC companies to their offshore affiliated entities require governmental approval, and advances by the PRC companies to their offshore affiliated entities must be supported by bona fide business transactions.

DATE OF ISSUE

CERTIFICATE NUMBER

RUN/TFR. NO.

REGISTER

NUMBER OF SHARE(S)



NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

(continued in the Cayman Islands with limited liability)

SHARE CERTIFICATE HONG KONG SHARE REGISTER

THIS IS TO CERTIFY THAT THE UNDERMENTIONED PERSON(S) IS/ARE THE REGISTERED HOLDER(S) OF FULLY PAID COMMON SHARE(S) OF PAR VALUE US\$0.001 PER SHARE IN THE SHARE CAPITAL OF NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC. (THE "COMPANY") AS DETAILED BELOW SUBJECT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY.

[
[
[



CODE:

NUMBER OF SHARE(S):

GIVEN UNDER THE SECURITIES SEAL OF THE COMPANY ON THE DATE OF ISSUE STATED ABOVE.



DIRECTOR



DIRECTOR

NO TRANSFER OF THE WHOLE OR ANY PORTION OF THE ABOVE SHARE(S) CAN BE REGISTERED UNLESS ACCOMPANIED BY THIS SHARE CERTIFICATE.
HONG KONG SHARE REGISTRAR: COMPUTERSHARE HONG KONG INVESTOR SERVICES LIMITED, SHOPS 1712-1716, 17TH FLOOR, HOPEWELL CENTRE, 183 QUEEN'S ROAD EAST, WANCHAI, HONG KONG.

Incorporated in the Cayman Islands
New Oriental Education & Technology Group Inc.

This is to certify that

is / are the registered shareholders of:

No. of Shares	Type of Share Common	Par Value USD 0.0010000000
Date of Record	Certificate Number	% Paid 100.00

The above shares are subject to the Memorandum and Articles of Association of the Company and transferable in accordance therewith.

_____ Director

_____ Director / Secretary

**Description of rights of each class of securities
registered under Section 12 of the Securities Exchange Act of 1934 (the “Exchange Act”)**

American Depositary Shares (“ADSs”) each representing one common share of New Oriental Education & Technology Group Inc., (the “we,” “our,” “our company,” or “us”) are listed and traded on the New York Stock Exchange and, in connection with this listing (but not for trading), the common shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of common shares and (ii) the holders of ADSs. Common shares underlying the ADSs are held by Deutsche Bank Trust Company Americas, as depositary, and holders of ADSs will not be treated as holders of the common shares.

Description of Common Shares

The following is a summary of material provisions of our currently effective second amended and restated memorandum (the “Memorandum”) and articles of association (the “Articles of Association”), as well as the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Act”) insofar as they relate to the material terms of our common shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which has been filed with the SEC as an exhibit to our Form 6-K (File No. 001-32993).

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Each common share has US\$0.001 par value. The number of common shares that have been issued as of the last day of the financial year ended May 31, 2021 is provided on the cover of the annual report on Form 20-F filed on September 24, 2021 (the “2021 Form 20-F”). Certificates representing our common shares are issued in registered form.

Preemptive Rights (Item 9.A.3 of Form 20-F)

Our shareholders do not have preemptive rights.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

Not applicable.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Common Shares (Item 10.B.3 of Form 20-F)

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 Act and our Memorandum and Articles of Association.

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-tenth of the voting share capital, for as long as the shares remain listed on the Hong Kong Stock Exchange, or otherwise 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 not less than 10% of our voting share capital for as long as the shares remain listed on the Hong Kong Stock Exchange, or (ii) otherwise not less than 33% of our voting share capital. Advance notice of at least fourteen days, for as long as the shares remain listed on the Hong Kong Stock Exchange, or otherwise 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 not 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 affect 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 canceling 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 prescribed by the New York Stock Exchange or in 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 (1) 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; (2) the instrument of transfer is in respect of only one class of common shares; (3) the instrument of transfer is duly and properly signed; (4) 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; (5) the shares conceded are free of any lien in favor of us; or (6) a fee of such maximum sum as the New York Stock Exchange 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 Act, 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.

Inspection of Books and Records

Holders of our common shares 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.

Requirements to Change the Rights of Holders of Common Shares (Item 10.B.4 of Form 20-F)

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 Act, be varied either with the written consent of the holders of two-thirds 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.

Limitations on the Rights to Own Common Shares (Item 10.B.6 of Form 20-F)

There are no limitations under the laws of the Cayman Islands or under the Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote common shares.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

Anti-Takeover Provisions in the Memorandum and Articles of Association

Some provisions of our Memorandum and Articles of Association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Memorandum and Articles of Association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

Ownership Threshold (Item 10.B.8 of Form 20-F)

There are no provisions under the laws of the Cayman Islands or under the Memorandum and Articles of Association that govern the ownership threshold above which shareholder ownership must be disclosed.

An exempted company incorporated under the laws of the Cayman Islands is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the NYSE. Accordingly, for so long as the shares of the Company are listed on the NYSE, the Company is not required to maintain a beneficial ownership register.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent statutory enactments in England. In addition, the Companies Act 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 Act applicable to us and the laws applicable to companies incorporated in the United States.

Mergers and Similar Arrangements. The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association.

The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, 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 75% 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 Grand Court of the Cayman Islands can be expected to approve the arrangement if it determines that (a) the statutory provisions as to the required majority vote have been met; (b) the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class; (c) the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and (d) the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

If an 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 Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-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 in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

Shareholders’ Suits. In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when (a) a company acts or proposes to act illegally or ultra vires; (b) the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and (c) those who control the company are perpetrating a “fraud on the minority”.

Indemnification of Directors and Executive Officers and Limitation of Liability. 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. Our Memorandum and Articles of Association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that provide such persons with additional indemnification beyond that provided in our Memorandum and Articles of Association.

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

Directors' Fiduciary Duties. As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty *not* to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

In addition, directors of a Cayman Islands company must not place themselves in a position in which there is a conflict between their duty to the company and their personal interests. However, this obligation may be varied by the company's articles of association, which may permit a director to vote on a matter in which he has a personal interest provided that he has disclosed that nature of his interest to the board. Our Memorandum and Articles of Association provides that a director with an interest (direct or indirect) in a contract or arrangement or proposed contract or arrangement with the company must declare the nature of his interest at the meeting of the board of directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the board of directors after he is or has become so interested.

A general notice may be given at a meeting of the board of directors to the effect that (i) the director is a member/officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice in writing be made with that company or firm; or (ii) he is to be regarded as interested in any contract or arrangement which may after the date of the notice in writing to the board of directors be made with a specified person who is connected with him, will be deemed sufficient declaration of interest. Following the disclosure being made pursuant to our Memorandum and Articles of Association and subject to any separate requirement for Audit Committee approval under applicable law or the listing rules of the NYSE, and unless disqualified by the chairman of the relevant board meeting, a director may vote in respect of any contract or arrangement in which such director is interested and may be counted in the quorum at such meeting. However, even if a director discloses his interest and is therefore permitted to vote, he must still comply with his duty to act bona fide in the best interest of our company.

In comparison, under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

Shareholder Proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided that it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

There are no statutory requirements under Cayman Islands law allowing our shareholders to requisition a shareholders' meeting. However, under our Articles of Association, on the requisition of shareholders representing not less than 33% of the voting rights entitled to vote at general meetings, the board shall convene an extraordinary general meeting. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings, and our Articles of Association do not require us to call such meetings every year.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our Articles of Association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our Articles of Association, directors may be removed by an ordinary resolution of shareholders.

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Act, our company may be dissolved, liquidated or wound up by a special resolution of our shareholders.

Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our Articles of Association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the consent in writing of the holders of two-thirds of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under Cayman Islands law, our Memorandum and Articles of Association may only be amended by a special resolution of our shareholders.

Rights of Non-Resident or Foreign Shareholders. There are no limitations imposed by our Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our Memorandum and Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares. Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

Changes in Capital (Item 10.B.10 of Form 20-F)

Our shareholders may from time to time by ordinary resolution in accordance with the Companies Act alter the conditions of our Memorandum of Association to:

- increase our share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or
- cancel any 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.

Our shareholders may from time to time by special resolution, subject to any confirmation or consent required by the Companies Act, reduce our share capital or any capital redemption reserve in any manner permitted by the Companies Act.

Debt Securities (Item 12.A of Form 20-F)

Not applicable.

Warrants and Rights (Item 12.B of Form 20-F)

Not applicable.

Other Securities (Item 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

American Depositary Receipts

Deutsche Bank Trust Company Americas is the depository bank for the ADSs representing our common shares. Each ADS represents an ownership interest in four common shares which we deposit with the custodian under the deposit agreement among our company, the depository and yourself as an ADS holder. Each ADS also represents any securities, cash or other property deposited with the depository 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 dated as of September 12, 2006, as amended as of June 5, 2007, August 5, 2011 and April 25, 2012. For more complete information, you should read the entire deposit agreement and the form of ADR and supplements and amendments thereto. Copies of the deposit agreement, as amended, are on file with the SEC under covers of Registration Statements on Form F-6 (File No. 333-136862) and Form F-6 (File No. 333-176069). 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 57/F International Commerce Centre, 1 Austin Road West, Kowloon, 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 depository 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 you hold your 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 depository 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 depository 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 depository.

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 depository bank. As an ADS holder you appoint the depository 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 common 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 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.

U.S. securities laws 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 depositary 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 depositary has determined such distribution is lawful and reasonably practicable and feasible and in accordance with the terms of the deposit agreement, the depositary 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 depositary 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 depositary has a choice. It may decide to sell by public or private sale, net of fees and charges of, and expenses incurred by, the depositary 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 depositary 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 depositary 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 depositary to make them available to you.

Deposit and Withdrawal

How are ADSs issued?

The depositary 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 depositary. 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 depositary and of any taxes or charges, such as stamp taxes or share transfer taxes or fees, the depositary 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.

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 depository'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 depository. If it is reasonably practicable and if we provide all of the documentation contemplated in the deposit agreement, the depository 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 depository 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 depository 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 depository bank may determine.

Transmission of Notices to Shareholders

We will promptly transmit to the depository 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 depository 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 depository's Corporate Trust Office, the office of the custodian or any other designated transfer office of the depository.

Voting Rights

How do you vote?

You may instruct the depository 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.

Upon receipt of timely notice from us, the depository 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 depository, may instruct the depository to vote the common shares or other deposited securities underlying your ADSs as you direct. For your instructions to be valid, the depository must receive them in writing on or before a date specified by the depository. The depository 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 depository 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 depository 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.

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, 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 depository to terminate the deposit agreement, in which case the depository will give notice to you at least 90 days prior to termination. The depository may also terminate the agreement if it has told us that it would like to resign or we have removed the depository and we have not appointed a new depository bank within 90 days; in such instances, the depository will give notice to you at least 30 days prior to termination. After termination, the depository'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 depository 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 depository 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 depository.

Books of Depository

The depository will maintain ADS holder records at its depository 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 depository will maintain facilities in New York 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 Depository; Limits on Liability to Holders of ADRs

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

We and the depository, 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.

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 corporate trust 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.

独家服务总协议

MASTER EXCLUSIVE SERVICE AGREEMENT

本独家服务总协议（“本协议”）由以下各方于 2014 年 9 月 19 日订立：

This Master Exclusive Service Agreement (this “**Agreement**”) is entered into as of September 19, 2014 by and among the following parties:

- (1) 北京开拓鸿业高科技有限公司（“外资企业”），一家根据中华人民共和国（“中国”）法律在北京注册成立的外商独资企业；

Beijing Pioneer Technology Co., Ltd. (北京开拓鸿业高科技有限公司) (the “WFOE”), a wholly foreign-owned enterprise registered in Beijing under the laws of the People’s Republic of China (“PRC”);

- (2) 北京新东方教育科技（集团）有限公司（“新东方中国”），一家根据中国法律在北京注册成立的内资公司；和

Beijing New Oriental Education & Technology (Group) Co., Ltd. (北京新东方教育科技（集团）有限公司) (“New Oriental China”), a domestic company registered in Beijing under the PRC laws; and

（以上外资企业和新东方中国合称为“各方”，单独称为“一方”。）

(The WFOE and New Oriental China are hereinafter altogether referred to as the “**Parties**” and individually, as a “**Party**.”)

序言

RECITALS

鉴于，各方有意利用各自的专业能力和资源进一步促进其现有业务、扩大各自的市场份额；以及

WHEREAS, Parties intend to utilize their respective expertise and resources to further promote their existing business and expand their market share; and

鉴于，外资企业及其关联方有意向新东方中国和本协议附件 1 所列的新东方中国下属的学校和子公司以及将来不时成立的下属学校和子公司（总称，“新东方学校及子公司”）提供特定服务，新东方中国和新东方学校及子公司同意仅从外资企业及其关联方接受该等服务。

WHEREAS, the WFOE, together with its affiliates, intends to provide certain services to New Oriental China and its schools and subsidiaries as listed in Schedule 1 hereof and schools and/or subsidiaries form anytime and from time to time hereafter (“**New Oriental Schools and Subsidiaries**”); and New Oriental China and New Oriental Schools and Subsidiaries agree to accept such services only from the WFOE and affiliates.

有鉴于此，基于本协议中包含的各项前提、声明、保证、承诺和约定，各方愿意受其约束，并达成如下约定：

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, Parties hereby agree as follows:

协议
AGREEMENT

1. 提供服务
Provision of Services

- 1.1 依据本协议规定的条款和条件，新东方中国和新东方学校及子公司（新东方中国和新东方学校及子公司合称“接受服务方”）特此不可撤销地委任和指定外资企业作为其独家服务提供者，提供附件 2 中列出的技术和业务支持服务。

In accordance with the terms and conditions set forth in this Agreement, New Oriental China and New Oriental Schools and Subsidiaries (New Oriental China and New Oriental Schools and Subsidiaries collectively, the “Service Receiving Parties”) hereby irrevocably appoint and designate the WFOE as their exclusive service provider to provide the technical and business support services as set forth in Schedule 2.

- 1.2 在本协议期间，接受服务方未经外资企业书面同意不得直接或间接地从第三方获取与本协议项下服务相同或相似的服务，亦不得同外资企业指定的服务提供者之外的任何第三方签订类似的服务协议。

During the term of this Agreement, Service Receiving Parties shall not, without the WFOE’s written consent, directly and indirectly, obtain the same or similar services as provided under this Agreement from any third party, or enter into any similar service agreement with any third party other than the Service Providers designated by the WFOE.

2. 外资企业指定服务提供者的权利；工作说明
WFOE’s Power to Designate Service Provider; Statement of Work

- 2.1 外资企业有权依其完全自主判断自行指定并委任任何其关联方提供本协议第一条中规定的任何服务。在不限制前述规定一般适用性的前提下，外资企业特此指定并委任北京砍石高科技有限公司、北京鼎事兴教育咨询有限公司、上海智言软件科技有限公司、北京智愚嘉业软件科技有限公司、北京颐顺太和软件科技有限公司、北京悦坛软件科技有限公司、北京博鸿软件科技有限公司和北京新鼎峰软件科技有限公司及其各自的子公司作为额外的服务提供者（与外资企业合称“服务提供者”）来提供本协议第一条规定的服务。

The WFOE has the right to designate and appoint, at its sole discretion, any entities affiliated with the WFOE to provide any and all service set forth in Section 1 hereof. Without limiting the generality of the foregoing, the WFOE hereby designates and appoints Beijing Hewstone

Technology Co., Ltd., Beijing Decision Education & Consulting Co., Ltd., Shanghai Smart Words Software Technology Co., Ltd., Beijing Smart Wood Software Technology Co., Ltd., Beijing Right Time Technology Co., Ltd., Beijing Joy Tend Technology Co., Ltd., Beijing Magnificence Technology Co., Ltd. and Beijing Top Technology Co., Ltd. and their respective subsidiaries as additional service providers (together with the WFOE, the "Service Providers") to provide service set forth in Section 1 hereof.

- 2.2 服务提供者应与接受服务方通过一个或多个单独的服务协议 ("服务协议") 在附件 2 规定的范围之内确定具体的服务内容。

Service Providers shall determine the specific contents of services within the scope listed in Schedule 2 with the Service Receiving Parties in one or more separate service agreements (each, a "Service Agreement").

- 2.3 各方同意外资企业或其关联方与接受服务方业已签署并于附件 3 中列明的各项服务协议 ("现有服务协议") 将依据其各自条款持续有效；但是，如果本协议与任何现有服务协议之间存有冲突，以本协议的条款和条件为准。

Parties agree that the various service agreements the WFOE or its affiliates have entered into with Service Receiving Parties (the "Existing Service Agreements") as set forth in Schedule 3 shall remain effective according to their terms; provided, however, in case of any conflict between this Agreement and any of the Existing Service Agreements, the terms and conditions under this Agreement shall prevail.

3. 服务费和支付 Service Fee and Payment

- 3.1 外资企业依其合理判断自主决定接受服务方须付的服务费和适当的支付方式。本协议附件 2 规定了服务费的计算和支付方式。

The WFOE shall have the right to determine, at its reasonable discretion, the service fee and proper payment manners for Service Receiving Parties. The calculation and payment manners of the service fee are stipulated in Schedule 2 of the Agreement.

- 3.2 若外资企业依其合理判断自主决定服务费计算方式不再于本协议期间内适用，外资企业有权随时以提前 10 天书面通知接受服务方调整服务费用。

If the WFOE, in its reasonable discretion, determines that the fee calculation mechanism specified shall no longer apply for any reasons at any time or from time to time during the term of this Agreement, the WFOE shall have the rights to adjust the fee by giving a 10-day written notice to Service Receiving Parties.

4. 知识产权 Intellectual Property Rights

- 4.1 本协议履行过程中开发的任何知识产权 (包括但不限于版权、专利、专有技术和商业秘密) 归服务提供者所有，除本协议另有明确规定，接受服务方不享有任何权利。

Any intellectual properties developed by performance of this Agreement, including but not limited to copyrights, patents, knowhow and trade secrets, belong to Service Providers, and Service Receiving Parties shall enjoy no rights other than those expressly provided herein.

- 4.2 若一项开发是基于接受服务方所有的知识产权，接受服务方应确保并保证该知识产权无瑕疵。否则，接受服务方须就该知识产权的权利瑕疵对服务提供者产生的全部损害和损失承担责任。若服务提供者因此向第三方承担任何责任，服务提供者有权就其全部损失从接受服务方处获得偿付。

If a development is based on the intellectual properties owned by Service Receiving Parties, Service Receiving Parties shall warrant and guarantee that such intellectual properties are flawless. Otherwise, Service Receiving Parties shall bear all damages and losses caused to Service Providers by any flaw of such intellectual properties. If the Service Providers are to bear any liabilities to any third party thus caused, it has the right to recover all of its losses from Service Receiving Parties.

- 4.3 各方同意本协议终止或届满时，本条仍然有效。

The Parties agree that this section shall survive the termination or expiration of this Agreement.

5. 外资企业的财务支持
WFOE's Financial Support

- 5.1 为确保接受服务方业务运营的现金流需求或为抵消业务运营中累积的损失，外资企业同意其应在中国法律允许的范围内由其自身或通过其指定的其他方向接受服务方提供财务支持。外资企业可以以银行委托贷款或借贷的方式向接受服务方提供财务支持。

To ensure that the cash flow requirements with regard to the business operations of Service Receiving Parties are met and/or to set off loss accrued during such operations, the WFOE agrees that it shall, to the extent permissible under PRC law, through itself or its designated person, provide financial support to Service Receiving Parties. The WFOE's financing support for Service Receiving Parties may take the form of bank entrusted loans or borrowings.

6. 陈述和保证
Representations and Warranties

- 6.1 外资企业特此作出如下陈述和保证：

The WFOE hereby represents and warrants as follows:

- (a) 其是依照中国法律正式注册设立并有效存续的一家外商独资企业；

It is a wholly foreign-owned enterprise duly incorporated and validly existing under PRC law;

- (b) 其于公司权力和营业范围之内签署并履行本协议。其已采取必要的公司行为且获得适当授权，并已从第三方和政府部门获得必要的同意及批准。外资企业签署并履行本协议不会违反对其有约束力或有影响的法律或合同；及

Its execution and performance of this Agreement are within WFOE's corporate power and business scope. It has taken necessary corporate actions and obtained appropriate authorizations, and has obtained the necessary consents or approvals from other third parties or government agencies. The execution and performance of this Agreement by the WFOE do not violate the laws and contracts binding upon the WFOE; and

- (c) 本协议一经前述即构成对外资企业合法、有效、有约束力的义务，并依本协议之条款可对其强制执行。

Upon execution, this Agreement will constitute a legal, valid and binding obligation of the WFOE enforceable against the WFOE in accordance with its terms.

6.2 每个接受服务方连带作出如下陈述和保证：

Each of Service Receiving Parties, separately and jointly, represent and warrant as follows:

- (a) 其是依照中国法律正式注册设立并有效存续的法人；

It is an legal person duly incorporated and validly existing under PRC law;

- (b) 其于实体权力和营业范围之内签署并履行本协议。其已采取必要的实体行为且获得适当授权，并已从第三方和政府部门获得必要的同意及批准。其签署并履行本协议不会违反对其有约束力或有影响的法律或合同；及

Its execution and performance of this Agreement are within its entity power and business scope. It has taken necessary entity actions and obtained appropriate authorizations, and has obtained the necessary consents or approvals from other third parties or government agencies. Its execution and performance of this Agreement do not violate the laws and contracts binding upon it; and

- (c) 本协议一经前述即构成对接受服务方合法、有效、有约束力的义务，并依本协议之条款可对其强制执行。

Upon execution, this Agreement will constitute a legal, valid and binding obligation of Service Receiving Parties enforceable against them in accordance with its terms.

7. 保密条款

Confidentiality

- 7.1 接受服务方同意对就履行本协议而获得的机密数据和信息（合称“保密信息”）尽力采取各种合理措施予以保密。非经外资企业的书面同意，服务接受方不得向任何第三方披露、提供或转让该等保密信息。一旦本协议终止，经外资企业要求，接受服务方应将

载有保密信息的任何文件、资料或软件归还外资企业，或予以销毁，并从所有相关记忆装置中删除所有保密信息，且不得继续使用这些保密信息。

Service Receiving Parties agree to take all reasonable steps to protect and maintain the confidentiality of the confidential data and information received by Service Receiving Parties in connection with the performance of this Agreement (collectively, the “**Confidential Information**”). Service Receiving Parties shall not disclose, give or transfer any Confidential Information to any third party without WFOE’s prior written consent. Upon termination of this Agreement, Service Receiving Parties shall, at WFOE’s request, return or destroy any and all documents, information or software containing any of such Confidential Information to WFOE, and delete all of such Confidential Information from any memory devices, and cease to use such Confidential Information.

- 7.2 每一方应对保密信息严格保密，在未取得其他方的书面同意前，不得向任何第三方披露任何相关信息，但下述情况除外：(a) 该信息已经或将被公众所知（但不是因为接受一方的公开披露导致的）；(b) 按照适用法律、法规或股票交易所的要求披露的；或 (c) 任何一方需要向其法律顾问或财务顾问披露的有关本协议项下拟定交易的信息，且该法律顾问或财务顾问受与本款规定相类似的保密义务的制约。如任何一方聘用的任何职员或代理机构披露保密信息，将被视为该方披露了该保密信息并因此承担违约责任。本款规定将在本协议因任何原因终止后持续有效。

Each Party shall maintain the confidentiality of all Confidential Information, and without obtaining the written consent of other Parties, it shall not disclose any relevant information to any third parties, except in the following circumstances: (a) such information is or will be in the public domain (provided that this is not the result of a public disclosure by the receiving party); (b) information disclosed as required by applicable laws or rules or regulations of any stock exchange; or (c) information required to be disclosed by any Party to its legal counsel or financial advisor regarding the transaction contemplated hereunder, and such legal counsel or financial advisor are also bound by confidentiality duties similar to the duties in this section. Disclosure of any Confidential Information by the staff members or agency hired by any Party shall be deemed disclosure of such Confidential Information by such Party, which Party shall be held liable for breach of this Agreement. This section shall survive the termination of this Agreement for any reason.

8. 生效日和期限 Effective Date and Term

- 8.1 本协议于文首所载之日签署并生效。

This Agreement shall be signed and take effect as of the date first set forth above.

- 8.2 除非按本协议规定终止，本协议有效期为十（10）年，且期满后以十（10）年为期自动延展，延期次数不限。尽管有上述约定，外资企业有权随时于提前三十（30）日书面通知新东方中国后终止本协议。接受服务方无权终止本协议。

The term of this Agreement is ten (10) years and shall be automatically extended for successive ten (10) years unless terminated as provided herein. Notwithstanding the foregoing provisions, the WFOE may terminate this Agreement at any time with a written notice to New

Oriental China given thirty (30) days in advance. None of Service Receiving Parties can terminate this Agreement.

- 8.3 如果在本协议有效期内，任何一方的经营期限届满，则该方应及时续展其经营期限，以使本协议得以继续有效和执行。如一方续展经营期限之申请未获任何主管部门批准或同意，则本协议于该方经营期限届满之时终止。

During the term of this Agreement, each Party shall renew its operation term prior to the expiration thereof so as to enable this Agreement to remain effective. This Agreement shall be terminated upon the expiration of the operation term of a Party if the application for renewal of its operation term is not approved by relevant government authorities.

9. 管辖法律
Governing Law

本协议依中国法律解释，受中国法律管辖。

This Agreement shall be construed in accordance with and governed by the laws of the PRC.

10. 争议解决
Dispute Resolution

因本协议产生或与本协议相关的任何争议或主张应由外资企业与新东方中国（自身或代表新东方学校和子公司）通过友好协商的方式解决。如果外资企业和新东方中国双方未能解决争议，应将争议提交到北京仲裁委员会，由北京仲裁委员会按照申请仲裁时该委员会有效的仲裁规则仲裁解决。仲裁地为北京，仲裁适用的语言为中文。仲裁裁决具终局性且对各方都有约束力。

Any dispute or claim arising out of or in connection with or relating to this Agreement shall be resolved by the WFOE and New Oriental China, or New Oriental China on behalf of New Oriental Schools and Subsidiaries in good faith through negotiations. In case no resolution can be reached by the WFOE and New Oriental China, such dispute shall be submitted to Beijing Arbitration Commission for arbitration in accordance with its rules of arbitration in effect at the time of applying for arbitration and the place of arbitration shall be in Beijing. The language of the proceedings shall be Chinese. The arbitral award is final and binding upon all Parties.

11. 通知
Notices

- 11.1 就本协议项下作出的通知，新东方中国将代表新东方学校或子公司发出或接收通知（如适用）。外资企业向新东方中国通知视为已向所有接受服务方发出通知。

For purpose of the Notices hereunder, New Oriental China will give or receive the relevant notice on behalf New Oriental Schools and Subsidiaries where applicable. The WFOE's notice being given to New Oriental China shall be deemed being given to Service Receiving Parties.

- 11.2 任何一方按本协议规定发出的通知或其他通信应以英文或中文语书写，并可以专人递送、挂号邮寄、邮资预付邮寄、或受承认的专递服务或发送传真的形式发送到有关相关不时指定的收件地址。通知被视为正式送达的日期，应按如下方式确定：(a) 专人递送的通知，专人递送当日即视为已实际送达；(b) 用信函发出的通知，则在邮资付讫的航空挂号信寄出日（依邮戳为准）后的第十（10）天，即视为已实际送达，或在送交专递服务公司后的第四天，即视为已实际送达；以及(c) 用传真发送的通知，在有关文件的传送确认单上所显示的接收时间，即视为已实际送达。

Notices or other communications required to be given by any party pursuant to this Agreement shall be written in English or Chinese and delivered personally or sent by registered mail or postage prepaid mail or by a recognized courier service or by facsimile transmission to the address of each relevant party as specified by such party from time to time. The date when the notice is deemed to be duly served shall be determined as follows: (a) a notice delivered personally is deemed duly served upon delivery; (b) a notice sent by mail is deemed duly served the tenth (10th) day after the date when the postage prepaid registered airmail was sent out (as is shown on the postmark), or the fourth (4th) day after the delivery date to the courier service company; and (c) a notice sent by facsimile transmission is deemed duly served upon the receipt time as is shown on the transmission confirmation for relevant documents.

- 11.3 为通知的目的，双方地址如下：

For the purpose of notices, the addresses of the Parties are as follows:

北京开拓鸿业高科技有限公司
Beijing Pioneer Technology Co., Ltd.
地址：北京市海淀区丹棱街3号B座315室
Address: Room 315, Tower B, No. 3 Danleng Street, Haidian District, Beijing
收件人：王翔
Attn: Xiang Wang
电话：(86-10)60908208
Phone: (86-10)60908208

北京新东方教育科技（集团）有限公司
Beijing New Oriental Education & Technology (Group) Co., Ltd.
地址：北京市海淀区海淀中街6号9层
Address: No. 6 Haidian Mid Street, Haidian District, Beijing
收件人：关睿
Attn: Rui Guan
电话：(86-10) 60908112
Phone: (86-10) 60908112

12. 新东方学校及子公司

New Oriental Schools and Subsidiaries

- 12.1 新东方中国将促使新东方学校及子公司以及任何在本协议生效后组建、组成或成立的新学校或子公司以附件 4 为格式签署一份加入协议，从而使新东方中国下属的任何现有或新成立的学校或子公司成为本协议的协议方。在新东方中国促使下属的任何现有或新成立的学校或子公司签署协议前，新东方中国应当担保、确认、促使其所有下属任何学校或子公司遵守本协议。

New Oriental China shall procure New Oriental Schools and Subsidiaries and any new schools or subsidiaries established, formed or incorporated after the date of this Agreement to execute a Joinder Agreement in a form attached as Schedule 4 so that such existing or new schools or subsidiaries shall become parties to this Agreement. Before any New Oriental Schools and Subsidiaries execute the Joinder Agreement, New Oriental China shall guarantee, undertake and procure such New Oriental Schools and Subsidiaries to comply all terms and conditions of this Agreement.

- 12.2 依据本协议签署加入协议的个人或实体，按加入协议赋予的权限，被视为本协议的一方，享有本协议规定的利益并承担本协议规定的义务，且对本协议应作相应解释。

A person or entity who has entered into a Joinder Agreement pursuant to this Agreement shall have the benefit of and be subject to the burden of all the provisions of this Agreement as if he were party to it in the capacity designated in the Joinder Agreement, and this Agreement shall be interpreted accordingly.

13. 转让

Assignment

- 13.1 未经外资企业事先书面同意，接受服务方不得将其在本协议项下各自权利和义务转让给任何第三方。

Service Receiving Parties shall not assign any of their respective rights or obligations under this Agreement to any third party without the prior written consent of the WFOE.

- 13.2 接受服务方在此同意，外资企业可以其完全自主判断自行转让其在本协议项下的权利和义务。外资企业仅需就该转让向新东方中国作出书面通知。

Service Receiving Parties hereby agree that the WFOE may assign its rights and obligations under this Agreement as the WFOE may decide at its sole discretion, only be subject to a written notice to New Oriental China.

14. **可分割性**
Severability

如果本协议项下的任何条款因与有关法律不一致而无效或不可执行，则该条款仅在有关法律的管辖范围之内被视为无效或不可执行，并且本协议其他条款的有效性、合法性和可强制执行性不受其影响。

If any provision of this Agreement is judged to be invalid or unenforceable because it is inconsistent with applicable laws, such invalidity or unenforceability shall be only with respect to such laws, and the validity, legality and enforceability of the other provisions hereof shall not be affected.

15. **修改或补充**
Amendment or Supplement

本协议的任何修改或补充须由各方以书面形式作出。经协议每一方正式签署的修改或补充构成本协议的组成部分，具有与本协议同等的法律效力。

Any amendment or supplement to this Agreement shall be made by Parties in writing. The amendments or supplements duly executed by each party shall form an integral part of this Agreement and shall have the same legal effect as this Agreement.

16. **文本**
Counterparts

本协议由协议各方签署两份原件，外资企业和新东方中国各执一份，所有原件具有同等法律效力。本协议可以一份或多份副本形式签署。

This Agreement shall be executed in two originals by all Parties, with the WFOE and New Oriental China holding one original. All originals shall have the same legal effect. The Agreement may be executed in one or more counterparts.

17. **语言**
Languages

本协议以英语和中文书就，英文和中文文本具有同等法律效力。若英文和中文有不一致，以英文为准。

This Agreement is written in English and Chinese. Both language versions shall have the equal validity. In case of any discrepancy between the English version and the Chinese version, the English version shall prevail.

[以下是签字页 Signature page follows]

有鉴于此，各方于文首所述日期正式签署本协议。

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the date appearing at the head hereof.

北京开拓鸿业高科技有限公司

Beijing Pioneer Technology Co., Ltd.

授权代表：

Authorized Representative:

签字 Signature: /s/ Authorized Representative

盖章 Seal: /s/ Company Seal

北京新东方教育科技（集团）有限公司

Beijing New Oriental Education & Technology (Group) Co., Ltd.

授权代表

Authorized Representative:

签字 Signature: /s/ Authorized Representative

盖章 Seal: /s/ Company Seal

SCHEDULE 1

附件 1

List of New Oriental Schools and Subsidiaries

新东方学校及子公司清单

1. 学校 Schools

序号 No.	学校英文名称 English Name of Schools	学校中文名称 Chinese Name of Schools
1.	Beijing Haidian District Privately-Funded New Oriental School	北京市海淀区私立新东方学校
2.	Beijing Changping New Oriental Foreign Language School	北京昌平新东方外国语学校
3.	Shanghai Yangpu District New Oriental Advanced Study School	上海杨浦区新东方进修学校
4.	Guangzhou Haizhu District Privately-Funded New Oriental Training School	广州市海珠区私立新东方培训学校
5.	Guangzhou Panyu Privately-Funded New Oriental Training Center	广州市番禺私立新东方教育培训中心
6.	Guangzhou New Oriental Training School	广州市新东方培训学校
7.	Wuhan New Oriental Training School	武汉新东方培训学校
8.	Tianjin New Oriental Training School	天津新东方培训学校
9.	Xi'an Yanta District New Oriental Training School	西安市雁塔区新东方培训学校
10.	Nanjing Gulou New Oriental Advanced Study School	南京鼓楼新东方进修学校
11.	Shenzhen New Oriental Training School	深圳新东方培训学校
12.	Shenyang New Oriental Foreign Language Training School	沈阳新东方外语培训学校
13.	Chongqing New Oriental Training School	重庆新东方培训学校
14.	Chengdu New Oriental School	成都新东方学校
15.	Xiangyang New Oriental Training School	襄阳新东方培训学校
16.	Harbin Nangang District New Oriental Training School	哈尔滨市南岗区新东方培训学校
17.	Changsha Furong District New Oriental Training School	长沙市芙蓉区新东方培训学校
18.	Taiyuan New Oriental Training School	太原新东方培训学校
19.	Jinan New Oriental School	济南新东方学校
20.	Hangzhou New Oriental School	杭州新东方进修学校
21.	Fuyang New Oriental Training School	富阳市新东方培训学校
22.	Changchun New Oriental Training School	长春市新东方培训学校
23.	Zhengzhou New Oriental Training School	郑州新东方培训学校
24.	Foshan New Oriental Training School	佛山市新东方培训学校
25.	Suzhou New Oriental School	苏州新东方学校
26.	Shijiazhuang New Oriental School	石家庄新东方学校
27.	Hefei New Oriental Foreign Language Training School	合肥新东方外语培训学校

序号	学校英文名称	学校中文名称
No.	English Name of Schools	Chinese Name of Schools
28.	Fuzhou Gulou District New Oriental Training school	福州市鼓楼区新东方培训学校
29.	Yunnan New Oriental Training School	云南新东方培训学校
30.	Anshan New Oriental Training School	鞍山市新东方培训学校
31.	Zhuzhou New Oriental Training School	株洲市新东方培训学校
32.	Yichang Xiling District New Oriental School	宜昌市西陵区新东方学校
33.	Wuxi New Oriental Advanced Study School	无锡新东方进修学校
34.	Jingzhou New Oriental School	荆州市新东方培训学校
35.	Nanchang Donghu District New Oriental Language School	南昌市东湖区新东方语言学校
36.	Dalian New Oriental Training School	大连新东方培训学校
37.	Huangshi New Oriental Training School	黄石市新东方培训学校
38.	Ningbo New Oriental School	宁波新东方学校
39.	Lanzhou Chengguan District New Oriental School	兰州市城关区新东方学校
40.	Xiamen Siming District New Oriental Education Training School	厦门市思明区新东方教育培训学校
41.	Qingdao New Oriental Language Training School	青岛新东方教育培训学校
42.	Nanning New Oriental Education Training School	南宁市新东方教育培训学校
43.	Changchun Tongwen Senior High School	长春市新东方同文高中
44.	Changchun Tongwen Gaokao Training School	长春市新东方同文高考培训学校
45.	Xuzhou New Oriental Advanced Study School	徐州市新东方进修学校
46.	Xiangtan Yuhu District New Oriental School	湘潭市雨湖区新东方培训学校
47.	Zhenjiang New Oriental Training Center	镇江新东方培训中心
48.	Luoyang New Oriental School	洛阳新东方学校
49.	Nantong Chongchuan District New Oriental School	南通市崇川区新东方培训学校
50.	Jilin Chuanying District New Oriental Training School	吉林市船营区新东方培训学校
51.	Guiyang Yunyan District New Oriental School	贵阳市云岩区新东方学校
52.	Inner Mongolia Huhhot New Oriental School	内蒙古呼和浩特市新东方培训学校
53.	Tangshan Lubei District New Oriental School	唐山市路北区新东方培训学校
54.	Urumqi New Oriental Training School	乌鲁木齐新东方培训学校
55.	Beijing New Oriental Yangzhou Foreign Language School	北京新东方扬州外国语学校
56.	Shiyan New Oriental School	十堰新东方培训学校
57.	China Management Software Institute	中国管理软件学院

2. 子公司 Subsidiaries

No.	English Name of Subsidiaries	Chinese Name of Subsidiaries
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No.	English Name of Subsidiaries	Chinese Name of Subsidiaries
58.	Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	北京新东方大愚文化传播有限公司
59.	Beijing New Oriental Dogwood Advertisement Co., Ltd.	北京新东方大愚广告有限公司
60.	Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.	北京新东方大愚图书音像有限公司
61.	Shanghai Dogwood Bookstore & Audio-Visual Products Co., Ltd.	上海大愚图书音像有限公司
62.	Guangzhou Dogwood Bookstore & Audio-Visual Products Co., Ltd.	广州大愚图书音像有限公司
63.	Wuhan New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	武汉新东方大愚图书音像有限公司
64.	Tianjin Dogwood Bookstore & Audio-Visual Products Co., Ltd.	天津大愚图书音像有限公司
65.	Xi'an New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	西安新东方大愚图书音像有限公司
66.	Nanjing New Oriental Dogwood Bookstore Products Co., Ltd.	南京新东方大愚图书有限公司
67.	Shenyang New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	沈阳新东方大愚图书音像有限公司
68.	Chengdu New Oriental Dogwood Bookstore Products Co., Ltd.	成都新东方大愚图书有限公司
69.	Chongqing New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	重庆新东方大愚图书音像有限公司
70.	Harbin New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	哈尔滨新东方大愚图书音像经销有限公司
71.	Changsha New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	长沙新东方大愚图书音像有限公司
72.	Changchun New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	长春新东方大愚图书音像有限公司
73.	Taiyuan New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	太原新东方大愚图书音像有限公司
74.	Hefei Dogwood Bookstore & Audio-Visual Products Co., Ltd.	合肥大愚图书音像有限公司
75.	Fuzhou Gulou District Dogwood Bookstore & Audio-Visual Products Co., Ltd.	福州市鼓楼区大愚图书音像有限公司
76.	Hangzhou Dogwood Bookstore Products Co., Ltd.	杭州大愚图书有限公司
77.	Nanchang Dogwood Bookstore & Audio-Visual Products Co., Ltd.	南昌大愚图书音像有限公司
78.	Kunming Dogwood Bookstore & Audio-Visual Products Co., Ltd.	昆明大愚图书音像有限公司
79.	Dalian New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	大连新东方大愚图书音像有限公司
80.	Jinan Dogwood Bookstore & Audio-Visual Products Co., Ltd.	济南大愚图书音像有限公司

No.	English Name of Subsidiaries	Chinese Name of Subsidiaries
81.	Lanzhou New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	兰州新东方大愚图书音像有限公司
82.	Shijiazhuang New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	石家庄市新东方大愚图书音像有限公司
83.	Ningbo Haishu New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	宁波海曙新东方大愚图书音像有限公司
84.	Suzhou New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	苏州新东方大愚图书音像有限公司
85.	Qingdao New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	青岛新东方大愚图书音像有限公司
86.	Xuzhou New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	徐州新东方大愚图书音像有限公司
87.	Urumqi Dogwood Bookstore & Audio-Visual Products Co., Ltd.	乌鲁木齐大愚文化图书音像有限公司
88.	Xiamen New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	厦门新东方大愚图书音像有限公司
89.	Huhehot Dogwood Bookstore & Audio-Visual Products Co., Ltd.	呼和浩特市大愚图书音像有限责任公司
90.	Beijing New Oriental Xuncheng Network Technology Co., Ltd.	北京新东方迅程网络科技有限公司
91.	Beijing New Oriental Vision Overseas Consultancy Co., Ltd.	北京新东方前途出国咨询有限公司
92.	Shanghai Vision Overseas Service Company Limited	上海前途出国留学服务有限公司
93.	Shandong New Oriental Vision Overseas Consultancy Co., Ltd.	山东新东方前途出国咨询有限公司
94.	Leci Internet Technology(Beijing) Company Limited	乐词网络科技(北京)有限公司
95.	Beijing Dianshijingwei Technology Company Limited	北京点石经纬科技有限公司

SCHEDULE 2

附件 2

CONTENTS OF SERVICE, CALCULATION AND PAYMENT OF THE SERVICE FEE

服务内容，服务费的计算和支付

1. 服务内容
Contents of Service
- 1.1 提供下列技术开发和转让，技术咨询服
Providing the following technology development and transfer, technical consulting services:
 - (a) 新报名系统
New Enrollment System,
 - (b) HS 智能学习进度管理引擎系统
HS Intelligent Learning Progress Management System,
 - (c) 数字保护媒体分发系统
Data-Protected Media Distribution System,
 - (d) 教育呼叫中心平台系统
Education Call Center Platform System,
 - (e) 客户关系管理系统
CRM System,
 - (f) 海外留学管理系统
Overseas Study Management System,
 - (g) 多维词库管理系统
Multi-dimensional Thesaurus Management System,
 - (h) 学员网上服务平台系统
Students Online Service Platform System,
 - (i) 搜课平台管理系统
Courses Search Platform System,
 - (j) 雅思 DPS 学习系统
IETLS DPS Learning System,
 - (k) 教学教研教材编撰系统
Teaching and Research Materials Compiling System,
 - (l) 远程教师能力发展系统
Distance Teacher Development System,

- (m) 图书配套测评研发系统
Book Evaluation and Research System, and
 - (n) 学员学习多维诊断测评系统
Diagnostic and Evaluation of Students' Learning System;
- 1.2 提供员工职业和岗前培训服务
Providing occupation and pre-occupation staff training services;
 - 1.3 提供公关服务
Providing public relation services;
 - 1.4 提供市场调查、研究和咨询服务
Providing market investigation, research and consulting services;
 - 1.5 提供中短期市场开发、市场规划服务
Providing mid or short-term market development, market plan services;
 - 1.6 提供人力资源管理和内部信息管理
Providing human resource management and internal information management;
 - 1.7 提供网络开发、升级和日常维护
Providing network development, updating and daily maintenance;
 - 1.8 提供自产产品的销售服务
Providing sale services of self-produced products;
 - 1.9 许可使用软件和商标
Licensing of software and trademark;
 - 1.10 销售软件或授权新东方中国和新东方学校及子公司使用软件，且/或
Selling and authorizing New Oriental China and New Oriental Schools and Subsidiaries to license software, and/or
 - 1.11 外资企业根据业务需要和服务提供者的能力不定期决定提供的其他服务。
Other services determined from time to time by WFOE according to the need of business and capacity of Service Providers.
- 2. 服务费的计算和支付
Calculation and Payment of Service Fee
- 2.1 本协议项下服务费根据一个接受服务方的收入及其相应运营成本、销售、管理和其他成本费用计算，可以按以下方式收取：
The fee for the services provided under this Agreement is calculated based on the revenue of a Service Receiving Party and the corresponding operating cost and sales, management and other costs and expenses incurred by the Service Receiving Party, and may be charged in the form of:

- (a) 以接受服务方的收入按一定比例收取；
a percentage of the revenue of the Service Receiving Party;
- (b) 就每一位新学员报名收取固定费用；
a fixed fee for each new enrollment;
- (c) 就特定软件收取固定许可使用费；和/或
a fixed license fee for certain software; and/or
- (d) 外资企业根据提供服务的性质不定期决定的其他支付方式
other method determined from time to time by WFOE according to the nature of services provided.

2.2 服务提供者应向新东方中国或相应的新东方学校或其他方发出服务费的书面确认，服务费的具体数额由服务提供者考虑下列因素后确定：

The specific amount of such fee shall be determined by a Service Provider through taking account of the following factors, and a Service Provider shall send New Oriental China or the respective New Oriental School or other parties written confirmation for service fee:

- (a) 服务提供者提供服务的技术难度和复杂程度；
The technical difficulty and complexity of the services provided by the Service Provider;
- (b) 服务提供者的雇员就该服务花费的工时；
The time spent by employees of the Service Provider concerning the services;
- (c) 服务提供者提供服务的内容和商业价值；
The contents and commercial value of the services provided by the Service Provider;
- (d) 市场上类似服务的基准价格。
The benchmark price of similar services in the market.

3. 服务提供者按固定期间计算服务费并将向接受服务方开具相应的发票。接受服务方应在收到发票后 10 个工作日之内向服务提供者指定的银行账户支付服务费，并在支付后 10 个工作日之内将付款凭证副本以传真或邮件发送给服务提供者。服务提供者应在收到服务费后 10 个工作日之内发出收据。

A Service Provider will calculate service fee payable on a fixed term basis and send the Service Receiving Party corresponding invoices. The Service Receiving Party shall pay the fee to the bank account designated by the Service Provider within 10 business days after receipt of such invoices, and send a copy of the remittance certificate by facsimile or mail to the Service Provider within 10 business days after payment. The Service Provider shall issue a receipt within 10 business days after receipt of the service fee.

Xinxiang Hongqi District New Oriental Training School Co., Ltd.
新乡红旗区新东方培训学校有限公司

Handan Congtai District New Oriental Training School Co., Ltd.
邯郸市丛台区新东方教育培训学校有限公司

Yinchuan Jinfeng District New Oriental Culture Training Centre Co., Ltd.
银川市金凤区新东方文化培训中心有限公司

Qinghai New Oriental Training School Co., Ltd.
青海新东方教育培训学校有限公司

Bengbu Tianhong Guozhen Kindergarten
蚌埠天虹国祯幼儿园

Asia Pacific Montessori Education Co., Ltd.
泛太平洋蒙特索利教育股份有限公司

Guangzhou Huangpu District Privately-Funded New Oriental Education Training Centre Co., Ltd.
广州市黄埔区私立新东方教育培训中心有限公司

Jinzhong Yuci District New Oriental Education Training School Co., Ltd.
晋中市榆次区新东方教育培训学校有限公司

Suzhou Aizhixin Catering Management Co., Ltd.
苏州爱之信餐饮管理有限公司

Hangzhou Xiaoshan District New Oriental Training School Co., Ltd.
杭州萧山新东方培训学校有限公司

Hangzhou Yuhang District New Oriental Training Centre School Co., Ltd.
杭州市余杭新东方培训中心学校有限公司

Wuhan Wuchang District Vision Training School Co., Ltd.
武汉市武昌区前途培训学校有限公司

Changshu New Oriental Training School Co., Ltd.
常熟新东方培训学校有限公司

Suzhou New Oriental Training School Co., Ltd.
苏州新东方培训学校有限公司

Changsha Kaifu District New Oriental Education Training School Co., Ltd.

Xinxiang Hongqi District New Oriental Training School Co, Ltd
新乡红旗区新东方培训学校有限公司

Handan Congtai District New Oriental Training School Co., Ltd
邯郸市丛台区新东方教育培训学校有限公司

Yinchuan Jinfeng District New Oriental Culture Training Centre Co., Ltd
银川市金凤区新东方文化培训中心有限公司

Qinghai New Oriental Training School Co., Ltd
青海新东方培训学校有限公司

Bengbu Tianhong Guozhen Kindergarten
蚌埠天虹国祯幼儿园

Asia Pacific Montessori Education Co., Ltd
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Guangzhou Huangpu District Privately-Funded New Oriental Education Training Centre Co., Ltd
广州市黄埔区私立新东方教育培训中心有限公司

Jinzhong Yuci District New Oriental Education Training School Co., Ltd
晋中市榆次区新东方培训学校有限公司

Suzhou Aizhixin Catering Management Co., Ltd
苏州爱之信餐饮管理有限公司

Hangzhou Xiaoshan District New Oriental Training School Co., Ltd
杭州萧山新东方培训学校有限公司

Hangzhou Yuhang District New Oriental Training Centre School Co., Ltd
杭州市余杭新东方培训中心学校有限公司

Wuhan Wuchang District Vision Training School Co., Ltd

武汉市武昌包前途培洲学校有限公司

Changshu New Oriental Training School Co., Ltd

常熟新末方培洲学校有限公司

Suzhou New Oriental Training School Co., Ltd

易、州新奈方培洲学校有限公司

Changsha Kaifu District New Oriental Education Training School Co, Ltd

序号 NO.	现有服务协议 Existing Service Agreement
15	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Xiamen Siming District New Oriental Education Training School
16	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Jilin Chuanying District New Oriental Training School
17	Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
18	Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
19	Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Tianjin New Oriental Training School
20	Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Shenyang New Oriental Foreign Language Training School
21	Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Changsha Furong District New Oriental Training School
22	Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Hefei New Oriental Foreign Language Training School
23	Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Ningbo New Oriental School
24	Deep Research and Development Service Agreement - iLearn Online Learning Platform between Beijing Decision Education & Consulting Co., Ltd. and Shenzhen New Oriental Training School
25	Deep Research and Development Service Agreement - iLearn Online Learning Platform between Beijing Decision Education & Consulting Co., Ltd. and Hefei New Oriental Foreign Language Training School
26	Deep Research and Development Service Agreement - iLearn Online Learning Platform between Beijing Decision Education & Consulting Co., Ltd. and Urumqi New Oriental Training School
27	Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Beijing Haidian District Privately-Funded New Oriental School
28	Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Changchun New Oriental Training School
29	Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Nanchang Donghu District New Oriental Language School
30	Technology Service Agreement – Education Call Center Platform Development

序号 NO.	现有服务协议 Existing Service Agreement
	V1.0 between Beijing Pioneer Technology Company Limited and Xiamen Siming District New Oriental Education Training School
31	Technology Service Agreement – New Oriental CRM System Development V1.0 between Beijing Pioneer Technology Company Limited and Zhengzhou New Oriental Training School
32	Technology Service Agreement – New Oriental CRM System Development V1.0 between Beijing Pioneer Technology Company Limited and Suzhou New Oriental School
33	Technology Service Agreement – New Oriental CRM System Development V1.0 between Beijing Pioneer Technology Company Limited and Lanzhou Chengguan District New Oriental School
34	Technology Service Agreement – New Oriental CRM System Development V1.0 between Beijing Pioneer Technology Company Limited and Xiamen Siming District New Oriental Education Training School
35	Technology Service Agreement - Overseas Study Consultation Software V1.0 between Beijing Pioneer Technology Company Limited and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
36	Technology Service Agreement – Teaching and Research Materials Compiling System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
37	Technology Service Agreement – Teaching and Research Materials Compiling System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
38	Technology Service Agreement – Teaching and Research Materials Compiling System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Taiyuan New Oriental Training School
39	Technology Service Agreement – Teaching and Research Materials Compiling System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
40	Technology Service Agreement – Distance Teacher Development System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Wuhan New Oriental Training School
41	Technology Service Agreement – Book Evaluation and Research and Development System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
42	Technology Service Agreement – Diagnostic and Evaluation of Students' Learning System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
43	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
44	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
45	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
46	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Guangzhou New Oriental Training School

序号 NO.	现有服务协议 Existing Service Agreement
47	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Wuhan New Oriental Training School
48	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
49	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
50	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Chongqing New Oriental Training School
51	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Chengdu New Oriental School
52	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Xiangyang New Oriental Training School
53	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
54	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Luoyang New Oriental School
55	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Suzhou New Oriental School
56	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
57	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
58	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
59	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
60	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Urumqi New Oriental Training School
61	Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
62	Deep Research and Development Service Agreement – Teaching Data Analysis Platform between Beijing Right Time Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
63	Deep Research and Development Service Agreement – Entering Capacity Evaluation Platform between Beijing Right Time Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.

序号 NO.	现有服务协议 Existing Service Agreement
64	Deep Research and Development Service Agreement – Entering Capacity Evaluation Platform between Beijing Right Time Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
65	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
66	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
67	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Wuhan New Oriental Training School
68	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
69	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Shenzhen New Oriental Training School
70	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Chongqing New Oriental Training School
71	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
72	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Zhengzhou New Oriental Training School
73	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Suzhou New Oriental School
74	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
75	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
76	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
77	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Urumqi New Oriental Training School
78	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
79	Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
80	Deep Research and Development Service Agreement – CMS Website Content Support Platform between Beijing Joy Tend Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.

序号 NO.	现有服务协议 Existing Service Agreement
81	Deep Research and Development Service Agreement – CMS Website Content Support Platform between Beijing Joy Tend Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
82	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
83	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
84	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Tianjin New Oriental Training School
85	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Chongqing New Oriental Training School
86	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Chengdu New Oriental School
87	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Xiangyang New Oriental Training School
88	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
89	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Changsha Furong District New Oriental Training School
90	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Taiyuan New Oriental Training School
91	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Jinan New Oriental School
92	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
93	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Luoyang New Oriental School
94	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
95	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Ningbo New Oriental School
96	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
97	Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Urumqi New Oriental Training School

序号 NO.	现有服务协议 Existing Service Agreement
98	Deep Research and Development Service Agreement – Operating Support System between Beijing Top Technology Co., Ltd. and Changsha Furong District New Oriental Training School
99	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
100	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
101	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
102	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
103	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuexiu District)
104	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Wuhan New Oriental Training School
105	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Tianjin New Oriental Training School
106	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
107	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
108	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Shenzhen New Oriental Training School
109	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
110	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Chongqing New Oriental Training School
111	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Chengdu New Oriental School
112	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
113	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Changsha Furong District New Oriental Training School
114	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Taiyuan New Oriental Training School
115	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Jinan New Oriental School
116	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Changchun New Oriental Training School
117	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
118	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Zhengzhou New Oriental Training School
119	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Foshan New Oriental Training School
120	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Suzhou New Oriental School
121	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Shijiazhuang New Oriental School
122	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School

序号 NO.	现有服务协议 Existing Service Agreement
123	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
124	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Yunnan New Oriental Training School
125	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Anshan New Oriental Training School
126	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Zhuzhou New Oriental Training School
127	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Wuxi New Oriental Advanced Study School
128	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
129	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Jingzhou New Oriental School
130	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Dalian New Oriental Training School
131	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Ningbo New Oriental School
132	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
133	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
134	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
135	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
136	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
137	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
138	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Qingdao New Oriental Language Training School
139	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
140	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Beijing Haidian District Privately-Funded New Oriental School
141	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Shanghai Yangpu District New Oriental Advanced Study School
142	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Guangzhou Haizhu District Privately-Funded New Oriental Training School
143	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
144	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Guangzhou New Oriental Training School (Yuexiu District)
145	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Wuhan New Oriental Training School
146	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Tianjin New Oriental Training School

序号 NO.	现有服务协议 Existing Service Agreement
147	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Xi'an Yanta District New Oriental Training School
148	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Nanjing Gulou New Oriental Advanced Study School
149	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Shenzhen New Oriental Training School
150	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Shenyang New Oriental Foreign Language Training School
151	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Chongqing New Oriental Training School
152	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Chengdu New Oriental School
153	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Harbin Nangang District New Oriental Training School
154	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Changsha Furong District New Oriental Training School
155	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Taiyuan Oriental Training School
156	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Jinan New Oriental School
157	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Changchun New Oriental Training School
158	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Hangzhou New Oriental Advanced Study School
159	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Zhengzhou New Oriental Training School
160	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Foshan New Oriental Training School
161	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Suzhou New Oriental School
162	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Shijiazhuang New Oriental School
163	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Hefei New Oriental Foreign Language Training School
164	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Fuzhou Gulou District New Oriental Training School
165	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Yunnan New Oriental Training School
166	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Anshan New Oriental Training School
167	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Wuxi New Oriental Advanced Study School
168	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Nanchang Donghu District New Oriental Language School
169	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Jingzhou New Oriental School
170	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Dalian New Oriental Training School
171	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Ningbo New Oriental School

序号 NO.	现有服务协议 Existing Service Agreement
172	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Lanzhou Chengguan District New Oriental School
173	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Xiamen Siming District New Oriental Education Training School
174	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Qingdao New Oriental Language Training School
175	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Changchun Tongwen Gaokao Training School
176	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
177	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
178	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
179	Software Sales Agreement between Beijing Pioneer Technology Company Limited and Shanghai Vision Overseas Service Company Limited
180	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Beijing Haidian District Privately-Funded New Oriental School
181	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Shanghai Yangpu District New Oriental Advanced Study School
182	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Guangzhou Haizhu District Privately-Funded New Oriental Training School
183	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
184	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Guangzhou New Oriental Training School (Yuexiu District)
185	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Wuhan New Oriental Training School
186	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Tianjin New Oriental Training School
187	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Xi'an Yanta District New Oriental Training School
188	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Nanjing Gulou New Oriental Advanced Study School
189	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Shenzhen New Oriental Training School
190	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Shenyang New Oriental Foreign Language Training School
191	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Chongqing New Oriental Training School

序号 NO.	现有服务协议 Existing Service Agreement
192	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Chengdu New Oriental School
193	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Harbin Nangang District New Oriental Training School
194	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Taiyuan New Oriental Training School
195	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Jinan New Oriental School
196	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Changchun New Oriental Training School
197	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Hangzhou New Oriental Advanced Study School
198	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Zhengzhou New Oriental Training School
199	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Suzhou New Oriental School
200	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Shijiazhuang New Oriental School
201	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Hefei New Oriental Foreign Language Training School
202	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Fuzhou Gulou District New Oriental Training School
203	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Yunnan New Oriental Training School
204	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Nanchang Donghu District New Oriental Language School
205	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Dalian New Oriental Training School
206	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Ningbo New Oriental School
207	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Lanzhou Chengguan District New Oriental School
208	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Qingdao New Oriental Language Training School
209	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Changchun Tongwen Gaokao Training School
210	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Jilin Chuanying District New Oriental Training School
211	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Beijing New Oriental Dogwood Cultural

序号 NO.	现有服务协议 Existing Service Agreement
	Communications Co., Ltd.
212	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
213	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
214	Software Sales Agreement between Shanghai Smart Words Software Technology Company Limited and Shanghai Vision Overseas Service Company Limited
215	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
216	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
217	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
218	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
219	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuexiu District)
220	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Wuhan New Oriental Training School
221	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Tianjin New Oriental Training School
222	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
223	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
224	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Shenzhen New Oriental Training School
225	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
226	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Chongqing New Oriental Training School
227	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Chengdu New Oriental School
228	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
229	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Changsha Furong District New Oriental Training School
230	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Taiyuan New Oriental Training School
231	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Jinan New Oriental School
232	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Changchun New Oriental Training School
233	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School

序号 NO.	现有服务协议 Existing Service Agreement
234	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Zhengzhou New Oriental Training School
235	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Foshan New Oriental Training School
236	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Suzhou New Oriental School
237	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Shijiazhuang New Oriental School
238	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
239	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
240	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Yunnan New Oriental Training School
241	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
242	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Dalian New Oriental Training School
243	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Ningbo New Oriental School
244	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
245	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
246	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Qingdao New Oriental Language Training School
247	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
248	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
249	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
250	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
251	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
252	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
253	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
254	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
255	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
256	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuexiu District)
257	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Wuhan New Oriental Training School

序号 NO.	现有服务协议 Existing Service Agreement
258	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Tianjin New Oriental Training School
259	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
260	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
261	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shenzhen New Oriental Training School
262	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
263	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Chongqing New Oriental Training School
264	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Chengdu New Oriental School
265	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
266	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Changsha Furong District New Oriental Training School
267	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Taiyuan New Oriental Training School
268	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Jinan New Oriental School
269	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Changchun New Oriental Training School
270	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
271	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Zhengzhou New Oriental Training School
272	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Suzhou New Oriental School
273	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shijiazhuang New Oriental School
274	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
275	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
276	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Yunnan New Oriental Training School
277	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
278	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Dalian New Oriental Training School
279	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Ningbo New Oriental School
280	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
281	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
282	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Qingdao New Oriental Language Training School

序号 NO.	现有服务协议 Existing Service Agreement
283	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
284	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
285	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Urumqi New Oriental Training School
286	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shiyuan New Oriental Training School
287	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Xiangyang New Oriental Training School
288	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
289	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
290	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
291	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
292	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
293	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
294	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
295	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuexiu District)
296	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Wuhan New Oriental Training School
297	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Tianjin New Oriental Training School
298	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
299	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
300	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shenzhen New Oriental Training School
301	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
302	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Chongqing New Oriental Training School
303	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Chengdu New Oriental School
304	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
305	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Changsha Furong District New Oriental Training School
306	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Taiyuan New Oriental Training School
307	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Jinan New Oriental School

序号 NO.	现有服务协议 Existing Service Agreement
308	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Changchun New Oriental Training School
309	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
310	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Zhengzhou New Oriental Training School
311	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Suzhou New Oriental School
312	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shijiazhuang New Oriental School
313	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
314	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
315	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Yunnan New Oriental Training School
316	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Wuxi New Oriental Advanced Study School
317	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
318	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Dalian New Oriental Training School
319	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Ningbo New Oriental School
320	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
321	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
322	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Qingdao New Oriental Language Training School
323	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
324	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
325	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Urumqi New Oriental Training School
326	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shiyao New Oriental Training School
327	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Xiangyang New Oriental Training School
328	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Luoyang New Oriental School
329	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
330	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
331	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
332	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited

序号 NO.	现有服务协议 Existing Service Agreement
333	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
334	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
335	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
336	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuexiu District)
337	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Wuhan New Oriental Training School
338	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Tianjin New Oriental Training School
339	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
340	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
341	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shenzhen New Oriental Training School
342	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
343	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Chongqing New Oriental Training School
344	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Chengdu New Oriental School
345	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
346	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Changsha Furong District New Oriental Training School
347	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Taiyuan New Oriental Training School
348	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Jinan New Oriental School
349	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Changchun New Oriental Training School
350	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
351	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Zhengzhou New Oriental Training School
352	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Suzhou New Oriental School
353	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shijiazhuang New Oriental School
354	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
355	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
356	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Yunnan New Oriental Training School

序号 NO.	现有服务协议 Existing Service Agreement
357	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Wuxi New Oriental Advanced Study School
358	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
359	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Dalian New Oriental Training School
360	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Ningbo New Oriental School
361	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
362	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
363	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Qingdao New Oriental Language Training School
364	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
365	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
366	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Urumqi New Oriental Training School
367	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shiyao New Oriental Training School
368	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Xiangyang New Oriental Training School
369	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Luoyang New Oriental School
370	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
371	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
372	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
373	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
374	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
375	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
376	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
377	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuexiu District)
378	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Wuhan New Oriental Training School
379	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Tianjin New Oriental Training School
380	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School

序号 NO.	现有服务协议 Existing Service Agreement
381	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
382	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shenzhen New Oriental Training School
383	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
384	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Chongqing New Oriental Training School
385	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Chengdu New Oriental School
386	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
387	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Changsha Furong District New Oriental Training School
388	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Taiyuan New Oriental Training School
389	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Jinan New Oriental School
390	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Changchun New Oriental Training School
391	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
392	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Zhengzhou New Oriental Training School
393	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Suzhou New Oriental School
394	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shijiazhuang New Oriental School
395	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
396	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
397	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Yunnan New Oriental Training School
398	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
399	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Dalian New Oriental Training School
400	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Ningbo New Oriental School
401	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
402	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
403	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Qingdao New Oriental Language Training School
404	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
405	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School

序号 NO.	现有服务协议 Existing Service Agreement
406	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Nanning New Oriental Education Training School
407	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Urumqi New Oriental Training School
408	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shiyao New Oriental Training School
409	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Xiangyang New Oriental Training School
410	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Luoyang New Oriental School
411	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Wuxi New Oriental Advanced Study School
412	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
413	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
414	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
415	Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
416	Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Nanning New Oriental Education Training School
417	Software Sales Agreement between Beijing Pioneer Technology Co., Ltd. and Nanning New Oriental Education Training School
418	Software Sales Agreement between Shanghai Smart Words Software Technology Co., Ltd. and Nanning New Oriental Education Training School
419	Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Nanning New Oriental Education Training School
420	Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Nanning New Oriental Education Training School
421	Software Sales Agreement between Beijing Top Technology Co., Ltd. and Nanning New Oriental Education Training School
422	Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Nanning New Oriental Education Training School
423	Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
424	Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Nanning New Oriental Education Training School

SCHEDULE 4

附件 4

JOINDER AGREEMENT TO THE MASTER EXCLUSIVE SERVICE AGREEMENT

独家服务总协议之加入协议

本加入协议（“加入协议”）由以下签字方（“加入方”）于____年__月__日，根据由北京开拓鸿业高科技有限公司和北京新东方教育科技（集团）有限公司（“新东方中国”）于 2014 年 9 月 19 日签署的独家服务总协议（包括不时作出的修改、修订和重述或以其他方式进行的更改，合称为“独家服务总协议”）第 12.1 条签订。在本加入协议中使用但未做定义术语具有独家服务总协议中规定的含义。

This Joinder Agreement (this “Joinder Agreement”) is made as of _____, 20__ by the undersigned (the “Joining Party”) in accordance with the Section 12.1 of the Master Exclusive Service Agreement dated September 19, 2014 (as amended, amended and restated or otherwise modified from time to time, collectively, the “Master Exclusive Service Agreement”) by and between Beijing Pioneer Technology Co., Ltd. and Beijing New Oriental Education & Technology (Group) Co., Ltd. (“New Oriental China”). Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Master Exclusive Service Agreement.

加入方在此认可、同意并确认，通过签署本加入协议，自本加入协议签署日起，加入方即应被视为独家服务总协议的一方，且具有独家服务总协议项下新东方学校或子公司所有的全部权利和义务，视同该加入方签署了独家服务总协议。加入方在此认可，自本加入协议签署日起，其同意受独家服务总协议中所有条款、规定和条件的约束。加入方在此授权新东方中国代表加入方自行决定签署任何新东方中国认为必要或适当的独家服务总协议的修订及补充协议，加入方同意受该等修订及补充协议的约束。

The Joining Party hereby acknowledges, agrees and confirms that, by executing this Joinder Agreement, the Joining Party shall be deemed to be a party to the Master Exclusive Service Agreement as of the date hereof and shall have all of the rights and obligations of a New Oriental China school or subsidiary under the Master Exclusive Service Agreement as if it had executed the Master Exclusive Service Agreement. The Joining Party hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Master Exclusive Service Agreement. The Joining Party further authorizes New Oriental China, acting in its sole discretion and on behalf of the Joining Party, to enter into any amendments or supplemental agreements to the Master Exclusive Service Agreement as New Oriental China shall deem necessary or desirable, and agrees to be bound by such amendments or supplemental agreements.

有鉴于此，各签字方已于如下日期签署本加入协议。

IN WITNESS WHEREOF, the undersigned has executed this Joinder Agreement as of the date written below.

[加入方名称]

[NAME OF JOINING PARTY]

姓名 Name:

职务 Title:

AMENDMENT NO. 1 TO MASTER EXCLUSIVE SERVICE AGREEMENT

This Amendment No. 1 to Master Exclusive Service Agreement (the "Amendment") is entered into as of Jan 28th, 2016 by and between the following parties:

- (1) Beijing Pioneer Technology Co., Ltd. (the "WFOE"), a wholly foreign-owned enterprise registered in Beijing under the laws of the People's Republic of China ("PRC"); and
- (2) New Oriental Education & Technology (Group) Co., Ltd. ("New Oriental China"), a domestic company registered in Beijing under the PRC laws.

The WFOE and New Oriental China are hereinafter altogether referred to as the "Parties" and individually, as a "Party." Terms used but not defined herein have the meaning ascribed to such terms in the Service Agreement (as defined below).

RECITALS

WHEREAS, the WFOE and New Oriental China are parties to the Master Exclusive Service Agreement dated as of September 19, 2014 (the "Service Agreement"), and the Parties wish to amend the Service Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. Amendment to the Service Agreement.

Set forth in Schedule 1 to this Amendment is an up-to-date list of New Oriental Schools and Subsidiaries as of the date hereof, which shall replace the Schedule 1 to the Service Agreement in its entirety. This list may be further updated from time to time by New Oriental China and provided to the WFOE.

2. Effectiveness of this Amendment.

This Amendment shall become effective upon the execution hereof by the Parties.

3. No Other Modification of Existing Terms.

This Amendment shall constitute an integral part of the Service Agreement and shall have the same full force and effect as all other provisions of the Service Agreement. Except as expressly set forth herein, this Amendment shall not by implication or otherwise alter, modify, amend or in any way affect or constitute a waiver of any of the terms, conditions, obligations, covenants or agreements contained in the Service Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect.

4. Governing Law.

This Amendment, as an integral part of the Service Agreement, shall be construed in accordance with and governed by the laws of the PRC.

5. Languages.

This Amendment is written in English and Chinese. Both language versions shall have the equal validity. In case of any discrepancy between the English version and the Chinese version, the English version shall prevail.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have duly executed this Amendment on the date appearing at the head hereof.

Beijing Pioneer Technology Co., Ltd.

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ Seal of Beijing Pioneer Technology Co., Ltd.

New Oriental Education & Technology (Group) Co., Ltd.

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ Seal of New Oriental Education & Technology (Group) Co.,
Ltd.

[Signature Page to Amendment No. 1 to Master Exclusive Service Agreement]

SCHEDULE 1

List of New Oriental Schools and Subsidiaries

1. Schools

No.	English Name of Schools
1.	Beijing Haidian District Privately-Funded New Oriental School
2.	Beijing Changping New Oriental Foreign Language School
3.	Shanghai Yangpu District New Oriental Advanced Study School
4.	Guangzhou Haizhu District Privately-Funded New Oriental Training School
5.	Guangzhou Panyu Privately-Funded New Oriental Training Center
6.	Guangzhou New Oriental Training School
7.	Wuhan New Oriental Training School
8.	Tianjin New Oriental Training School
9.	Xi'an Yanta District New Oriental Training School
10.	Nanjing Gulou New Oriental Advanced Study School
11.	Shenzhen New Oriental Training School
12.	Shenyang New Oriental Foreign Language Training School
13.	Chongqing New Oriental Training School
14.	Chengdu New Oriental School
15.	Xiangyang New Oriental Training School
16.	Harbin Nangang District New Oriental Training School
17.	Changsha Furong District New Oriental Training School
18.	Taiyuan New Oriental Training School
19.	Jinan New Oriental School
20.	Hangzhou New Oriental School
21.	Fuyang New Oriental Training School
22.	Changchun New Oriental Training School
23.	Zhengzhou New Oriental Training School
24.	Foshan New Oriental Training School
25.	Suzhou New Oriental School
26.	Shijiazhuang New Oriental School
27.	Hefei New Oriental Foreign Language Training School

No.	English Name of Schools
28.	Fuzhou Gulou District New Oriental Training school
29.	Yunnan New Oriental Training School
30.	Anshan New Oriental Training School
31.	Zhuzhou New Oriental Training School
32.	Yichang Xiling District New Oriental School
33.	Wuxi New Oriental Advanced Study School
34.	Jingzhou New Oriental School
35.	Nanchang Donghu District New Oriental Language School
36.	Dalian New Oriental Training School
37.	Huangshi New Oriental Training School
38.	Ningbo New Oriental School
39.	Lanzhou Chengguan District New Oriental School
40.	Xiamen Siming District New Oriental Education Training School
41.	Qingdao New Oriental Language Training School
42.	Nanning New Oriental Education Training School
43.	Changchun Tongwen Senior High School
44.	Changchun Tongwen Gaokao Training School
45.	Xuzhou New Oriental Advanced Study School
46.	Xiangtan Yuhu District New Oriental School
47.	Zhenjiang New Oriental Training Center
48.	Luoyang New Oriental School
49.	Nantong Chongchuan District New Oriental School
50.	Jilin Chuanying District New Oriental Training School
51.	Guiyang Yunyan District New Oriental School
52.	Inner Mongolia Huhhot New Oriental School
53.	Tangshan Lubei District New Oriental School
54.	Urumqi New Oriental Training School
55.	Beijing New Oriental Yangzhou Foreign Language School
56.	Shiyan New Oriental School
57.	China Management Software Institute
58.	Qingdao Laoshan District Happy Alice Kindergarten
59.	Qingdao Happy Alice Kindergarten
60.	Qingdao Chengyang District Happy Alice Kindergarten
61.	Wenzhou New Oriental School
62.	Quanzhou Fengze District New Oriental Education Training School

No.	English Name of Schools
63.	Weifang New Oriental Training School
64.	Zhuhai Xiangzhou District New Oriental Education Training Center

2. Subsidiaries

No.	English Name of Subsidiaries
65.	Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
66.	Beijing New Oriental Dogwood Advertisement Co., Ltd.
67.	Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
68.	Shanghai Dogwood Bookstore & Audio-Visual Products Co., Ltd.
69.	Guangzhou Dogwood Bookstore & Audio-Visual Products Co., Ltd.
70.	Wuhan New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
71.	Tianjin Dogwood Bookstore & Audio-Visual Products Co., Ltd.
72.	Xi'an New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
73.	Nanjing New Oriental Dogwood Bookstore Products Co., Ltd.
74.	Shenyang New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
75.	Chengdu New Oriental Dogwood Bookstore Products Co., Ltd.
76.	Chongqing New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
77.	Harbin New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
78.	Changsha New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
79.	Changchun New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
80.	Taiyuan New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
81.	Hangzhou Dogwood Bookstore Products Co., Ltd.
82.	Nanchang Dogwood Bookstore & Audio-Visual Products Co., Ltd.
83.	Kunming Dogwood Bookstore & Audio-Visual Products Co., Ltd.
84.	Dalian New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
85.	Lanzhou New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.

No.	English Name of Subsidiaries
86.	Shijiazhuang New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
87.	Suzhou New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
88.	Xuzhou New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
89.	Urumqi Dogwood Bookstore & Audio-Visual Products Co., Ltd.
90.	Xiamen New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.
91.	Huhhot Dogwood Bookstore & Audio-Visual Products Co., Ltd.
92.	Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
93.	Shanghai Vision Overseas Service Company Limited
94.	Shandong New Oriental Vision Overseas Consultancy Co., Ltd.
95.	Leci Internet Technology(Beijing) Company Limited
96.	Beijing Dianshijingwei Technology Company Limited
97.	Shanxi New Oriental Vision Overseas Consultancy Co., Ltd
98.	Fujian New Oriental Vision Overseas Consultancy Co., Ltd.
99.	Guangdong Vision Overseas Consultancy Co., Ltd
100.	Xinjiang New Oriental Vision Overseas Consultancy Co., Ltd.
101.	Shaanxi New Oriental Vision Overseas Consultancy Co., Ltd.
102.	Tianjin New Oriental Vision Overseas Consultancy Co., Ltd
103.	Neimenggu New Oriental Vision Overseas Consultancy Co., Ltd
104.	Liaoning New Oriental Vision Overseas Consultancy Co., Ltd
105.	Gansu New Oriental Vision Overseas Consultancy Co., Ltd
106.	Qingdao New Oriental Vision Overseas Consultancy Co., Ltd.

No.	English Name of Subsidiaries
107.	New Oriental Vision Overseas Consulting (U.K.) Limited
108.	Beijing Walkite International Travel Co. Ltd.
109.	Qingdao Alice Education & Technology Company Limited
110.	Beijing Aixuehui Education & Technology Company Limited
111.	Beijing New Oriental MEGAWAY Education & Consulting Co., Ltd

独家服务总协议第二次修订

AMENDMENT NO. 2 TO MASTER EXCLUSIVE SERVICE AGREEMENT

本独家服务总协议第二次修订（“本修订”）由以下各方于 2017 年 2 月 16 日签署：

This Amendment No. 2 to Master Exclusive Service Agreement (the “Amendment”) is entered into as of February 16, 2017 by and between the following parties:

- (1) 北京开拓鸿业高科技有限公司（“外资企业”），一家根据中华人民共和国（“中国”）法律在北京注册成立的外商独资企业；和
Beijing Pioneer Technology Co., Ltd. (the “WFOE”), a wholly foreign-owned enterprise registered in Beijing under the laws of the People’s Republic of China (“PRC”); and
- (2) 新东方教育科技集团有限公司（“新东方中国”），一家根据中国法律在北京注册成立的内资公司。

New Oriental Education & Technology Group Co., Ltd. (“New Oriental China”), a domestic company registered in Beijing under the PRC laws.

以上外资企业和新东方中国合称为“双方”，单独称为“一方”。在本修订中使用但未在此定义的术语应具有服务协议（定义见下文）规定的含义。

The WFOE and New Oriental China are hereinafter altogether referred to as the “Parties” and individually, as a “Party.” Terms used but not defined herein have the meaning ascribed to such terms in the Service Agreement (as defined below).

序言
RECITALS

鉴于，外资企业和新东方中国于 2014 年 9 月 19 日签署了一项独家服务总协议，并于 2016 年 1 月 28 日签署了独家服务协议的第一次修订（合称“服务协议”）。双方希望根据本修订的条款条件修改服务协议。

WHEREAS, the WFOE and New Oriental China are parties to the Master Exclusive Service Agreement dated as of September 19, 2014 and the Amendment No. 1 thereto dated as of January 28, 2016 (collectively, the “Service Agreement”), and the Parties wish to amend the Service Agreement on the terms and conditions set forth herein.

有鉴于此，双方达成如下协议：

NOW, THEREFORE, the parties agree as follows:

1. 对服务协议的修改 Amendment to the Service Agreement.

- (a) 双方同意更新服务协议第 2.1 条，原第 2.1 条被如下条款取代：

The Parties agree to update and replace Section 2.1 of the Service Agreement in its entirety with the following:

“外资企业有权依其完全自主判断自行指定并委任任何其关联方提供本协议第一条中规定的任何服务。在不限制前述规定一般适用性的前提下，外资企业特此指定并委任北京砍石高科技有限公司、北京鼎事兴教育咨询有限公司、北京智愚嘉业软件科技有限公司、北京颐顺太和软件科技有限公司、北京悦坛软件科技有限公司、北京博鸿软件科技有限公司和北京新鼎峰软件科技有限公司及其各自的子公司作为额外的服务提供者（与外资企业合称“服务提供者”）来提供本协议第一条规定的服务。

The WFOE has the right to designate and appoint, at its sole discretion, any entities affiliated with the WFOE to provide any and all service set forth in Section 1 hereof. Without limiting the generality of the foregoing, the WFOE hereby designates and appoints Beijing Hewstone Technology Co., Ltd., Beijing Decision Education & Consulting Co., Ltd., Beijing Smart Wood Software Technology Co., Ltd., Beijing Right Time Technology Co., Ltd., Beijing Joy Tend Technology Co., Ltd., Beijing Magnificence Technology Co., Ltd. and Beijing Top Technology Co., Ltd. and their respective subsidiaries as additional service providers (together with the WFOE, the “**Service Providers**”) to provide service set forth in Section 1 hereof.”

- (b) 本修订附件 1 列明了服务协议第 2.3 条约定的现有服务协议的最新清单，取代服务协议附件 3。

Set forth in Schedule 1 to this Amendment is an up-to-date list of the Existing Service Agreements provided by Section 2.3 of the Service Agreement, which shall replace the Schedule 3 to the Service Agreement in its entirety.

2. 修订生效 Effectiveness of this Amendment.

本修订应自双方签署之日生效。

This Amendment shall become effective upon the execution hereof by the Parties.

3. 无其他修改 No Other Modification of Existing Terms.

本修订构成服务协议不可分割的组成部分，并应具有与服务协议的所有其他条款相同的效力和执行力。除本修订明确规定外，本修订未暗示或以其他方式变更、修改、修订或以任何方式影响或放弃服务协议中的任何条款、条件、义务、承诺或协议。所有前述条款、条件、义务、承诺或协议均在此得以全面确认并肯定，并应继续有效。

This Amendment shall constitute an integral part of the Service Agreement and shall have the same full force and effect as all other provisions of the Service Agreement. Except as expressly set forth herein, this Amendment shall not by implication or otherwise alter, modify, amend or in any way affect or constitute a waiver of any of the terms, conditions, obligations, covenants or agreements contained in the Service Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect.

4. 管辖法律 Governing Law.

本协议依中国法律解释，受中国法律管辖。

This Amendment, as an integral part of the Service Agreement, shall be construed in accordance with and governed by the laws of the PRC.

5. 语言 Languages.

本修订以英语和中文书就，英文和中文文本具有同等法律效力。若英文和中文有不一致，以英文为准。

This Amendment is written in English and Chinese. Both language versions shall have the equal validity. In case of any discrepancy between the English version and the Chinese version, the English version shall prevail.

[以下是签字页 Signature page follows]

有鉴于此，各方于文首所述日期正式签署本修订。

IN WITNESS WHEREOF, the Parties have duly executed this Amendment on the date appearing at the head hereof.

北京开拓鸿业高科技有限公司
Beijing Pioneer Technology Co., Ltd.

授权代表：
Authorized Representative:

签字 Signature: /s/ Authorized Representative

盖章 Seal: /s/ Beijing Pioneer Technology Co., Ltd.

新东方教育科技集团有限公司
New Oriental Education & Technology Group Co., Ltd.

授权代表
Authorized Representative:

签字 Signature: /s/ Authorized Representative

盖章 Seal: /s/ New Oriental Education & Technology Group Co., Ltd.

[独家服务总协议第二次修订签字页]

[Signature Page to Amendment No. 2 to Master Exclusive Service Agreement]

SCHEDULE 1

附件 1

List of Existing Service Agreements

序号 NO.	现有服务协议清单 Existing Service Agreement
1	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
2	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Tianjin New Oriental Training School
3	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Xi'an Yanta District New Oriental Training School
4	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
5	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Shenzhen New Oriental Training School
6	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Chongqing New Oriental Training School
7	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Chengdu New Oriental School
8	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Changsha Furong District New Oriental Training School
9	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Taiyuan New Oriental Training School
10	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Changchun New Oriental Training School
11	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Suzhou New Oriental School
12	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Yunnan New Oriental Training School
13	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Lanzhou Chengguan District New Oriental School

序号
NO.现有服务协议
Existing Service Agreement

- 14 New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Xiamen Siming District New Oriental Education Training School
- 15 New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Jilin New Oriental Training School
- 16 Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
- 17 Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
- 18 Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Tianjin New Oriental Training School
- 19 Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Changsha Furong District New Oriental Training School
- 20 Deep Research and Development Service Agreement - Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Hefei New Oriental Foreign Language Training School
- 21 Deep Research and Development Service Agreement - iLearn Online Learning Platform between Beijing Decision Education & Consulting Co., Ltd. and Shenzhen New Oriental Training School
- 22 Deep Research and Development Service Agreement - iLearn Online Learning Platform between Beijing Decision Education & Consulting Co., Ltd. and Hefei New Oriental Foreign Language Training School
- 23 Deep Research and Development Service Agreement - iLearn Online Learning Platform between Beijing Decision Education & Consulting Co., Ltd. and Urumqi New Oriental Training School
- 24 Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Changchun New Oriental Training School
- 25 Technology Service Agreement – New Oriental CRM System Development V1.0 between Beijing Pioneer Technology Company Limited and Zhengzhou New Oriental Training School
- 26 Technology Service Agreement – New Oriental CRM System Development V1.0 between Beijing Pioneer Technology Company Limited and Suzhou New Oriental School
- 27 Technology Service Agreement – New Oriental CRM System Development V1.0 between Beijing Pioneer Technology Company Limited and Lanzhou Chengguan District New Oriental School

序号
NO.

现有服务协议
Existing Service Agreement

- 28 Technology Service Agreement - Overseas Study Consultation Software V1.0 between Beijing Pioneer Technology Company Limited and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
- 29 Technology Service Agreement – Teaching and Research Materials Compiling System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Xi’an Yanta District New Oriental Training School
- 30 Technology Service Agreement – Teaching and Research Materials Compiling System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Taiyuan New Oriental Training School
- 31 Technology Service Agreement – Distance Teacher Development System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Wuhan New Oriental Training School
- 32 Technology Service Agreement – Book Evaluation and Research and Development System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
- 33 Technology Service Agreement – Diagnostic and Evaluation of Students’ Learning System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
- 34 Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
- 35 Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Wuhan New Oriental Training School
- 36 Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Xi’an Yanta District New Oriental Training School
- 37 Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Chongqing New Oriental Training School
- 38 Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Chengdu New Oriental School
- 39 Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Xiangyang New Oriental Training School
- 40 Deep Research and Development Service Agreement – Paper Intelligent Recombination Platform between Beijing Right Time Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
- 41 Deep Research and Development Service Agreement – Teaching Data Analysis Platform between Beijing Right Time Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School

序号
NO.现有服务协议
Existing Service Agreement

- 42 Deep Research and Development Service Agreement – Entering Capacity Evaluation Platform between Beijing Right Time Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
- 43 Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
- 44 Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
- 45 Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Wuhan New Oriental Training School
- 46 Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Xi’an Yanta District New Oriental Training School
- 47 Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
- 48 Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
- 49 Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
- 50 Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
- 51 Deep Research and Development Service Agreement – Smart Office Platform between Beijing Joy Tend Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
- 52 Deep Research and Development Service Agreement – CMS Website Content Support Platform between Beijing Joy Tend Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
- 53 Deep Research and Development Service Agreement – CMS Website Content Support Platform between Beijing Joy Tend Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
- 54 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
- 55 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
- 56 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Tianjin New Oriental Training School
- 57 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Chongqing New Oriental Training School

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- 58 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Chengdu New Oriental School
- 59 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Xiangyang New Oriental Training School
- 60 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
- 61 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Taiyuan New Oriental Training School
- 62 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Jinan New Oriental School
- 63 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
- 64 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Urumqi New Oriental Training School
- 65 Deep Research and Development Service Agreement – Operating Support System between Beijing Top Technology Co., Ltd. and Changsha Furong District New Oriental Training School
- 66 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
- 67 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
- 68 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
- 69 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
- 70 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuxiu District)
- 71 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Wuhan New Oriental Training School
- 72 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Tianjin New Oriental Training School
- 73 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
- 74 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School

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Existing Service Agreement

- 75 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Shenzhen New Oriental Training School
- 76 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
- 77 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Chongqing New Oriental Training School
- 78 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Chengdu New Oriental School
- 79 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
- 80 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Changsha Furong District New Oriental Training School
- 81 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Taiyuan New Oriental Training School
- 82 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Jinan New Oriental School
- 83 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Changchun New Oriental Training School
- 84 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
- 85 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Zhengzhou New Oriental Training School
- 86 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Foshan New Oriental Training School
- 87 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Suzhou New Oriental School
- 88 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Shijiazhuang New Oriental School
- 89 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
- 90 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
- 91 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Yunnan New Oriental Training School
- 92 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Anshan New Oriental Training School
- 93 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Zhuzhou New Oriental Training School
- 94 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Wuxi New Oriental Advanced Study School
- 95 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
- 96 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Jingzhou New Oriental School
- 97 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Dalian New Oriental Training School

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Existing Service Agreement

- 98 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Ningbo New Oriental School
- 99 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
- 100 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
- 101 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
- 102 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
- 103 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
- 104 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
- 105 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Qingdao New Oriental Language Training School
- 106 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
- 107 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Beijing Haidian District Privately-Funded New Oriental School
- 108 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Shanghai Yangpu District New Oriental Advanced Study School
- 109 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Guangzhou Haizhu District Privately-Funded New Oriental Training School
- 110 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
- 111 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Guangzhou New Oriental Training School (Yuexiu District)
- 112 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Wuhan New Oriental Training School
- 113 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Tianjin New Oriental Training School
- 114 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Xi'an Yanta District New Oriental Training School
- 115 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Nanjing Gulou New Oriental Advanced Study School

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- 116 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Shenzhen New Oriental Training School
- 117 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Shenyang New Oriental Foreign Language Training School
- 118 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Chongqing New Oriental Training School
- 119 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Chengdu New Oriental School
- 120 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Harbin Nangang District New Oriental Training School
- 121 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Changsha Furong District New Oriental Training School
- 122 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Taiyuan Oriental Training School
- 123 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Jinan New Oriental School
- 124 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Changchun New Oriental Training School
- 125 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Hangzhou New Oriental Advanced Study School
- 126 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Zhengzhou New Oriental Training School
- 127 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Foshan New Oriental Training School
- 128 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Suzhou New Oriental School
- 129 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Shijiazhuang New Oriental School
- 130 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Hefei New Oriental Foreign Language Training School
- 131 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Fuzhou Gulou District New Oriental Training School
- 132 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Yunnan New Oriental Training School
- 133 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Anshan New Oriental Training School
- 134 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Wuxi New Oriental Advanced Study School

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Existing Service Agreement

- 135 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Nanchang Dongghu District New Oriental Language School
- 136 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Jingzhou New Oriental School
- 137 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Dalian New Oriental Training School
- 138 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Ningbo New Oriental School
- 139 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Lanzhou Chengguan District New Oriental School
- 140 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Xiamen Siming District New Oriental Education Training School
- 141 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Qingdao New Oriental Language Training School
- 142 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Changchun Tongwen Gaokao Training School
- 143 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
- 144 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
- 145 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
- 146 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Shanghai Vision Overseas Service Company Limited
- 147 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
- 148 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
- 149 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
- 150 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
- 151 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuexiu District)

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NO.现有服务协议
Existing Service Agreement

- 152 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Wuhan New Oriental Training School
- 153 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Tianjin New Oriental Training School
- 154 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
- 155 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
- 156 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Shenzhen New Oriental Training School
- 157 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
- 158 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Chongqing New Oriental Training School
- 159 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Chengdu New Oriental School
- 160 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
- 161 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Changsha Furong District New Oriental Training School
- 162 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Taiyuan New Oriental Training School
- 163 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Jinan New Oriental School
- 164 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Changchun New Oriental Training School
- 165 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
- 166 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Zhengzhou New Oriental Training School
- 167 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Foshan New Oriental Training School
- 168 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Suzhou New Oriental School
- 169 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Shijiazhuang New Oriental School
- 170 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School

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Existing Service Agreement

- 171 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
- 172 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Yunnan New Oriental Training School
- 173 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
- 174 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Dalian New Oriental Training School
- 175 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Ningbo New Oriental School
- 176 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
- 177 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
- 178 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Qingdao New Oriental Language Training School
- 179 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
- 180 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
- 181 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
- 182 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
- 183 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
- 184 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
- 185 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
- 186 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
- 187 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center

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- 188 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuexiu District)
- 189 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Wuhan New Oriental Training School
- 190 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Tianjin New Oriental Training School
- 191 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
- 192 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
- 193 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shenzhen New Oriental Training School
- 194 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
- 195 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Chongqing New Oriental Training School
- 196 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Chengdu New Oriental School
- 197 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
- 198 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Changsha Furong District New Oriental Training School
- 199 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Taiyuan New Oriental Training School
- 200 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Jinan New Oriental School
- 201 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Changchun New Oriental Training School
- 202 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
- 203 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Zhengzhou New Oriental Training School
- 204 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Suzhou New Oriental School
- 205 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shijiazhuang New Oriental School
- 206 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
- 207 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
- 208 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Yunnan New Oriental Training School
- 209 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
- 210 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Dalian New Oriental Training School

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Existing Service Agreement

- 211 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Ningbo New Oriental School
- 212 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
- 213 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
- 214 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Qingdao New Oriental Language Training School
- 215 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
- 216 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
- 217 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Urumqi New Oriental Training School
- 218 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shiyao New Oriental Training School
- 219 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Xiangyang New Oriental Training School
- 220 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
- 221 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
- 222 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
- 223 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
- 224 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
- 225 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
- 226 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
- 227 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuexiu District)
- 228 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Wuhan New Oriental Training School
- 229 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Tianjin New Oriental Training School
- 230 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School

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- 231 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
- 232 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shenzhen New Oriental Training School
- 233 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
- 234 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Chongqing New Oriental Training School
- 235 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Chengdu New Oriental School
- 236 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
- 237 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Changsha Furong District New Oriental Training School
- 238 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Taiyuan New Oriental Training School
- 239 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Jinan New Oriental School
- 240 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Changchun New Oriental Training School
- 241 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
- 242 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Zhengzhou New Oriental Training School
- 243 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Suzhou New Oriental School
- 244 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shijiazhuang New Oriental School
- 245 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
- 246 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
- 247 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Yunnan New Oriental Training School
- 248 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Wuxi New Oriental Advanced Study School
- 249 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
- 250 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Dalian New Oriental Training School
- 251 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Ningbo New Oriental School
- 252 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
- 253 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School

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- 254 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Qingdao New Oriental Language Training School
- 255 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
- 256 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
- 257 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Urumqi New Oriental Training School
- 258 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shiyan New Oriental Training School
- 259 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Xiangyang New Oriental Training School
- 260 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Luoyang New Oriental School
- 261 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
- 262 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
- 263 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
- 264 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
- 265 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
- 266 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
- 267 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
- 268 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuexiu District)
- 269 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Wuhan New Oriental Training School
- 270 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Tianjin New Oriental Training School
- 271 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
- 272 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
- 273 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shenzhen New Oriental Training School

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- 274 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
- 275 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Chongqing New Oriental Training School
- 276 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Chengdu New Oriental School
- 277 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
- 278 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Changsha Furong District New Oriental Training School
- 279 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Taiyuan New Oriental Training School
- 280 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Jinan New Oriental School
- 281 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Changchun New Oriental Training School
- 282 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
- 283 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Zhengzhou New Oriental Training School
- 284 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Suzhou New Oriental School
- 285 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shijiazhuang New Oriental School
- 286 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
- 287 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
- 288 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Yunnan New Oriental Training School
- 289 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Wuxi New Oriental Advanced Study School
- 290 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
- 291 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Dalian New Oriental Training School
- 292 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Ningbo New Oriental School
- 293 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
- 294 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
- 295 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Qingdao New Oriental Language Training School

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- 296 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
- 297 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
- 298 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Urumqi New Oriental Training School
- 299 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shiyang New Oriental Training School
- 300 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Xiangyang New Oriental Training School
- 301 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Luoyang New Oriental School
- 302 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
- 303 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
- 304 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
- 305 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
- 306 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
- 307 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Guangzhou Haizhu District Privately-Funded New Oriental Training School
- 308 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Guangzhou Fanyu Privately-Funded New Oriental Education Training Center
- 309 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Guangzhou New Oriental Training School (Yuexiu District)
- 310 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Wuhan New Oriental Training School
- 311 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Tianjin New Oriental Training School
- 312 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Xi'an Yanta District New Oriental Training School
- 313 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School

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NO.现有服务协议
Existing Service Agreement

- 314 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shenzhen New Oriental Training School
- 315 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shenyang New Oriental Foreign Language Training School
- 316 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Chongqing New Oriental Training School
- 317 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Chengdu New Oriental School
- 318 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
- 319 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Changsha Furong District New Oriental Training School
- 320 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Taiyuan New Oriental Training School
- 321 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Jinan New Oriental School
- 322 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Changchun New Oriental Training School
- 323 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
- 324 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Zhengzhou New Oriental Training School
- 325 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Suzhou New Oriental School
- 326 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shijiazhuang New Oriental School
- 327 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Hefei New Oriental Foreign Language Training School
- 328 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
- 329 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Yunnan New Oriental Training School
- 330 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
- 331 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Dalian New Oriental Training School
- 332 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Ningbo New Oriental School

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- 333 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
- 334 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
- 335 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Qingdao New Oriental Language Training School
- 336 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
- 337 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Jilin Chuanying District New Oriental Training School
- 338 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Nanning New Oriental Education Training School
- 339 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Urumqi New Oriental Training School
- 340 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shiyang New Oriental Training School
- 341 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Xiangyang New Oriental Training School
- 342 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Luoyang New Oriental School
- 343 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Wuxi New Oriental Advanced Study School
- 344 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
- 345 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd.
- 346 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Beijing New Oriental Vision Overseas Consultancy Co., Ltd.
- 347 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Shanghai Vision Overseas Service Company Limited
- 348 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Nanning New Oriental Education Training School
- 349 Software Sales Agreement between Beijing Pioneer Technology Co., Ltd. and Nanning New Oriental Education Training School
- 350 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Nanning New Oriental Education Training School

序号
NO.现有服务协议
Existing Service Agreement

- 351 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Nanning New Oriental Education Training School
- 352 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Nanning New Oriental Education Training School
- 353 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Nanning New Oriental Education Training School
- 354 Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
- 355 Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Nanning New Oriental Education Training School
- 356 Deep Research and Development Service Agreement – iLearn Online Learning Platform between Beijing Decision Education & Consulting Co., Ltd. and Guangzhou Panyu Privately-Funded New Oriental Education Training Center
- 357 Deep Research and Development Service Agreement – Knowledge Management Platform Database System between Beijing Decision Education & Consulting Co., Ltd. and Beijing Walkite International Travel Co., Ltd.
- 358 Deep Research and Development Service Agreement – iLearn Online Learning Platform between Beijing Decision Education & Consulting Co., Ltd. and Beijing Walkite International Travel Co., Ltd.
- 359 Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Chengdu New Oriental School
- 360 Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Taiyuan New Oriental Training School
- 361 Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Jinan New Oriental School
- 362 Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Fuyang New Oriental School
- 363 Technology Service Agreement – New Oriental CRM System Development V1.0 between Beijing Pioneer Technology Company Limited and Hangzhou New Oriental Advanced Study School
- 364 Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Luoyang New Oriental School

序号
NO.现有服务协议
Existing Service Agreement

- 365 Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Suzhou New Oriental School
- 366 Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Qingdao New Oriental Language Training School
- 367 Technology Service Agreement – Education Call Center Platform Development V1.0 between Beijing Pioneer Technology Company Limited and Urumqi New Oriental Training School
- 368 Technology Service Agreement - Overseas Study Consultation Software V1.0 between Beijing Pioneer Technology Company Limited and Shandong New Oriental Vision Overseas Consultancy Co., Ltd.
- 369 Technology Service Agreement – Teaching and Research Materials Compiling System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Shanghai Yangpu District New Oriental Advanced Study School
- 370 Technology Service Agreement – Diagnostic and Evaluation of Students’ Learning System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Taiyuan New Oriental Training School
- 371 Technology Service Agreement – Teaching and Research Materials Compiling System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Fuyang New Oriental School
- 372 Technology Service Agreement – Diagnostic and Evaluation of Students’ Learning System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
- 373 Technology Service Agreement – Teaching and Research Materials Compiling System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Yunnan New Oriental Training School
- 374 Technology Service Agreement – Teaching and Research Materials Compiling System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
- 375 Technology Service Agreement – Teaching and Research Materials Compiling System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Xiamen Siming District New Oriental Education Training School
- 376 Technology Service Agreement – Diagnostic and Evaluation of Students’ Learning System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Xuzhou New Oriental Training School
- 377 Technology Service Agreement – Diagnostic and Evaluation of Students’ Learning System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Jilin New Oriental Training School

序号
NO.现有服务协议
Existing Service Agreement

- 378 Technology Service Agreement – Diagnostic and Evaluation of Students’ Learning System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Zhenjiang New Oriental Training School
- 379 Technology Service Agreement – Diagnostic and Evaluation of Students’ Learning System V1.0 between Beijing Smart Wood Technology Co., Ltd. and Shandong New Oriental Vision Overseas Consultancy Co., Ltd.
- 380 Deep Research and Development Service Agreement – Teaching Data Analysis Platform between Beijing Right Time Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
- 381 Deep Research and Development Service Agreement – Entering Capacity Evaluation Platform between Beijing Right Time Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
- 382 Deep Research and Development Service Agreement – Teaching Data Analysis Platform between Beijing Right Time Technology Co., Ltd. and Shijiazhuang New Oriental School
- 383 Deep Research and Development Service Agreement – Teaching Data Analysis Platform between Beijing Right Time Technology Co., Ltd. and Fuzhou Gulou District New Oriental Training School
- 384 Deep Research and Development Service Agreement – Teaching Data Analysis Platform between Beijing Right Time Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
- 385 Deep Research and Development Service Agreement – CMS Website Content Support Platform between Beijing Joy Tend Technology Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
- 386 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Xi’an Yanta District New Oriental Training School
- 387 Deep Research and Development Service Agreement – Operating Support System between Beijing Top Technology Co., Ltd. and Changchun New Oriental Training School
- 388 Deep Research and Development Service Agreement – Intelligent Course Scheduling System between Beijing Top Technology Co., Ltd. and Wuxi New Oriental Advanced Study School
- 389 Deep Research and Development Service Agreement – Operating Support System between Beijing Top Technology Co., Ltd. and Shandong New Oriental Vision Overseas Consultancy Co., Ltd.

序号
NO.现有服务协议
Existing Service Agreement

- 390 Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
- 391 Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Chongqing New Oriental Training School
- 392 Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Xiangyang New Oriental Training School
- 393 Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Jinan New Oriental School
- 394 Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Zhengzhou New Oriental Training School
- 395 Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Suzhou New Oriental School
- 396 Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Nanchang Donghu District New Oriental Language School
- 397 Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Foshan New Oriental Training School
- 398 Deep Research and Development Service Agreement – Interactive Test Paper Evaluation Platform between Beijing Shenghe Software Technology Co., Ltd. and Xuzhou New Oriental Training School
- 399 Deep Research and Development Service Agreement – Preferential Engine System between Beijing Magnificence Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
- 400 Deep Research and Development Service Agreement – Education Call System between Beijing Magnificence Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
- 401 Deep Research and Development Service Agreement – Preferential Engine System between Beijing Magnificence Technology Co., Ltd. and Wuhan New Oriental Training School
- 402 Deep Research and Development Service Agreement – Preferential Engine System between Beijing Magnificence Technology Co., Ltd. and Shenzhen New Oriental Training School

序号
NO.现有服务协议
Existing Service Agreement

- 403 Deep Research and Development Service Agreement – Preferential Engine System between Beijing Magnificence Technology Co., Ltd. and Harbin Nangang District New Oriental Training School
- 404 Deep Research and Development Service Agreement – Education Call System between Beijing Magnificence Technology Co., Ltd. and Changsha Furong District New Oriental Training School
- 405 Deep Research and Development Service Agreement – Preferential Engine System between Beijing Magnificence Technology Co., Ltd. and Changchun New Oriental Training School
- 406 Deep Research and Development Service Agreement – Education Call System between Beijing Magnificence Technology Co., Ltd. and Hangzhou New Oriental Advanced Study School
- 407 Deep Research and Development Service Agreement – Preferential Engine System between Beijing Magnificence Technology Co., Ltd. and Fuyang New Oriental School
- 408 Deep Research and Development Service Agreement – Preferential Engine System between Beijing Magnificence Technology Co., Ltd. and Luoyang New Oriental School
- 409 Deep Research and Development Service Agreement – Preferential Engine System between Beijing Magnificence Technology Co., Ltd. and Suzhou New Oriental School
- 410 Deep Research and Development Service Agreement – Preferential Engine System between Beijing Magnificence Technology Co., Ltd. and Lanzhou Chengguan District New Oriental School
- 411 Deep Research and Development Service Agreement – Education Call System between Beijing Magnificence Technology Co., Ltd. and Wuxi New Oriental Advanced Study School
- 412 Deep Research and Development Service Agreement – Preferential Engine System between Beijing Magnificence Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
- 413 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
- 414 Software Sales Agreement between Beijing Magnificence Technology Co., Ltd. and Zhenjiang New Oriental Training School
- 415 Software Sales Agreement between Beijing Pioneer Technology Co., Ltd. and Xuzhou New Oriental Training School
- 416 Software Sales Agreement between Beijing Pioneer Technology Co., Ltd. and Changchun Tongwen Gaokao Training School
- 417 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Quanzhou New Oriental Training School
- 418 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Jilin New Oriental Training School

序号
NO.现有服务协议
Existing Service Agreement

- 419 Software Sales Agreement between Beijing Hewstone Technology Co., Ltd. and Zhenjiang New Oriental Training School
- 420 Software Sales Agreement between Beijing Shenghe Software Technology Co., Ltd. and Quanzhou New Oriental Training School
- 421 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Beijing Haidian District Privately-Funded New Oriental School
- 422 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Quanzhou New Oriental Training School
- 423 Software Sales Agreement between Beijing Top Technology Co., Ltd. and Zhenjiang New Oriental Training School
- 424 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Quanzhou New Oriental Training School
- 425 Software Sales Agreement between Beijing Joy Tend Technology Co., Ltd. and Zhenjiang New Oriental Training School
- 426 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Quanzhou New Oriental Training School
- 427 Software Sales Agreement between Beijing Smart Wood Software Technology Co., Ltd. and Zhenjiang New Oriental Training School

独家服务总协议第三次修订

AMENDMENT NO. 3 TO MASTER EXCLUSIVE SERVICE AGREEMENT

本独家服务总协议第三次修订（“本修订”）由以下各方于 2021 年 9 月 1 日签署：

This Amendment No. 3 to Master Exclusive Service Agreement (the “Amendment”) is entered into as of September 1st, 2021 by and between the following parties:

- (1) 北京开拓鸿业高科技有限公司（“外资企业”），一家根据中华人民共和国（“中国”）法律在北京注册成立的外商独资企业；和

Beijing Pioneer Technology Co., Ltd. (the “WFOE”), a wholly foreign-owned enterprise registered in Beijing under the laws of the People’s Republic of China (“PRC”); and

- (2) 新东方教育科技集团有限公司（“新东方中国”），一家根据中国法律在北京注册成立的内资公司。

New Oriental Education & Technology Group Co., Ltd. (“New Oriental China”), a domestic company registered in Beijing under the PRC laws.

以上外资企业和新东方中国合称为“双方”，单独称为“一方”。在本修订中使用但未在此定义的术语应具有服务协议（定义见下文）规定的含义。

The WFOE and New Oriental China are hereinafter altogether referred to as the “Parties” and individually, as a “Party”. Terms used but not defined herein have the meaning ascribed to such terms in the Service Agreement (as defined below).

序言

RECITALS

鉴于，外资企业和新东方中国于 2014 年 9 月 19 日签署了一项独家服务总协议，并于 2016 年 1 月 28 日签署了独家服务协议的第一次修订，于 2017 年 2 月 16 日签署了独家服务协议的第二次修订（合称“服务协议”）。双方希望根据本修订的

条款条件修改服务协议。

WHEREAS, the WFOE and New Oriental China are parties to the Master Exclusive Service Agreement dated as of September 19, 2014, the Amendment No. 1 thereto dated as of January 28, 2016 and the Amendment No. 2 thereto dated as of February 16, 2017 (collectively, the "Service Agreement"), and the Parties wish to amend the Service Agreement on the terms and conditions set forth herein.

有鉴于此，双方达成如下协议：

NOW, THEREFORE, the parties agree as follows:

1. 对服务协议的修改 Amendment to the Service Agreement.

本修订附件 1 列明了本协议签署之日新东方学校及子公司的最新清单，取代服务协议附件 1。该清单可能会由新东方中国不定期进行更新并提供给外资企业。

Set forth in Schedule 1 to this Amendment in an up-to-date list of New Oriental Schools and Subsidiaries as of the date hereof, which shall replace the Schedule 1 to the Service Agreement in its entirety. This list may be further updated from time to time by New Oriental China and provided to the WFOE.

2. 修订生效 Effectiveness of this Amendment.

本修订应自双方签署之日生效。

This Amendment shall become effective upon the execution hereof by the Parties.

3. 无其他修改 No Other Modification of Existing Terms.

本修订构成服务协议不可分割的组成部分，并应具有与服务协议的所有其他条款相同的效力和执行力。除本修订明确规定外，本修订未暗示或以其他方式变更、修改、修订或以其他方式影响或放弃服务协议中的任何条款、条件、义务、承诺或协议。所有前述条款、条件、义务、承诺

或协议均在此得以全面确认并肯定，并应继续有效。

This Amendment shall constitute an integral part of the Service Agreement and shall have the same full force and effect as all other provisions of the Service Agreement. Except as expressly set forth herein, this Amendment shall not by implication or otherwise alter, modify, amend or in any way affect or constitute a waiver of any of the terms, conditions, obligations, covenants or arrangements contained in the Service Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effects.

4. 管辖法律 Governing Law.

本协议依中国法律解释，受中国法律管辖。

This Amendment, as an integral part of the Service Agreement, shall be construed in accordance with and governed by the laws of the PRC.

5. 语言 Languages.

本修订以英文和中文书就，英文和中文文本具有同等法律效力。若英文和中文有不一致，以英文为准。

This Amendment is written in English and Chinese. Both language versions shall have the equal validity. In case of any discrepancy between the English version and the Chinese version, the English version shall prevail.

[以下是签字页 Signature page follows]

有鉴于此，各方于文首所述日期正式签署本修订。

IN WITNESS WHEREOF, the Parties have duly executed this Amendment on the date appearing at the head hereof.

北京开拓鸿业高科技有限公司

Beijing Pioneer Technology Co., Ltd.

授权代表：

Authorized Representative:

签字 Signature: /s/ Zhihui Yang

盖章 Seal: /s/ Beijing Pioneer Technology Co., Ltd.

新东方教育科技集团有限公司

New Oriental Education & Technology Group Co., Ltd.

授权代表：

Authorized Representative:

签字 Signature: /s/ Minhong Yu

盖章 Seal: /s/ New Oriental Education & Technology Group Co., Ltd.

[Signature Page to Amendment No. 3 to Master Exclusive Service Agreement] 

SCHEDULE 1

附件 1

List of New Oriental Schools and Subsidiaries

新东方学校及子公司清单

Leci Internet Technology (Beijing) Company Limited
乐词网络科技(北京)有限公司

Beijing Haidian District Privately-Funded New Oriental School
北京市海淀区私立新东方学校

Guangzhou Haizhu District Privately-Funded New Oriental Training School
广州市海珠区私立新东方培训学校

Guangzhou New Oriental Training School
广州市新东方培训学校

Guangzhou Panyu District Privately-Funded New Oriental Training Centre
广州市番禺区私立新东方教育培训中心

Wuhan New Oriental Training School
武汉新东方培训学校

Tianjin New Oriental Training School Co., Ltd.
天津新东方培训学校有限公司

Xi'an Yanta District New Oriental School
西安市雁塔区新东方培训中心

Nanjing Gulou New Oriental Advanced Study School
南京鼓楼新东方进修学校

Shenzhen New Oriental Training School
深圳新东方培训学校

Shenyang New Oriental Foreign Language Training School
沈阳新东方外语培训学校

Chongqing New Oriental Training School
重庆新东方培训学校

Chengdu New Oriental School
成都新东方学校

Xiangyang New Oriental Training School
襄阳新东方培训学校

Ha'er Bin Nangang District New Oriental Training School
哈尔滨市南岗区新东方培训学校

Taiyuan Oriental Training School
太原新东方培训学校

Jinan New Oriental School
济南新东方学校

Hangzhou Oriental Advanced Study School
杭州新东方进修学校

Hangzhou New Oriental Education & Consulting Company Limited
杭州新东方教育咨询有限公司

Changchun Oriental Training School
长春市新东方培训学校

Zhengzhou Oriental Training School
郑州新东方培训学校

Foshan New Oriental School
佛山新东方学校

Suzhou New Oriental School
苏州新东方学校

Shijiazhuang New Oriental School
石家庄新东方学校

Hefei New Oriental Foreign Language Training School
合肥新东方外语培训学校

Fuzhou Gulou District New Oriental Training school
福州市鼓楼区新东方培训学校

Yunnan New Oriental Training School
云南新东方培训学校

Anshan New Oriental Training School
鞍山市新东方培训学校

Zhuzhou New Oriental Education and training school Co., Ltd
株洲新东方教育培训学校有限责任公司

Yichang New Oriental School
宜昌市新东方教育培训学校有限公司

Wuxi New Oriental Advanced Study School
无锡新东方进修学校

Jingzhou New Oriental School
荆州市新东方培训学校

Nanchang Donghu District New Oriental Language School
南昌市东湖区新东方语言学校

Dalian New Oriental Training School
大连新东方培训学校

Huangshi New Oriental Training School Co., Ltd.
黄石市新东方培训学校有限公司

Ningbo New Oriental School
宁波新东方学校

Lanzhou Chengguan District New Oriental School
兰州市城关区新东方学校

Xiamen Siming District New Oriental Education Training School
厦门市思明区新东方教育培训学校

Qingdao New Oriental Training School Co., Ltd.
青岛新东方教育培训学校有限公司

Nanning New Oriental Education Training School
南宁市新东方教育培训学校

Changchun Tongwen Senior High School
长春市新东方同文高中

Changchun Tongwen Gaokao Training School
长春市新东方同文高考培训学校

Nanjing Yuhuatai District New Oriental Kindergarten of Stars
南京市雨花台区新东方满天星幼儿园

Xuzhou Oriental Advanced Study School
徐州市新东方进修学校

Zhenjiang New Oriental School
镇江新东方学校

Luoyang New Oriental School
洛阳新东方学校

Nantong Chongchuan District New Oriental School
南通市崇川区新东方培训学校

Jilin Chuanying District New Oriental School
吉林市船营区新东方培训学校

Guiyang Yunyan District New Oriental School
贵阳市云岩区新东方学校

Inner Mongolia Huhehaote New Oriental School
内蒙古呼和浩特市新东方培训学校

Tangshan Lubei District New Oriental School
唐山市路北区新东方培训学校

Urumqi New Oriental Training School Co., Ltd.
乌鲁木齐新东方培训学校有限公司

Fuyang New Oriental Training School
富阳市新东方培训学校

Beijing New Oriental Dogwood Cultural Communications Co., Ltd.
北京新东方大愚文化传播有限公司

Beijing New Oriental Dogwood Bookstore, Audio & Video Co., Ltd
北京新东方大愚图书音像有限公司

Shanghai Dogwood Bookstore & Audio-Visual Products Co., Ltd
上海大愚图书音像有限公司

Guangzhou Dogwood Bookstore & Audio-Visual Products Co., Ltd
广州大愚图书音像有限公司

Wuhan New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd
武汉新东方大愚图书音像有限公司

Xi'an New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd
西安新东方大愚图书音像有限公司

Chongqing New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd
重庆新东方大愚图书音像有限公司

Ha'erbin New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd
哈尔滨新东方大愚图书音像经销有限公司

Changchun New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd
长春新东方大愚图书音像有限公司

Dalian New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd
大连新东方大愚图书音像有限公司

Lanzhou New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd
兰州新东方大愚图书音像有限公司

Suzhou New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd
苏州新东方大愚图书音像有限公司

Beijing New Oriental Xuncheng Network Technology Co., Ltd.
北京新东方迅程网络科技有限公司

Beijing New Oriental Stars Education & Consulting Co., Ltd
北京新东方满天星教育咨询有限公司

Beijing Chaoyang District Kindergarten of Stars
北京市朝阳区满天星幼儿园

Yangzhou Guangling District New Oriental Kindergarten of Stars
扬州市广陵区新东方满天星幼儿园

Beijing New Oriental Vision Overseas Consultancy Co., Ltd
北京新东方前途出国咨询有限公司

Shanghai Vision Overseas Service Company Limited
上海前途出国留学服务有限公司

Shandong New Oriental Vision Overseas Consultancy Co., Ltd.
山东新东方前途出国咨询有限公司

Shanxi New Oriental Vision Overseas Consultancy Co., Ltd.
山西新东方前途出国咨询有限公司

Fujian New Oriental Vision Overseas Consultancy Co., Ltd.
福建新东方前途出国咨询有限公司

Xinjiang New Oriental Vision Overseas Consultancy Co., Ltd.
新疆新东方前途出国咨询有限公司

Shiyan New Oriental School
十堰新东方培训学校

China Management Software Institute
中国管理软件学院

Beijing New Oriental Kuxuehui Network Technology Co., Ltd.
北京酷学慧思网络科技有限公司

Beijing Dongfangzhuoyong Investment Management Co., Ltd
北京东方卓永投资管理有限公司

Qingdao Laoshan District Happy Alice Kindergarten
青岛市崂山区爱莉斯小哈佛幼儿园

Qingdao Happy Alice Kindergarten
青岛爱莉斯小哈佛幼儿园

Qingdao Chengyang District Happy Alice Kindergarten
青岛城阳爱莉斯小哈佛幼儿园

Qingdao Alice Education & Technology Company Limited
青岛爱莉斯文教科技有限公司

Beijing New Oriental MEGAWAY Education & Consulting Co., Ltd
北京新东方百学汇教育咨询有限公司

Shaanxi New Oriental Vision Overseas Consultancy Co., Ltd.
陕西新东方前途出国咨询有限公司

Wenzhou New Oriental School
温州新东方培训学校

Quanzhou Fengze District New Oriental Education Training School
泉州市丰泽区新东方教育培训学校

Tianjin New Oriental Vision Overseas Consultancy Co., Ltd
天津新东方前途出国咨询有限公司

Inner Mongolia New Oriental Vision Overseas Consultancy Co., Ltd
内蒙古新东方前途出国咨询有限公司

Weifang New Oriental Training School
潍坊新东方培训学校

New Oriental Vision Overseas Consulting (U.K.) Limited
新东方前途出国咨询有限公司 (英国)

Qingdao New Oriental Vision Overseas Consultancy Co., Ltd.
青岛新东方前途出国咨询有限公司

Shanghai New Oriental Education & Training Company Limited
上海新东方教育培训有限公司

Zhuhai Xiangzhou District New Oriental Training Centre
珠海市香洲区新东方教育培训中心

Yangzhou Guangling District New Oriental Training Centre
扬州市广陵区新东方教育培训中心

Jinzhou New Oriental Training School
锦州新东方培训学校

Beijing New Oriental Vision Overseas Service Company Limited
北京新东方前途出国留学服务有限公司

Baoding Jingxiu District New Oriental Training School
保定市竞秀区新东方培训学校

Beijing DongFangYouBo Network Technology Co., Ltd.
北京新东方优播网络科技有限公司

Yantai Zhifu District New Oriental Foreign Language Training School
烟台市芝罘区新东方外语培训学校

Chongqing Yongchuan District New Oriental Training School
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Suzhou Tianhong Xiangcheng Garden Kindergarten
苏州天虹·香城花园幼儿园

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温州市鹿城区九山新东方教育培训有限公司

Wenzhou Lucheng District Daziran New Oriental Education Training Co., Ltd
温州市鹿城区大自然新东方教育培训有限公司

Yongjia Oubei Oucheng Education Training School Co., Ltd
永嘉县瓯北瓯城教育培训学校有限公司

Yantai Laishan District New Oriental Education Training School Co., Ltd
烟台市莱山区新东方教育培训学校有限公司

Yantai Development District New Oriental Education Training School Co., Ltd
烟台开发区新东方教育培训学校有限公司

Nanjing Zongbaoshu Education Training Centre Co., Ltd
南京棕宝书课外教育培训中心有限公司

Nanjing Chengbaoshu Education Training Centre Co., Ltd
南京橙宝书教育培训中心有限公司

Nanjing Jubaoshu Education Training Centre Co., Ltd
南京桔宝书教育培训中心有限公司

New Oriental Wuyou (Nanchang) Education & Management Co. LTD
新东方无忧（南昌）教育管理有限公司

New Oriental Wuyou (Nanjing) Cultural Development Co. LTD
新东方无忧（南京）文化发展有限公司

New Oriental Wuyou (Shanghai) Cultural Development Co. LTD
新东方无忧（上海）文化发展有限公司

Changsha Yuelu District New Oriental Wuyou Future Education Consulting Co., LTD
长沙市岳麓区新东方无忧未来教育咨询有限责任公司

New Oriental Wuyou (Chongqing) Education Information Consulting Service Co. LTD
新东方无忧（重庆）教育信息咨询服务有限公司

Guangzhou New Oriental Wuyou Education & Consulting Co. LTD
广州市新东方无忧教育咨询有限公司

New Oriental Wuyou (Hangzhou) Education Technology Co., LTD
新东方无忧（杭州）教育科技有限公司

New Oriental Wuyou (Xiamen) Education & Consulting Co. LTD
新东方无忧（厦门）教育咨询有限公司

New Oriental Wuyou (Huhehaote) Education & Consulting Co. LTD
新东方无忧（呼和浩特）教育咨询有限公司

Wuhan New Oriental Wuyou Education Training School Co., Ltd
武汉新东方无忧培训学校有限公司

Harbin Songbei District New Oriental Wuyou Culture Training School Co. LTD
哈尔滨市松北区新东方无忧文化培训学校有限公司

New Oriental Wuyou (Changchun) Education & Consulting Co. LTD
新东方无忧（长春）教育咨询有限公司

Zhengzhou Zhengdongxin District New Oriental Wuyou Training School Co., Ltd.
郑州市郑东新区新东方无忧培训学校有限公司

Tianjin New Oriental Wuyou Education Training School Co., Ltd.
天津新东方无忧教育培训学校有限公司

Shenyang Huanggu District New Oriental Wuyou Lezhi Education Training School Co., Ltd.
沈阳市皇姑区新东方无忧乐知教育培训学校有限公司

New Oriental Wuyou (Shijiazhuang) Education & Consulting Co. LTD
新东方无忧（石家庄）教育咨询有限公司

New Oriental Wuyou (Qingdao) Education & Consulting Co. LTD
新东方无忧（青岛）教育咨询有限公司

Taizhou Hailing District New Oriental Training School Co., Ltd
泰州市海陵区新东方培训学校有限公司

Taizhou Jiangyan District New Oriental Education Training Centre Co., Ltd
泰州市姜堰区新东方教育培训中心有限公司

Wuxi Huishan District New Oriental Yuexue Training Centre Co., Ltd
无锡市惠山区新东方悦学培训中心有限公司

Yancheng Tinghu District New Oriental Education Training Centre Co., Ltd
盐城市亭湖区新东方教育培训中心有限公司

Nantong Development District New Oriental Training School Co., Ltd
南通开发区新东方培训学校有限公司

Nanyang Wancheng District New Oriental Training School Co., Ltd
南阳市宛城区新东方培训学校有限公司

Danyang New Oriental Education Training Co., Ltd
丹阳市新东方教育培训有限公司

Chongqing Bright future Education & Technology Company Limited
重庆布局未来教育科技有限公司

Xi'an Mantianxing Childcare Service Co., LTD
西安满天星托育服务有限公司

Wuhan Oriental Youbo Network Technology Co. LTD
武汉东方优播网络科技有限公司

Jiaozuo New Oriental Training School Co., Ltd.
焦作新东方培训学校有限公司

Jiaozuo Jiefang New Oriental Training School Co., Ltd.
焦作解放新东方培训学校有限公司

Hengshui New Oriental Training School Co., Ltd.
衡水市新东方教育培训学校有限公司

Shaoxing Yuecheng District New Oriental Training School Co., Ltd.
绍兴市越城区学智培训学校有限公司

Kunshan New Oriental Yuexue Training Centre Co., Ltd
昆山市新东方悦学培训中心有限公司

Suzhou Xiangcheng District New Oriental Education Training Centre Co. LTD
苏州市相城区新东方教育培训中心有限公司

Taiyuan Xiaodian District New Oriental Training School Co., Ltd.
太原市小店区新东方培训学校有限公司

Taiyuan Wanbolin District New Oriental Training School Co., Ltd.
太原市万柏林区新东方培训学校有限公司

Taiyuan Xinghualing District New Oriental Training School Co., Ltd.
太原市杏花岭区新东方培训学校有限公司

Shanghai Vision Eurasian Education Training Co., Ltd
上海前途欧亚教育培训有限公司

Yangzhou Guangling District New Oriental Training Centre Co., Ltd
扬州市广陵区新东方培训中心有限公司

Ruian District New Oriental Training Centre Co. LTD
瑞安市新东方教育培训有限公司

Yantai Fushan District New Oriental Training School Co., Ltd.
烟台市福山区新东方教育培训学校有限公司

Yantai Mouping District New Oriental Training School Co., Ltd.
烟台市牟平区新东方教育培训学校有限公司

Hefei New Oriental Wuyou Education Information Consulting Service Co. LTD
合肥新东方无忧教育咨询有限公司

Chengdu New Oriental Wuyou Education Training School Co., Ltd.
成都市新东方无忧教育培训学校有限公司

Kunming Wuhua District New Oriental Wuyou Education Training School Co., Ltd.
昆明市五华区新东方无忧教育培训学校有限公司

New Oriental Wuyou (Taiyuan) Education Information Consulting Service Co. LTD
新东方无忧（太原）教育咨询有限公司

Wuxi Xishan District New Oriental Education Training Centre Co. LTD
无锡市锡山区东亭新东方教育培训中心有限公司

Nanjing Chengxinchengyi Art Training Centre Co. LTD
南京橙心橙意艺术培训有限公司

Nanjing Aichengzhang Education Training Centre Co., Ltd
南京爱橙长教育培训中心有限公司

Nanjing Chengken Language Training Centre Co. LTD
南京橙肯语言培训有限公司

Nanjing Chengjia Education Training Centre Co., Ltd
南京橙佳教育培训中心有限公司

Nanjing Chengxin Extracurricular Education Training Centre Co., Ltd
南京橙心课外教育培训中心有限公司

Tangshan Fengrun District New Oriental Training School Co., Ltd.
唐山市丰润区新东方培训学校有限公司

Tangshan Lunan District New Oriental Training School Co., Ltd.
唐山市路南区新培训学校有限公司

Changzhou New Oriental Education Technology Co., LTD
常州市新东方教育科技有限公司

Guizhou Guiyang New Oriental Education Technology Co., LTD
贵州省贵阳市新东方教育科技有限公司

Guiyang Nanming District New Oriental Training Centre Co., Ltd
贵阳市南明区新东方培训中心有限公司

Sphink (Shanghai) Education Consulting Co., Ltd. Guangzhou Branch
斯芬克（上海）教育科技有限公司

Xianyang New Oriental Training School Co., Ltd.
咸阳新东方培训学校有限公司

Cixi New Oriental Training School Co., Ltd

慈溪新东方培训学校有限公司

Zhoukou Chuanhui District New Oriental Training School Co., Ltd.
周口市川汇区新东方培训学校有限公司

Shangqiu New Oriental Training School Co., Ltd.
商丘新东方培训学校有限公司

Suzhou Wujiang Zhongying New Oriental Training Center Co., Ltd
苏州吴江仲英新东方培训中心有限公司

Jinxian New Oriental Training School Co., Ltd.
进贤县新东方培训学校有限公司

Hangzhou Oversea Language Consulting Co., Ltd.
杭州前途语言咨询有限公司

Suzhou Oversea Language Training Co., Ltd.
苏州前途语言培训有限公司

Shanghai Oversea Culture Development Co., Ltd
上海前途文化发展有限公司

Beijing Oversea Language Training School Co., Ltd.
北京前途语言培训学校有限公司

Wuxi Oversea Language Training Co., Ltd
无锡前途语言培训有限公司

Shenyang Oversea Education Consulting Co., Ltd.
沈阳前途教育咨询有限公司

Wenzhou Lucheng District Li Fu New Oriental Education and Training Co., Ltd
温州市鹿城区利府新东方教育培训有限公司

Nanjing Baibaoshu Education Training Center Co., Ltd.
南京白宝书教育培训中心有限公司

Nanjing Lishui Youneng Education Training Center Co., Ltd.
南京溧水优能教育培训中心有限公司

Xi'an New Oriental Wuyou Training School Co., Ltd.
西安新东方无忧培训学校有限公司

Lanzhou New Oriental Wuyou Education Consulting Co., Ltd.

兰州新东方无忧教育咨询有限公司

Dalian New Oriental Wuyou Lezhi Education Consulting Co., Ltd.
大连新东方无忧乐知教育咨询有限公司

Jilin New Oriental Wuyou Education Consulting Co., Ltd.
吉林市新东方无忧教育咨询有限公司

Shanghai New Oriental Slim Education Training Co., Ltd.
上海新东方斯林姆教育培训有限公司

Chengdu New Oriental Slim Education Training School Co., Ltd.
成都新东方斯林姆教育培训学校有限公司

Harbin Nangang District New Oriental Training School Co., Ltd.
哈尔滨市南岗区新东方培训学校有限公司

Changchun New Oriental Education Training School Co., Ltd.
长春市新东方教育培训学校有限公司

Shaanxi New Oriental Xingyuan Training School Co., Ltd.
陕西新东方行远培训学校有限公司

Baoji New Oriental Training School Co., Ltd.
宝鸡市新东方培训学校有限公司

Shenyang Heping District New Oriental Education Training School Co., Ltd.
沈阳市和平区新东方教育培训学校有限公司

Shenyang Shenhe New Oriental Education and Training School Co., Ltd.
沈阳市沈河区新东方教育培训学校有限责任公

Suzhou New Oriental Education Training Center Co., Ltd.
苏州高新区新东方教育培训中心有限公司

Tai'an New Oriental Training School Co., Ltd.
泰安新东方培训学校有限公司

Changchun Kuancheng District New Oriental Shangxue Education Training School Co., Ltd.
长春市宽城区新东方尚学教育培训学校有限公司

Changchun Erdao District New Oriental Lexue Education and Training School Co., Ltd.
长春市二道区新东方乐学教育培训学校有限公司

Changchun Economic and Technological Development Zone New Oriental Education and

Training School Co., Ltd
长春经济技术开发区新东方勤学教育培训学校有限公司

Jiangyin New Oriental Education Training Center Co., Ltd.
江阴市新新东方教育培训中心有限公司

Changsha Tianxin District New Oriental Wuyou education Consulting Co., Ltd
长沙市天心区新东方无忧教育咨询有限责任公司

Shijiazhuang New Oriental Training School Co., Ltd.
石家庄新东方培训学校有限公司

Nanning Qingxiu District New Oriental Training School Co., Ltd.
南宁市青秀区新东方培训学校有限责任公司

Changchun Nangan District New Oriental Precision Education Training School Co., Ltd
长春南关区新东方精学教育培训学校有限公司

Xianyang New Oriental Training School Co., Ltd.
咸阳新东方培训学校有限公司

Cixi New Oriental Training School Co., Ltd.
慈溪新东方培训学校有限公司

Zhoukou Chuanhui District New Oriental Training School Co., Ltd.
周口市川汇区新东方培训学校有限公司

Shangqiu New Oriental Training School Co., Ltd.
商丘新东方培训学校有限公司

Suzhou Wujiang Zhongying New Oriental Training Center Co., Ltd.
苏州吴江仲英新东方培训中心有限公司

Jinxian New Oriental Training School Co., Ltd.
进贤县新东方培训学校有限公司

Hangzhou Overseas Language Consulting Co., Ltd.
杭州前途语言咨询有限公司

Suzhou Overseas Language Training Co., Ltd.
苏州前途语言培训有限公司

Shanghai Overseas Culture Development Co., Ltd
上海前途文化发展有限公司

Beijing Overseas Language Training School Co., Ltd.
北京前途语言培训学校有限公司

Wuxi Overseas Language Training Co., Ltd
无锡前途语言培训有限公司

Shenyang Overseas Education Consulting Co., Ltd.
沈阳前途教育咨询有限公司

Wenzhou Lucheng District Li Fu New Oriental Education and Training Co., Ltd
温州市鹿城区利府新东方教育培训有限公司

Nanjing Baibaoshu Education Training Center Co., Ltd.
南京白宝书教育培训中心有限公司

Nanjing Lishui Youneng Education Training Center Co., Ltd.
南京溧水优能教育培训中心有限公司

Xi'an New Oriental Wuyou Training School Co., Ltd.
西安新东方无忧培训学校有限公司

Lanzhou New Oriental Wuyou Education Consulting Co., Ltd.
兰州新东方无忧教育咨询有限公司

Dalian New Oriental Wuyou Lezhi Education Consulting Co., Ltd.
大连新东方无忧乐知教育咨询有限公司

Jilin New Oriental Wuyou Education Consulting Co., Ltd.
吉林市新东方无忧教育咨询有限公司

Shanghai New Oriental Steam Education Training Co., Ltd.
上海新东方斯林姆教育培训有限公司

Chengdu New Oriental Steam Education Training School Co., Ltd.
成都新东方斯林姆教育培训学校有限公司

Harbin Nangang District New Oriental Training School Co., Ltd.
哈尔滨市南岗区新东方培训学校有限公司

Changchun New Oriental Education Training School Co., Ltd.
长春市新东方教育培训学校有限公司

Beijing Sifenke Education Consulting Co., Ltd. Chengdu Branch

Shaanxi New Oriental Xingyuan Training School Co., Ltd.
陕西新东方行远培训学校有限公司

Baoji New Oriental Training School Co., Ltd.
宝鸡市新东方培训学校有限公司

Shenyang Heping District New Oriental Education Training School Co., Ltd.
沈阳市和平区新东方教育培训学校有限公司

Shenyang Shenhe New Oriental Education and Training School Co., Ltd.
沈阳市沈河区新东方教育培训学校有限责任公司

Suzhou New Oriental Education Training Center Co., Ltd.
苏州高新区新东方教育培训中心有限公司

Tai'an New Oriental Training School Co., Ltd.
泰安新东方培训学校有限公司

Changchun Kuancheng District New Oriental Shangxue Education Training School Co., Ltd.
长春市宽城区新东方尚学教育培训学校有限公司

Changchun Erdao District New Oriental Lexue Education and Training School Co., Ltd.
长春市二道区新东方乐学教育培训学校有限公司

Changchun Economic and Technological Development Zone New Oriental Education and Training School Co., Ltd.
长春经济技术开发区新东方勤学教育培训学校有限公司

Jiangyin New Oriental Education Training Center Co., Ltd.
江阴市新东方教育培训中心有限公司

Changsha Tianxin District New Oriental Wuyou education Consulting Co., Ltd.
长沙市天心区新东方无忧教育咨询有限责任公司

Shijiazhuang New Oriental Training School Co., Ltd.
石家庄新东方培训学校有限公司

Nanning Qingxiu District New Oriental Training School Co., Ltd.
南宁市青秀区新东方培训学校有限责任公司

Changchun Nanguan District New Oriental Precision Education Training School Co., Ltd.
长春南关区新东方精学教育培训学校有限公司

List of Subsidiaries and Variable Interest Entities

Name	Jurisdiction of Incorporation	Direct Parent Company of the Subsidiary and its Jurisdiction of Incorporation
Subsidiaries:		
Beijing Decision Education & Consulting Co., Ltd.	PRC	Elite Concept Holdings Limited (Hong Kong)
Beijing Hewstone Technology Co., Ltd.	PRC	Elite Concept Holdings Limited (Hong Kong)
Beijing Pioneer Technology Co., Ltd.	PRC	Smart Shine International Limited (Hong Kong)
Beijing Smart Wood Software Technology Co., Ltd.	PRC	Smart Shine International Limited (Hong Kong)
Elite Concept Holdings Limited	Hong Kong	New Oriental Education & Technology Group Inc. (Cayman Islands)
Winner Park Limited	Hong Kong	New Oriental Education & Technology Group Inc. (Cayman Islands)
Smart Shine International Limited	Hong Kong	New Oriental Education & Technology Group Inc. (Cayman Islands)
Koolearn Technology Holding Limited	Cayman	New Oriental Education & Technology Group Inc. (Cayman Islands)
New Oriental Xuncheng Technology (HK) Limited	Hong Kong	Koolearn Technology Holding Limited (Cayman Islands)
Beijing Dexin Dongfang Network Technology Co., Ltd.	PRC	New Oriental Xuncheng Technology (HK) Limited (Hong Kong)
Zhuhai Chongsheng Heli Network Technology Co., Ltd.	PRC	New Oriental Xuncheng Technology (HK) Limited (Hong Kong)
Variable Interest Entities:		
New Oriental Education & Technology Group Co., Ltd.*	PRC	
Beijing New Oriental Xuncheng Network Technology Co., Ltd.	PRC	

(1) * New Oriental Education & Technology Group Co., Ltd. had a number of subsidiaries and schools in the PRC as of May 31, 2021, including:

- 113 schools, excluding certain schools that are separate legal entities but have been counted to our learning centers and certain schools that have been counted as the same school in the same city or region from the perspective of our internal management and our kindergartens; and
- 54 wholly owned subsidiaries that operate New Oriental's educational content and other technology development and distributions business, online education business and overseas studies consulting business in China.

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Chenggang Zhou, certify that:

1. I have reviewed this annual report on Form 20-F of New Oriental Education & Technology Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: September 24, 2021

By: /s/ Chenggang Zhou
Name: Chenggang Zhou
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Zhihui Yang, certify that:

1. I have reviewed this annual report on Form 20-F of New Oriental Education & Technology Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: September 24, 2021

By: /s/ Zhihui Yang
Name: Zhihui Yang
Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of New Oriental Education & Technology Group Inc. (the “Company”) on Form 20-F for the year ended May 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Chenggang Zhou, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 24, 2021

By: /s/ Chenggang Zhou

Name: Chenggang Zhou

Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of New Oriental Education & Technology Group Inc. (the “Company”) on Form 20-F for the year ended May 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Zhihui Yang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 24, 2021

By: /s/ Zhihui Yang

Name: Zhihui Yang

Title: Chief Financial Officer



TIAN YUAN LAW FIRM

**10/F, CPIC Plaza,
No. 28 FengSheng Hutong,
Xicheng District, Beijing, 100032,
P.R.China
Tel: (8610) 5776-3888;
Fax: (8610) 5776-3777.**

Date: September 24, 2021

New Oriental Education & Technology Group Inc.
No. 6 Hai Dian Zhong Street
Haidian District, Beijing
100080, People's Republic of China

Ladies and Gentlemen:

We hereby consent to the use of our name under the captions "Item 3. Key Information—D. Risk Factors," "Item 4. Information on the Company—B. Business Overview" "Item 4. Information on the Company—C Organizational Structure" and "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Revenue Recognition" and included in New Oriental Education & Technology Group Inc.'s annual report on Form 20-F for the fiscal year ended May 31, 2021 (the "Annual Report"), which will be filed by New Oriental Education & Technology Group Inc. on or after September 24, 2021, with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. We further consent to the incorporation by reference into the Registration Statements on Form S-8 (No. 333-140083, No. 333-172020 and No. 333-222724) and on Form F-3 (No. 333-249642) of New Oriental Education & Technology Group Inc. of the summary of our opinion under the headings "Item 3. Key Information—D. Risk Factors," "Item 4. Information on the Company—B. Business Overview" "Item 4. Information on the Company—C. Organizational Structure" and "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Revenue Recognition." We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

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, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Sincerely yours,

/s/ Tian Yuan Law Firm

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-172020, 333-140083 and 333-222724 on Form S-8 and No. 333-249642 on Form F-3 of our reports dated September 24, 2021, relating to the financial statements of New Oriental Education & Technology Group Inc. and the effectiveness of New Oriental Education & Technology Group Inc.'s internal control over financial reporting appearing in this Annual Report on Form 20-F for the year ended May 31, 2021.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China

September 24, 2021