
**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, 2017.

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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Haidian District, Beijing 100080
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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:

<u>Title of Each Class</u>	<u>Name of Exchange on Which Registered</u>
American depository shares, each representing one common share* Common shares, par value US\$0.01 per share**	New York Stock Exchange New York Stock Exchange

* 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.

** Not for trading, but only in connection with the listing on New York Stock Exchange of the American depository shares.

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. **157,687,444 common shares, par value US\$0.01 per share, as of May 31, 2017.**

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 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);
- “China” or “PRC” refers to People’s Republic of China, and for the purpose of this annual report, excludes Taiwan, Hong Kong and Macau;
- “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;
- “student enrollments” refers to the cumulative total number of courses enrolled in and paid for by our students, including multiple courses enrolled in and paid for by the same student but excluding courses offered at our primary and secondary schools;
- “shares” or “common shares” refers to our common shares, par value US\$0.01 per share;
- “ADSs” refers to our American depositary 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 to U.S. dollars in this annual report on Form 20-F were made at a rate of RMB6.8098 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on May 31, 2017. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. 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;
- our future business development, results of operations and financial condition;
- expected changes in our revenues and certain cost and expense items;
- our ability to increase student enrollments and course fees and expand program, service and product offerings;
- competition in each type of educational program, service and product we provide;
- risks associated with our offering of new educational programs, services and products and the expansion of our geographic reach;
- the expected increase in expenditures on education in China; and
- PRC laws, regulations and policies relating to private education and providers of private educational services. You should read thoroughly this 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, 2015, 2016 and 2017 and the consolidated balance sheet data as of May 31, 2016 and 2017 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, 2013 and 2014 and the selected consolidated balance sheet data as of May 31, 2013, 2014 and 2015 have been derived from our audited consolidated financial statements for the fiscal years ended May 31, 2013, 2014 and 2015, 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—A. Operating and Financial Review and Prospects.” Our audited consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

<i>(in thousands of US\$ except share, per share and per ADS data)</i>	For the Years Ended May 31,				
	2013	2014	2015	2016	2017
Consolidated Statement of Operations Data:					
Net revenues:					
Educational programs and services	857,685	1,006,198	1,102,974	1,309,339	1,608,954
Books and others	102,169	132,689	143,792	169,009	190,555
Total net revenues	959,854	1,138,887	1,246,766	1,478,348	1,799,509
Operating costs and expenses: ⁽¹⁾					
Cost of revenues	(384,177)	(451,669)	(526,320)	(614,364)	(749,586)
Selling and marketing	(142,098)	(169,062)	(188,483)	(197,897)	(232,826)
General and administrative	(311,014)	(324,210)	(378,434)	(471,010)	(554,948)
Total operating costs and expenses	(837,289)	(944,941)	(1,093,237)	(1,283,271)	(1,537,360)
Gain on disposal of subsidiaries	—	3,621	—	3,760	—
Operating income	122,565	197,567	153,529	198,837	262,149
Other income, net:					
Interest income	30,121	44,880	66,605	66,861	61,445
Realized gain from long-term investments	—	—	—	—	7,086
Impairment loss from long-term investments	—	—	—	—	(2,338)
Miscellaneous income, net	772	752	342	1,586	2,367
Provision for income taxes:					
Current	(18,985)	(28,235)	(31,552)	(39,467)	(51,142)
Deferred	3,630	2,193	5,331	1,936	518
Provision for income taxes	(15,355)	(26,042)	(26,221)	(37,531)	(50,624)
Loss from equity method investments	(1,427)	(1,453)	(1,537)	(4,425)	(3,289)
Loss from discontinued operations, net of tax	(407)	—	—	—	—
Net income	136,269	215,704	192,718	225,328	276,796
Add: Net loss (gain) attributable to noncontrolling interests	—	—	295	(444)	(2,339)
Net income attributable to New Oriental Education & Technology Group Inc.					
Group Inc.	136,269	215,704	193,013	224,884	274,457
Net income from continuing operation per ADS attributable to shareholders of New Oriental Education & Technology Group Inc. ⁽²⁾					
-Basic	0.88	1.38	1.23	1.43	1.74
-Diluted	0.87	1.37	1.23	1.43	1.74

<i>(in thousands of US\$ except share, per share and per ADS data)</i>	For the Years Ended May 31,				
	2013	2014	2015	2016	2017
Net income (loss) from discontinued operation per ADS attributable to shareholders of New Oriental Education & Technology Group Inc. ⁽²⁾					
- Basic	(0.00)	—	—	—	—
- Diluted	(0.00)	—	—	—	—
Shares used in calculating basic net income per share	155,762,959	156,033,992	156,438,606	156,782,439	157,551,320
Shares used in calculating diluted net income per share	157,823,792	157,903,464	157,302,174	157,391,686	157,986,394

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

<i>(in thousands of US\$)</i>	For the Years Ended May 31,				
	2013	2014	2015	2016	2017
General and administrative	27,242	20,079	15,689	16,810	20,287
Total	27,242	20,079	15,689	16,810	20,287

(2) Each ADS represents one common share.

(3) Historical financial statements were adjusted retrospectively to reflect the discontinued operations of Elite English in the year ended May 31, 2013.

The following table presents our selected consolidated balance sheet data as of May 31, 2013, 2014, 2015, 2016 and 2017:

<i>(in thousands of US\$)</i>	2013	2014	2015	2016	2017
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	417,166	371,593	531,298	709,209	641,018
Total assets	1,353,441	1,603,545	1,951,537	2,354,834	2,924,979
Total current liabilities	489,835	576,065	725,232	918,190	1,202,681
Total liabilities	496,189	577,787	727,693	920,172	1,204,901
Total New Oriental Education & Technology Group Inc. shareholders' equity	857,252	1,025,758	1,220,348	1,404,572	1,680,948
Noncontrolling interests	—	—	3,496	30,090	39,130
Total equity	857,252	1,025,758	1,223,844	1,434,662	1,720,078

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business

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

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

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

Our teachers are critical to maintaining the quality of our programs, services and products and maintaining our brand and reputation. 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. The number of teachers in China with the necessary experience and language proficiency to teach our courses is limited and we must provide competitive compensation packages to attract and retain qualified teachers. In addition, criteria such as commitment and dedication are difficult to ascertain during the recruitment process, in particular as we continue to expand and add teachers to meet rising student enrollments. 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 and other key trends necessary to effectively teach their respective courses. We may not be able to hire, train and retain enough qualified teachers to keep pace with our anticipated growth while maintaining consistent teaching quality across many different schools, learning centers and programs in different geographic locations. Shortages of qualified teachers or decreases in the quality of our instruction, whether actual or perceived, in one or more of our markets may have a material and adverse effect on our business.

Our business depends on our “New Oriental” brand, and if we are not able to maintain and enhance our brand, 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 primary and middle school students, college students and other adults throughout many provinces and cities in China. As we continue to grow in size, expand our program, service and product offerings and extend our geographic reach, maintaining quality and consistency may be more difficult to achieve.

We have invested significantly in brand promotion initiatives. 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.

Our reputation and the trading price of our ADSs 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 and cause the trading price of our ADSs 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 & Exchange Commission, or the SEC, and Muddy Waters LLC, an entity unrelated to us, 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. More recently, in late 2016, there was negative media coverage referencing our small overseas study consulting division, New Oriental Vision Overseas Consultancy Co. 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.

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 the trading price of our ADSs.

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

Our business could be materially and adversely affected by the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Ebola or other epidemics. 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 cancellations and deferrals 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. Starting from March 2013, H7N9 bird flu, a new strain of animal influenza, has been spreading in China and has infected more than a hundred people. While the spread of the avian virus H7N9 has not materially affected our student enrollments as of the date of this annual report, any future outbreak of avian influenza, SARS, the influenza A (H1N1), H7N9 bird flu or other adverse public health developments in China may have a material and adverse effect on our business operations. These occurrences could cause cancellations or deferrals 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 effectively and efficiently manage the expansion of our school network may materially and adversely affect our ability to capitalize on new business opportunities.

We have increased the number of our schools in China from 25 as of May 31, 2006 to 77 as of May 31, 2017, and we increased the number of our learning centers in China from 111 as of May 31, 2006 to 855 as of May 31, 2017. We may continue to expand our operations in different geographic locations in China. Our expansion has resulted, and will continue to result, in substantial demands on our management, faculty and operational, technological and other resources. Our expansion will also place significant demands on us to maintain the consistency of our teaching quality and our culture to ensure that our brand does not suffer as a result of any decreases, whether actual or perceived, in our teaching quality. To manage and support our growth, we must 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 expand into new markets. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified teachers and management personnel and integrate new schools and learning centers into our operations. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse impact on our financial condition and results of operations.

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

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

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. For example, in September 2010, we completed the acquisition of a 100% equity interest in Newave Education, a K-12 English language school in Shanghai. Due to the breach of contract by the seller of Newave Education, we submitted a request for arbitration to the China International Economic and Trade Arbitration Commission for full refund of the purchase consideration which we had paid. The case was closed in December 2011, and we received the full refund by the end of the fiscal year ended May 31, 2012.

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.

We have also been involved in other claims and legal proceedings against us relating to infringement of third parties' copyrights in materials distributed by us and the unauthorized use of a third party's name in connection with the marketing and promotion of one of our programs, 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 certain educational materials, such as books, software, CD-ROMs, magazines and other periodicals, to enrich our product offerings and meet students’ needs. The measures we take to protect our trademarks, copyrights and other intellectual property rights, which presently are based upon a combination of trademark, copyright and trade secret laws, may not be adequate to prevent unauthorized use by third parties. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving, and could involve substantial risks to us. If we are unable to adequately protect our trademarks, copyrights and other intellectual property rights, we may lose these rights, our brand name may be harmed, and our business may suffer materially.

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

The private education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We face competition in each major program we offer and each geographic market in which we operate. For example, we face nationwide competition for our IELTS preparation courses from Global IELTS School, which offers IELTS preparation courses in many cities in China. We face regional competition for our English for children program from several competitors that focus on children’s English training in specific regions. We face competition from companies that focus on providing international and/or PRC test preparation courses in specific geographic markets in China. We also face competition from companies that focus on providing after-school tutoring services, such as TAL Education Group.

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

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

Admissions and assessment tests undergo continuous change, in terms of the focus of the subjects and questions tested, the format of the tests and the manner in which the tests are administered. For example, certain admissions and assessment tests in the United States now include an essay component, which required us to hire and train teachers to be able to analyze written essays that tend to be more subjective in nature and require a higher level of English proficiency. In addition, some admissions and assessment tests that were previously offered in paper format only are now offered in a computer-based testing format. These changes require us to continually update and enhance our test preparation materials and our teaching methods. Further, the Chinese Ministry of Education, or the MOE, promulgated new curriculum standards on December 28, 2011 for primary and secondary schools in China covering 19 subjects, including mathematics, Chinese and English. These new curriculum standards took effect in the fall semester of 2012, and we finished adapting our tutoring programs and materials to these changes in curriculum standards in July 2013. In September 2014, the government announced plans to change policies relating to the gaokao, or college entrance exam, that will change the format of English exam in the coming years. In December 2014, the MOE issued the Implementation Opinions on Scholastic Standard Test of Senior Secondary Schools and the Opinions on Strengthening and Improving the Comprehensive Aptitude Assessment of High School Students, both of which reform the policies relating to the college entrance exam, including but not limited to the subject, format and content of the exam. These policies will be implemented on a province-by-province basis and some provinces such as Beijing, Shanghai, Zhejiang have promulgated relevant regulations on reformation of the college entrance exam. 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, MOE promulgated new curriculum standards for the subject of science in primary schools, which took effect in the fall semester of 2017. 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 test preparation courses and our business may be materially and adversely affected.

We provide preparation courses for both overseas and domestic admissions and assessment tests. The success of our test preparation courses 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 basing admissions decisions 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 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.

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 test preparation courses and our business may be seriously harmed.

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

Many factors may cause our gross and net margins to decline. For example, there is a recent trend that the short-term language training and test preparation markets are moving towards smaller class sizes, especially for students between the ages of 5 and 12. This may have resulted from discretionary income increases for families in China, which cause students to be more willing and able to pay higher course fees for the more individualized attention that smaller classes can offer. The average class size for our short-term language training and test preparation courses started to decrease since the fiscal year ended May 31, 2009. In our fiscal year ended May 31, 2017, the average class size was approximately nine students per class, compared to approximately 30 students per class for fiscal year ended May 31, 2009. Although our smaller-sized classes are highly profitable, they are marginally less profitable on average than our large classes. In addition, 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. There is a risk 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 make irrelevant our existing offerings without increasing our total student enrollments. For example, our online courses may take away students from our existing classroom-based courses, and our new schools and learning centers may take away students from our existing schools and learning centers. If we are unable to expand our program, service and product offerings while increasing our total student enrollments and profitability, our business and growth may be adversely affected.

Our business is subject to 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 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 courses tend to have the largest student enrollments in our first fiscal quarter, which runs from June 1 to August 31 of each year, primarily because many students enroll in our courses during the summer school holidays to enhance their foreign language skills and/or prepare for admissions and assessment tests in subsequent school terms. In addition, we have generally experienced larger student enrollments in our third fiscal quarter, which runs from December 1 to February 28 of each year, primarily because many students enroll in our language training and other 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, such as 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. We expect quarterly fluctuations in our revenues and results of operations to continue. These fluctuations could result in volatility and adversely affect the price of our ADSs. As our revenues grow, these seasonal fluctuations may become more pronounced.

Our historical financial and operating results are not indicative of 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 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 quarter-to-quarter 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 ADSs. In addition, our past results may not be indicative of future performance because of new businesses developed or acquired by us.

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 launched many new services to expand our business and student base. For example, in January 2010, we established a small pilot program whereby we permit third parties in certain small cities to offer our "Pop Kids" English program and "New Oriental Star" kindergarten program under a brand name cooperation model. The cooperation facilities operated by such third parties are not included in the counts of our schools and learning centers, and student enrollments from these facilities are not included as our student enrollments. In October 2013, we terminated the brand name cooperation for "New Oriental Star" kindergarten program. As another example, in October 2015, we launched "Baixuehui" non-academic training program, which offers after-school tutoring courses in STEM (science, technology, engineering, and mathematics), sports, dancing, painting, music and arts for students from age 3 to 18. We cooperated with third parties for teaching content and teachers in such non-academic training areas. We had four "Baixuehui" learning centers in Beijing as of May 31, 2017.

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

We derived approximately 37.1% of our total net revenues for the fiscal year ended May 31, 2017 from our operations in Beijing, Shanghai, Xi'an and Wuhan, and we expect these four 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.

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

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

Failure to maintain effective internal control over financial reporting could have a material and adverse effect on the trading price of our ADSs.

We are subject to the reporting obligations under the U.S. securities laws. 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, 2017, 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 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.

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.

Capacity constraints or system disruptions to our computer systems or websites 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. We cannot assure you that we will be able to timely expand our online program infrastructure to meet demand for such programs. Our computer systems and operations could be vulnerable to interruption or malfunction due to events beyond our control, including natural disasters and telecommunications failures. We have built an off-site computer center which is able to restore service within several minutes following significant damage to our on-site computer center.

Our computer networks may also be vulnerable to unauthorized access, hacking, computer viruses and other security problems. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations. Any interruption to our computer systems or operations could have a material adverse effect on our ability to retain students and increase student enrollments. Furthermore, we may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems caused by these breaches.

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. 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. These factors could cause declines in the student enrollments for our test preparation and English language training courses and could have an adverse effect on our overall business and results of operations.

Risks Related to Our Corporate Structure

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

PRC laws and regulations currently require any foreign entity that invests in the education business in China to be an educational institution with relevant experience in providing educational services outside China. Our 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 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."

Tian Yuan Law Firm, our PRC legal counsel, is of the opinion that the corporate structure of New Oriental China and its schools and subsidiaries and our wholly-owned subsidiaries in China are in compliance with existing PRC laws and regulations; and 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 are valid, binding and enforceable under, and do not violate, PRC laws or regulations currently in effect. 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.

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, in January 2015, the Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law for public review and comments. Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company is considered a foreign-invested enterprise. Under the draft Foreign Investment Law, variable interest entities would also be deemed as foreign-invested enterprises if they are ultimately “controlled” by foreign investors, and be subject to restrictions on foreign investments. However, the draft law has not taken a position on what actions will be taken with respect to the existing companies with the “variable interest entity” structure, whether or not these companies are controlled by Chinese parties. It is uncertain when the draft would be signed into law and whether the final version would have any substantial changes from the draft. See “Risks Related to Doing Business in China—Substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation of draft PRC Foreign Investment Law published for public comments and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

We have been further advised by our PRC counsel that if we, any of our wholly-owned subsidiaries, New Oriental China or any of its schools or subsidiaries are found to be in violation of any existing or future PRC laws or regulations or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the Ministry of 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, New Oriental China or New Oriental China’s schools and subsidiaries;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries and New Oriental China and its schools and subsidiaries;
- 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; or
- restricting or prohibiting our use of the proceeds of our future offering to finance our business and operations in China.

The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business and on our results of operations. If any of these penalties results in our inability to direct the activities of New Oriental China and its schools and subsidiaries that most significantly impact their economic performance, and/or our failure to receive the economic benefits from New Oriental China and its schools and subsidiaries, we may not be able to consolidate New Oriental China and its schools and subsidiaries 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, our wholly-owned subsidiaries in China or New Oriental China or its schools or subsidiaries.

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 New Oriental China, its schools and subsidiaries and its shareholder to operate substantially all of our education business. These contractual arrangements may not be as effective in providing us with control over New Oriental China as direct ownership. From the legal perspective, if New Oriental China, any of its schools and subsidiaries or its shareholder 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, 2015, 2016 and 2017, our variable interest entity(ies) contributed in aggregate 97.9%, 97.7% and 98.8%, 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 New Oriental China and its schools and subsidiaries, and our ability to conduct our business may be negatively affected, and we may not be able to consolidate the financial results of New Oriental China and its schools and subsidiaries into our consolidated financial statements in accordance with U.S. GAAP.

Our ability to enforce the equity pledge agreements between us and New Oriental China's shareholder may be subject to limitations based on PRC laws and regulations.

Pursuant to the equity pledge agreements among New Oriental China, Century Friendship and five of our wholly-owned subsidiaries in China, Century Friendship, as New Oriental China's sole shareholder, agrees to pledge its equity interests in New Oriental China to our subsidiaries to secure New Oriental China's and its schools and subsidiaries' performance of their obligations under the relevant contractual arrangements. The equity pledges of Century Friendship under these equity pledge agreements have been registered with the relevant local branch of the State Administration for Industry and Commerce, or SAIC. 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 when the obligor fails to pay the debt due. 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 New Oriental China or its shareholder 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 New Oriental China in an auction or private sale and remit the proceeds to our wholly-owned 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 New Oriental China. 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 Beijing Decision Education & Consulting Co., Ltd., or Beijing Decision, which is one of our PRC wholly-owned subsidiaries and a party to the option agreement with New Oriental China's shareholder, to designate another PRC person or entity to replace the existing shareholder of New Oriental China pursuant to the direct transfer option we have under the option agreement.

In addition, in the registration forms of the local branch of State Administration for Industry and Commerce for the pledges over the equity interests under the equity pledge agreements, the amount of registered equity interests pledged to our wholly-owned subsidiaries 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 wholly owned by Century Friendship, a PRC domestic company which is beneficially owned 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 13.5% of our total common shares issued and outstanding as of September 23, 2017. 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 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 SAIC. 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 New Oriental China and its schools and subsidiaries 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, New Oriental China and its schools and subsidiaries have the apparent authority to enter into contracts on behalf of such entities without chops. All designated legal representatives of our PRC subsidiaries and New Oriental China and its schools and subsidiaries are members of our 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 New Oriental China and its schools and subsidiaries, 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 New Oriental China and its schools and subsidiaries 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 and regulations.

The principal regulations governing private education in China are The Law for Promoting Private Education (2003) and The Implementation Rules for the Law for Promoting Private Education (2004). Under these regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. As of May 31, 2017, 22 of our schools elected as schools not requiring reasonable returns, 39 of our schools elected as schools requiring reasonable returns, and the remaining schools are not classified or registered as companies.

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

In some cities, our schools are registered as schools that require reasonable returns, while in other cities, our schools are registered as schools that do not require reasonable returns.

On November 7, 2016, the Standing Committee of the National People's Congress promulgated the Amended Law for Promoting Private Education, or the Amended Private Education Law, which took effect on September 1, 2017. Under the Amended Private Education Law, the term "reasonable return" is no longer used, and sponsors of private school may choose to establish non-profit or for-profit private schools at their own discretion. Sponsors of for-profit private schools are entitled to retain the profits from their schools and the operating surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations. Sponsors of non-profit private schools are not entitled to any distribution of profits from their schools and the entire income must be used for the operations of the schools. See "Item 4. Information on the Company—B. Business Overview—Regulation."

Upon the implementation of the Amended Private Education Law and the relevant regulations, if our schools choose to be for-profit private education entities, they may be subject to income tax at the rate of 25% and other taxes as if they were enterprises. For the year ended May 31, 2017, schools that accounted for approximately 60.3% of our consolidated net revenues were subject to a 25% income tax rate. Historically, the effective income tax rates for all our schools were 8.55%, 11.05% and 12.17% in the fiscal years ended May 31, 2015, 2016 and 2017, respectively. Additionally, the cost of reregistration may be involved if our schools choose to be for-profit private education entities, including the payment of overdue enterprise income tax. If our schools choose to be not-for-profit private education entities, our contractual arrangements with New Oriental China and its schools and subsidiaries may be subject to more stringent scrutiny. As a result, implementation of the Amended Private Education Law or the relevant regulations may adversely affect our results of operations. However, as the implementation rules for the Amended Private Education Law or the relevant regulations have not been issued yet, it remains uncertain how the Amended Private Education Law will be interpreted and implemented, what impact it would have on our business operations, and whether our schools meet the requirements and conditions to register as for-profit private schools and the cost or difficulties of the registration.

Our contractual arrangements 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.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our wholly-owned subsidiaries in China and New Oriental China and its schools and subsidiaries do not represent an arm's-length price and adjust New Oriental China or any of its schools' or its subsidiaries' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by New Oriental China or any of its schools or its subsidiaries, which could in turn increase its tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to New Oriental China and its schools and subsidiaries for underpaid 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.

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

PRC laws and regulations currently prohibit foreign ownership of primary and middle schools for students in grades one to nine in China, and restrict foreign ownership of high schools for students in grades ten to twelve. New Oriental China controls and operates a private primary and secondary school in Yangzhou and a private secondary school in Beijing. As the provision of private primary and middle school services is a heavily regulated industry in China, our existing and any new primary or middle schools we establish or acquire in the future may be subject from time to time to investigations, claims of non-compliance or lawsuits by governmental agencies, which may allege statutory violations, regulatory infractions or other causes of action. If the results of the investigations are unfavorable to us, we may be subject to fines, injunctions or other penalties that could have an adverse impact on our results of operations. Even if we adequately address the issues raised by a government investigation, we may have to devote significant financial and management resources to resolve these issues, which could harm our business.

We 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 approved by 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 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. SAFE Circular 142 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 the SAIC and, unless set forth in the business scope or in other regulations, may not be used for equity investments within the PRC. In addition, SAFE 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. We expect that if we convert the net proceeds from offshore offerings into RMB pursuant to SAFE Circular 142, our use of RMB funds will be for purposes within the approved business scope of our PRC subsidiaries. However, we may not be able to use such RMB funds to make equity investments in China through our PRC subsidiaries. SAFE promulgated the Notice on Reforming the Management Method relating to Conversion of the Capital Contribution of Foreign Invested Company from Foreign Exchange to Renminbi, or SAFE Circular 19, effective June 2015, which abolished SAFE Circular 142, but the foregoing rules have been retained in SAFE Circular 19. SAFE promulgated the Notice on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, or SAFE Circular 13, effective in June 2015. Pursuant to SAFE Circular 13, annual foreign exchange inspection of direct investment is not required anymore and the registration of existing equity is required. SAFE Circular 13 also grants the authority to banks to examine and process foreign exchange registration with respect to both domestic and offshore direct investment. SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, effective in June 2016. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to RMB on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted RMB shall not be provided as loans to its non-affiliated entities. As SAFE Circular 16 is newly issued and SAFE has not provided detailed guidelines with respect to its interpretation or implementations, it is uncertain how these rules will be interpreted and implemented. See also "Item 4. Information on the Company—B. Business Overview—Regulation."

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. Under PRC laws and regulations, the PRC government authorities are required to process such approvals or registrations or deny our application within a prescribed period which is usually less than 90 days, but may be longer due to administrative delay. 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 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

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

Substantially all of our business operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth for over three decades, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. While some of these measures benefit the overall PRC economy, they may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments, conversion of foreign exchange into Renminbi or changes in tax regulations that are applicable to us. In addition, future actions or policies of the PRC government to control the pace of economic growth may cause a decrease in the level of economic activity in China, which in turn could materially affect our liquidity and access to capital and our ability to operate our business.

In addition, the changes in the policies regarding the control of foreign exchange could adversely affect our business. In 2016, PRC government implemented various measures and policies regarding strengthening the management and supervision control of foreign control in both capital item and current item, which resulted in extension of time in the filing, registration and approval procedures of local branches and authorized banks in foreign control activities, and could result in delayed payment of salary to foreign employees by our subsidiaries and subsidiaries of our variable interest entity. The evolving policies regarding strengthening the management and supervision control of foreign control could adversely affect 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.

The global financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and it is facing new challenges, including the escalation of the European sovereign debt crisis since 2011 and the slowdown of the Chinese economy since 2012. It is unclear whether the European sovereign debt crisis will be contained and when the Chinese economy will resume the high growth rate. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's. There have also been concerns over unrest in the Middle East and Africa, which have resulted in higher oil prices and significant market volatility, and over the possibility of a war involving Iran. There have also been concerns about the economic effect of the earthquake, tsunami and nuclear crisis in Japan and the relationship between China and Japan.

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 aware of our violation of these policies, rules and interpretations until sometime after the violation. In addition, any litigation in China may be protracted and may result in substantial costs and diversion of resources and management attention.

Substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation of draft PRC Foreign Investment Law published for public comments and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Ministry of Commerce has solicited comments on this draft and substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation.

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company is considered a foreign-invested enterprise. The draft Foreign Investment Law specifically provides that entities established in China but “controlled” by foreign investors will be treated as foreign-invested enterprises, whereas an entity established in China by an investor from a foreign jurisdiction would nonetheless be, upon market entry clearance by the Ministry of Commerce, treated as a PRC domestic investor in a restricted industry as indicated in the “negative list,” provided that the entity is “controlled” by PRC entities and/or citizens. In this connection, “control” is broadly defined in the draft law to cover the following summarized categories: (i) holding 50% or more of the shares, voting rights or other similar rights of the subject entity; (ii) holding less than 50% of the shares, voting rights or other similar rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exert material influence on the board, the shareholders’ meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial matters or other key aspects of business operations. Once an entity is determined to be a foreign-invested enterprise, it will be subject to the foreign investment restrictions or prohibitions set forth in a “negative list,” to be separately issued by the State Council at a later date. Unless the underlying business of the foreign-invested enterprise falls within the negative list, which calls for market entry clearance by the Ministry of Commerce, prior approval from the government authorities as mandated by the existing foreign investment legal regime would no longer be required for establishment of the foreign-invested enterprise.

The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “Item 3 Key Information — D. Risk Factors — Risks Related to Our Corporate Structure” and “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with New Oriental China, its Schools and Subsidiaries and its Shareholder.” Under the draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangement would also be deemed as foreign-invested enterprises, if they are ultimately “controlled” by foreign investors. Therefore, for any companies with a VIE structure in an industry category that is included in the “negative list” as restricted industry, the VIE structure may be deemed legitimate if the ultimate controlling person(s) is/are of PRC nationality (either PRC companies or PRC citizens) or the foreign investment obtains market entry clearance from the Ministry of Commerce. Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as foreign-invested enterprises and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal. There are uncertainties as to whether the Foreign Investment Law, once it is enacted, will have retrospective effect on existing VIE structures such as ours, or will grant real and full grandfathering and grace periods for such existing VIE structures.

It is likely that we would not be considered as ultimately controlled by Chinese parties, as our record shareholders in the U.S. hold a substantial majority of our total voting power. The draft Foreign Investment Law has not taken a position on what actions will be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by Chinese parties, while it has solicited comments from the public on this point. If the enacted version of the Foreign Investment Law and the final “negative list” mandate further actions, such as market entry clearance or certain restructuring of our corporate structure and operations, to be completed by companies with existing VIE structure like us, there may be substantial uncertainties as to whether we can complete these actions in a timely manner, or at all, and our business and financial condition may be materially and adversely affected.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable foreign-invested enterprises. Aside from an investment implementation report and an investment amendment report that are required for each investment and alteration of investment specifics, an annual report is mandatory, and large foreign-invested enterprises meeting certain criteria are required to report on a quarterly basis. Also, the Ministry of Commerce may supervise and examine the foreign investors and the FIEs regularly or irregularly on their compliance with the Foreign Investment Law. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

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

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

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.

We are required to obtain and maintain various licenses and permits and fulfill registration and filing requirements in order to conduct and operate our business. For instance, to establish and operate a school to provide language training and test preparation services, we are required to obtain a private school operating permit and to make necessary filings for each learning center with the local counterparts of the Ministry of Education and the Ministry of Civil Affairs. In June 2017, the Chengdu Education Bureau, Chengdu Civil Affairs Bureau and certain other local governmental authorities issued the Bulletin on Governing the Operation of Private Cultural and Educational Training Activities, which provides that private schools may not establish branches. It is uncertain whether the implementation rules of the Amended Private Education Law and other supporting regulations will have more stringent requirements for learning centers, such as requiring all learning centers nationwide to obtain private school operating permits. If we fail to comply with applicable legal requirements, we may be subject to fines, confiscation of any gains derived from our non-compliant operations or the suspension of our non-compliant operations, which may materially and adversely affect our business and results of operations. Our business is also subject to various health, safety and other regulations that affect various aspects of our business in the cities in which we operate 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. 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 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." 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. The failure of these beneficial owners to timely amend their SAFE registrations, if required, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in the SAFE notice may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends 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 establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

In August 2006, the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, 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. 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. We may expand our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rules 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.

Increases in labor costs in the PRC may adversely affect our business and our profitability.

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China, the broadest measure of inflation, was 1.5% for May 2017. China's overall economy and the average wage in the PRC are expected to continue to grow. As a result, the average wage level for our employees has also increased in recent years. Future increases in China's inflation and material increases in the cost of labor may diminish our competitive advantage and, unless we are able 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.

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 the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

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

The value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. The conversion of the RMB into foreign currencies, including the U.S. dollar, has been based on exchange rates set by the People's Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation was halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB 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 the RMB and the U.S. dollar in the future. In addition, there remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in further appreciation in the value of the RMB against the U.S. dollar.

Our revenues and costs are mostly denominated in the RMB, and a significant portion of our financial assets are also denominated in RMB. We may rely entirely on dividends and other fees paid to us by our subsidiaries and New Oriental China and its schools and subsidiaries in China. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, a further appreciation of the RMB against the U.S. dollar would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into the RMB for such purposes. 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 ADSs.

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. 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 and other supplemental rules promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation 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.

In December 2008, two of our wholly-owned subsidiaries in China, Beijing Hewstone Technology Co., Ltd., or Beijing Hewstone, and Beijing Decision Education & Consulting Co., Ltd., or Beijing Decision, and one subsidiary of New Oriental China, Beijing New Oriental Xuncheng Network Technology Co., Ltd., or Xuncheng Network, were recertified as "high and new technology enterprise" in Beijing. In November 2015, one of our wholly-owned subsidiaries in China, Beijing Pioneer Technology Co., Ltd., or Beijing Pioneer, was certified as a "high and new technology enterprise." In December 2016, one of our wholly-owned subsidiaries in China, Beijing Smart Wood Software Technology Co., Ltd., or Beijing Smart Wood, was also certified as a "high and new technology enterprise." All of them are entitled to a 15% tax rate as long as they continue to qualify as "a high and new technology enterprise." Enterprises that qualify as a "software enterprise" are 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. Seven of our wholly-owned subsidiaries in China, Beijing Smart Wood, Beijing Joy Tend, Beijing Right Time, Beijing Top, Beijing Shenghe, Beijing Magnificence and Beijing Jinghong, are qualified as software enterprises. Beijing Smart Wood was entitled to an income tax exemption from in 2012 and 2013 followed by reduced income tax at a rate of 12.5% from 2014 through 2016. Beijing Right Time and Beijing Joy Tend were exempt from income taxes in 2013 and 2014 and are eligible for reduced income taxes at a rate of 12.5% from 2015 through 2017. Beijing Top and Beijing Shenghe were exempt from income taxes in 2014 and 2015 and are eligible for reduced income taxes at a rate of 12.5% from 2016 through 2018. Beijing Magnificence is entitled to an income tax exemption in 2015 and 2016 followed by reduced income tax at a rate of 12.5% from 2017 through 2019. Beijing Jinghong is entitled to an income tax exemption in 2017 and 2018 followed by reduced income tax at a rate of 12.5% from 2019 through 2021.

According to the Implementation Rules for the Law for Promoting Private Education (2004), private schools that do not require reasonable returns enjoy the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools requiring reasonable returns shall be separately formulated by the relevant authorities under the State Council. As of May 31, 2017, 22 of our schools elected as schools not requiring reasonable returns, 39 of our schools elected as requiring reasonable returns and the remaining schools were not classified or registered as companies. The implementation rules of the EIT Law provide certain conditions under which not-for-profit entities may be exempted from enterprise income tax. According to such conditions, our schools may not be entitled to income tax exemption. To date, however, no separate specific regulations or policies have been promulgated by the relevant authorities in this regard and 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 starting from January 1, 2008, 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. Shanghai promulgated the Interim Measures for the Registration of Operational Private Training Institutions, or Measure No. 5, which requires for-profit private training institutions to register with local administration of industry and commerce bureau. The Measure No. 5 came into effect in August 2013 and expired after two years. However, based on telephone inquiries our PRC counsel made to the Shanghai Municipal Education Commission, these provisional measures still apply in practice, since no alternative regulation is currently available. Our school in Shanghai has been subject to 25% standard enterprise income tax, and is thus not affected by Measure No. 5. However, if similar regulations or policies are promulgated in other cities where we operate, and our schools choose to be or are required to be registered as for-profit private training institutions, they may be required to pay 25% standard enterprise income tax, which may be higher than the tax rates they are currently subject to, and our results of operations may be materially and adversely affected. Beijing Haidian School was not required by the governing tax bureau to pay any EIT since its establishment through May 31, 2017. Prior to the promulgation of new laws and regulations or significant changes of tax policy are made by the competent tax authorities, Beijing Haidian Schools may continue their current income tax treatment subject to the current practice of tax authorities. As the Amended Private Education Law took effect on September 1, 2017, the income tax treatment of Beijing Haidian Schools shall be judged according to the specific provisions promulgated by the competent departments of finance, taxation and education of the State Council and/or Beijing government.

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 State Administration of Taxation 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 State Administration of Taxation 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. 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 State Administration of Taxation’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 State Administration of Taxation 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.

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, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, which was issued in 2008, and the Notice of the State Administration of Taxation Regarding Interpretation and Recognition of Beneficial Owners under Tax Treaties, which became effective in October 2009, 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 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.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the State Administration of Taxation in December 2009, where a foreign investor transfers the equity interests in a PRC resident enterprise indirectly via disposition of the equity interests of an overseas holding company, or an "Indirect Transfer," and such overseas holding company is located in a tax jurisdiction that (1) has an effective tax rate less than 12.5% or (2) does not tax foreign income of its residents, the foreign investor shall report the Indirect Transfer to the competent PRC tax authority. The PRC tax authority will examine the nature of such Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an "abusive arrangement" in order to reduce, avoid or defer PRC taxes, it may disregard the existence of the overseas holding company and re-characterize the Indirect Transfer such that gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. Circular 698 was partially terminated by the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or Bulletin 7, pursuant to which where a non-resident enterprise indirectly transfers properties such as equity in PRC resident enterprises without any justifiable business purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in PRC resident enterprise. To determine whether there are reasonable commercial purposes, all arrangements related to the indirect transfer of PRC taxable properties shall be considered comprehensively and factors set out in the Announcement shall be comprehensively analyzed in light of the actual situation.

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

The audit report included in this annual report is prepared by auditors who are not inspected by the Public Company Accounting Oversight Board and, as such, you are deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the US Securities and Exchange Commission (the "SEC") as auditors of companies that are traded publicly in the United States and a firm registered with the U.S. Public Company Accounting Oversight Board (the "PCAOB"), is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in the Peoples' Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the PRC government authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other accounting firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

If additional remedial measures are imposed on the "big four" PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging such 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 Securities Exchange Act of 1934, as amended, or the Exchange Act.

Starting in 2011 the Chinese affiliates of the "big four" accounting firms, including our independent registered public accounting firm, were affected by a conflict between U.S. and PRC law. Specifically, for certain U.S. listed companies operating and being audited in mainland China, the SEC and the PCAOB sought to obtain from the Chinese accounting firms access to their audit work papers and related documents. The accounting firms were, however, advised and directed that under PRC 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 China Securities Regulatory Commission, or 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 accounting 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 commissioners of the SEC had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepted 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.

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 to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these accounting firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

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

Risks Related to Our ADSs

The market price for our ADSs may be volatile.

The market price for our ADSs has fluctuated significantly since our ADSs became listed on the New York Stock Exchange, or the NYSE, on September 7, 2006. See “Item 9. The Offer and Listing—C. Markets” for more information. The market price for our ADSs 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,
- 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 in the public market, and
- general economic, regulatory or political conditions in China and the U.S.

In addition, the stock market in general, and the market prices for companies with operations in China in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other 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. Further, the global financial crisis and the ensuing economic recessions in many countries and the slowing Chinese economy have contributed and may continue to contribute to extreme volatility in the U.S. stock market. These broad market and industry fluctuations may adversely affect our operating performance. Volatility or a lack of positive performance in our ADS price may also adversely affect our ability to retain key employees, some of whom have been granted options and other share incentives under our share incentive plans.

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

We believe that our current cash and cash equivalents 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 continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary principally depending on the timing of new school and learning center openings, investments and/or acquisitions, and the amount of cash flow from our operations. If our 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 global economic recession. 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 open additional schools and learning centers, 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 securities or industry analysts publish negative reports about our business, the price and trading volume of our ADSs securities could decline.

The trading market for our ADSs is 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 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 ADSs or trading volume to decline.

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

Except as described in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attaching to the common shares evidenced by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the common shares represented by the ADSs. You may not receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. Upon our written request, the depositary will mail to you a shareholder meeting notice which contains, among other things, a statement as to the manner in which your voting instructions may be given, including an express indication that such instructions may be given or deemed given to the depositary to give a discretionary proxy to a person designated by us if no instructions are received by the depositary from you on or before the response date established by the depositary. However, no voting instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which we inform the depositary that (1) we do not wish such proxy given, (2) substantial opposition exists or (3) such matter materially and adversely affects the rights of shareholders.

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

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the 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.

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

Your 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.

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

We are incorporated 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 outside of the United States. As a result, it may be difficult for you to effect service of process within the United States or elsewhere outside the Cayman Islands and China upon us or our executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. It may also be difficult or impossible for you to bring an action against us or against our executive officers in the Cayman Islands or in China in the event that you believe that your rights as an ADS holder have been infringed under the securities laws of the United States or otherwise. Even if you are successful in bringing an action of this kind in the United States, the respective laws of the Cayman Islands and China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will generally recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. Moreover, our PRC counsel has advised us that the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts.

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

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law (2013 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial 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. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States, and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States.

As a result of all of the above, holders and beneficial owners of our ADSs 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.

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 ADSs may fall and the voting and other rights of the holders of our common shares and ADSs may be materially and adversely affected.

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

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 its average quarterly assets as determined on the basis of fair market value during such year produce or are held for the production of passive income.

Although the law in this regard is unclear, we treat New Oriental China as being owned by us for U.S. federal income tax purposes, not only because we control its management decisions but also because we are entitled to substantially all of the economic benefits associated with this entity, and, as a result, we consolidate this entity’s operating results in our combined financial statements. If it were determined, however, that we are not the owner of New Oriental China for U.S. federal income tax purposes, we may be or become a PFIC. Assuming that we are the owner of New Oriental China for U.S. federal income tax purposes, and based upon an analysis of our company’s income and assets in respect of the 2017 taxable year, we do not believe that we were a PFIC, for U.S. federal income tax purposes, for the taxable year ended May 31, 2017. In light of the amount of our cash balances and 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, the determination of whether we will be or become a PFIC will depend in large part upon the market value of our ADSs, of 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 income and assets over time, which are subject to change from year to year. There can be no assurance that our business plans will not change in a manner that will affect the composition of our income and assets and our PFIC status. Because there are uncertainties in the application of the relevant rules and 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”) 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 generally will 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.”

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our first school was established by 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 25, 2006, our shareholders approved the change of our offshore holding company’s corporate domicile to the Cayman Islands, and 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.

Xuncheng Network, a majority-owned subsidiary of New Oriental China, which operates our online education platform, Koolearn.com, submitted an application for the listing and open transfer of its shares on the National Equities Exchange and Quotations in China. The listing application has received the approval from the National Equities Exchange and Quotations Co. Xuncheng Network’s shares have started trading on the NEEQ since March 21, 2017.

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 65 cities in China.

B. Business Overview

We are the largest provider of private educational services in China based on the number of program offerings, total student enrollments and geographic presence. We offer a wide range of educational programs, services and products, consisting primarily of language training and test preparation, primary and secondary school education, online education, content development and distribution, overseas study consulting services, pre-school education and study tour. We provide educational services primarily under our “New Oriental” brand, which we believe is the leading consumer brand in China’s private education sector.

Since our inception in 1993, we have had approximately 30.1 million cumulative student enrollments. In the fiscal year ended May 31, 2017, we had over 4.8 million student enrollments, including approximately 4.0 million student enrollments in our K-12 after-school tutoring courses, approximately 0.6 million student enrollments in our test preparation courses and approximately 0.1 million student enrollments in our language training programs. We deliver our educational programs, services and products to students through an extensive physical network of schools, learning centers and bookstores, as well as through our virtual online network.

Our total net revenues increased from US\$1,246.8 million for the fiscal year ended May 31, 2015 to US\$1,799.5 million for the fiscal year ended May 31, 2017, representing a compound annual growth rate, or CAGR, of 20.1%. Net revenues from our language training and test preparation courses accounted for 83.4%, 83.8% and 83.9%, respectively, of our total net revenues in the fiscal years ended May 31, 2015, 2016 and 2017. Net income attributable to New Oriental Education & Technology Group Inc. increased from US\$193.0 million in the fiscal year ended May 31, 2015 to US\$274.5 million in the fiscal year ended May 31, 2017, representing a CAGR of 19.3%.

Our Network

As of May 31, 2017, we deliver our educational programs, services and products to students through our extensive network of 77 schools, 855 learning centers and 20 bookstores operated by us, approximately 22,000 teachers in 65 cities, and websites, which had approximately 17.0 million registered users, as well as through 187 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, which has been essential in helping us promote our brand and our programs, services and products by word-of-mouth referrals and through our students' and alumni's academic and career achievements. We plan to continue to open new schools and learning centers in cities that exhibit strong enrollment potential.

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

We lease all of our facilities except for our Yangzhou school, part of the premises for our headquarters in Beijing and our schools in Xi'an, Tianjin, Kunming, Wuhan, Guangzhou, Xiamen, Changsha and Zhengzhou. The following table sets forth information concerning the locations of our schools, learning centers and bookstores as of May 31, 2017.

<u>City</u>	<u>Number of schools</u>	<u>Number of learning centers</u>	<u>Number of bookstores</u>
Beijing	5	92	1
Shanghai	1	51	1
Guangzhou	1	30	1
Wuhan	1	48	1
Yangzhou	3	—	—
Tianjin	1	27	—
Xi'an	1	21	1
Nanjing	2	17	—
Shenyang	1	26	—
Chongqing	1	13	1
Chengdu	1	24	1
Shenzhen	1	15	—
Xiangyang	1	9	—
Taiyuan	1	24	1
Haerbin	1	14	1
Changsha	1	24	—
Jinan	1	17	—
Zhengzhou	1	34	—
Hangzhou	1	21	1
Changchun	3	14	1
Shijiazhuang	1	11	—
Suzhou	1	29	1
Zhuzhou	1	2	—
Anshan	1	1	—

<u>City</u>	<u>Number of schools</u>	<u>Number of learning centers</u>	<u>Number of bookstores</u>
Hefei	1	23	—
Kunming	1	20	1
Wuxi	1	10	—
Foshan	1	5	—
Fuzhou	1	12	—
Yichang	1	3	—
Nanchang	1	23	1
Jingzhou	1	4	—
Dalian	1	7	1
Lanzhou	1	9	1
Huangshi	1	2	—
Ningbo	1	6	—
Xiamen	1	19	—
Qingdao	4	10	—
Nanning	1	6	—
Xuzhou	1	6	1
Xiangtan	1	1	—
Zhenjiang	1	3	—
Luoyang	1	5	—
Nantong	1	—	—
Jilin	1	5	—
Guiyang	1	5	—
Hohhot	1	4	1
Tangshan	1	7	—
Urumqi	1	7	1
Shiyuan	1	3	—
Quanzhou	1	—	—
Wenzhou	1	1	—
Weifang	1	2	—
Zhuhai	1	1	1
Jinzhou	1	2	—
Baoding	1	1	—
Yantai	1	1	—
Taian	1	—	—
Kaifeng	1	—	—
Cangzhou	1	—	—
Qinhuangdao	1	—	—
Anyang	1	—	—
Handan	1	—	—
Zhangzhou	1	—	—
Nanyang	1	1	—
Total	<u>77</u>	<u>778</u>	<u>20</u>

Our Programs, Services and Products

We provide a wide variety of educational programs, services and products. We deliver education to our students primarily in traditional classroom settings and also through online instruction. With the exception of the full-time primary and secondary school in Yangzhou and a full-time secondary school in Beijing, our classroom-based courses are generally designed to be completed in 2 to 16 weeks. Course fees are determined based on the length of the course, the size and the subject of the class, the area of study and the geographic location of the school. We update and expand our course offerings frequently in response to evolving market needs. We currently have a full-time staff of approximately 700 people involved in our centralized curriculum development process. Our program, service and product offerings are generally divided into seven areas: test preparation; K-12 after-school tutoring; language training; primary and secondary schools; educational content, software and other technology development and distribution; online education; and other services and products.

Test Preparation Courses

We offer test preparation courses to students taking language and entrance exams used by educational institutions in the United States, the PRC and Commonwealth countries. In our fiscal year ended May 31, 2017, we had approximately 612,000 student enrollments in our test preparation courses, of which approximately 298,000 were in overseas test preparation courses, 314,000 were in PRC test preparation courses.

We offer test preparation courses for the following major overseas exams: TOEFL, SAT, ACT, IELTS, GRE, GMAT, LSAT, BEC and TOEIC. In addition, we offer test preparation classes for the following major PRC admissions tests: CET 4, CET 6, National Tests for Entrance into Master's Degree Programs, and PETS.

In our fiscal year ended May 31, 2017, approximately 31.7% and 10.0% of the total student enrollments in our overseas test preparation courses took place in Beijing and Shanghai, respectively, and approximately 13.0% and 10.4% of the total student enrollments in our PRC test preparation courses took place in Xi'an and Beijing, respectively. Our test preparation courses focus on quality instruction and test-taking techniques designed to help students achieve high scores on the admissions and assessment tests. Except for the customized VIP class, our experienced teachers generally teach in classes ranging from 6 to 50 students. Our students enroll in a 50- to 240-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 RMB1,500 to RMB30,000 per course.

K-12 After-School Tutoring Courses

After-School Tutoring Courses for Middle School and High School Students. Given the intense competition to gain admission into top high schools and higher education institutions in China, exam scores can be a deciding factor in gaining admission. Our after-school tutoring courses for middle school and high school students are designed to supplement students' regular school curricula and help students achieve better scores on entrance exams for admission into high schools or higher education institutions.

English proficiency is tested as a major subject of entrance exams for admission into China's high schools, colleges and universities. In 2002, we first established English after-school training program for middle and high school students. In March 2008, we launched our "New Oriental U-Can All Subjects" training program, which targets middle and high school Chinese students from ages 13 to 18 who are preparing for the high school entrance examination in China, known as the zhongkao and the college entrance examination, known as the gaokao. The gaokao is required for admission to bachelor degree programs and most associate degree programs at Chinese colleges and universities. To complement New Oriental U-Can All Subjects training program, we provide tutoring services to students who seek to retake the gaokao through Tongwen Gaokao School, a private school based in Changchun. In February 2009, we launched a customized learning program for students from ages 12 to 18, offering small class size tutoring ranging from one to five students per class, in all subjects required for the college and high school entrance examinations, respectively. With this strategy of offering affordable larger classes and higher priced individualized small classes for school aged children, we aim to capture more market share in the after-school training market in China.

Our typical U-Can All Subjects after-school tutoring courses for middle school and high school students last for 8 to 16 weeks with classroom instruction one to four times per week for 2 to 3 hours per visit. We also offer more intensive and condensed versions of our courses, in particular during the summer months when many academic institutions are on summer break. The sizes of these courses typically range from 6 to approximately 150 students per class.

In our fiscal year ended May 31, 2017, we had approximately 2,216,000 student enrollments in our after-school tutoring courses for middle school and high school students, and approximately 20.2% and 9.1% of the enrollments took place in Beijing and Xi'an, respectively. Course fees for our all subject after-school tutoring courses for middle school and high school students range from approximately RMB400 to approximately RMB5,000 per course.

After-School Tutoring Courses for Children. English is a major subject in elementary schools. We established our English for children program in 2002 for children in kindergarten through grade six and it has achieved rapid growth since that time. We designed our English for children 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 child 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 offered after-school tutoring courses in English, math, Chinese, writing, music and arts for children in kindergarten and elementary schools.

Our after-school tutoring courses for children are typically divided into classes of 6 to approximately 25 students per class. Students attend class one to four times per week for 2 to 3 hours per class. We test our students to measure their progress and make sure they are progressing as needed to advance to the next book and class level without jeopardizing the fundamentals that will allow them to excel in the future.

To enhance our Pop Kids English program, we cooperate with the Sino-British Academic Exchange Center for Education Measurement (SBC), Cambridge ESOL's sole representative in China, for the administration of the Cambridge Young Learners English exam (YLE) to our students in the Pop Kids English program. Cambridge ESOL is a not-for-profit department of the University of Cambridge focusing on examinations for the English language. We currently administer the YLE exam for our POP Kids English students in 17 cities.

In our fiscal year ended May 31, 2017, we had approximately 1,739,000 student enrollments in our Pop Kids All Subjects after-school tutoring courses and approximately 10.9% and 9.2% of the enrollments took place in Beijing and Wuhan, respectively. Course fees for these courses range from approximately RMB300 to approximately RMB3,600 per course.

Language Training Courses for Adults

We provide various types of English language training courses as well as training courses for other foreign languages, including German, Japanese, French, Korean, Italian and Spanish.

English language training courses is a primary component of our language training courses. Many employers in China, including foreign-invested enterprises, multinational corporations' branch offices as well as domestic enterprises involved in international business transactions or the tourism industry, require their employees to have a high level of English proficiency. Our English for adults program offers courses designed to teach and improve students' English writing, reading, listening and speaking skills. Our schools and learning centers also have language labs at which our students can listen to and recite spoken passages on CDs and audio tapes to improve their listening and speaking skills. A typical course lasts for 6 to 12 weeks with classroom instruction 1 to 5 times per week for 1.5 to 5 hours per visit. We also offer more intensive and condensed versions of our courses, in particular during the summer months when many academic institutions are on summer break. The sizes of our English courses for adults typically range from 6 to approximately 50 students per class.

In our fiscal year ended May 31, 2017, we had approximately 90,000 student enrollments in our English courses for adults and approximately 36.9% and 15.8% of the total enrollments were for courses taught in Beijing and Shanghai, respectively. Course fees for our English courses for adults range from approximately RMB300 to approximately RMB3,600 per course.

Primary and Secondary Schools

We established the first full-time private primary and secondary school in Yangzhou in 2002. This is a private boarding school for students in grades 1 to 12 seeking a full curriculum taught in both Chinese and English, with a strong emphasis on English language training. We target parents who desire to provide their children with a global vision and an understanding and appreciation of both traditional Chinese culture and the modern world, a competitive advantage in academics and social development and English language proficiency. Our goal is to develop the Yangzhou school, and other new schools to be established in the future, into elite schools whose students consistently gain acceptance into the top universities in China and around the world.

We attempt to immerse our students in the English language at an early age through native English speaking teachers and activities designed to emphasize early and significant exposure to a bilingual environment. The Yangzhou private school has a capacity of up to 4,000 students. As of May 31, 2017, there were over 3800 students at the Yangzhou school, approximately 48% of whom came from Yangzhou, with the remainder from various parts of China. Our students must take an admission test and undergo an interview to gain acceptance into our school.

There are over 400 teachers and 300 supporting staff at the Yangzhou school. The school has been regarded as one of the best primary and secondary schools in the local market since shortly after its inception. In our fiscal year ended May 31, 2017, the school accepted 1,121 students out of over approximately 1,900 applicants from the local market as well as elsewhere in China.

The Yangzhou school has received various accreditations from local authorities. We work closely with the local educational authorities to make sure that our curriculum is compatible with public school curriculums and covers the full spectrum of required courses. We have also expanded our curriculum to include subjects, activities and techniques that teach the students to learn and think independently. There is less emphasis on memorization and recitation and greater emphasis on creative thinking and analytical activities. We use computers as a major part of our teaching and learning methods and encourage students to learn in an interactive format. In our fiscal year ended May 31, 2017, tuition at the Yangzhou school ranged from RMB22,000 to RMB75,000 per year.

In July 2006, we established an international high school program within the Yangzhou school. In July 2010, we opened an international high school in Beijing. Our international high school aims to provide students with a full curriculum of high school education in a bilingual environment while preparing them for admission into foreign universities. Each of the students of the class of 2017 of the international high school program at our Yangzhou school was admitted into at least one of the top 100 universities in the United States. In our fiscal year ended May 31, 2017, tuition at our international school ranges from RMB95,000 to RMB120,000 per year.

Educational Content, Software and other Technology Development and Distribution

We develop and edit educational materials for language training and test preparation, such as books, software, CD-ROMs, magazines and other periodicals. We distribute these materials through various distribution channels, consisting of our classrooms and bookstores as well as third-party distributors. In the fiscal year ended May 31, 2017, we developed and edited about 235 titles and distributed approximately 15.5 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 English language area.

Our extensive distribution channels have attracted international education content providers to cooperate with us in distributing localized versions of their materials in China. We currently have arrangements with British Council, Cengage Learning, Coursera, Monash College Pty Ltd, NCUK, International Baccalaureate, Bell Education, ETS, HMH, Cambridge University Press, Cambridge English Language Assessment, The McGraw-Hill Companies, Pearson Education, Oxford University Press, Harper Collins or their respective authorized local publishers, to develop and distribute localized versions of selected educational materials in China, some of which bear both our logo and the original publisher's logo. We plan to establish additional strategic relationships with leading international education content providers to enrich our content offerings.

Online Education

We offer online education programs on our website www.koolearn.com and www.koo.cn. As of May 31, 2017, approximately 17.0 million users had registered accounts with us, with access to free informational content on our website. In the fiscal year ended May 31, 2017, we had approximately 855,000 users that paid for additional access to our specialized education programs. These users purchase pre-paid cards that give them the right to use our paid content for a specific period of time or for specific courses.

In the fiscal year ended May 31, 2017, we offered approximately 4,600 new online courses, including language training courses, test preparation courses, professional certification courses, and business knowledge and skills training courses in the areas of accounting, legal, management and others. We have live interactive online courses as well as courses that allow students to view replays of pre-recorded lectures. Our online courses are particularly attractive to students who need the flexibility to prepare at any time of the day or night and on short notice. As a supplement to our online courses, we also offer many online study services, including course planning, testing, composition correcting and one-on-one tutoring. Our online tools provide more flexibility by offering our students the ability to choose their best and most convenient way of learning as they experience our programs.

Partially through our Koolearn.com website, we also offer enterprise clients customized training services. By working closely with enterprise clients, we gain a good understanding of the clients' specific training needs and design training solutions to meet those needs. We also have the capability to develop customized e-learning management systems for enterprise clients.

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 students with the immigration process for overseas studies, such as obtaining visas and housing. We charge each student a fee based on the scope of consulting services requested by the student.

Pre-school Education. In September 2007, we established our pre-school business with the opening of our first kindergarten in Beijing. We opened our second kindergarten in Nanjing in April 2009, the third one in Yangzhou in August 2014 and the fourth one in Beijing in January 2017. As of May 31, 2017, there were approximately 940 students at these four kindergartens. In December 2014, we acquired a kindergarten chain in the city of Qingdao with three schools, which had approximately 750 students as of May 31, 2017.

Brand Name Cooperation. In January 2010, we established a small pilot program whereby we permit third parties in certain small cities to offer our "Pop Kids" English program and "New Oriental Star" kindergarten program under a brand name cooperation model. The cooperation schools operated by such third parties are not included in the counts of our schools and learning centers, and student enrollments from these schools are not included as our student enrollments. In October 2013, we terminated the brand name cooperation for "New Oriental Star" kindergarten program. As of May 31, 2017, there were a total of 14 brand cooperation schools offering our "Pop Kids" English program. For the fiscal years ended May 31, 2015, 2016 and 2017, we recognized revenues in an aggregate amount of US\$680 thousand, US\$265 thousand and US\$311 thousand, respectively, from license and training fees received from these schools.

Overseas Study Tour. In May 2012, we started our overseas study tour business, organizing primary and middle school 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. For the fiscal year ended, May 31, 2017, we recognized revenues of US\$17.3 million from organizing overseas study tour.

Marketing and Student Recruitment

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

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

Speeches and Seminars. Our management, most of whom are experienced teachers and were among our earliest teachers, and our top teachers frequently give speeches at colleges, universities, high schools and middle schools and to student groups, parent groups and educational organizations. They also participate in educational seminars and workshops. 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.

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

Distribution of Marketing Materials. We use New Oriental “booths” and “information tables” to distribute free inspirational books authored by our executive chairman Michael Minhong Yu and others, informational brochures, posters and flyers at various on-campus events, educational expos, conferences and college and employment fairs. We also conduct extensive free information sessions to introduce our programs to our target markets.

Advertisements. We advertise through our own websites and also on China’s leading portals. We also have advertising arrangements with many Chinese national and regional newspapers and other media outlets, including school campus newspapers. In addition, we advertise through local radio stations and other advertisement platforms, including building lobby or elevator LCD displays and outdoor advertisement displays.

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

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

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 nationwide competition for our IELTS preparation courses from Global IELTS School, which offers IELTS preparation courses in many cities in China. We face regional competition for our English for children program from several competitors that focus on children’s English language training in specific regions, including English First. We face limited competition from many competitors that focus on providing international and/or PRC test preparation courses in specific geographic markets in China. We also face competition from companies that focus on providing after-school tutoring services, including TAL Education Group and Xueda Education Group.

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

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

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

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

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 courses tend to have the largest student enrollments in our first fiscal quarter, which runs from June 1 to August 31 of each year, primarily because many students enroll in our courses during the summer vacation to enhance their foreign language skills and/or prepare for admissions and assessment tests in subsequent school terms. In addition, we have generally experienced larger student enrollments in our third fiscal quarter, which runs from December 1 to February 28 of each year, primarily because many students enroll in our language training and other courses during the winter school holidays. 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 General Administration of Press and Publication, or GAPP, the Ministry of Industry and Information Technology, or the MIIT, the SAIC, the Ministry of Civil Affairs and their respective authorized local counterparts.

Regulations on Private Education

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

Education Law of the PRC

The National People's Congress enacted the Education Law of the PRC, or the Education Law, most recent amendment effective on June 1, 2016. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school system of pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education and a system of education certificates. The Education Law stipulates that the government should formulate plans for the development of education and establish and operate schools and other institutions of education, and that in principle, enterprises, social organizations and individuals are encouraged to operate schools and other types of educational organizations in accordance with PRC laws and regulations. However, no organization or individual may establish or operate a school or any other institution of education for profit-making purposes, though private schools may be operated for "reasonable returns," as described in more detail below.

On December 27, 2015, the National People's Congress amended the Education Law of the PRC, which became effective on June 1, 2016. The amended Education Law of the PRC, among other things, deleted the restrictions on organization or individual establishing or operating a school or any other institution of education for profit-making purposes, and added a requirement that the schools and other institution of education which are established with governmental fund or donated assets may not establish profit-making institutions of education.

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

Under the Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education, “private schools” are defined as schools established by social organizations or individuals using non-government funds. In addition, private schools providing certifications, pre-school education, education for self-study aid and other academic education shall be subject to approval by the education authorities, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare. A duly approved private school will be granted a Permit for Operating a Private School, and shall be registered with the Ministry of Civil Affairs or its local counterparts as a privately run non-enterprise institution. Each of our non-profit private schools which is formed as privately run non-enterprise institutions has obtained the Permit for Operating a Private School and has been registered with the relevant local counterpart of the Ministry of Civil Affairs.

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

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

The election to establish a private school requiring reasonable returns shall be provided in the articles of association of the school. The percentage of the school’s annual net balance that can be distributed as reasonable return shall be determined by the school’s board of directors, taking into consideration the following factors: (1) items and criteria for the school’s fees, (2) the ratio of the school’s expenses used for educational activities and improving the educational conditions to the total fees collected, and (3) the admission standards and educational quality. The relevant information relating to the above factors shall be publicly disclosed before the school’s board determines the percentage of the school’s annual net balance that can be distributed as reasonable returns. Such information and the decision to distribute reasonable returns shall also be filed with the approval authorities within 15 days from the decision made by the board. However, none of the current PRC laws and regulations provides a formula or guidelines for determining “reasonable returns.” In addition, none of the current PRC laws and regulations sets forth different requirements or restrictions on a private school’s ability to operate its education business based on such school’s status as a school that requires reasonable returns or a school that does not require reasonable returns.

On November 7, 2016, the Standing Committee of the National People’s Congress promulgated the amended Law for Promoting Private Education, or Amended Private Education Law, which became effective on September 1, 2017.

Under the Amended Private Education Law, the term “reasonable return” is no longer used, and sponsors of private school may choose to establish non-profit or for-profit private schools at their own discretion. Nevertheless, school sponsors are not allowed to establish for-profit private schools that are engaged in mandatory education according to the Amended Private Education Law. Therefore, schools engaged in mandatory education must retain their non-profit status after the effectiveness of the Amended Private Education Law.

The Amended Private Education Law further establishes a new classification system for private schools on whether they are established and operated for profit-making purposes. Key features of 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;
- for-profit private schools are entitled to set their own tuition and other miscellaneous fees without seeking prior approval from or reporting to the relevant government authorities. whereas the collection of fees by non-profit private schools shall be regulated by the provincial, autonomous regional or municipal governments;
- 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 required land use rights in the form of allocation by the government as a preferential treatment, whereas for-profit private schools shall acquire the required 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 prefecture 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 require to ease the 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 SAIC, 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 conduct financial liquidation process, have the property rights of its assets such as lands, school buildings and net balance being authenticated by relevant government authorities, pay up relevant taxes, apply for a new Permit for Operating a Private School, re-register as for-profit schools and continue its operation. Specific provisions regarding the above registration process are yet to be introduced by governments at the provincial level.

On December 30, 2016, the MOE, the SAIC and the Ministry of Human Resources and Social Welfare jointly issued the Implementation Rules on the Supervision and Administration of For-profit Private Schools, pursuant to which the establishment, division, merger and other material changes of a for-profit private school shall first be approved by the education authorities or the authorities in charge of labor and social welfare, and then be registered with the competent branch of the SAIC.

Besides the Amended Private Education Law and the above regulations, other details of the requirements on the operation of non-profit schools and for-profit schools will be provided in implementation regulations that are yet to be introduced, such as

- an amendment to the Implementation Rules for the Law for Promoting Private Education;
- local regulations relating to legal person registration of for-profit and non-profit private schools; and
- specific measures to be formulated and promulgated by the competent authorities in the province(s) in which our schools are located, including specific measures for registration of pre-existing private schools and the collection of non-profit private schools' fees, specific requirements for authenticating various parties' property rights of for-profit private schools, taxation policies for for-profit private schools.

At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount shall be equal to no less than 25% of the annual increase in the net assets of the school, if any. Private schools that do not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools requiring reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. To date, however, no regulations have been promulgated by the relevant authorities in this regard. As of May 31, 2017, 22 of our schools elected as schools not requiring reasonable returns, 39 of our schools elected as schools requiring reasonable returns, and the remaining schools are not classified or registered as companies. Preferential tax treatments granted to our schools by governmental authorities are subject to review and may be adjusted or revoked at any time in the future.

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, 2017, New Oriental China was the sponsor of 77 schools.

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.

We are 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. According to our PRC counsel, there is 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 are 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 are 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 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.

Regulations on Chinese-Foreign Cooperation in Operating Schools

Chinese-foreign cooperation in operating schools or training programs is specifically governed by the Regulations on Operating Chinese-Foreign Schools, promulgated by the State Council in accordance with the Education Law of the PRC, the Occupational Education Law and the Law for Promoting Private Education, and the Implementation Rules for the Regulations on Operating Chinese-Foreign Schools. The Regulations on Operating Chinese-foreign Schools and its implementation rules encourage substantive cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education and Chinese educational organizations to jointly operate various types of schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. Chinese-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC.

Permits for Chinese-Foreign Cooperation in Operating Schools shall be obtained from the relevant education authorities or the authorities that regulate labor and social welfare in the PRC. We have not applied for a Permit for Chinese-Foreign Cooperation in Operating Schools at this stage since we currently do not have Chinese-foreign Cooperation Schools.

Foreign-Investment Industrial Guidance Catalog (2017)

According to applicable PRC regulations on foreign-invested enterprises, capital contributions from a foreign holding company to its PRC subsidiaries, which are considered foreign-invested enterprises, may only be made when approval by the Ministry of Commerce or its local branch has been obtained. In approving such capital contributions, the Ministry of Commerce or its local branch examines the business scope of each foreign invested enterprise under review to ensure it complies with the Foreign-Investment Industrial Guidance Catalog, which classifies industries in China into three categories, namely “encouraged foreign investment industries,” “restricted foreign investment industries” and “prohibited foreign investment industries.” Industries not listed in the Foreign-Investment Industrial Guidance Catalog are generally open to foreign investment unless specifically restricted by other PRC regulations. On June 28, 2017, a new Foreign-Investment Industrial Guidance Catalog was issued to become effective on July 28, 2017 and to replace the previous one issued in 2015.

Under such Foreign Investment Catalog, foreign investment is encouraged in non-academic vocational training institutions. Preschool education, senior high school education in grades 10 to 12, and higher education are in a restricted industry, meaning foreign educational organizations with relevant qualifications and experience and Chinese educational organizations are only allow to operate preschool education, senior high schools and higher education 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. Foreign investment is allowed in after-school tutoring services and training services which do not grant certificates or diplomas.

The Draft PRC Foreign Investment Law

In January 2015, the Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations.

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the standard of “actual control” in determining whether a company is considered a foreign-invested enterprise, or an FIE. The draft Foreign Investment Law specifically provides that entities established in China but “controlled” by foreign investors must be deemed as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the Ministry of Commerce, treated as a PRC domestic investor provided that the entity is “controlled” by PRC entities and/or citizens. In this connection, “control” is broadly defined in the draft law to cover the following summarized categories: (i) holding 50% or more of the voting rights or similar equity interest of the subject entity; (ii) holding less than 50% of the voting rights or similar equity interest of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exert material influence on the board, the shareholders’ meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial matters or other key aspects of business operations. Once an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a “negative list,” to be separately issued by the State Council in the future and to replace the Foreign-Investment Industrial Guidance Catalog, market entry clearance by the Ministry of Commerce or its local counterparts will be required. Otherwise, all foreign investors may make investments on the same terms as domestic investors without being subject to additional approval from the government authorities as mandated by the existing foreign investment legal regime.

Under the draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. Therefore, for any companies with a VIE structure in an industry category that is on the “negative list,” the VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal. However, the draft Foreign Investment Law has not taken a position on what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC parties, while it has solicited comments from the public on this point.

The draft Foreign Investment Law also imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment implementation report and investment amendment report that are required at each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Some of the information requested may be sensitive to foreign investors, such as the identity of the actual controller and the source of investment. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

Regulations on Online and Distance Education

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

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

According to the Administrative License Law promulgated by the Standing Committee of the National People’s Congress, only laws promulgated by the National People’s Congress and regulations and decisions promulgated by the State Council may set down administrative license. Furthermore, the State Council promulgated the Decision on Setting Down Administrative Licenses for the Administrative Examination and Approval Items Really Necessary to be Retained, in which the administrative license for “online education schools” was retained, while the administrative license for “educational websites” was not retained. In January 2014, the State Council promulgated the Decision to Cancel or to Delegate another Batch of Administrative Approval Items to Lower Level, in which the administrative license for “online education schools” was cancelled for higher education. On February 3, 2016, the State Council promulgated the Decision of State Council to Cancel the Second Batch of Administrative Approval Items (152 Items) that Delegated to Lower Lever, in which the administrative license for “online education schools” and “educational websites” were cancelled.

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. In addition, according to the effective Foreign Investment Industrial Guidance Catalog, foreign investors are prohibited from engaging in the publishing business. Therefore, our subsidiaries and New Oriental China and its schools and subsidiaries are not permitted to engage in the publishing business under this regulation. Beijing New Oriental Dogwood Cultural Communications Co., Ltd., a subsidiary of New Oriental China, has been cooperating with qualified PRC publishing companies to publish our self-developed teaching materials and other content.

According to the prior Measures for the Administration of Internal Informative Publications, entities engaging in printing internal informative publications may obtain an internal informative publications printing permit instead of the permit of publishing. Such internal informative publications are defined as publications used for internal information communication and work guidance purpose and are not for sale. In April 2015, the current Measures for the Administration of Internal Informative Publications took effect and abolished the prior measures. Under the new regulation, the internal informative publications printing permit is not available for printing and publishing of textbooks and teaching materials for primary and secondary school students. In addition, the new regulation prohibits entities which have obtained the internal permit from offering the internal informative publications to its client or to the public. 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 GAPP 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.

GAPP issued new Administrative Regulations on Publications Market, effective on June 1, 2016, abolished the old regulation. According to the new regulation, any organization or individual engaged in whole sale or retail of publications shall obtain a Permit for Operating Publications. Distribution of publications in the PRC is regulated on different administrative levels. An entity engaged in wholesaling of publications shall obtain such permit from the provincial counterpart of GAPP; and an entity engaged in retail distribution of publications shall obtain such permit from the local counterpart of GAPP at the county level. According to the new regulation, foreign-invested enterprises are allowed to engage in the business of distribution of publications. Foreign investors who intends to establish an enterprise engaging in the business of distribution of publications and foreign-invested enterprise which intends to engage in the business of distribution of publications shall firstly obtain the approval from local branch of the Ministry of Commerce. If and upon approval, the Ministry of Commerce will issue the Approval Certificate for Foreign-Invested Enterprises, on which the business scope of distribution of publications is specified along with the word “subject to the permission in this industry.” Afterwards, the foreign-invested enterprise shall file with its business scope of distribution of publications local office of the SAIC and shall obtain the Permit for Operating Publications Business from relevant offices of the GAPP before engaging in the business of distribution of publications.

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

The Administrative Regulations on Publishing Audio-Video Products was later amended in 2011, 2013 and was most recently amended on January 2, 2016, pursuant to which the Permit for Operating Audio-Video Products was replaced by the Permit for Operating Publications and entities or individuals engaging in distribution of audio-video products shall only need to hold a Permit for Operating Publications Business, while a Permit for Publishing Audio-Video Products shall no longer be needed.

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. During the term of the above-mentioned permits or licenses, GAPP 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 Online Publications

GAPP and the MIIT jointly promulgated the Regulations on the Administration of Internet Publishing Services, or the Internet Publishing Regulations, which took effect on March 10, 2016. The Internet Publishing Regulations require Online Publishing to obtain approval from competent administrative department for publication. The term “Online Publishing Service” is defined as activities of providing the public through information networks with digitized works which have the publishing features such as editing, producing and processing.

Xuncheng Network, a subsidiary of New Oriental China engaging in internet content services, received verbal confirmation from GAPP that the online content services that Xuncheng Network provides does not fall within the scope of “Internet Publishing” that requires approval or a license from GAPP. Obtaining an online publication license requires certain conditions, including having five or more qualified editors, which Xuncheng Network cannot satisfy. However, because there is no further official or publicly available interpretation of “Internet publishing,” we cannot assure you that Xuncheng Network will not be required to obtain an online publication license in the future.

Regulations on Consulting Services for Overseas Studies or Other Overseas Visits for Private Matters

The Ministry of Public Security and SAIC jointly issued the Administrative Measures on Intermediate Activities relating to Entry and Exit for Private Purpose on June 6, 2001, which requires that any entity engaged in intermediate and consulting services for Chinese citizens going abroad to visit families, relatives or friends, to reside abroad, to inherit properties, or to conduct other non-business matters other than studying, working or touring, shall obtain a license granted by the relevant provincial authority on public security.

With respect to intermediate and consulting business activities relating to self-funded overseas studies, the Education Commission of Beijing and Beijing Administration for Industry and Commerce jointly issued the Beijing Measures of Supervisions and Recognition of Intermediate Services for Self-Funded Overseas Studies (Trial) in September 2015, which require that any intermediate service organization engaged in such services in Beijing shall satisfy certain requirements set up therein, including having employees with experience in educational services, having established stable and cooperative relations with an overseas educational institution, and having sufficient funds to protect the rights and interests of customers. The intermediate service organizations which satisfy such requirements may apply with the Education Commission of for the Recognition on the Intermediate Service Organization for Self-funded Overseas Studies. Organizations or individuals without such Recognition from the Education Commission of Beijing are not allowed to engage in any intermediate and consulting business activities relating to self-funded overseas studies.

On January 12, 2017, the State Council promulgated the Decision of the State Council on the Third Installment of the Cancellation of the Administrative Licensing Matters Delegated to Local Governments, which, among other things, cancelled the Recognition on the Intermediate Service Organization for Self-funded Overseas Studies, which means that the requirement for intermediate service organizations to obtain Recognition on the Intermediate Service Organization for Self-funded Overseas Studies from the provincial government for their engaging in intermediate and consulting business activities relating to self-funded overseas studies is cancelled. This Decision provided that after the cancellation of such requirements, the MOE and the SAIC shall study and develop contract template for reference and strengthen their guidance, regulating and service to intermediate service organizations and that the relevant industrial association shall play their role in self-discipline.

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) (the “Guidelines”) in July 2014. Under the Guidelines, overseas study tours participated in by primary and middle school students (the “Overseas Study Tour”) 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 on Tourism

Tourism Law of the PRC, which was promulgated by the Standing Committee of the NPC and most recently amended on November 11, 2016, 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 February 6, 2016, 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 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 Tour shall be organized by a qualified travel agent. Beijing New Oriental Walkite International Travel Co., Ltd, a subsidiary of the Company engaging the businesses of outbound tourism has obtained the aforementioned permit.

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 services and the business of online data transaction processing are two of the subsectors of the value-added telecommunications business.

As a subsector of the value-added telecommunications business, business of online data transaction processing refers to the business to provide online data processing and transaction processing services through public communication network or Internet for users through various data/transaction application platform connected to the public communication network or Internet, including transaction processing services, electronic data exchange services and network or electronic equipment data processing services. Under the PRC Telecommunications Regulations, any entity engages in the business of transaction processing services as an online marketplace platform is required to obtain a license from the MIIT or its provincial authorities in providing transaction processing services.

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. Xuncheng Network has obtained the ICP license.

The Notice on Strengthening Management of Foreign Investment in Operating Value-Added Telecom Services issued by the MIIT prohibits PRC Internet content providers from leasing, transferring or selling their ICP licenses or providing facilities or other resources to any illegal foreign investors. The notice states that PRC Internet content providers should directly own the trademarks and domain names for websites operated by them, as well as servers and other infrastructure used to support these websites.

Regulations on Internet Culture Activities

The Ministry of Culture of the PRC promulgated the Internet Culture Administration Tentative Measures, or the Internet Culture Measures, on May 10, 2003, which became effective on July 1, 2003, and which were amended on July 1, 2004 and April 17, 2011. 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.

Xuncheng Network, a subsidiary of New Oriental China engaging in the distribution of certain audio-visual products through the Internet, obtained Internet culture business operations license from Beijing Municipal Bureau of Culture on October 18, 2012.

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

The Rules for Administration of Broadcasting of Audio-Video Programs through the Internet and Other Information Networks, or the Broadcasting Rules, promulgated by the State Administration of Radio, Film and Television, or SARFT, apply to the activities of broadcasting, integration, transmission, downloading of audio-video programs with computers, televisions or mobile phones as the main terminals and through various types of information networks. Pursuant to the Broadcasting Rules, a Permit for Broadcasting Audio-video Programs via Information Network is required to engage in these Internet broadcasting activities. The State Council announced a policy on private investments in businesses in China that relate to cultural matters, which prohibits private investments in businesses relating to the dissemination of audio-video programs through information networks.

The SARFT and MIIT issued the Internet Audio-Video Program Measures, revised in August, 2015. Among other things, the Internet Audio-Video Program Measures stipulate that no entities or individuals may provide Internet audio-video program services without a license for disseminating audio-video programs through information network issued by SARFT or its local counterparts or completing the relevant registration with SARFT or its local counterparts and only entities wholly owned or controlled by the PRC government may engage in the production, editing, integration or consolidation, and transfer to the public through the Internet, of audio-video programs, and the provision of audio-video program uploading and transmission services. The SARFT promulgated the Notice on Several Issues regarding the license for disseminating audio-video programs through information network in 2009. The Notice restates the necessity of applying for such license and sets forth the legal liabilities for those providing Internet audio-video program services without the license. Xuncheng Network, a subsidiary of New Oriental China engaging in online education services, obtained the license for disseminating audio-video programs through information network from SARFT in January 2010.

On April 25, 2016, the SAPPRFT promulgated the Private Network and Directional Broadcasting Audio-Video Programs Regulations, which came into effect on June 1, 2016 and replaced the Broadcasting Rules. The Broadcasting Audio-Video Programs Regulations provides, among other things, that a Permit for Broadcasting Audio-Video Programs via Information Network is required for engaging in broadcasting services through private network and directional communication. According to such Regulations, the Broadcasting Services through Private Network and Directional Communication shall mean the services and activities provided to the public through the private transmission channels that include internet, LAN and VPN based on Internet and through the receiving terminals of televisions, and other handheld electronic equipment, and such services and activities include the activities of content supply, integrated broadcast control, transmission and distribution with IPTVs, private-network mobile televisions, internet televisions. According to such Regulations, only the entities wholly or substantially owned by the State could apply for such Permit.

Regulations on Protection of the Right of Dissemination through Information Networks

The Regulations on Protection of the Right of Dissemination through Information Networks, promulgated by the State Council, require that every organization or individual who disseminates a third party's work, performance, audio or visual recording products to the public through information networks shall obtain permission from, and pay compensation to, the legitimate copyright owner of such products, unless otherwise provided under relevant laws and regulations. The legitimate copyright owner may take technical measures to protect his or her right of dissemination through information networks and any organization or individual shall not intentionally avoid, destroy or otherwise assist others in avoiding such protective measures unless permissible under law. This regulation also provides that permission from and compensation for the copyright owner are not required in the event of limited dissemination to teaching or research staff for the purpose of school teaching or scientific research only.

Regulations on Copyright and Trademark Protection

China has adopted legislation governing intellectual property rights, including copyrights, 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 May 2014, protects the proprietary rights to registered trademarks. The Trademark Office under SAIC handles trademark registrations and grants a term of ten years to registered trademarks and another ten years to trademarks as requested upon expiry of the prior term. Trademark license agreements must be filed with the Trademark Office for record. We have registered 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 Industry and Commerce 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 “新东方” and “New Oriental” were recognized as well-known trademarks in a civil action adjudicated by the Intermediate People's Court of Jilin City, Jilin Province and an adjudication on disputed registered trademark issued by trademark appraisal committee.

Domain names. Internet domain name registration and related matters are primarily regulated by (i) the Implementation Rules on Registration of Domain Names issued by China Internet Network Information Center, or CNNIC, (ii) the Measures for Administration of Internet Domain Names of PRC issued by the MIIT, and (iii) the Measures on Domain Name Disputes Resolution for the PRC Internet issued by the CNNIC. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration. We have registered many domain names with CNNIC.

Foreign Currency Exchange

Pursuant to the Foreign Currency Administration Rules promulgated in 1996 and amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, 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 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 the Notice on Reforming the Management Method relating to Conversion of the Capital Contribution of Foreign Invested Company from Foreign Exchange to Renminbi, or SAFE Circular 19, effective in June 2015 to abolish SAFE Circular 142 but the foregoing rules have been retained in SAFE Circular 19. SAFE promulgated the Notice on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, or SAFE Circular 13, effective in June 2015, pursuant to which annual foreign exchange inspection of direct investment is not required anymore and the registration of existing equity is required. SAFE Circular 13 also grants the authority to banks to directly examine and process foreign exchange registration with respect to both domestic and overseas direct investment. SAFE issued Notice on reform and regulations of the Administration Policy of Foreign Exchange under Capital Account, or SAFE Circular 16, effective June 9, 2016. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities. As SAFE Circular 16 is newly issued and SAFE has not provided detailed guidelines with respect to its interpretation or implementations, it is uncertain how these rules will be interpreted and implemented.

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:

- Wholly Foreign-Owned Enterprise Law (1986), as amended;
- Wholly Foreign-Owned Enterprise Law Implementing Rules (1990), as amended;
- Sino-foreign Equity Joint Venture Enterprise Law (1979), as amended; and
- Sino-foreign Equity Joint Venture Enterprise Law Implementing Rules (1983), as amended.

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

Regulations on Offshore Lending

On November 19, 2012, the SAFE promulgated the Circular regarding Further Improvement and Adjustment of Policies on Foreign Exchange Administration of Direct Investment, or Circular 59, which aims to simplify foreign exchange administration procedures concerning inbound and outbound direct investment. Pursuant to Circular 59, foreign invested enterprises are permitted to make loans to its offshore parent company provided that the amount of the lending is not greater than the sum of the distributed but unremitted profits and the proportionate undistributed profits.

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.

In the respect of the employment of foreigner in PRC, Provision on the Employment of Foreigners in China provides that, among other things, to employ a foreigner who does not have Chinese nationality, an employer shall apply for an employment license for such foreigner, and may only employ him or her after such foreigner obtains a Foreigners' Employment License of the People's Republic of China, or Employment License; prior to obtaining employment in China, a foreigner shall enter China with an employment visa (or in accordance with an agreement on mutual exemption of visas if there is such an agreement); and after entering China, such foreigner shall obtain an Employment Permit for Foreigners, or Employment Permit, and a residence permit for foreigners, save that the foreigners holding the Foreign Expert Permit issued by the State Administration of Foreign Experts Affairs are not required to hold Employment Licenses and Employment Permit. Provision on the Employment of Foreigners in China also provides that the Employment License is valid only in the area defined by the authority which issued such license; the actual employer of a foreigner shall be consistent with the employer recorded on the Employment License; if the actual employer changed but the foreigner is employed in a similar job by another employer within the same area defined by the authority which issued such license, the foreigner shall file with such authority to change information on the Employment License.

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.

In the respect of hiring foreigners as teachers in schools, State Administration of Foreign Experts Affairs, promulgated a Notice of Issuing Regulations for Foreign Experts to Apply Permit to Work in China and Other Regulations, or SAFEA Circular 139. SAFEA Circular 139 provides that foreign experts shall obtain Foreign Expert Permit. Any foreign expert that apply the Foreign Expert Permit shall obey the laws and regulations of PRC, shall be healthy, shall have no criminal record, and shall meet one of the following requirement: (i) such foreign expert is employed to work in China in order to perform agreements between governments or international organizations, or to perform economic or trade agreements between Chinese party(s) and foreign party(s) as a professional person with foreign nationality who has technology or management skills; (ii) such foreign expert is employed to perform the work in the fields of education, scientific research, press, publication, culture, arts, health, or sport as a professional person with foreign nationality; (iii) such foreign expert is employed to perform a position higher than vice president of a domestic enterprise or equivalent position as a professional person with foreign nationality who has technology or management skills; (iv) such foreign expert is a representative with foreign nationality, who is a PRC representative officer of a experts association or recruitment agent approved by State Administration of Foreign Experts Affairs; or (v) such foreign expert is employed to perform the work in the fields of economy, technology, engineering, trade, finance, accounting, tax, tourism who possesses specialty as a professional person with foreign nationality in urgent need with technology or management skills. According to SAFEA Circular 139, to apply a Foreign Expert Permit as a foreign expert to perform the work in the field of education, the applicant shall submit the application together with a copy of the employer's Certificate of Employing Foreign Experts and the agreement entered by such applicant and its employer to the provincial Administration of Foreign Experts Affairs where the employer located, provided that if the employer is the ministry, commission directly under the State Council, the authority directly under the State Council, the public institution or the professional corporation, the applicant shall submit the application to the State Administration of Foreign Experts Affairs. SAFEA Circular 139 also provides that entity shall obtain Certificate of Employing Foreign Experts to employ foreign experts and the application of Certificate of Employing Foreign Experts shall submit to the provincial Administration of Foreign Experts Affairs where the employer located, provided that the non-educational public institution located in Beijing that is directly under the ministry, commission of the State Council, the authority directly under the state council, the application shall submit to the State Administration of Foreign Experts Affairs. According to SAFEA Circular 139, the Administration of Foreign Experts Affairs will carry out annual inspection on the entity that has obtained Certificate of Employing Foreign Experts in January of each year.

In addition, State Administration of Foreign Experts Affairs promulgated an Opinion on Further Regulating the Employment of Foreign Experts in Education and Culture, which provides that, among other things, any entity that dispatches and introduce foreign experts in education and culture to work in China shall obtain Certificate of Employing Foreign Experts; the entity that dispatches the foreign experts, the dispatched foreign expert and the entity that employs the dispatched expert shall enter into an agreement to confirm each party's obligations and rights related to the employment of such foreign expert, and the entity that dispatches the foreign expert and the entity that employs the foreigner expert shall have the joint liability in the management of such foreign expert. Such Opinion on Further Regulating the Employment of Foreign Experts in Education and Culture also provides that any entity that engages in dispatching foreign expert in education and culture with Certificate of Employing Foreign Experts shall not introduce foreign experts working in the entity that without Certificate of Employing Foreign Experts, the provincial and regional Administration of Foreign Experts Affairs shall cooperate with the public security authorities and their exit-entry administration divisions to investigate and handle the illegal employment of foreign experts under applicable laws.

On February 19, 2016, the State Council promulgated the Decision of the State Council on the Second Installment of the Cancellation of the Administrative Licensing Matters Delegated to Local Governments, which among other things, cancelled Certificate of Employing Foreign Experts, which means that the requirements for the entity to obtain Certificate of Employing Foreign Experts for employing foreign experts from the provincial Administration of Foreign Experts Affairs is cancelled. According to a Q&A in relation to the cancellation of the requirement to obtain Certificate of Employing Foreign Experts in employing foreign experts publicized by the Education, Culture, Health Experts Department of State Administration of Foreign Experts Affairs on March 31, 2016, the provincial education authorities shall pay close attention to the study the necessity of setting up the requirements for qualification in employing foreign experts in their area, and set up the requirements through the development of local laws and temporary regulations if necessary. As of the date of this annual report, we are not aware of any local laws and temporary regulations was set up regarding the requirements to obtaining Certificate of Employing Foreign Experts for employing foreign experts.

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, which supersedes the Employment License or Foreign Expert Permit. The Employment License or Foreign Expert Permit issued before April 1, 2017 remain valid subject to its expiration date. According to the circular, the process of application and approval of the Permit to Working in China will be further simplified and standardized, with new and detailed regulation of the application and approval process of Permit to Working in China 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 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 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. 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. The M&A Rule also contains a provision requiring offshore special purpose vehicles, or SPVs, formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC individuals to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

The M&A Rule became effective on September 8, 2006 without retroactive effect. Based on the advice of Tian Yuan Law Firm, our PRC counsel, we do not believe that the CSRC approval was required for our listing on the NYSE because trading of our ADSs commenced prior to the effective date of the M&A Rule.

Regulations on Taxation

PRC Enterprise Income Tax. The National People’s Congress, the Chinese legislature, passed the EIT Law, effective in 2008. The EIT Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises. Preferential tax treatments grants 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 and the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation 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. Any enterprises to be granted with “high and new technology enterprises” status shall meet certain requirements, including but not limited to the following: (1) the enterprise has incorporated for more than one year before application; (2) the enterprise itself owns the intellectual property right for the core technology of its product or service; (3) the enterprise’s core technology of its product or service falls into the ambit of “high-tech fields heavily supported by the government”; (4) technicians has engaged into research and development account for more than 10% of all the staff; (5) in the latest three financial years (actual operating year if incorporated less than three years), the research and development expenses account for 3%-5% or more of the latest sales revenue and the research and development expenses incurred within China shall not be less than 60% of the total research and development expenses; (6) the revenue in the latest year derived from the high-tech product or service accounts for more 60% of the total revenue; (7) the innovation capability of the enterprise shall meet the relevant evaluation standards; and (8) no major security or qualification incident or sever environmental illegal behavior occurred within the previous year before application. To apply for the “high and new technology enterprises” status, an enterprise shall file its corporate certificates and supporting documents evidencing the requirements to the relevant government authority. The government authority will examine the filed certificates and documents to determine whether the enterprise meets the “high and new technology enterprises” requirements. If the decision is positive, the authority will make a public announcement and grant the enterprise with a “high and new technology enterprises” certificate with a valid term of three years. 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 State Administration of Taxation 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 exempted 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 before December 31, 2017. The qualifications for a software enterprise provided in Circular 27 include the following:

- the core business shall be software development;
- the enterprise shall be a legal person established after January 1, 2011 and shall be granted the status of a software enterprise;
- the enterprise’s employees who have at least a junior college degree shall be more than 40% of the average monthly headcount of its total employees of that year, among whom the research and development staff shall be more than 20% of the average monthly headcount of its total employees of that year;
- the enterprise shall own core technology and shall base its operation on such core technology, the annual total research and development expenses shall be more than 6% of its total revenue of that fiscal year, among which the research and development expenses incurred in China shall be more than 60% of the total research and development expenses;
- the revenue generated from the sale of its software products shall normally be more than 50% of its total revenue (the revenue generated from the sale of embedded software products and integrated information system products shall be more than 40% of its total revenue), among which the revenue generated from the sale of software products developed by such enterprise shall normally be more than 40% of its total revenue (the revenue generated from the sale of embedded software products and integrated information system products shall be more than 30% of its total revenue);
- the enterprise shall own intellectual property rights in the technologies used in its core business, among which its software products shall be certified with testing documents issued by a software testing institution recognized by provincial authority in charge of software industry and with Software Product Registration Certificates granted by the authority in charge of software industry;
- the enterprise shall possess the means and ability to ensure the quality of the products it designs, and shall have established a quality control system which is fit for software engineering and shall provide the records for the valid operation of such system; and
- the enterprise shall possess operation premises and maintain a working environment suitable for software development, and have technical support for the services it provides. In order to be qualified as a software enterprise and be entitled to such preferential treatment, software enterprises are required to submit supporting materials to their respective competent tax authorities within four months from the end of each fiscal year.

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.

Seven of our wholly-owned subsidiaries in China, Beijing Smart Wood, Beijing Joy Tend, Beijing Right Time, Beijing Top, Beijing Shenghe, Beijing Magnificence and Beijing Jinghong, are qualified as software enterprises. Beijing Smart Wood was entitled to an income tax exemption from in 2012 and 2013 followed by reduced income tax at a rate of 12.5% from 2014 through 2016. Beijing Right Time and Beijing Joy Tend were exempt from income taxes in 2013 and 2014 and are eligible for reduced income taxes at a rate of 12.5% from 2015 through 2017. Beijing Top and Beijing Shenghe were exempt from income taxes in 2014 and 2015 and are eligible for reduced income taxes at a rate of 12.5% from 2016 through 2018. Beijing Magnificence is entitled to an income tax exemption in 2015 and 2016 followed by reduced income tax at a rate of 12.5% from 2017 through 2019. Beijing Jinghong is entitled to an income tax exemption in 2017 and 2018 followed by reduced income tax at a rate of 12.5% from 2019 through 2021.

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 State Administration of Taxation 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 State Administration of Taxation 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 State Administration of Taxation 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 Double Taxation Arrangement (Hong Kong), effective in 2007, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, issued in 2008, and the Notice of the State Administration of Taxation Regarding Interpretation and Recognition of Beneficial Owners under Tax Treaties, effective in 2009, 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). 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 Double Taxation Arrangement (Hong Kong). 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 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).

PRC Business Tax and 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, or Circular No. 36, effective on May 1, 2016. On June 18, 2016, the Ministry of Finance and the State Administration of Taxation 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-degree Education, or Circular No. 68, in which the general taxpayers providing non-academic education services may apply a simple method for calculating the tax payable amount in accordance with the tax rate of 3%.

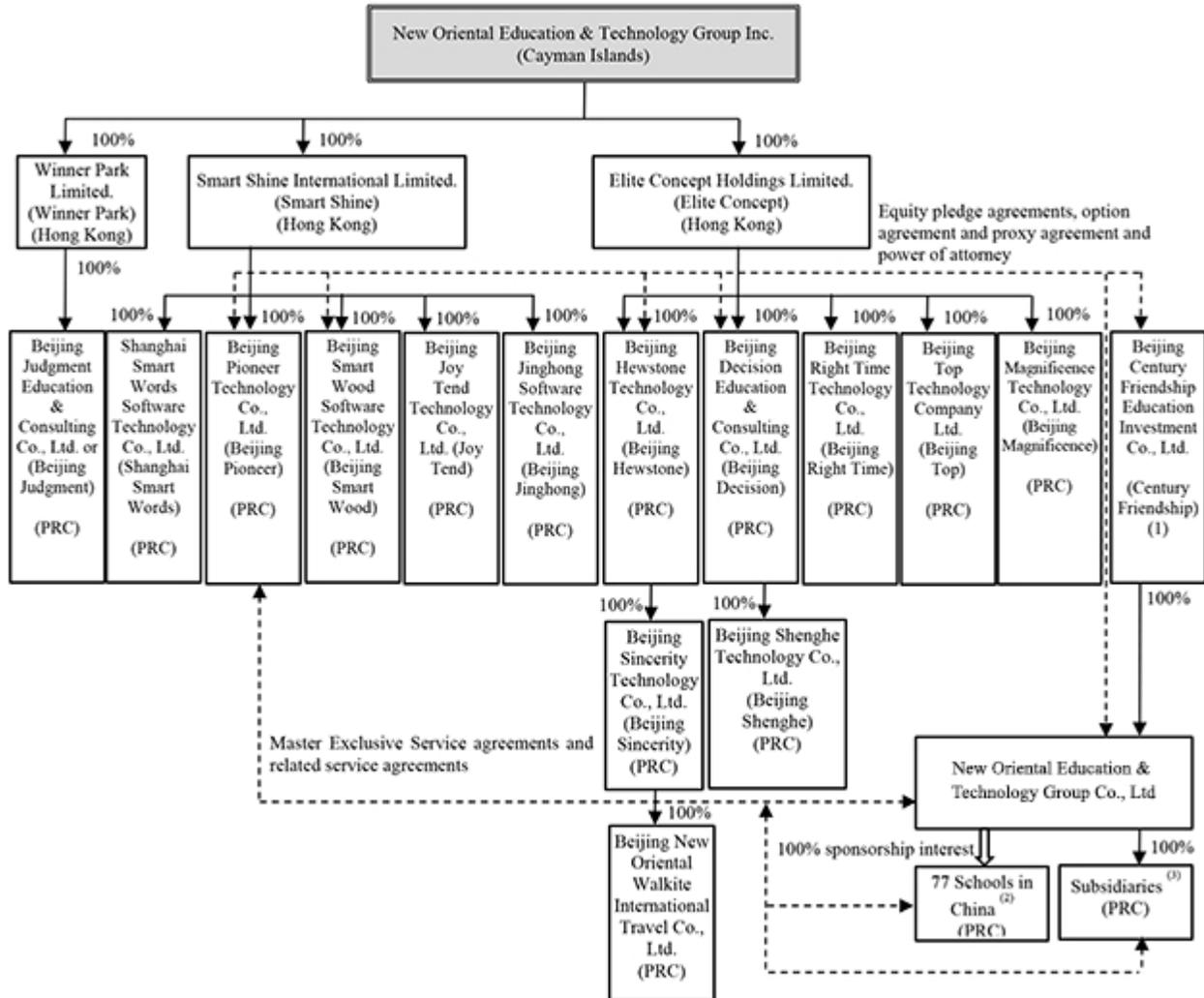
C. Organizational Structure

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, Beijing Smart Wood, Beijing Joy Tend, Beijing Right Time, Beijing Top, Beijing Shenghe, Beijing Magnificence and Beijing Jinghong. 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. Each of Beijing Pioneer, Beijing Smart Wood, Beijing Joy Tend, Beijing Right Time, Beijing Top, Beijing Shenghe, Beijing Magnificence and Beijing Jinghong primarily engages in the educational software development business.

In addition, we have a wholly-owned subsidiary in China, Beijing Judgment Education & Consulting Co., Ltd., or Beijing Judgment, which holds the real estate properties on which certain of our schools are located. In September 2016, Beijing Judgment transfer all the equity interest it held in Beijing New Oriental Stars, a holding company for our two kindergartens, to Beijing Bright The Future Education & Technology Co., Ltd., a wholly-owned subsidiary of New Oriental China. Beijing Bright The Future Education & Technology Co., Ltd., also hold the equity interest in three kindergartens in Qingdao.

In 2013, Beijing Hewstone established a wholly-owned subsidiary in China, Beijing Sincerity, which holds our oversea study tour business.

The following diagram sets out details of our significant subsidiaries and New Oriental China and its schools and subsidiaries as of the date of this annual report:



→ Equity interest for companies.

⇒ Sponsorship interest for schools and kindergartens.

↔ 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.”

- (1) Beijing Century Friendship Education Investment Co., Ltd is 80% owned by Mr. Michael Minhong Yu, our company’s founder and executive chairman, and 20% owned by Ms. Bamei Li, Mr. Yu’s mother.
- (2) Excluding Guangzhou Panyu Privately-Funded New Oriental Training Center, Guangzhou New Oriental School and Fuyang New Oriental Training School, which are separate legal entities but have been counted to our learning centers from the perspective of our internal management.
- (3) Consisting of various PRC companies operating our educational content and other technology development and distribution business, online education business and overseas studies consulting business in China, including Xuncheng Network. As part of an internal restructuring, we entered into a series of contractual arrangements with Xuncheng Network, its subsidiary and its shareholder during the fiscal year ended May 31, 2015. See “—C. Organizational Structure—Contractual Arrangements with Xuncheng Network, Its Subsidiary and Its Shareholder.”

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

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 entity(ies), their schools and subsidiaries and their shareholders. In the fiscal years ended May 31, 2015, 2016 and 2017, our variable interest entity(ies) contributed in aggregate 97.9%, 97.7% and 98.8%, respectively, of our total net revenues. 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 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.

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.

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 SAIC. The terms of the April 2012 equity pledge agreements are substantially the same as the 2006 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 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 SAIC.

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.

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 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, 2015, 2016 and 2017, 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\$179.5 million, US\$149.3 million and US\$269.2 million, respectively.

Contractual Arrangements with Xuncheng Network, Its Subsidiary and Its Shareholder.

Prior to a series of restructuring transactions starting in October 2015, Xuncheng Network was a wholly-owned subsidiary of New Oriental China. As part of an internal restructuring, we entered into a series of contractual arrangements with Xuncheng Network, its subsidiary and its shareholder during the fiscal year ended May 31, 2015, including an equity pledge agreement, an exclusive option agreement, a power of attorney and a master exclusive service agreement. These agreements are substantially the same as our contractual agreements with New Oriental China and its shareholder. In connection with New Oriental China's entry into the foregoing Xuncheng VIE agreements, Beijing Pioneer, Beijing Hewstone, Beijing Smart Wood, Beijing Decision and Shanghai Smart Words issued confirmation letters acknowledging that the foregoing agreements are effective as provided thereunder. Following a change in our restructuring strategy, the foregoing agreements were terminated in September 2015.

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

- the corporate structure of New Oriental China and its schools and subsidiaries, Xuncheng Network and its subsidiary, and our wholly-owned subsidiaries in China are in compliance with existing PRC laws and regulations; and
- 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 are valid, binding and enforceable under, and do not violate, PRC laws or regulations currently in effect. The contractual arrangements among our wholly-owned subsidiary in China, Xuncheng Network, its subsidiary and its shareholder were valid, binding and enforceable under, and did not violate, PRC laws or regulations currently in effect prior to their termination.

We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC counsel that if the PRC government finds that the agreements that establish the structure for operating our 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 our China business do not comply with applicable PRC laws and regulations, we could be subject to severe penalties” 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 19,000 square meters of office and classroom space. In addition, we own approximately 210,000 square meters of schools in Yangzhou and an aggregate of approximately 62,000 square meters of space for our schools, learning centers and bookstores in various cities in China, including Xiamen, Zhengzhou, Xi'an, Tianjin, Kunming, Wuhan, Guangzhou, Changsha and Beijing.

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

Specific Factors Affecting Our Results of Operations

While our business is influenced by factors affecting the private education industry in China generally and by conditions in each of the geographic markets we serve, we believe our business is more directly affected by company-specific factors such as the number of student enrollments, the amount of course fees and our operating costs and expenses. The number of student enrollments is in turn largely driven by the demand for our courses, the effectiveness of our marketing and brand promotion efforts, our ability to optimize our comprehensive online and offline integrated education ecosystem in a constant basis, the locations of our schools and learning centers, our ability to maintain the consistency and quality of our teaching, and our ability to respond to competitive pressure, as well as seasonal factors. We determine course fees primarily based on demand for our courses, the targeted market for our courses, the subject of the course, the geographic location of the school, cost of services, and the course fees charged by our competitors for the same or similar courses.

Our future results of operations will depend significantly upon our ability to increase paying users for our online courses, increase student enrollments at existing schools and learning centers and further expand our school network throughout China, as well as offer a greater variety of courses, including smaller-size classes. Our planned expansion may result in substantial demands on our management, operational, technological, financial and other resources. To manage and support our growth, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and school management personnel as well as other administrative and sales and marketing personnel, particularly as we grow outside of our existing markets. We will continue to implement additional systems and measures and recruit qualified personnel in order to effectively manage and support our growth. If we cannot achieve these improvements, our financial condition and results of operations may be materially adversely affected.

Due to certain restrictions and qualification requirements under PRC law that apply to foreign investment in China’s education industry, we conduct substantially all of our education business in China through contractual arrangements between our wholly-owned subsidiaries in China, New Oriental China and its schools and subsidiaries and the shareholder of New Oriental China. New Oriental China’s schools and subsidiaries hold the requisite licenses and permits necessary to conduct our educational services business in China and operate our schools and learning centers and have been directly conducting our education business and operating our schools and learning centers.

Net Revenues. In the fiscal years ended May 31, 2015, 2016 and 2017, we generated total net revenues of US\$1,246.8 million, US\$1,478.3 million and US\$1,799.5 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 88.5%, 88.6% and 89.4% of our total net revenues in the fiscal years ended May 31, 2015, 2016 and 2017, respectively; and
- books and others, which accounted for 11.5%, 11.4% and 10.6% of our total net revenues in the fiscal years ended May 31, 2015, 2016 and 2017, respectively.

Educational Programs and Services. Our educational programs and services consist of language training and test preparation courses, primary and secondary school education and online education. Revenues from language training courses and test preparation courses accounted for 83.4%, 83.8% and 83.9%, respectively, of our total net revenues in the fiscal years ended May 31, 2015, 2016 and 2017.

We recognize revenues from course fees collected for enrollment in our language training and test preparation courses proportionally as we deliver the instruction over the period of the course. Course fees are generally paid in advance by students and are initially recorded as deferred revenues. 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 no refunds will be provided and any collected but unearned portion of the fee is recognized at that time. We recognize revenues from school fees collected for enrollment in our primary and secondary schools ratably over the corresponding academic year. We sell pre-paid online education cards primarily to distributors, who in turn sell them to students. We recognize revenues from sales of pre-paid cards in proportion to the actual time that students spend on our online courses. Course fees and school fees collected and amounts received from sales of pre-paid cards are recorded as deferred revenues until they can be recognized as revenues upon their use or expiration. Upon expiration of a prepaid card, which is six months to one year from the date of the sale of the card, we recognize the remaining amount of deferred revenues as revenues.

The most significant factors that directly affect our revenues from educational programs and services are the number of student enrollments and the amount of course fees. We believe our students are attracted to us primarily because of our established brand and reputation in the private education sector, especially in the areas of English language training, overseas admissions and assessment test preparation and K-12 after-school tutoring program, the quality of our instruction and the variety of our programs, services and products. For the past several years, our revenue growth has been driven primarily by increased enrollments in our K-12 after-school tutoring courses and overseas test preparation courses and other programs and services. The number of student enrollments for our courses is affected by the demand for our courses, the effectiveness of our marketing and brand promotion, the demographic composition of the cities where we have schools and learning centers, our ability to respond to competitive pressure, as well as seasonal factors. To further penetrate the K-12 after-school tutoring market, we have expanded the scope of our course offerings to cover non-English subjects, including through our New Oriental U-Can (Non-English) all subjects training program for middle and high school students and Pop Kids (Non-English) all subjects training program for elementary school students, and plan to further expand our course offerings and geographic coverage in the future to capture a larger share of the huge after-school training market in China. In order to use new technology to reshape our traditional offline classroom-teaching offerings and enhance customers' learning experience, we developed our own O2O two-way interactive learning platform, or the O2O platform, by standardizing and digitalizing our education content and user data. We established a database of learning modules for internet-based self-learning practice and assessment. The O2O platform complements and supports students' offline learning activities by offering online learning components, such as pushing customized content to students, recommending additional courses based on their online study records and performance, facilitating interaction between students, teachers and parents across a variety of devices, including smartphones, tablets and PCs.

Our courses generally have the largest student enrollments in our first fiscal quarter, which runs from June 1 to August 31 of each year, primarily because many students enroll in our courses during the summer vacation to enhance their foreign language skills and/or prepare for admissions and assessment tests in subsequent school terms. We expect this seasonality in enrollment pattern to continue, especially for most of our language training courses for college and middle school students and test preparation courses.

We determine course fees primarily based on demand for our courses, the targeted market for our courses, the subject of the course, the geographic location of the school, cost of services, and the course fees charged by our competitors for the same or similar programs. Our test preparation courses are generally delivered in class settings ranging from 1 student to 150 students per class. Our K-12 after-school tutoring courses and our English language training courses are delivered in class settings generally ranging from 1 student to 100 students per class. In November 2013, we launched an online test preparation program on our own online education website koolearn.com, which features live broadcasts of a series of our most popular offline test preparation classes. We typically adjust course fees or school fees based on the market conditions of the city where the particular school is located, subject to the relevant local governmental authority's advance approval, if required. We expect to continue to derive a substantial majority of our revenues from educational programs and services.

A significant portion of our revenues has been derived from test preparation courses. The success of our test preparation courses depends on the continued use of admissions and assessment tests by educational institutions and governmental authorities both in China and abroad. If the use of admissions and assessment tests declines or falls out of favor with educational institutions, government authorities and other entities, the markets for our test preparation courses will shrink and our business may be materially and adversely affected.

Books and Others. We distribute and sell books and other educational materials developed or licensed by us through our own distribution channels, which consist of our bookstores and websites, and also through third-party distributors. We normally provide books and other educational materials that are required for our courses and do not separately charge students for these items. We recognize revenues from sales of books and other educational materials when the products are sold to end customers. As we believe successful content development is important to the success of our business, 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.

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

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

	For the Year Ended					
	2015		2016		2017	
	US\$	%	US\$	%	US\$	%
(in thousands, except percentages)						
Net revenues	1,246,766	100.0	1,478,348	100.0	1,799,509	100.00
Operating costs and expenses:						
Cost of revenues	(526,320)	(42.2)	(614,364)	(41.5)	(749,586)	(41.7)
Selling and marketing	(188,483)	(15.1)	(197,897)	(13.4)	(232,826)	(12.9)
General and administrative	(378,434)	(30.4)	(471,010)	(31.9)	(554,948)	(30.8)
Total operating costs and expenses	<u>(1,093,237)</u>	<u>(87.7)</u>	<u>(1,283,271)</u>	<u>(86.8)</u>	<u>(1,537,360)</u>	<u>(85.4)</u>

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

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

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

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

Share-based Compensation Expenses. In January 2006, we adopted the 2006 Share Incentive Plan, under which we are authorized to, starting from 2006, issue up to 8,000,000 common shares pursuant to awards (including options) granted to our employees, directors and consultants. The number of common shares available for grant under the 2006 Share Incentive Plan may be increased by (i) an additional 5,000,000 shares on January 1, 2007, (ii) an additional 5,000,000 shares on January 1, 2008, and (iii) an annual increase in common shares to be added on the first business day of each calendar year beginning in 2009 equal to the lesser of (x) 3,000,000 shares, (y) two percent (2%) of total common shares outstanding as of such date, or (z) a lesser number of shares as determined by the plan administrator. Since the adoption of our 2006 Share Incentive Plan, we have granted options to purchase 15,826,000 common shares, of which 2,277,546 options to purchase common shares had been forfeited under our 2006 Share Incentive Plan. In addition, since the adoption of our 2006 Share Incentive Plan, we have granted a total of 8,608,671 non-vested equity shares under 2006 Share Incentive Plan. Our 2006 Share Incentive Plan expired in January 2016, but the expiration of our 2006 Share Incentive Plan does not affect the effectiveness of options granted prior to such expiration.

In January 2016, we adopted the 2016 Share Incentive Plan, under which we are authorized to issue up to 10,000,000 common shares 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 436,016 non-vested equity shares, all of which were granted in the fiscal year ended May 31, 2017, and of which 4,050 shares had been forfeited as of May 31, 2017.

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, 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.

<i>(in thousands, except percentages)</i>	For the Year Ended					
	2015		2016		2017	
	US\$	%	US\$	%	US\$	%
Allocation of Share-based Compensation Expenses:						
General and administrative	15,689	100.0	16,810	100.0	20,287	100.0

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.

In April 2016, we sold 51% equity interest in Beijing Dianshijingwei Technology Co., Ltd, or Dianshijingwei, one of our wholly-owned subsidiaries, to some of Dianshijingwei's management, for a cash consideration of US\$2.3 million, of which US\$1.5 million had been collected as of May 31, 2016, and the remaining consideration was collected in June 2017. We recorded a gain of US\$3.8 million from this disposal. After the disposal, we stopped consolidating Dianshijingwei and started to recognize our remaining investment in Dianshijingwei using the equity method as we retained the ability to exercise significant influence over Dianshijingwei.

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.

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 17% on their respective net revenues. Our operating entities in China used to be subject to a 3% to 5% business tax on gross revenues generated from providing services and related surcharges. According to the then-in-effect Circular 111 and Circular 71 issued by the Ministry of Finance and the State Administration of Taxation on November 11, 2011 and July 31, 2012, respectively, the new enrollment system development services and other operating services provided by Beijing Hewstone, Beijing Decision, Shanghai Smart Words, Beijing Smart Wood and Beijing Pioneer which were previously subject to business tax before the implementation of Circular No. 111 and Circular 71, have since become subject to value-added tax following the implantation of these two circulars. Pursuant to the same, the operating services provided by Beijing Joy Tend and Beijing Right Time, Beijing Top, Beijing Shenghe, Beijing Magnificence and Beijing Jinghong are also subject to value-added tax. On May 24, 2013, the Ministry of Finance and the State Administration of Taxation promulgated Circular 37, which replaces Circular No. 111 and Circular 71 and expands such practice of replacing business tax with value-added tax to nationwide starting August 1, 2013. Following the change from business tax to value-added tax, the applicable tax rate for such services increased by 1%, from 5% up to 6%, while the tax payable amount of value-added tax relating to such services was the output tax amount in a tax period minus input tax amount in the same period. Pursuant to Circular 68 which was promulgated on June 18, 2016, our operating entities that provide non-academic education services are subject to a simple VAT collection method and apply for a 3% VAT rate since May 2016. VAT is reported as a deduction to revenue when incurred. Circular 37 and the subsequent relevant implementation measures and rules are relatively new, and the interpretation and enforcement of this circular and its implementation measures and rules involve uncertainties. To date, the practices instituted under the new circular have had no material adverse effect on the tax positions of our operating entities in China.

With regard to income tax, according to the Implementation Rules for the Law for Promoting Private Education (2004), private schools that do not require reasonable returns enjoy the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools requiring reasonable returns shall be separately formulated by the relevant authorities under the State Council. To date, however, no regulations have been promulgated by the relevant authorities in this regard. As of May 31, 2017, 22 of our schools elected as schools not requiring reasonable returns, 39 of our schools elected as requiring reasonable returns and the remaining schools were not classified or registered as companies. The implementation rules of the EIT Law provide certain conditions under which not-for-profit entities may be exempted from enterprise income tax. According to such conditions, our schools may not be entitled to income tax exemption. To date, however, no separate specific regulations or policies have been promulgated by the relevant authorities in this regard and 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 starting from January 1, 2008, 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. Among our schools in the four major cities from which we derived a significant portion of our revenues in the fiscal year ended May 31, 2017, three schools are subject to the standard 25% enterprise income tax rate and one school is not required by the governing tax bureau to pay any EIT since its establishment through May 31, 2017.

Enterprises that qualify as “high and new technology enterprises” are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. In December 2008, Beijing Hewstone and Beijing Decision and Xuncheng Network were recertified as “high and new technology enterprises” in Beijing, and Beijing Pioneer was added to this list in November 2015 and enjoyed a reduced tax rate of 15% starting January 2015. In December 2016, Beijing Smart Wood, was also certified as a “high and new technology enterprise. All of them are entitled to a 15% tax rate as long as they continue to qualify as high and new technology enterprises. The deferred tax balance of Beijing Hewstone, Beijing Decision, Beijing Pioneer and Xuncheng Network is calculated at a rate of 15%, as we expect them to continue to be qualified as “high and new technology enterprises.”

An enterprises that qualifies as a “software enterprise” is exempt from enterprise income tax for two years beginning from such enterprise’s first profitable year followed by a tax rate of 12.5% for the succeeding three years. Seven of our wholly-owned subsidiaries in China, Beijing Smart Wood, Beijing Joy Tend, Beijing Right Time, Beijing Top, Beijing Shenghe, Beijing Magnificence and Beijing Jinghong, are qualified as software enterprises. Beijing Smart Wood was entitled to an income tax exemption from in 2012 and 2013 followed by reduced income tax at a rate of 12.5% from 2014 through 2016. Beijing Right Time and Beijing Joy Tend were exempt from income taxes in 2013 and 2014 and are eligible for reduced income taxes at a rate of 12.5% through from 2015 through 2017. Beijing Top and Beijing Shenghe were exempt from income taxes in 2014 and 2015 and are eligible for reduced income taxes at a rate of 12.5% from 2016 through 2018. Beijing Magnificence is entitled to an income tax exemption in 2015 and 2016 followed by reduced income tax at a rate of 12.5% from 2017 through 2019. Beijing Jinghong is entitled to an income tax exemption in 2017 and 2018 followed by reduced income tax at a rate of 12.5% from 2019 through 2021.

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,” New Oriental China and our wholly-owned subsidiaries 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 New Oriental China and our wholly-owned subsidiaries, will cause our effective tax rate to increase, which could have a material adverse effect on our results of operations.

For additional information on PRC regulations on taxation, see “Item 4. Information on the Company—B. Business Overview—Education—Regulations on Taxation.”

Recent Acquisition

In December 2014, we acquired a 100% equity interest in a kindergarten chain in the city of Qingdao with three schools and approximately 700 students for US\$12.9 million.

In March 2015, we acquired 18% equity interest in Beijing Ainuoshida Education & Technology Co., Ltd., or Ainuoshida, for a total consideration of US\$1,129. In December 2016, we acquired another 33% equity interest in Ainuoshida, for a total consideration of US\$3,842. After the acquisition we owned totally 51% equity interest in Ainuoshida.

Recent Disposal

In April 2016, we disposed 51% equity interest in Dianshijingwei for a cash consideration of US\$2.3 million and recorded a gain of US\$3.8 million from this disposal.

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.

<i>(in thousands of US\$)</i>	For the Year Ended May 31,		
	2015	2016	2017
Net revenues:			
Educational programs and services	1,102,974	1,309,339	1,608,954
Books and others	143,792	169,009	190,555
Total net revenues	1,246,766	1,478,348	1,799,509
Operating costs and expenses ⁽¹⁾ :			
Cost of revenues	(526,320)	(614,364)	(749,586)
Selling and marketing	(188,483)	(197,897)	(232,826)
General and administrative	(378,434)	(471,010)	(554,948)
Total operating costs and expenses	(1,093,237)	(1,283,271)	(1,537,360)
Gain on disposal of subsidiaries	—	3,760	—
Operating income	153,529	198,837	262,149
Other income, net	66,947	68,447	68,560
Provision for income taxes	(26,221)	(37,531)	(50,624)
Loss from equity method investments	(1,537)	(4,425)	(3,289)
Net income	192,718	225,328	276,796
Net loss (gain) attributable to the noncontrolling interests	295	(444)	(2,339)
Net income attributable to New Oriental Education & Technology Group Inc.	193,013	224,884	274,457

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

<i>(in thousands of US\$)</i>	For the Year Ended May 31,		
	2015	2016	2017
General and administrative	15,689	16,810	20,287

Fiscal Year Ended May 31, 2017 Compared to Fiscal Year Ended May 31, 2016

Net Revenues. Our total net revenues increased by 21.7% from US\$1,478.3 million for the fiscal year ended May 31, 2016 to US\$1,799.5 million for the fiscal year ended May 31, 2017. This increase was due to the increased revenues from both educational programs and services as well as from books and others.

- Educational Programs and Services.** Net revenues from our educational programs and services increased by 22.9% from US\$1,309.3 million for the fiscal year ended May 31, 2016 to US\$1,608.9 million for the fiscal year ended May 31, 2017. This increase was primarily due to the growth in revenues from language training and test preparation courses from US\$1,238.6 million in the fiscal year ended May 31, 2016 to US\$1,510.5 million in the fiscal year ended May 31, 2017. The increase in revenues from language training and test preparation courses was mainly attributable to the increase in the number of student enrollments from approximately 3.6 million in the fiscal year ended May 31, 2016 to over 4.8 million in the fiscal year ended May 31, 2017, and in particular, the increased number of student enrollments in test preparation courses for middle and high school students and language training courses for children. Our total numbers of schools and learning centers were 77 and 778, respectively, as of May 31, 2017, compared to 66 and 682, respectively, as of May 31, 2016.
- Books and Others.** Net revenues from sales of books and other educational materials and services increased by 12.7% from US\$169.0 million in the fiscal year ended May 31, 2016 to US\$190.6 million in the fiscal year ended May 31, 2017, primarily due to the increased revenue of US\$18.8 million from the overseas consulting business in the fiscal year ended May 31, 2017.

Operating Costs and Expenses. Our total operating costs and expenses increased by 19.8% from US\$1,283.3 million in the fiscal year ended May 31, 2016 to US\$1,537.4 million in the fiscal year ended May 31, 2017. This increase resulted from increases in our cost of revenues, selling and marketing expenses and general and administrative expenses line items.

- *Cost of Revenues.* Our cost of revenues increased by 22.0% from US\$614.4 million in the fiscal year ended May 31, 2016 to US\$749.6 million in the fiscal year ended May 31, 2017. This increase was primarily due to an increase in teaching fees and performance-linked bonuses paid to our teachers during the fiscal year ended May 31, 2017.
- *Selling and Marketing Expenses.* Our selling and marketing expenses increased by 17.7% from US\$197.9 million in the fiscal year ended May 31, 2016 to US\$232.8 million in the fiscal year ended May 31, 2017. This increase was primarily due to the addition of over 500 new sales and marketing personnel during the fiscal year ended May 31, 2017.
- *General and Administrative Expenses.* Our general and administrative expenses increased by 17.8% from US\$471.0 million in the fiscal year ended May 31, 2016 to US\$554.9 million in the fiscal year ended May 31, 2017. This increase was primarily due to an increase of US\$56 million in human resources expenses and an increase of US\$13.2 million in general operational expenses during the fiscal year ended May 31, 2017.

Other Income, Net. Our other income, net which primarily includes interest income, increased from US\$68.4 million in the fiscal year ended May 31, 2016 to US\$68.6 million in the fiscal year ended May 31, 2017.

Provision for Income Tax. Our income tax expense increased by 34.9% from US\$37.5 million in the fiscal year ended May 31, 2016 to US\$50.6 million in the fiscal year ended May 31, 2017. The increase was primarily due to higher income tax rate incurred in the fiscal year ended May 31, 2017.

Net Income. As a result of the foregoing, our net income for the fiscal year ended May 31, 2017 was US\$276.8 million, compared to US\$225.3 million for the fiscal year ended May 31, 2016.

Fiscal Year Ended May 31, 2016 Compared to Fiscal Year Ended May 31, 2015

Net Revenues. Our total net revenues increased by 18.6% from US\$1,246.8 million for the fiscal year ended May 31, 2015 to US\$1,478.3 million for the fiscal year ended May 31, 2016. This increase was due to the increased revenues from both educational programs and services as well as from books and others.

- *Educational Programs and Services.* Net revenues from our educational programs and services increased by 18.7% from US\$1,103.0 million for the fiscal year ended May 31, 2015 to US\$1,309.3 million for the fiscal year ended May 31, 2016. This increase was primarily due to the growth in revenues from language training and test preparation courses from US\$1,040.4 million in the fiscal year ended May 31, 2015 to US\$1,238.6 million in the fiscal year ended May 31, 2016. The increase in revenues from language training and test preparation courses was mainly attributable to the increase in the number of student enrollments from approximately 2.9 million in the fiscal year ended May 31, 2015 to over 3.6 million in the fiscal year ended May 31, 2016, and in particular, the increased number of student enrollments in test preparation courses for middle and high school students and language training courses for children. Our total numbers of schools and learning centers were 66 and 682, respectively, as of May 31, 2016, compared to 60 and 664, respectively, as of May 31, 2015.
- *Books and Others.* Net revenues from sales of books and other educational materials and services increased by 17.5% from US\$143.8 million in the fiscal year ended May 31, 2015 to US\$169.0 million in the fiscal year ended May 31, 2016, primarily due to the increased revenue of US\$17.5 million from the overseas consulting business in the fiscal year ended May 31, 2016.

Operating Costs and Expenses. Our total operating costs and expenses increased by 17.4% from US\$1,093.2 million in the fiscal year ended May 31, 2015 to US\$1,283.3 million in the fiscal year ended May 31, 2016. This increase resulted from increases in our cost of revenues, selling and marketing expenses and general and administrative expenses line items.

- *Cost of Revenues.* Our cost of revenues increased by 16.7% from US\$526.3 million in the fiscal year ended May 31, 2015 to US\$614.4 million in the fiscal year ended May 31, 2016. This increase was primarily due to an increase in teaching fees and performance-linked bonuses paid to our teachers during the fiscal year ended May 31, 2016.
- *Selling and Marketing Expenses.* Our selling and marketing expenses by 5.0% from US\$188.5 million in the fiscal year ended May 31, 2015 to US\$197.9 million in the fiscal year ended May 31, 2016. This increase was primarily due to the addition of over 400 new sales and marketing personnel during the fiscal year ended May 31, 2016.
- *General and Administrative Expenses.* Our general and administrative expenses increased by 24.5% from US\$378.4 million in the fiscal year ended May 31, 2015 to US\$471.0 million in the fiscal year ended May 31, 2016. This increase was primarily due to an increase of US\$31.7 million in human resources expenses and an increase of US\$20.3 million in general operational expenses during the fiscal year ended May 31, 2016.

Other Income, Net. Our other income, net which primarily includes interest income, increased from US\$66.9 million in the fiscal year ended May 31, 2015 to US\$68.4 million in the fiscal year ended May 31, 2016.

Provision for Income Tax. Our income tax expense increased by 43.1% from US\$26.2 million in the fiscal year ended May 31, 2015 to US\$37.5 million in the fiscal year ended May 31, 2016. The increase was primarily due to higher income tax rate incurred in the fiscal year ended May 31, 2016.

Net Income. As a result of the foregoing, our net income for the fiscal year ended May 31, 2016 was US\$225.3 million, compared to US\$192.7 million for the fiscal year ended May 31, 2015.

Discussion of Segment Operations

During the year ended May 31, 2015, we identified six operating segments, including language training and test preparation, primary and secondary school education, online education, content development and distribution, pre-school education and overseas study consulting services. During the year ended May 31, 2016, we further separated study tour previously included in the overseas study consulting services as a separate operating segment. The seven operation segments for the years ended May 31, 2016 and 2017 are identified as language training and test preparation, primary and secondary school education, online education, content development and distribution, pre-school education, overseas study consulting services and study tour. Language training and test preparation and primary and secondary school education have been identified as reportable segments. Online education, content development and distribution, pre-school education, overseas study consulting services and study tour operating segments were aggregated as others because individually they do not exceed the 10% quantitative threshold.

Net revenues from our language training and test preparation courses accounted for 83.4%, 83.8% and 83.9%, respectively, of our total net revenues in the fiscal years ended May 31, 2015, 2016 and 2017. Net revenues from our primary and secondary school education accounted for 2.1%, 2.0% and 1.7%, respectively, of our total net revenues in the fiscal years ended May 31, 2015, 2016 and 2017. We recognize revenues from course fees collected for enrollment in our language training and test preparation courses proportionally as we deliver the instruction over the period of the course. We recognize revenues from school fees collected for enrollment in New Oriental China's primary and secondary schools ratably over the corresponding academic year.

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

Cost of revenues for our primary and secondary schools primarily consists of compensation and benefits to school teachers and depreciation and amortization of property and equipment used in the provision of educational services.

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

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

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

<i>(in thousands of US\$)</i>	For the Year Ended May 31,		
	2015	2016	2017
Net revenues of reportable segments:			
Language training and test preparation courses	1,040,380	1,238,572	1,510,497
Primary and secondary education	26,735	30,011	30,782
Total net revenues of reportable segments	<u>1,067,115</u>	<u>1,268,583</u>	<u>1,541,279</u>
Total net revenues of our company	1,246,766	1,478,348	1,799,509
Operating costs and expenses of reportable segments:			
Cost of revenues:			
Language training and test preparation courses	(442,994)	(516,370)	(623,364)
Primary and secondary education	(9,083)	(9,812)	(10,465)
Selling and marketing:			
Language training and test preparation courses	(122,697)	(125,815)	(146,544)
Primary and secondary education	(1,039)	(744)	(1,347)
General and administrative:			
Language training and test preparation courses	(245,315)	(296,686)	(363,949)
Primary and secondary education	(10,068)	(12,558)	(11,317)
Total operating costs and expenses of reportable segments	<u>(831,196)</u>	<u>(961,985)</u>	<u>(1,156,986)</u>
Total operating costs and expenses of our company	<u>(1,093,237)</u>	<u>(1,283,271)</u>	<u>(1,537,360)</u>

Fiscal Year Ended May 31, 2017 Compared to Fiscal Year Ended May 31, 2016

Net Revenues of Reportable Segments

- *Language Training and Test Preparation Courses.* Net revenues from our language training and test preparation courses increased by 22.0% from US\$1,238.6 million for the fiscal year ended May 31, 2016 to US\$1,510.5 million for the fiscal year ended May 31, 2017, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2017 Compared to Fiscal Year Ended May 31, 2016—Net Revenues—Educational Programs and Services.”
- *Primary and Secondary School Education.* Net revenues from our primary and secondary school education increased by 2.6% from US\$30.0 million for the fiscal year ended May 31, 2016 to US\$30.8 million for the fiscal year ended May 31, 2017, primarily due to an increase in the number of students as we offered additional classes.

Operating Costs and Expenses of Reportable Segments

Cost of Revenues

- *Language Training and Test Preparation Courses.* Cost of revenues for our language training and test preparation courses increased by 20.7% from US\$516.4 million for the fiscal year ended May 31, 2016 to US\$623.4 million for the fiscal year ended May 31, 2017, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2017 Compared to Fiscal Year Ended May 31, 2016—Operating Costs and Expenses—Cost of Revenues.”
- *Primary and Secondary School Education.* Cost of revenues for our primary and secondary school education increased from US\$9.8 million for the fiscal year ended May 31, 2016 to US\$10.5 million for the fiscal year ended May 31, 2017, primarily due to an increase in teaching fees paid to our teachers.

Selling and Marketing Expenses

- *Language Training and Test Preparation Courses.* Selling and marketing expenses for our language training and test preparation courses increased by 16.5% from US\$125.8 million for the fiscal year ended May 31, 2016 to US\$146.5 million for the fiscal year ended May 31, 2017, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2017 Compared to Fiscal Year Ended May 31, 2016—Operating Costs and Expenses—Selling and Marketing Expenses.”
- *Primary and Secondary School Education.* Selling and marketing expenses for our primary and secondary school education decreased from US\$0.7 million for the fiscal year ended May 31, 2016 to US\$1.3 million for the fiscal year ended May 31, 2017.

General and Administrative Expenses

- *Language Training and Test Preparation Courses.* General and administrative expenses for our language training and test preparation courses increased by 22.7% from US\$296.7 million for the fiscal year ended May 31, 2016 to US\$363.9 million for the fiscal year ended May 31, 2017, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2017 Compared to Fiscal Year Ended May 31, 2016—Operating Costs and Expenses—General and Administrative Expenses.”
- *Primary and Secondary School Education.* General and administrative expenses for our primary and secondary school education decreased slightly from US\$12.6 million for the fiscal year ended May 31, 2016 to US\$11.3 million for the fiscal year ended May 31, 2017.

Fiscal Year Ended May 31, 2016 Compared to Fiscal Year Ended May 31, 2015

Net Revenues of Reportable Segments

- *Language Training and Test Preparation Courses.* Net revenues from our language training and test preparation courses increased by 19.0% from US\$1,040.4 million for the fiscal year ended May 31, 2015 to US\$1,238.6 million for the fiscal year ended May 31, 2016, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2016 Compared to Fiscal Year Ended May 31, 2015—Net Revenues—Educational Programs and Services.”
- *Primary and Secondary School Education.* Net revenues from our primary and secondary school education increased by 12.3% from US\$26.7 million for the fiscal year ended May 31, 2015 to US\$30.0 million for the fiscal year ended May 31, 2016, primarily due to an increase in the number of students as we offered additional classes.

Operating Costs and Expenses of Reportable Segments

Cost of Revenues

- *Language Training and Test Preparation Courses.* Cost of revenues for our language training and test preparation courses increased by 16.6% from US\$443.0 million for the fiscal year ended May 31, 2015 to US\$516.4 million for the fiscal year ended May 31, 2016, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2016 Compared to Fiscal Year Ended May 31, 2015—Operating Costs and Expenses—Cost of Revenues.”
- *Primary and Secondary School Education.* Cost of revenues for our primary and secondary school education increased from US\$9.1 million for the fiscal year ended May 31, 2015 to US\$9.8 million for the fiscal year ended May 31, 2016, primarily due to an increase in teaching fees paid to our teachers.

Selling and Marketing Expenses

- *Language Training and Test Preparation Courses.* Selling and marketing expenses for our language training and test preparation courses increased by 2.5% from US\$122.7 million for the fiscal year ended May 31, 2015 to US\$125.8 million for the fiscal year ended May 31, 2016, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2016 Compared to Fiscal Year Ended May 31, 2015—Operating Costs and Expenses—Selling and Marketing Expenses.”
- *Primary and Secondary School Education.* Selling and marketing expenses for our primary and secondary school education decreased from US\$1.0 million for the fiscal year ended May 31, 2015 to US\$0.7 million for the fiscal year ended May 31, 2016.

General and Administrative Expenses

- *Language Training and Test Preparation Courses.* General and administrative expenses for our language training and test preparation courses increased by 20.9% from US\$245.3 million for the fiscal year ended May 31, 2015 to US\$296.7 million for the fiscal year ended May 31, 2016, primarily due to the factors discussed in “—Results of Operations—Fiscal Year Ended May 31, 2016 Compared to Fiscal Year Ended May 31, 2015—Operating Costs and Expenses—General and Administrative Expenses.”
- *Primary and Secondary School Education.* General and administrative expenses for our primary and secondary school education increased by 24.7% from US\$10.1 million for the fiscal year ended May 31, 2015 to US\$12.6 million for the fiscal year ended May 31, 2016, primarily due to an increase in salaries and welfare benefits for administrative staff.

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 2015, 2016 and 2017 were increases of 1.2%, 2.0% and 1.5%, 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 financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the end of each fiscal period and the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

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

Revenue recognition

We recognize revenue when persuasive evidence that an arrangement exists, delivery of the product or service has occurred, the selling price is both fixed and determinable and collection is reasonably assured. The primary sources of our company's revenues are as follows:

Educational programs and services

Educational programs and services consist of language training and test preparation courses, primary and secondary school education and college admission examination retaking training services. Tuition is generally paid in advance and is initially recorded as deferred revenue. Tuition revenue for educational programs and services is recognized proportionately as the instructions are delivered, and is reported net of business taxes, VAT and related surcharges, and tuition refunds. Students are entitled to a short term course 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. Tuition refunds have been insignificant in the fiscal years ended May 31, 2015, 2016 and 2017, respectively. After the trial period, if a student withdraws from a class, usually no refunds will be provided and any collected but unearned portion of the fee is recognized at that time.

We also sell online-learning cards primarily to distributors at fixed prices after deducting a pre-determined fixed discount to the face value of the cards. Online-learning card sales represent prepaid service fees received from students for e-learning services. The prepaid service fee is recorded as deferred revenue upon receiving the upfront payment. Revenue is recognized upon actual usage of the cards by the students based on the number of minutes the students use the e-learning services, of which the actual usage is tracked by us on an individual basis. Upon the expiration of the online-learning card, which ranges from six months to one year from the date of sale of the card to the distributor, we will recognize the remaining unused minutes as revenue.

Books and others

Our company sells educational books or other educational materials either through our own book stores or websites or through third-party distributors. Revenue from sales made through our book stores is recognized upon sales to customers. Revenue through distributors is recognized once the products are sold to the end customers.

Consolidation of Variable Interest Entity

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 Xuncheng, our variable interest entities, and their schools and subsidiaries. We have, through our wholly-owned subsidiaries in the PRC, entered into contractual arrangements with New Oriental China, its schools and subsidiaries, Xuncheng and its subsidiary, and their shareholders such that New Oriental China and its schools and subsidiaries, Xuncheng and its subsidiary (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 and 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 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 and Xuncheng 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. 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. In September 2015, the contractual arrangements with Xuncheng Network were terminated, subsequent to which we continued to consolidate Xuncheng Network through voting interest held by New Oriental China.

As advised by Tian Yuan Law Firm, our PRC counsel, our corporate structure in China complies with all existing PRC laws and regulations. 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, 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 our China business do not comply with applicable PRC laws and regulations, we could be subject to severe penalties” and “—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”, “—Risks Related to Our Corporate Structure —Our ability to enforce the equity pledge agreements between us and New Oriental China’s shareholder may be subject to limitations based on PRC laws and regulations” and “—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.”

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 Xuncheng Network and Its Shareholder” for a summary of these contractual arrangements. In the fiscal years ended May 31, 2015, 2016 and 2017, the VIEs contributed in aggregate 97.9%, 97.7% and 98.8%, respectively, of our total net revenues. Our operations not conducted through contractual arrangements with the VIEs primarily consist of our kindergarten programs and the leasing of our commercial property. As of the fiscal years ended May 31, 2016 and 2017, the VIEs accounted for an aggregate of 69.8% and 71.1%, respectively, of our total assets, and 93.7% and 94.6%, respectively, of our total liabilities. The assets not associated with the VIEs primarily consist of cash, investments and commercial property.

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 and restructuring costs are expensed as incurred.

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 if recorded as a liability, it is subsequently carried at fair value with changes in fair value reflected in earnings. As of May 31, 2017, there was no contingent consideration outstanding.

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 expense net of a forfeiture rate on a straight-line basis over the requisite service period, with a corresponding addition to paid-in capital. We use the binomial option pricing model to measure the fair value of options granted and the quoted market price of our company's equity shares to measure the fair value of non-vested equity shares granted to employees at each measurement date. The binomial option pricing model is adopted because we believe that considering the possibility of exercise of 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 expense 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. The estimate of forfeitures is based on historical turnover rate and will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will impact the amount of share-based compensation expense to be recognized in future periods.

Equity Method Investments

Investee companies over which we have the ability to exercise significant influence, but do not have a controlling interest, 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%. 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, where we hold more than 50% equity interest, we may only have significant influence but not control over the investees. Equity method is also used to account for these investments.

An impairment charge is recorded if the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary. We estimated the fair value of the investee company based on comparable quoted price for similar investment in active market, if applicable, or discounted cash flow approach which requires significant judgments, including the estimation of future cash flows, which is dependent on internal forecasts, the estimation of long term growth rate of a company's business, the estimation of the useful life over which cash flows will occur, and the determination of the weighted average cost of capital. We did not record impairment losses on our equity method investment during the years ended May 31, 2015, 2016 and 2017, respectively.

Cost Method Investments

For investee companies over which we do not have significant influence and a controlling interest, we carry the investment at cost and recognize as income any dividend received from distribution of the investee's earnings.

We review our cost 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 our cost method investments. An impairment charge is recorded if the cost of an investment exceeds its fair value and such excess is determined to be other-than-temporary. We did not record impairment losses on our cost method investment during the years ended May 31, 2015, 2016 and 2017, respectively.

Available-for-sale Securities Investments

For investments in investees' stocks which are determined to be debt securities, we account for them as long-term available-for-sale investments when they are not classified as either trading or held-to-maturity investments.

Available-for-sale investments are carried at their fair values and the unrealized gains or losses from the changes in fair values are included in accumulated other comprehensive income.

We review our investments for other-than-temporary impairment based on the specific identification method. We consider available quantitative and qualitative evidence in evaluating potential impairment of our investments. If the cost of an investment exceeds the investment's fair value, we consider, among other factors, general market conditions, government economic plans, the duration and the extent to which the fair value of the investment is less than the cost, our intent and ability to hold the investment, and the financial condition and near term prospects of the investees. We recognized no impairment charge for the years ended May 31, 2015 and 2016, respectively, and we recognized US\$2,338 impairment charge for the year ended May 31, 2017.

Long-term held-to-maturity investment

The long-term held-to-maturity investment represents a trust guaranteed by a bank with the maturity of more than one year, which is stated at its amortized cost. As of May 31, 2017, the related balance was reclassified to long-term investment due to the maturity of the investment being less than one year.

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 using 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 expense.

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."

Allowance for doubtful accounts

Accounts receivable represents amounts due from corporate customers of our schools and subsidiaries. We provide allowance for doubtful accounts equal to the estimated amounts. Our estimates are based on historical collection experience and a review of the current status of accounts receivable and advances to suppliers. Accounts receivable and advances to suppliers are presented net of allowance for doubtful accounts.

Economic lives and impairment of property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated on a straight line basis over the following estimated economic 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 economic life

Judgment is required to determine the estimated useful lives of property and equipment, especially for the equipment, including determining how long existing equipment can function and when new technologies will be introduced at cost-effective price points to replace existing equipment. Changes in these estimates and assumptions could materially impact our financial position and results of operations.

We review 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, we measure 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, we would recognize an impairment loss based on the fair value of the assets. We recognized no impairment loss on long-lived assets for the years ended May 31, 2015, 2016 and 2017.

Impairment of goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

We review the carrying value of intangible assets not subject to amortization, including goodwill, to determine whether impairment may exist, whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable at least annually.

Goodwill is tested for impairment at the reporting unit level on an annual basis (May 31 of each year) 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 factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The estimation of fair value of each reporting unit using a discounted cash flow methodology also requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of the our weighted average cost of capital. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for the reporting unit.

In order to test goodwill for impairment, we 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. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, goodwill is then tested following a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit’s goodwill.

The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

We assessed the qualitative factors to determine it is not more likely than not that the fair value of each reporting unit is less than its respective carrying amount. Impairment of goodwill were nil, nil, and \$1.6 million during the years ended May 31, 2015, 2016 and 2017, respectively.

Recently Issued Accounting Pronouncements

Refer to Note 2 to our consolidated financial statements regarding recent issued accounting pronouncements.

B. Liquidity and Capital Resources

Our principal source of liquidity has been cash generated from operating activities. As of May 31, 2017, we had US\$641.0 million in cash and cash equivalents. Our cash and cash equivalents consist of cash on hand and liquid investments that are unrestricted as to withdrawal or use, have maturities of three months or less and are placed with banks and other financial institutions. Although we consolidate the results of New Oriental China and its 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 costs and expenses relating to opening new schools and learning centers. We opened 191 new learning centers and closed 84 existing centers in fiscal year 2017. We plan to continue to add schools and learning centers in the future with a focus on opening new learning centers in fast growing, high profit margin cities. We expect to incur capital expenditures ranging from approximately RMB1.0 million (US\$0.1 million) to RMB4.0 million (US\$0.6 million) per new school depending primarily on the size and geographic location of the school. 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.

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

<i>(in thousands of US\$)</i>	For the Year Ended May 31,		
	2015	2016	2017
Net cash provided by operating activities	374,145	517,894	618,137
Net cash used in investing activities	(173,417)	(309,737)	(672,264)
Net cash provided by (used in) financing activities	(44,297)	5,503	9,349
Effect of foreign exchange rate changes	3,274	(35,749)	(23,413)
Net change in cash and cash equivalents	159,705	177,911	(68,191)
Cash and cash equivalents at beginning of period	371,593	531,298	709,209
Cash and cash equivalents at end of the period	531,298	709,209	641,018

Operating Activities

Net cash provided by operating activities amounted to US\$618.1 million in the fiscal year ended May 31, 2017. Our net cash provided by operating activities in the fiscal year ended May 31, 2017 reflected net income of US\$276.8 million, as adjusted by the reconciliation of certain non-cash items, including US\$53.9 million in depreciation and US\$20.3 million in share-based compensation expense. Additional factors affecting operating cash flow included an increase in deferred revenues in the amount of US\$237.6 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\$35.8 million, primarily due to an increase in accrued employee salary expenses and welfare benefits.

Net cash provided by operating activities amounted to US\$517.9 million in the fiscal year ended May 31, 2016. Our net cash provided by operating activities in the fiscal year ended May 31, 2016 reflected net income of US\$225.3 million, as adjusted by the reconciliation of certain non-cash items, including US\$47.3 million in depreciation and US\$16.8 million in share-based compensation expense. Additional factors affecting operating cash flow included an increase in deferred revenues in the amount of US\$179.6 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\$47.9 million, primarily due to an increase in accrued employee salary expenses and welfare benefits.

Net cash provided by operating activities amounted to US\$374.1 million in the fiscal year ended May 31, 2015. Our net cash provided by operating activities in the fiscal year ended May 31, 2015 reflected net income of US\$192.7 million, as adjusted by the reconciliation of certain non-cash items, including US\$46.7 million in depreciation and US\$15.7 million in share-based compensation expense. Additional factors affecting operating cash flow included an increase in deferred revenues in the amount of US\$117.1 million due to the increased amount of course fees received during the period, an increase in the accrued expenses and other current liabilities account of US\$11.1 million, primarily due to an increase in accrued employee salary expenses and welfare benefits.

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 and Yangzhou schools, which premises we own. Our cash used in investing activities is primarily related to our purchase of land use rights and the premises for the Beijing, Xi'an, Tianjin, Kunming, Wuhan, Guangzhou, Changsha, Xiamen, Zhengzhou and Yangzhou schools and equipment used in our operations, our investment in term deposits and short term investments. Net cash used in investing activities amounted to US\$672.3 million in the fiscal year ended May 31, 2017, compared to US\$309.7 million in the fiscal year ended May 31, 2016 and US\$173.4 million in the fiscal year ended May 31, 2015.

Net cash used in investing activities in the fiscal year ended May 31, 2017 was primarily attributable to net purchase of short term held-to-maturity investments in the amount of US\$522.8 million, long term available for sale investments in the amount of US\$43.5 million and the purchase of property and equipment in the amount of US\$105.7 million in connection with the expansion of our school network.

Net cash used in investing activities in the fiscal year ended May 31, 2016 was primarily attributable to net purchase of short term held-to-maturity investments in the amount of US\$260.9 million, long term available for sale investments in the amount of US\$78.8 million and the purchase of property and equipment in the amount of US\$64.4 million in connection with the expansion of our school network.

Net cash used in investing activities in the fiscal year ended May 31, 2015 was primarily attributable to net purchase of held-to-maturity investment in the amount of US\$145.4 million and the purchase of property and equipment in the amount of US\$55.3 million in connection with the expansion of our school network.

Financing Activities

Net cash provided by financing activities amounted to US\$9.3 million in the fiscal year ended May 31, 2017, compared to net cash provided by financing activities of US\$5.5 million in the fiscal year ended May 31, 2016 and net cash used in financing activities of US\$44.3 million in the fiscal year ended May 31, 2015.

Net cash provided by financing activities in the fiscal year ended May 31, 2017 was primarily attributable to capital contribution from noncontrolling interests of US\$8.8 million.

Net cash provided by financing activities in the fiscal year ended May 31, 2016 was primarily attributable to investment of RMB445.7 million (US\$68.3 million) by investors into Xuncheng Network, a subsidiary of New Oriental China and cash dividend in the amount of US\$62.7 million.

Net cash used in financing activities in the fiscal year ended May 31, 2015 was primarily attributable to cash paid for share repurchase in the amount of US\$59.4 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 New Oriental China, our variable interest entity, and its schools and 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 these contractual arrangements. In the fiscal year ended May 31, 2015, we entered into a series of contractual arrangements with Xuncheng Network, a then wholly-owned subsidiary of New Oriental China, its subsidiaries and its shareholder as part of an internal restructuring. Following a change in our restructuring strategy, these contractual arrangements were terminated in September 2015. See “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Xuncheng Network, Its Subsidiary and Its Shareholder” for a summary of these contractual arrangements. In the fiscal years ended May 31, 2015, 2016 and 2017, our variable interest entity(ies) contributed in aggregate 97.9%, 97.7% and 98.8%, respectively, of our total net revenues. Our operations not conducted through contractual arrangements with our variable interest entity(ies) primarily consist of our kindergarten programs and the leasing of our commercial property. As of May 31, 2016 and 2017, our variable interest entity(ies) accounted for an aggregate of 69.8% and 71.1%, respectively, of our total assets, and 93.7% and 94.6%, respectively, of our total liabilities. The assets not associated with our variable interest entity(ies) primarily consist of cash and cash equivalents, term deposits and short-term investments. As of May 31, 2016 and 2017, US\$51.9 million and US\$75.9 million, respectively, of these assets were denominated in U.S. dollars, and \$317.6 million and US\$441.2 million, respectively, of these assets were denominated in RMB.

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 entity(ies), and, to a lesser degree, our PRC subsidiaries’ retained earnings. As of May 31, 2015, 2016 and 2017, the total amount of service fees payable to our PRC subsidiaries from our variable interest entity(ies) under the service agreements was US\$29.4 million, US\$262.7 million and US\$267.5 million, respectively. Conducting our operations through contractual arrangements with our variable interest entity(ies) entails a risk that we may lose the power to direct the activities that most significantly affect the economic performance of our variable interest entity(ies), 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 our China business do not comply with applicable PRC laws and regulations, we could be subject to severe penalties” 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, New Oriental China and its subsidiaries which is not a 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, at the end of each fiscal year, each of our schools in China is required to allocate a certain amount out of its annual net income, if any, to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. 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. 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 New Oriental China, the earnings and cash of New Oriental China and its 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, 2017, the net assets of our PRC subsidiaries and New Oriental China and its 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\$488.6 million, and the net assets of our PRC subsidiaries and New Oriental China and its schools and subsidiaries which were unrestricted and thus available for distribution were in aggregate US\$1,192.4 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 Doing Business in China—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 and 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, O2O ecosystem and bookstores has required significant investment. Our capital expenditures were US\$55.3 million, US\$64.4 million and US\$105.7 million in the fiscal years ended May 31, 2015, 2016 and 2017, 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, 2017 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

Our technology platform is designed to provide systems that help distinguish us in the marketplace, operate cost-effectively and accommodate future growth. We currently use a combination of commercially available and custom developed software and hardware systems. Our technology platform is a combination of e-learning platforms, alumni platforms, content management systems, exam platforms, e-business promotion platforms and bookstore platforms, live Internet classrooms, as well as licensed speech recognition platforms. Our investment in system infrastructure has several key benefits: simplification of the storage and processing of large amounts of data, facilitation of the deployment and operation of large-scale programs and services and automation of much of the administration of our business. It also provides us with the ability to scale both capacity and functionality and build large clusters seamlessly.

One of our ongoing primary objectives is to maintain reliable systems. We have implemented performance monitoring for all key web and business systems to enable us to respond quickly to potential problems. Based on cluster technology, our system can identify errors and isolate failed servers automatically so that our clients can access our services at any time. Our websites are hosted at third party facilities in Beijing. This facility provides redundant utility systems, a backup electric generator and 24-hour a day server support. All servers have redundant power supplies and file systems to maximize system and data availability. We regularly back up our database on a server hosted at an Internet data center to minimize the impact of data loss due to system failures. We do not capitalize any related costs.

Intellectual Property

Our trademarks, copyrights, trade secrets and other intellectual property rights distinguish our services and products from those of our competitors and contribute to our competitive advantage in our target markets. To protect our brand and other intellectual property, we rely on a combination of trademark, copyright and trade secret laws as well as confidentiality agreements with our employees, contractors and others. “新东方”, “New Oriental”, “新东方学校”, “新东方+地球图形” and “新东方 XDF.CN” are registered trademarks in China and have been recognized as “well-known trademarks” (“驰名商标”) in civil action adjudicated and/or administrative determination in China. We have also registered additional trademarks and logos, including “Pop Kids,” with the Trademark Office of the State Administration for Industry and Commerce in China. Our main websites are located at www.df.cn, www.neworiental.org, english.neworiental.org, and www.koolearn.com. In addition, we have registered other domain names, including www.dogwood.com.cn, www.popkids.com.cn, www.young.com, www.ileci.com, www.okayzhahui.com, www.51zhishang.com, www.donut.cn, www.maxen.com.cn, www.51pigai.com and www.66xue.com.

In order to develop, improve, market and deliver new programs and services, we are required to obtain licenses from others from time to time. For example, we currently have arrangements with international education content providers and publishers such as British Council, Cengage Learning, Coursera, Monash College Pty Ltd, NCUK, International Baccalaureate, Bell Education, ETS, HMH, Cambridge University Press, Cambridge English Language Assessment, The McGraw-Hill Companies, Pearson Education, Oxford University Press, Harper Collins, or their respective authorized local publishers, to develop and distribute localized versions of specified books in China. There can be no assurance that we will be able to continue to obtain licenses on commercially reasonable terms or at all or that rights granted under any licenses will be valid and enforceable.

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

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

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 will further improve our ability to avoid infringing or potentially infringing activities, minimize our exposure to third party claims and protect our reputation as a company that respects the intellectual property rights of third parties.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since the beginning of our fiscal year 2017 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.

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, 2017:

<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⁾	843,222	204,996	342,392	207,223	88,611
Purchase and Leasehold Improvements Obligations ⁽²⁾	19,697	19,697	—	—	—
Total	862,919	224,693	—	—	—

(1) Represents lease obligations under our facility leases.

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

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.

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Michael Minhong Yu	54	Executive Chairman
Chenggang Zhou	55	Director and Chief Executive Officer
Zhihui Yang	43	Chief Financial Officer
Louis T. Hsieh	53	Director
Robin Yanhong Li	48	Independent Director
Denny Lee	49	Independent Director
John Zhuang Yang	62	Independent Director

Mr. Michael Minhong Yu is the founder of our company and has served as the chairman of our board of directors since 2001. He was also our chief executive officer from 2001 to September 2016. In addition to his roles in our company, Mr. Yu also serves as vice chairman of the Beijing Young Entrepreneurs Association and vice chairman of the Committee of Education of the Central Committee of the China Democratic League. Prior to founding our first school in 1993, Mr. Yu was an English instructor at Peking University from 1985 and 1991. Mr. Yu received his bachelor's degree in English from Peking University.

Mr. 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. 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 March 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 Hsieh has served as our director since March 2007 and senior advisor since January 2016. 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 chief financial officer at NIO (or NextEV). Previously, Mr. Hsieh was the chief financial officer of ARIO Data Networks, Inc. in San Jose, California from April 2004. From 2002 to 2003, Mr. Hsieh was a managing director for private equity firm Darby Asia Investors (HK) Limited. Prior to that, Mr. Hsieh was managing director and Asia-Pacific tech/media/telecoms head of UBS Capital Asia Pacific, the private equity division of UBS AG from 2000. Over the period from 1997 to 2000, Mr. Hsieh was a technology investment banker at JP Morgan in San Francisco, California, where he was a vice president, and Credit Suisse First Boston in Palo Alto, California, where he was an associate. From 1990 to 1996, Mr. Hsieh was a corporate and securities attorney at White & Case LLP in Los Angeles and is a member of the California bar. Mr. Hsieh also serves as an independent director of JD.com, Inc. (NASDAQ: JD), China's leading online direct sales company, and Nord Anglia Education, Inc. (NYSE: NORD), the world's leading premium schools organization. Mr. Hsieh has been appointed to serve on the board of Yum China Holdings, Inc. as an independent director following the spin-off of Yum China Holdings, Inc. from Yum! Brands, Inc., an NYSE-listed company, which is expected to occur after the close of business on October 31, 2016. Mr. Hsieh holds a B.S. degree in Industrial Engineering and Engineering Management from Stanford University, an MBA degree from the Harvard Business School, and a J.D. degree from the University of California at Berkeley.

Mr. Robin Yanhong Li has served as our independent director since September 6, 2006. Mr. Li is a co-founder of Baidu, Inc., the leading Chinese language Internet search provider listed on the Nasdaq Global Select Market. 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 January 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 Lee has served as our independent director since September 6, 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, since April 2002. He was the chief financial officer of NetEase, Inc. from April 2002 to June 2007 and its financial controller from November 2001 to April 2002. Prior to joining NetEase, 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 board of Concord Medical Services Holdings Limited, which is listed on the New York Stock Exchange, and as an independent non-executive director on the board of China Metal Resources Utilization Ltd., 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 September 3, 2007. Dr. Yang is currently the Dean of the Beijing International M.B.A. Program at Peking University. He also serves as a full-time professor at National School of Development of Peking University and holds a tenured professorship at Fordham University's graduate school of business. Dr. Yang currently also serves as an independent director of Tristate Holdings Limited, a company listed on the Hong Kong Stock Exchange. 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, 2017, we paid an aggregate of approximately US\$1.7 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\$130,000. 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, 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.

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 10,000,000 shares.

The following table summarizes, as of September 23, 2017, the outstanding non-vested equity shares granted under our 2006 plan to several of our directors and executive officers.

<u>Name</u>	<u>Common Shares Underlying Outstanding NES</u>	<u>Exercise Price (US\$/Share)</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>
Chenggang Zhou	*	†	2/6/2015	12/31/17
Zhihui Yang	*	†	2/6/2015	12/31/17
Louis T. Hsieh	*	†	10/19/2015	12/31/17

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

† Non-vested equity share awards.

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.

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.

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.

Xuncheng Network Employee Share Ownership Arrangement

In October 2015, Xuncheng Network completed a transaction to sell 21% equity interest to seven limited partnerships, the special purpose vehicles established for holding Xuncheng Network's shares on behalf of a number of our employees. As of the date of this annual report, our director and chief executive officer, Mr. Chenggang Zhou and our chief financial officer, Mr. Zhihui Yang each held the economic interest associated with no more than 1% of equity interest in Xuncheng Network.

C. Board Practices

Our board of directors currently consists of six directors, which consist of three independent directors and three directors who are, or have been within the past three years, also our executive officers. 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, 2017, our board held meetings or passed resolutions by unanimous written consent 13 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 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 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;
- 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, 2017, the audit committee held meetings or passed resolutions by unanimous written consent three times, and also approved certain other matters together with the rest of the board members four times, including the audit committee's approval of four quarterly earnings releases.

Compensation Committee. Our compensation committee consists of Mr. Robin Yanhong Li, Mr. Denny 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, 2017, the compensation committee passed resolutions by unanimous written consent once, and also approved certain matters together with the rest of the board members twice.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Dr. John Zhuang Yang, Mr. Robin Yanhong Li and Mr. Denny 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;
- 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, 2016, the nominating and corporate governance committee 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) dies or is found by our company to be or becomes of unsound mind.

D. Employees

We had 25,826, 28,690 and 34,217 full time employees and 7,667, 7,993 and 8,767 contract teachers and staff as of May 31, 2015, 2016 and 2017, respectively. 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 to own beneficially more than 5% of our common shares.

Except as specifically noted, the beneficial ownership is as of September 23, 2017.

	Shares Beneficially Owned	
	Number ⁽¹⁾	% ⁽²⁾
Directors and Executive Officers:		
Michael Minhong Yu ⁽³⁾	21,264,600	13.5
Chenggang Zhou	*	*
Zihui Yang	*	*
Louis T. Hsieh	*	*
Robin Yanhong Li	*	*
Denny Lee	*	*
John Zhuang Yang	*	*
All Directors and Executive Officers as a Group ⁽⁴⁾	21,982,441	13.9
Principal Shareholders:		
Tigerstep Developments Limited ⁽⁵⁾	21,264,600	13.5
UBS Group AG. ⁽⁶⁾	18,950,228	12.0
Schroder Investment Management. ⁽⁷⁾	11,747,351	7.4
FIL Limited ⁽⁸⁾	9,984,610	6.3
FMR LLC ⁽⁹⁾	9,232,317	5.8
Oppenheimer Funds, Inc. ⁽¹⁰⁾	9,194,942	5.8
Baillie Gifford & Co ⁽¹¹⁾	7,794,739	4.9

* 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) 158,119,910, being the number of common shares outstanding as of September 23, 2017 and (ii) the number of common shares underlying share options held by such person or group that are exercisable within 60 days after September 23, 2017 and the number of non-vested equity shares held by such person or group that will vest within 60 days after September 23, 2017.

(3) Includes 21,264,600 common shares held by Tigerstep Developments Limited, a British Virgin Islands company wholly owned by Bamei Li, mother of Michael Minhong Yu. Through a trust arrangement, 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, (ii) common shares issuable upon exercise of all of the options that are exercisable within 60 days after September 23, 2017 and (iii) non-vested equity shares that will vest within 60 days after September 23, 2017 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 Bamei Li, mother of Michael Minhong Yu. The registered address of Tigerstep Developments Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the British Virgin Islands.
- (6) The number of common shares beneficially owned is as of May 3, 2017, as reported in a Schedule 13G filed by UBS Group AG on May 3, 2017 on behalf of the UBS Asset Management division. As set forth in the Schedule 13G, Schroder Investment Management has sole power to vote 10,937,288 common shares and shared power to dispose of 18,950,228 common shares. The business address of UBS Group AG is Bahnhofstrasse 45, Zurich, Switzerland.
- (7) The number of common shares beneficially owned is as of December 31, 2016, as reported in a Schedule 13G filed by Schroder Investment Management North America Inc on February 9, 2017 on behalf of Schroder Investment Management Ltd, Schroder & Co Ltd, Schroder & Co (Asia) Ltd, Schroder & Co Bank AG, Schroder Investment Management (Hong Kong) Ltd, Schroder Investment Management North America Ltd and Schroder Investment Management (Singapore) Ltd (collectively “Schroder Investment Management”). As set forth in the Schedule 13G, Schroder Investment Management has shared power to vote and dispose of 11,747,351 common shares. Schroder Investment Management North America Inc disclaims the existence of a group. The business address of Schroder Investment Management North America Inc is 875 Third Ave, 22nd Floor, New York, NY 10022, USA.
- (8) The number of common shares beneficially owned is as of December 31, 2016, as reported in a Schedule 13G filed by FIL Limited on February 14, 2017. As set forth in the Schedule 13G, FIL Limited has sole power to vote 7,745,987 common shares and sole power to dispose of 9,984,610 common shares. The business address of FIL Limited is Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda.
- (9) The number of common shares beneficially owned is as of December 31, 2016, as reported in a Schedule 13G filed by FMR LLC on February 14, 2017. As set forth in the Schedule 13G, FMR LLC has sole power to vote 653,837 common shares and sole power to dispose of 9,232,317 common shares. The business address of FMR LLC is 245 Summer Street, Boston, Massachusetts 02210, USA.
- (10) The number of common shares beneficially owned is as of December 31, 2016, as reported in a Schedule 13G filed by OppenheimerFunds, Inc. on February 6, 2017. As set forth in the Schedule 13G, OppenheimerFunds, Inc. has shared power to vote and dispose of 9,194,942 common shares. The business address of OppenheimerFunds, Inc. is Two World Financial Center, 225 Liberty Street, New York, NY 10281.
- (11) The number of common shares beneficially owned is as of March 10, 2017, as reported in a Schedule 13G filed by Baillie Gifford & Co on March 10, 2017. As set forth in the Schedule 13G, Baillie Gifford & Co has sole power to vote 3,360,196 common shares and sole power to dispose of 7,794,739 common shares. The business address of Baillie Gifford & Co is Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland, UK.

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 23, 2017, we had 158,119,910 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 89% of our total outstanding common shares. The number of beneficial owners of our ADSs in the United States is likely 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

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

See “Item 4—Information on the Company—C. Organizational Structure—Contractual Arrangements with New Oriental China and 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, which 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 interests in New Oriental China held by such shareholder to another PRC person or entity designated by us at any time in our discretion.

In connection with Xuncheng Network's proposed listing of its common shares on the National Equities Exchange and Quotations in China, New Oriental China and Beijing Pioneer entered into an amendment to the Master Exclusive Service Agreement on January 28, 2016, pursuant to which Xuncheng Network was removed from the schedule of the Master Exclusive Service Agreement. However, we continue to consolidate Xuncheng Network through voting interest held by New Oriental China.

Contractual Arrangements with Xuncheng Network and Its Shareholder

See "Item 4—Information on the Company—C. Organizational Structure—Contractual Arrangements with Xuncheng Network, Its Subsidiary and Its Shareholder" for a summary of the contractual arrangements we have entered into with Xuncheng Network, its subsidiary and its shareholder, which were terminated in September 2015.

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 (Tianjin) Co., Ltd., or Metropolis Holding. In February 2012, Fine Talent Holdings Limited, a British Virgin Islands company 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, 2017, twenty one 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, 2017, we accrued a total of US\$6.8 million rent to Metropolis Holding. As of May 31, 2017, amounts due from Metropolis Holding were US\$3.0 million, which represented prepaid rent and rental deposit.

Loans to Joint Ventures and Equity Method Long-Term Investee

As of May 31, 2017, the amount due from Beijing Haiwei Career Services Co., Ltd., or Haiwei Career, a joint venture 50% owned by our company, was US\$4.0 million, representing non-interest bearing loans extended by us during the fiscal year ended May 31, 2017 to Haiwei Career to support its daily operation. All the loans are payable within one year.

As of May 31, 2017, the amount due from Weixue Mingri represented the non-interest bearing loans provided by us to support its daily operation and the outstanding loans were fully wrote off by us.

Transactions with Other Related Parties

During the fiscal year ended May 31, 2017, we recorded revenue in the amount of US\$90 thousand from other related parties and recorded US\$23 thousand expenses for services received from other related parties. As of May 31, 2017, we had US\$772 thousand in aggregate due from other related parties and US\$48 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 are subject to legal proceedings, investigations and claims incidental to the conduct of our business.

Litigation

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.” We are not currently a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, is likely to have a material and adverse effect on our business, financial condition or results of operations.

Dividend Policy

On April 17, 2012, our board of directors declared a special cash dividend in the amount of US\$0.30 per ADS. The cash dividend was paid on September 28, 2012 to shareholders of record at the close of business on August 31, 2012. The aggregate amount of cash dividends paid was US\$47.0 million, which was funded by surplus cash on our balance sheet. On July 23, 2013, our board of directors declared a special cash dividend in the amount of US\$0.35 per ADS. The cash dividend was paid on October 7, 2013 to shareholders of record at the close of business on September 6, 2013. The aggregate amount of cash dividends paid was US\$54.5 million, which was funded by surplus cash on our balance sheet. On July 21, 2015, our board of directors declared a special cash dividend in the amount of US\$0.4 per ADS. The cash dividend was paid in October 2015 to shareholders of record at the close of business on September 4, 2015. The aggregate amount of cash dividends paid was approximately US\$62.7 million. 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 will be paid in October 2017 to shareholders of record at the close of business on September 6, 2017. The aggregate amount of cash dividends to be paid is approximately US\$70.0 million.

Other than the declaration of the special cash dividend described in the preceding paragraph, we have not declared any dividend since the completion of our initial public offering and have no present intention to declare any additional dividends on our shares in the future. We currently intend to retain all of our available funds and any future earnings to operate and expand our business and we have no plan to repatriate the remaining undistributed earnings from our subsidiaries in China. For the part of the dividend declared on July 23, 2013 that needs to be funded through dividend from our subsidiaries in China, we paid the PRC withholding tax.

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

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.

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.

The following table provides the high and low trading prices for our ADSs on the NYSE for the periods indicated. For ease of comparison, the ADS prices before August 18, 2011 have been retroactively adjusted to reflect the ADS to common share ratio change that took effect on August 18, 2011.

	Trading Price	
	High	Low
	US\$	US\$
Annual High and Low		
Fiscal Year 2013	28.33	9.41
Fiscal year 2014	34.50	20.06
Fiscal year 2015	27.42	18.10
Fiscal year 2016	43.58	18.09
Fiscal Year 2017	76.18	38.11
Quarterly Highs and Lows		
First Fiscal Quarter of 2016	26.46	18.09
Second Fiscal Quarter of 2016	30.98	18.22
Third Fiscal Quarter of 2016	33.56	27.40
Fourth Fiscal Quarter of 2016	43.58	30.01
First Fiscal Quarter of 2017	45.37	38.11
Second Fiscal Quarter of 2017	53.38	39.31
Third Fiscal Quarter of 2017	52.37	37.16
Fourth Fiscal Quarter of 2017	76.18	48.95
First Fiscal Quarter of 2018	86.88	69.91
Monthly Highs and Lows		
March 2017	60.91	48.95
April 2017	68.52	58.47
May 2017	76.18	63.25
June 2017	83.21	69.91
July 2017	83.91	70.37
August 2017	86.88	74.66
September 2017 (through September 25)	94.30	80.59

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 Law (2016 Revision) of the Cayman Islands, or the Companies Law, and the common law of the Cayman Islands. The following are summaries of material provisions of our 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 Law, 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 “—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 Law 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-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 33% of our voting share capital. Advance notice of at least seven days is required for the convening of our annual general meeting and other shareholders' meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the common shares cast in a general meeting, while a special resolution requires the affirmative vote of 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 Law, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner as may be determined by special resolution.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied either with the written consent of the holders of 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 amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

Differences in Corporate Law

The Companies Law 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 Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States.

Mergers and Similar Arrangements. The Companies Law 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 Law.

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 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 amended and restated 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.

Anti-Takeover Provisions in the Memorandum and Articles of Association. Some provisions of our 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 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 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.

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 it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. 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 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 amended and restated articles of association does 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 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 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 public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, 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 stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting stock 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 Law, 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 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 certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under Cayman Islands law, our 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 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 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 and Its Schools and Subsidiaries and Shareholder” 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, and its implementation rules that became effective on January 1, 2008, a non-resident enterprise is generally subject to PRC enterprise income tax with respect to PRC-sourced income. A circular issued by the State Administration of Taxation on April 22, 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 body” located within China if 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 State Administration of Taxation 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 State Administration of Taxation’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 State Administration of Taxation 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.

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 voting stock;
- persons holding ADSs or common shares through partnerships or other pass-through entities; or
- persons who acquired ADSs or common shares pursuant to the exercise of any employee share option or otherwise as 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) CONSEQUENCES TO THEM 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.;
- 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.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with the terms. Accordingly, 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, generally will be included in your gross income as ordinary dividend income on the date of receipt by the depository, in the case of ADSs, or by you, in the case of common shares. 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 generally will be treated as income from foreign sources for U.S. foreign tax credit purposes and generally will 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 generally will 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 generally will 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 its average quarterly assets as determined on the basis of fair market value during such year produce 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 New Oriental China as being owned by us for U.S. federal income tax purposes, not only because we control its management decisions but also because we are entitled to substantially all of the economic benefits associated with this entity, and, as a result, we consolidate this entity's operating results in our combined financial statements. If it were determined, however, that we are not the owner of New Oriental China for U.S. federal income tax purposes, we may be or become a PFIC. Assuming that we are the owner of New Oriental China for United States federal income tax purposes, and based upon an analysis of the Company's income and assets in respect of the 2017 taxable year, we do not believe that we were a PFIC, for U.S. federal income tax purposes, for the taxable year ended May 31, 2017. In light of the amount of our cash balances and 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, 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. It is also possible, that the United States Internal Revenue Service may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being, or becoming a PFIC. 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. There can be no assurance our business plans will not change in a manner that will affect the composition of our income and assets and our PFIC status. Because there are uncertainties in the application of the relevant rules and 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;
- 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 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.

Alternatively, a U.S. Holder of stock in a PFIC may make a “qualified electing fund” or “QEF” election with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder that makes a valid QEF election with respect to a PFIC will generally include in gross income for a taxable year such holder’s pro rata share of the corporation’s earnings and profits for the taxable year. However, the qualified electing fund election is available only if the PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable United States Treasury regulations. We do not intend to prepare or provide the information that would enable a U.S. Holder to make a QEF election. Accordingly, U.S. Holders should assume that the QEF Election will not be available.

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.

Information Reporting

The United States tax compliance rules generally impose reporting requirements on individual U.S. Holders and other specified entities with respect to their beneficial ownership of a non-United States company, including our ADSs or common shares, if such interests are not held on their behalf by a U.S. financial institution and other criteria are met. These rules also impose penalties if an individual U.S. Holder is required to submit such information to the United States Internal Revenue Service and fails to do so. In addition, U.S. Holders may be subject to information reporting to the United States Internal Revenue Service with respect to dividends on and proceeds from the sale or other disposition of our ADSs or common shares. U.S. Holders are advised to consult their tax advisors regarding the application of the United States information reporting rules to their particular circumstances.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC a registration statements on Form F-1 under the U.S. Securities Act of 1933, as amended, with respect to two offerings of our common shares represented by ADSs.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports 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.

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\$12.1 million in our interest income for the year ended May 31, 2017.

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 value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. The conversion of the Renminbi into foreign currencies, including the U.S. dollar, has been based on exchange rates set by the People's Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation was halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, 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 the Renminbi and the U.S. dollar in the future. In addition, there remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in further appreciation in the value of the RMB against the U.S. dollar.

To the extent that we need to convert U.S. 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 RMB51.7 million in the value of our U.S. dollar denominated financial assets as of May 31, 2017.

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 depository 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 depository; 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 depository;
- 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 depository as it sees fit and collected at the sole discretion of the depository 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 depository 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 depository 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.

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\$1.8 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.

PART II.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

None.

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, 2017, 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, 2017.

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, 2017 and has issued an attestation report set forth below.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of New Oriental Education & Technology Group Inc.

We have audited the internal control over financial reporting of New Oriental Education & Technology Group Inc., its subsidiaries, variable interest entity and its schools and subsidiaries (collectively, the "Group") as of May 31, 2017, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group'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 Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit 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.

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of May 31, 2017, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended May 31, 2017 of the Group and our report dated September 27, 2017 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
 Beijing, People’s Republic of China
 September 27, 2017

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 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.

<i>(in thousands of US\$)</i>	For the Year Ended May 31,	
	2016	2017
Audit fees ⁽¹⁾	2,116	2,013
Audit related fees ⁽²⁾	—	—
Tax fees ⁽³⁾	44	100
All other fees	—	—

- (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 financial statements and the review of our comparative interim financial statements.
- (2) “Audit related fees” means the fees billed for review of response letter to a regulatory body.
- (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, or have been within the past three years, also our executive officers. 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.

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	<u>Amended and Restated Memorandum and Articles of Association (incorporated by reference to Exhibit 3.2 of the Registrant's F-1 registration statement (File No. 333-136825), as amended, initially filed with the Commission on August 22, 2006)</u>
2.1	<u>Form of Registrant American Depositary Receipt (incorporated by reference to Exhibit A 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)</u>
2.2	<u>Registrant's Specimen Certificate for Common Shares (incorporated by reference to Exhibit 4.2 of the Registrant's F-1 registration statement (File No. 333-136825), as amended, initially filed with the Commission on August 22, 2006)</u>
2.3	<u>Form of Deposit Agreement among the Registrant, the depository and holders of the American Depositary Receipts (incorporated by reference to Exhibit 4.3 of the Registrant's F-1 registration statement (File No. 333-136825), as amended, initially filed with the Commission on August 22, 2006)</u>
2.4	<u>Supplement and Amendment No. 2 to Deposit Agreement, dated as of August 5, 2011, between the Registrant, the depository 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)</u>
2.5	<u>Supplement and Amendment No. 3 to Deposit Agreement, dated as of April 25, 2012, between the Registrant, the depository 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)</u>
4.1	<u>2006 Share Incentive Plan, as amended (incorporated by reference to Exhibit 4.1 of our annual report on Form 20-F (File No. 001-32993) filed with the Securities and Exchange Commission on October 12, 2012)</u>
4.2	<u>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)</u>
4.3	<u>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)</u>
4.4	<u>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 our F-1 registration statement (File No. 333-136825), as amended, initially filed with the Commission on August 22, 2006)</u>

Exhibit Number	Description of Document
4.5	<u>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 our F-1 registration statement (File No. 333-136825), as amended, initially filed with the Commission on August 22, 2006)</u>
4.6*	<u>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.</u>
4.7*	<u>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.</u>
4.8	<u>English Translation of Equity Pledge Agreement dated April 23, 2012 and its Supplemental Agreement dated September 19, 2014 among New Oriental China, Beijing Century Friendship Education Investment Co., Ltd. and Shanghai Smart Words Software Technology Co., Ltd. (incorporated by reference to Exhibit 4.9 of our annual report on Form 20-F (File No. 001-32993) filed with the Securities and Exchange Commission on September 26, 2014)</u>
4.9*	<u>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.</u>
4.10*	<u>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.</u>
4.11	<u>English Translation of Option Agreement dated April 23, 2012 among New Oriental China, Beijing Century Friendship Education Investment Co., Ltd. and Shanghai Smart Words Software Technology Co., Ltd. (incorporated by reference to Exhibit 4.12 of our annual report on Form 20-F (File No. 001-32993) filed with the Securities and Exchange Commission on October 12, 2012)</u>
4.12	<u>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 our annual report on Form 20-F/A (File No. 001-32993) filed with the Securities and Exchange Commission on February 22, 2013)</u>
4.13*	<u>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, by and between Beijing Pioneer and New Oriental China</u>
4.14*	<u>Termination Agreement, dated as of February 16, 2017, by and among New Oriental China, Beijing Century Friendship Education Investment Co., Ltd. and Shanghai Smart Words Software Technology Co., Ltd.</u>
4.15*	<u>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.</u>
4.16	<u>2016 Share Incentive Plan (incorporated by reference to Exhibit 4.15 of our annual report on Form 20-F (File No. 001-32993) filed with the Securities and Exchange Commission on September 27, 2016)</u>

Exhibit Number	Description of Document
8.1*	<u>Subsidiaries of the Registrant</u>
11.1	<u>Amended and Restated Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 11.1 of our annual report on Form 20-F (File No. 001-32993) filed with the Securities and Exchange Commission on September 25, 2015)</u>
12.1*	<u>Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
12.2*	<u>Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
13.1**	<u>Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
13.2**	<u>Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
15.1*	<u>Consent of Tian Yuan Law Firm</u>
15.2*	<u>Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

NEW ORIENTAL EDUCATION &
TECHNOLOGY GROUP INC.

By: /s/ Chenggang Zhou

Name: Chenggang Zhou

Title: Chief Executive Officer

Date: September 27, 2017

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

***INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015, 2016 AND 2017***

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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.

We have audited the accompanying consolidated balance sheets of New Oriental Education & Technology Group Inc., its subsidiaries, variable interest entities and their schools and subsidiaries (collectively, the “Group”) as of May 31, 2016 and 2017, and 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, 2017. Our audits also included the financial statement schedule included in Schedule I. These consolidated financial statements and financial statement schedule are the responsibility of the Group’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of May 31, 2016 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2017, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group’s internal control over financial reporting as of May 31, 2017, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 27, 2017 expressed an unqualified opinion on the Group’s internal control over financial reporting.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People’s Republic of China
September 27, 2017

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data, or otherwise noted)

	As of May 31,	
	2016	2017
	US\$	US\$
ASSETS		
Current assets		
Cash and cash equivalents	709,209	641,018
Restricted cash	110	44
Term deposits	86,706	195,085
Short-term investments	819,229	1,312,942
Accounts receivable, net of allowance of US\$408 and US\$585 as of May 31, 2016 and 2017, respectively	3,747	3,343
Inventory, net	27,303	31,742
Prepaid expenses and other current assets, net	99,677	119,397
Amounts due from related parties, current	4,539	5,948
Long-term investments due within one year	118,816	16,743
Total current assets	<u>1,869,336</u>	<u>2,326,262</u>
Restricted cash, non-current	3,811	3,608
Property and equipment, net	237,698	282,800
Land use rights, net	3,906	3,668
Amounts due from related parties, non-current	1,741	1,748
Long-term deposit	14,901	24,023
Long-term prepaid rent	235	849
Intangible assets, net	2,618	4,005
Goodwill, net	10,545	14,083
Long-term investments, net	178,863	217,259
Deferred tax assets, non-current, net	24,341	28,858
Other non-current assets	6,839	17,816
Total assets	<u><u>2,354,834</u></u>	<u><u>2,924,979</u></u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable (including accounts payable of the consolidated variable interest entities without recourse to the Company of US\$21,318 and US\$24,138 as of May 31, 2016 and 2017, respectively)	21,395	24,258
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\$192,332 and US\$238,864 as of May 31, 2016 and 2017, respectively)	217,044	260,700
Income taxes payable (including income taxes payable of the consolidated variable interest entities without recourse to the Company of US\$30,899 and US\$40,306 as of May 31, 2016 and 2017, respectively)	32,806	51,045
Amounts due to related parties (including amounts due to related parties of the consolidated variable interest entities without recourse to the Company of US\$29 and US\$48 as of May 31, 2016 and 2017, respectively)	42	48
Deferred revenue (including deferred revenue of the consolidated variable interest entities without recourse to the Company of US\$616,299 and US\$833,932 as of May 31, 2016 and 2017, respectively)	646,903	866,630
Total current liabilities	<u>918,190</u>	<u>1,202,681</u>
Deferred tax liabilities, non-current (including deferred tax liabilities, non-current of the consolidated variable interest entities without recourse to the Company of US\$1,432 and US\$2,174 as of May 31, 2016 and 2017, respectively)	1,982	2,220
Total liabilities	<u>920,172</u>	<u>1,204,901</u>

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,	
	2016	2017
	US\$	US\$
Commitments and Contingencies (Note 18)		
Equity		
Common shares (US\$0.01 par value; 300,000,000 shares authorized as of May 31, 2016 and 2017; 158,379,387 shares issued as of May 31, 2016 and 2017; 157,439,397 and 157,687,444 shares outstanding as of May 31, 2016 and 2017, respectively)	1,584	1,584
Treasury stock	(9)	(7)
Additional paid-in capital	223,422	249,126
Statutory reserves	184,697	219,975
Retained earnings	931,930	1,171,109
Accumulated other comprehensive income	62,948	39,161
Total New Oriental Education & Technology Group Inc. shareholders' equity	<u>1,404,572</u>	<u>1,680,948</u>
Noncontrolling interests	30,090	39,130
Total equity	<u>1,434,662</u>	<u>1,720,078</u>
Total liabilities and equity	<u>2,354,834</u>	<u>2,924,979</u>

See accompanying notes to consolidated financial statements.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data, or otherwise noted)

	Years ended May 31,		
	2015	2016	2017
	US\$	US\$	US\$
NET REVENUES			
Educational programs and services	1,102,974	1,309,339	1,608,954
Books and others	143,792	169,009	190,555
Total net revenues	1,246,766	1,478,348	1,799,509
Operating costs and expenses			
Cost of revenues	(526,320)	(614,364)	(749,586)
Selling and marketing	(188,483)	(197,897)	(232,826)
General and administrative	(378,434)	(471,010)	(554,948)
Total operating costs and expenses	(1,093,237)	(1,283,271)	(1,537,360)
Gain on disposal of subsidiaries	—	3,760	—
OPERATING INCOME	153,529	198,837	262,149
OTHER INCOME, NET			
Interest income	66,605	66,861	61,445
Realized gain from long-term investments	—	—	7,086
Impairment loss from long-term investments	—	—	(2,338)
Miscellaneous income, net	342	1,586	2,367
Income before income taxes and loss from equity method investments	220,476	267,284	330,709
Benefit (Provision) for income taxes:			
Current	(31,552)	(39,467)	(51,142)
Deferred	5,331	1,936	518
Provision for income taxes	(26,221)	(37,531)	(50,624)
Loss from equity method investments	(1,537)	(4,425)	(3,289)
Net income	192,718	225,328	276,796
Add: Net loss (income) attributable to noncontrolling interests	295	(444)	(2,339)
Net income attributable to New Oriental Education & Technology Group Inc.	193,013	224,884	274,457
Net income per share (Note 16)			
- Basic	1.23	1.43	1.74
- Diluted	1.23	1.43	1.74
Weighted average shares used in calculating basic net income per share	156,438,606	156,782,439	157,551,320
Weighted average shares used in calculating diluted net income per share	157,302,174	157,391,686	157,986,394
Share-based compensation expense included in: General and administrative	15,689	16,810	20,287
Total	15,689	16,810	20,287

See accompanying notes to consolidated financial statements

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except share and per share data, or otherwise noted)

	Years ended May 31,		
	2015	2016	2017
	US\$	US\$	US\$
Net income	<u>192,718</u>	<u>225,328</u>	<u>276,796</u>
Other comprehensive income, net of tax			
Foreign currency translation adjustment	12,006	(72,464)	(47,440)
Unrealized gain on available-for-sale investments, net of tax effect of nil, nil and US\$3,762 for years ended May 31, 2015, 2016 and 2017, respectively	<u>21,940</u>	<u>36,635</u>	<u>22,521</u>
Other comprehensive income / (loss)	<u>33,946</u>	<u>(35,829)</u>	<u>(24,919)</u>
Comprehensive income	226,664	189,499	251,877
Less: comprehensive (loss) / income attributable to noncontrolling interests	<u>(295)</u>	<u>1,172</u>	<u>1,207</u>
Comprehensive income attributable to New Oriental Education & Technology Group Inc.	<u><u>226,959</u></u>	<u><u>188,327</u></u>	<u><u>250,670</u></u>

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except share data)

	Common shares		Additional paid-in capital		Accumulated other comprehensive income		Statutory reserve		Retained earnings		Total New Oriental Education & Technology Group Inc shareholders' equity		Noncontrolling Interests		Total shareholders' equity	
	Number	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at June 1, 2014	157,758,666	1,584	174,009	(6)	65,559	129,868	654,744	1,025,758	—	—	1,025,758	—	—	—	—	1,025,758
Reissuance of treasury stock for the exercises of employee share options	953,514	—	11,353	9	—	—	—	11,362	—	—	11,362	—	—	—	—	11,362
Reissuance of treasury stock for the vesting of non-vested equity shares	575,432	—	(6)	6	—	—	—	—	—	—	—	—	—	—	—	—
Share-based compensation expense	—	—	15,689	—	—	—	23,742	(23,742)	—	—	15,689	—	—	—	—	15,689
Transfer to statutory reserves	—	—	(59,392)	(28)	—	—	—	(59,420)	—	—	(59,420)	—	—	—	—	(59,420)
Share repurchase (a)	(2,800,849)	—	—	—	—	—	—	193,013	(295)	—	193,013	(295)	—	—	—	192,718
Net income	—	—	—	—	12,006	—	—	12,006	—	—	12,006	—	—	—	—	12,006
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Unrealized gain on available-for-sale securities, net of tax effect of nil	—	—	—	—	21,940	—	—	21,940	—	—	21,940	—	—	—	—	21,940
Capital injection of noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	3,791	3,791	—
Balance at May 31, 2015	156,486,763	1,584	141,653	(19)	99,505	153,610	824,015	1,220,348	3,496	—	1,220,348	3,496	—	—	—	1,223,844
Reissuance of treasury stock for the exercises of employee share options	240,304	—	2,428	3	—	—	—	2,431	—	—	2,431	—	—	—	—	2,431
Reissuance of treasury stock for the vesting of non-vested equity shares	712,330	—	(7)	7	—	—	—	—	—	—	—	—	—	—	—	—
Share-based compensation expense	—	—	16,810	—	—	—	31,853	(31,853)	—	—	16,810	—	—	—	—	16,810
Transfer to statutory reserves	—	—	—	—	—	—	(62,668)	(62,668)	—	—	(62,668)	—	—	—	—	(62,668)
Dividend declared (b)	—	—	—	—	—	—	(766)	(766)	—	—	(766)	—	—	—	—	(766)
Equity restructuring of a subsidiary (c)	—	—	23,214	—	—	—	(22,448)	224,884	444	—	224,884	444	—	—	—	225,328
Net income	—	—	—	—	(72,193)	—	—	(72,193)	—	—	(72,193)	—	—	—	—	(72,464)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	999	999	36,635
Unrealized gain on available-for-sale securities, net of tax effect of nil	—	—	—	—	—	—	—	—	—	—	—	—	—	28,919	28,919	68,498
Capital injection of noncontrolling interest	—	—	39,579	—	—	—	—	39,579	(3,497)	—	39,579	(3,497)	—	—	—	68,498
Repurchase shares from noncontrolling interest	—	—	(255)	—	—	—	—	(255)	—	—	(255)	—	—	—	—	(3,752)
Balance at May 31, 2016	157,439,397	1,584	223,422	(9)	62,948	184,697	931,930	1,404,572	30,090	—	1,404,572	30,090	—	—	—	1,434,662
Reissuance of treasury stock for the exercises of employee share options	48,047	—	256	—	—	—	—	256	—	—	256	—	—	—	—	256
Reissuance of treasury stock for the vesting of non-vested equity shares	200,000	—	(2)	2	—	—	—	—	—	—	—	—	—	—	—	—
Share-based compensation expense	—	—	20,287	—	—	—	35,278	(35,278)	—	—	20,287	—	—	—	—	20,287
Transfer to statutory reserves	—	—	—	—	—	—	274,457	(46,331)	—	—	274,457	(46,331)	—	—	—	276,796
Net income	—	—	—	—	—	—	(46,331)	(46,331)	—	—	(46,331)	—	—	—	—	(47,440)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Unrealized gain on available-for-sale investments, net of tax effect of US\$3,762	—	—	—	—	22,544	—	—	22,544	—	—	22,544	—	—	—	—	22,521
Capital injection of noncontrolling interests and new noncontrolling interest recognized in an acquisition	—	—	5,163	—	—	—	—	5,163	—	—	5,163	—	—	—	—	12,996
Balance at May 31, 2017	157,687,444	1,584	249,126	(7)	39,161	219,975	1,171,109	1,680,948	39,130	—	1,680,948	39,130	—	—	—	1,720,078

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - continued
(In thousands, except share data)

- (a) On July 22, 2014, the Company's board of directors authorized the repurchase of up to US\$120,000 of the Company's shares during the period from July 28, 2014 through March 31, 2015. 2,800,849 shares were repurchased in the year ended May 31, 2015.
- (b) On July 19, 2015, the Company declared a special cash dividend in the amount of US\$0.4 per ADS. The aggregate amount of cash dividend paid was US\$62,668, which was funded by retained earnings. The dividend was fully paid on October 7, 2015 to shareholders of record at the close of business on September 4, 2015.
- (c) In January 2016, Beijing New Oriental Xuncheng Network Technology Co., Ltd. ("Xuncheng"), a subsidiary of the Group, transformed from a limited liability company to a joint stock limited company. The Group's accumulated retained earnings and statutory reserve related to Xuncheng were reclassified to additional paid-in-capital in the consolidation financial statements.

See accompanying notes to consolidated financial statements

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years ended May 31,		
	2015 US\$	2016 US\$	2017 US\$
Cash flows from operating activities			
Net income	192,718	225,328	276,796
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation of property and equipment	46,663	47,281	53,864
Amortization of intangible assets	607	1,122	1,419
Amortization of land use rights	116	112	106
Loss on disposal of property and equipment	2,904	2,061	1,747
Gain on disposal of subsidiaries	—	(3,760)	—
Goodwill impairment	—	—	1,682
Impairment loss from long-term investments	—	—	2,338
Realized gain from long-term investments	—	—	(7,086)
Share-based compensation expense	15,689	16,810	20,287
Allowance for doubtful accounts	680	904	486
Loss from equity method investments	1,537	4,425	3,289
Deferred income taxes	(5,548)	(1,936)	(518)
Changes in operating assets and liabilities			
Accounts receivables	(2,096)	(187)	(75)
Prepaid expenses and other current assets	(22,503)	(7,711)	(14,796)
Inventory	(1,750)	(5,649)	(5,376)
Long-term deposit	(2,598)	(532)	(9,652)
Long term prepaid rent	668	169	(624)
Accounts payable	9,248	4,830	3,592
Accrued expenses and other current liabilities	11,120	47,945	35,774
Income taxes payable	7,607	7,878	18,529
Deferred revenue	117,086	179,583	237,635
Amounts due to related parties	1,994	(1,887)	8
Amounts due from related parties	3	1,108	(1,288)
Net cash provided by operating activities	374,145	517,894	618,137
Cash flows from investing activities			
Restricted cash paid for establishing new schools and subsidiaries	(2,055)	(5,461)	(1,197)
Release of restricted cash for establishing new schools and subsidiaries	976	4,747	1,333
Investments in bank deposits maturing over three months	(32,703)	(64,540)	(130,000)
Settlement of bank deposits maturing over three months	62,924	42,603	18,836
Investments in short-term held-to-maturity investments	(943,476)	(1,112,172)	(1,343,198)
Settlement of short-term held-to-maturity investments	992,117	851,250	820,380
Purchase of property and equipment	(55,318)	(64,401)	(105,736)
Proceeds from disposal of property and equipment	1,738	1,310	2,807
Purchase of China Management Software Institute, net of cash acquired of US\$68	(4,551)	—	—
Purchase of Qingdao Alice, net of cash acquired of US\$2,306 (Note 3)	(10,623)	—	—
Purchase of Ainuoshida, net of cash acquired of US\$2,499 (Note 3)	—	—	(908)
Payments for available-for-sale investments	(26,076)	(78,764)	(43,498)
Payments for equity method investments	(10,955)	(468)	(1,473)
Purchase of held-to-maturity investments	(145,415)	—	—
Settlement of held-to-maturity investments	—	115,178	112,200
Proceed from disposal of cost method investment	—	540	—
Loans provided to related parties	—	(2,575)	(1,810)
Proceeds from disposal of Beijing Dianshijingwei Technology Co.,Ltd (“Dianshijingwei”)	—	1,520	—
Proceeds from disposal of Boost Caring	—	1,496	—
Net cash used in investing activities	(173,417)	(309,737)	(672,264)

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
(In thousands)

	Years ended May 31,		
	2015	2016	2017
	US\$	US\$	US\$
Cash flows from financing activities			
Proceeds from issuances of common shares upon exercise of share option	11,332	2,176	542
Cash paid for shares repurchased	(59,420)	—	—
Cash paid for dividend	—	(62,668)	—
Capital contribution from noncontrolling interests	3,791	69,747	8,807
Repurchase shares from noncontrolling interests	—	(3,752)	—
Net cash (used in) provided by financing activities	<u>(44,297)</u>	<u>5,503</u>	<u>9,349</u>
Effects of exchange rate changes	3,274	(35,749)	(23,413)
Net change in cash and cash equivalents	<u>159,705</u>	<u>177,911</u>	<u>(68,191)</u>
Cash and cash equivalents at beginning of year	371,593	531,298	709,209
Cash and cash equivalents at end of year	<u>531,298</u>	<u>709,209</u>	<u>641,018</u>
Supplement disclosure of cash flow information			
Income taxes paid	23,896	32,037	36,665
Non-cash investing and financing activities:			
Payable for purchase of property and equipment	7,433	11,953	21,445
Payable for long term available-for-sale investment	1,452	—	—

See accompanying notes to consolidated financial statements.

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015, 2016 AND 2017
(In thousands, except 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 wholly owned subsidiaries and its variable interest entities, New Oriental Education & Technology Group Co., Ltd. (“New Oriental China”) and its schools and subsidiaries and Xuncheng and its subsidiary (collectively, the “VIEs”), 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 language training and test preparation, primary and secondary school education, online education, content development and distribution, overseas study consulting services, pre-school education and study tour.

As of May 31, 2017, details of the Company’s subsidiaries, variable interest entity and its schools and subsidiaries were as follows:

<u>Name</u>	<u>Date of incorporation or establishment</u>	<u>Place of incorporation (or establishment)/ operation</u>	<u>Legal ownership</u>	<u>Principal activity</u>
Subsidiaries of the Company:				
Beijing Decision Education & Consulting Company Limited (“Beijing Decision”)	April 20, 2005	PRC	100%	Educational information system and other consulting services
Beijing Judgment Education & Consulting Company Limited (“Beijing Judgment”)	April 20, 2005	PRC	100%	Educational consulting and investing activities
Beijing Hewstone Technology Company Limited (“Beijing Hewstone”)	April 20, 2005	PRC	100%	Educational software development and distribution and other consulting services
Beijing Pioneer Technology Company Limited (“Beijing Pioneer”)	January 8, 2009	PRC	100%	Educational software development and distribution and other consulting services
Shanghai Smart Words Software Technology Company Limited (“Shanghai Smart Words”)	December 8, 2010	PRC	100%	Educational consulting and software development
Beijing Smart Wood Software Technology Company Limited (“Beijing Smart Wood”)	December 21, 2011	PRC	100%	Educational consulting and software development
Beijing Joy Tend Technology Company Limited (“Beijing Joy Tend”)	January 31, 2013	PRC	100%	Educational consulting and software development

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

<u>Name</u>	<u>Date of incorporation or establishment</u>	<u>Place of incorporation (or establishment)/ operation</u>	<u>Legal ownership</u>	<u>Principal activity</u>
Subsidiaries of the Company:				
Beijing Right Time Technology Company Limited (“Beijing Right Time”)	January 31, 2013	PRC	100%	Educational consulting and software development
Beijing Sincerity Technology Company Limited (“Beijing Sincerity”)	April 12, 2013	PRC	100%	Educational consulting and software development
Beijing Magnificence Technology Company Limited (“Beijing Magnificence”)	November 1, 2013	PRC	100%	Educational consulting and software development
Beijing Top Technology Company Limited (“Beijing Top”)	November 13, 2013	PRC	100%	Educational consulting and software development
Beijing Shenghe Technology Company Limited (“Beijing Shenghe”)	May 27, 2014	PRC	100%	Educational consulting and software development
Beijing Jinghong Software Technology Company Limited (“Beijing Jinghong”)	September 18, 2016	PRC	100%	Educational consulting and software development
Beijing New Oriental Walkite International Travel Co., Ltd.	May 22, 2012	PRC	100%	Consulting
Walkite International Academy Co., Ltd.	March 16, 2015	U.K.	100%	Consulting
Beijing New Road Information Consulting Services Co., Ltd. (“New Road”)	March 6, 2015	PRC	51%	Consulting
Walkite International Academy (U.S.A.) Co., Ltd.	April 13, 2015	U.S.A.	100%	Consulting
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
Abundant State Limited (“Abundant”)	March 20, 2013	BVI	100%	Educational Consulting
Koolearn Holding Limited (“Koolearn HK”)	June 21, 2013	Hong Kong	100%	Educational Consulting
New Oriental Vision Overseas Consulting Australia Pty Ltd.	January 25, 2017	Australia	100%	Consulting
Variable interest entity 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

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<u>Name</u>	<u>Date of incorporation or establishment</u>	<u>Place of incorporation (or establishment)/ operation</u>	<u>Legal ownership</u>	<u>Principal activity</u>
Schools and subsidiaries of New Oriental China:				
Beijing Haidian District Privately-Funded New Oriental School (“Beijing Haidian School”)	October 5, 1993	PRC	N/A	Language and post-secondary education
Shanghai Yangpu District New Oriental Advanced Study School	June 1, 2000	PRC	N/A	Language education
Guangzhou Haizhu District Privately-Funded New Oriental Training School (“Guangzhou Haizhu School”) (a)	September 8, 2000	PRC	N/A	Language education
Guangzhou New Oriental Training School (“Guangzhou School”) (a)	August 20, 2013	PRC	N/A	Language education
Guangzhou Panyu District Privately-Funded New Oriental Training Centre (“Guangzhou Panyu School”) (a)	June 19, 2013	PRC	N/A	Language education
Wuhan New Oriental Training School	April 28, 2002	PRC	N/A	Language education
Tianjin New Oriental Training School	August 21, 2002	PRC	N/A	Language education
Xi’an Yanta District New Oriental School	November 26, 2002	PRC	N/A	Language education
Nanjing Gulou New Oriental Advanced Study School	November 28, 2002	PRC	N/A	Language education
Shenzhen New Oriental Training School	October 15, 2003	PRC	N/A	Language education
Shenyang New Oriental Foreign Language Training School	June 18, 2003	PRC	N/A	Language education
Chongqing New Oriental Training School	August 15, 2003	PRC	N/A	Language education
Chengdu New Oriental School	August 18, 2003	PRC	N/A	Language education
Xiangyang New Oriental Training School	October 26, 2004	PRC	N/A	Language education
Changsha Furong District New Oriental Training School	May 25, 2005	PRC	N/A	Language education
Jinan New Oriental School	May 31, 2005	PRC	N/A	Language education
Taiyuan New Oriental Training School	April 20, 2005	PRC	N/A	Language education
Ha’er Bin Nangang District New Oriental Training School	May 20, 2005	PRC	N/A	Language education
Changchun New Oriental Training School	July 26, 2005	PRC	N/A	Language education
Hangzhou New Oriental Advanced Study School (“Hangzhou School”) (b)	July 21, 2005	PRC	N/A	Language education
Hangzhou New Oriental Education & Consulting Company Limited	May 8, 2012	PRC	N/A	Language education
Fuyang New Oriental Training School (“Fuyang School”) (b)	October 22, 2012	PRC	N/A	Language education
Zhengzhou New Oriental Training School	July 19, 2005	PRC	N/A	Language education
Zhuzhou New Oriental Training School	April 30, 2006	PRC	N/A	Language education
Shijiazhuang New Oriental School	April 3, 2006	PRC	N/A	Language education
Suzhou New Oriental School	April 26, 2006	PRC	N/A	Language education
Anshan New Oriental Training School	June 13, 2006	PRC	N/A	Language education

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

<u>Name</u>	<u>Date of incorporation or establishment</u>	<u>Place of incorporation (or establishment)/ operation</u>	<u>Legal ownership</u>	<u>Principal activity</u>
Schools and subsidiaries of New Oriental China:				
Hefei New Oriental Foreign Language Training School	June 13, 2006	PRC	N/A	Language education
Yunnan New Oriental Training School	June 13, 2006	PRC	N/A	Language education
Wuxi New Oriental Advanced Study School	August 14, 2006	PRC	N/A	Language education
Fuzhou Gulou District New Oriental Training School	September 1, 2006	PRC	N/A	Language education
Nanchang Donghu District New Oriental Language School	March 16, 2007	PRC	N/A	Language education
Yichang Xiling District New Oriental School	January 1, 2006	PRC	N/A	Language education
Jingzhou New Oriental School	April 10, 2007	PRC	N/A	Language education
Dalian New Oriental Training School	June 12, 2007	PRC	N/A	Language education
Huangshi New Oriental Training School	March 17, 2008	PRC	N/A	Language education
Ningbo New Oriental School	April 16, 2008	PRC	N/A	Language education
Lanzhou Chengguan District New Oriental School	March 19, 2008	PRC	N/A	Language education
Xiamen Siming District New Oriental Education Training School	July 8, 2008	PRC	N/A	Language education
Qingdao New Oriental Language Training School	August 5, 2008	PRC	N/A	Language education
Nanning New Oriental Education Training School	September 18, 2008	PRC	N/A	Language education
Xuzhou New Oriental Advanced Study School	March 31, 2009	PRC	N/A	Language education
Xiangtan Yuhu District New Oriental School	July 15, 2010	PRC	N/A	Language education
Zhenjiang New Oriental School	July 19, 2010	PRC	N/A	Language education
Luoyang New Oriental School	November 25, 2010	PRC	N/A	Language education
Nantong Chongchuan District New Oriental School	December 28, 2010	PRC	N/A	Language education
Jilin Chuanying District New Oriental School	March 17, 2011	PRC	N/A	Language education
Guiyang Yunyan District New Oriental School	March 21, 2011	PRC	N/A	Language education
Inner Mongolia Hohhot New Oriental School	April 2, 2011	PRC	N/A	Language education
Foshan New Oriental School	September 1, 2011	PRC	N/A	Language education
Tangshan Lubei District New Oriental School	May 25, 2011	PRC	N/A	Language education
Urumqi New Oriental School	May 22, 2011	PRC	N/A	Language education

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<u>Name</u>	<u>Date of incorporation or establishment</u>	<u>Place of incorporation (or establishment)/ operation</u>	<u>Legal ownership</u>	<u>Principal activity</u>
Shiyan New Oriental School	May 23, 2011	PRC	N/A	Language education
Quanzhou Fengze District New Oriental Education Training School	June 26, 2015	PRC	N/A	Language education
Wenzhou New Oriental School	August 14, 2015	PRC	N/A	Language education
Weifang New Oriental Training School	October 10, 2015	PRC	N/A	Language education
Shanghai New Oriental Education & Training Company Limited	September 15, 2015	PRC	N/A	Language education
Zhuhai Xiangzhou District New Oriental Training Centre	December 11, 2015	PRC	N/A	Language education
Yangzhou Guangling District New Oriental Training Centre	March 24, 2016	PRC	N/A	Language education
Jinzhou New Oriental Training School	April 19, 2016	PRC	N/A	Language education
Baoding Jingxiu District New Oriental Training School	July 8, 2016	PRC	N/A	Language education
Taian New Oriental School	September 9, 2016	PRC	N/A	Language education
Chongqing Yongchuan District New Oriental Training School	September 25, 2016	PRC	N/A	Language education
Yantai Zhifu District New Oriental Foreign Language Training School	November 11, 2016	PRC	N/A	Language education
Kaifeng New Oriental Education Information Consulting Co., Ltd.	October 31, 2016	PRC	N/A	Language education
Beijing Shengdeweixin Education & Technology Co., Ltd.	November 22, 2016	PRC	N/A	Language education
Cangzhou Yunhe District New Oriental Education Training School	November 29, 2016	PRC	N/A	Language education
Qinghuangdao Haigang District New Oriental Training School	January 17, 2017	PRC	N/A	Language education
Zhangzhou Development Zone New Oriental Education Training School	March 22, 2017	PRC	N/A	Language education
Anyang Beiguan District New Oriental Education Training School	May 16, 2017	PRC	N/A	Language education
Nanyang New Oriental Education Training Co., Ltd.	April 19, 2017	PRC	N/A	Language education
Handan Congtai District New Oriental Training School	April 27, 2017	PRC	N/A	Language education
Beijing Shuangshi Oriental Education & Technology Co., Ltd.	April 27, 2017	PRC	N/A	Educational consulting
Changchun Tongwen Gaokao Training School ("Tongwen Gaokao")	October 27, 2008	PRC	N/A	College admission examination training
Changchun Tongwen Senior High School ("Tongwen High School")	October 27, 2008	PRC	N/A	Primary secondary school education
China Management Software Institute ("CMSI")	September 1, 2012	PRC	N/A	Higher education

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<u>Name</u>	<u>Date of incorporation or establishment</u>	<u>Place of incorporation (or establishment)/ operation</u>	<u>Legal ownership</u>	<u>Principal activity</u>
Schools and subsidiaries of New Oriental China:				
Beijing New Oriental Yangzhou Foreign Language School	June 6, 2002	PRC	N/A	Primary secondary school education
Yangzhou Guangling District New Oriental Kindergarten of Stars (“Yangzhou Kindergarten”)	August 26, 2014	PRC	N/A	Kindergarten
Beijing Changping New Oriental Foreign Language School (“Changping school”)	July 19, 2010	PRC	N/A	Primary secondary school education
Beijing New Oriental Dogwood Cultural Communications Co., Ltd.	May 16, 2003	PRC	N/A	Sales of educational materials and products
Beijing New Oriental Dogwood, Bookstore, Audio & Video Co., Ltd.	March 2, 2004	PRC	N/A	Sales of educational materials and products
Chengdu New Oriental Dogwood Bookstore Products Co., Ltd.	January 18, 2004	PRC	N/A	Sales of educational materials and products
Chongqing New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	February 25, 2004	PRC	N/A	Sales of educational materials and products
Guangzhou Dogwood Bookstore & Audio-Visual Products Co., Ltd.	November 11, 2003	PRC	N/A	Sales of educational materials and products
Wuhan New Oriental Dogwood Bookstore & Audio- Visual Products Co., Ltd.	December 16, 2003	PRC	N/A	Sales of educational materials and products
Xi’an New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	June 3, 2003	PRC	N/A	Sales of educational materials and products
Shanghai Dogwood Bookstore & Audio-Visual Products Co., Ltd.	September 28, 2003	PRC	N/A	Sales of educational materials and products
Changchun New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	October 8, 2005	PRC	N/A	Sales of educational materials and products
Ha’er Bin New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	March 13, 2006	PRC	N/A	Sales of educational materials and products
Taiyuan New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	July 12, 2006	PRC	N/A	Sales of educational materials and products
Hangzhou Dogwood Bookstore Products Co., Ltd.	July 25, 2007	PRC	N/A	Sales of educational materials and products
Nanchang Dogwood Bookstore & Audio-Visual Products Co., Ltd.	September 14, 2007	PRC	N/A	Sales of educational materials and products
Kunming Dogwood Bookstore & Audio-Visual Products Co., Ltd.	November 21, 2007	PRC	N/A	Sales of educational materials and products
Dalian New Oriental Dogwood Bookstore & Audio-Visual Products Co., Ltd.	March 25, 2008	PRC	N/A	Sales of educational materials and products

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<u>Name</u>	<u>Date of incorporation or establishment</u>	<u>Place of incorporation (or establishment)/ operation</u>	<u>Legal ownership</u>	<u>Principal activity</u>
Schools and subsidiaries of New Oriental China:				
Lanzhou New Oriental Dogwood Bookstore & Audio- Visual Products Co., Ltd.	October 28, 2008	PRC	N/A	Sales of educational materials and products
Suzhou New Oriental Dogwood Bookstore & Audio- Visual Products Co., Ltd.	June 1, 2010	PRC	N/A	Sales of educational materials and products
Xuzhou New Oriental Dogwood Bookstore & Audio- Visual Products Co., Ltd.	September 29, 2010	PRC	N/A	Sales of educational materials and products
Urumqi Dogwood Bookstore & Audio-Visual Products Co., Ltd.	September 13, 2011	PRC	N/A	Sales of educational materials and products
Hohhot Dogwood Bookstore & Audio-Visual Products Co., Ltd.	February 7, 2012	PRC	N/A	Sales of educational materials and products
Zhuhai New Oriental Dogwood Bookstore & Audio- Visual Products Co., Ltd.	September 28, 2016	PRC	N/A	Sales of educational materials and products
Beijing New Oriental Vision Overseas Consultancy Co., Ltd.	February 19, 2004	PRC	N/A	Consulting
Shanghai Vision Overseas Service Co., Ltd.	March 24, 2011	PRC	N/A	Consulting
Shandong New Oriental Vision Overseas Consultancy Co., Ltd.	September 8, 2011	PRC	N/A	Consulting
Shanxi New Oriental Vision Overseas Consultancy Co., Ltd.	April 22, 2014	PRC	N/A	Consulting
Fujian New Oriental Vision Overseas Consultancy Co., Ltd.	May 13, 2014	PRC	N/A	Consulting
Guangdong Vision Overseas Consultancy Co., Ltd.	May 29, 2014	PRC	N/A	Consulting
Xinjiang New Oriental Vision Overseas Consultancy Co., Ltd.	July 9, 2014	PRC	N/A	Consulting
Shaanxi New Oriental Vision Overseas Consultancy Co., Ltd.	January 23, 2015	PRC	N/A	Consulting
Tianjin New Oriental Vision Overseas Consultancy Co., Ltd.	May 13, 2015	PRC	N/A	Consulting
Inner Mongolia New Oriental Vision Overseas Consultancy Co., Ltd.	May 29, 2015	PRC	N/A	Consulting
Liaoning New Oriental Vision Overseas Consultancy Co., Ltd.	June 10, 2015	PRC	N/A	Consulting
New Oriental Vision Overseas Consulting (U.K.) Ltd.	June 10, 2015	U.K.	N/A	Consulting
Gansu New Oriental Vision Overseas Consultancy Co., Ltd.	May 15, 2015	PRC	N/A	Consulting
Qingdao New Oriental Vision Overseas Consultancy Co., Ltd.	August 20, 2015	PRC	N/A	Consulting
Hunan New Oriental Vision Overseas Consultancy Co., Ltd.	November 3, 2015	PRC	N/A	Consulting
Beijing New Oriental Vision Overseas Service Co., Ltd.	February 24, 2016	PRC	N/A	Consulting
Beijing Ainuoshida Education & Technology Co., Ltd and its subsidiaries	September 24, 2014	PRC	N/A	Consulting

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

<u>Name</u>	<u>Date of incorporation or establishment</u>	<u>Place of incorporation (or establishment)/ operation</u>	<u>Legal ownership</u>	<u>Principal activity</u>
Schools and subsidiaries of New Oriental China:				
Beijing New Oriental Dogwood Advertisement Co., Ltd. (“Dogwood Advertisement”)	January 20, 2004	PRC	N/A	Advertising
Beijing New Oriental Xuncheng Network Technology Co., Inc.Ltd. (c)	March 11, 2005	PRC	N/A	On-line education
Beijing New Oriental Kuxuehisi Network Technology Co., Ltd.	February 1, 2013	PRC	N/A	On-line education
Beijing DongFangYouBo Network Technology Co., Ltd.	June 23, 2016	PRC	N/A	On-line education
Leci Internet Technology (Beijing) Company Limited (“Leci Internet”)	February 11, 2014	PRC	N/A	Educational consulting and software development
Beijing Dongfangzhuoyong Investment Management Co., Ltd.	April 29, 2014	PRC	N/A	Investment management
Ningbo Meishan Bonded Port Area Hexin Oriental Asset Management Co., Ltd.	April 28, 2017	PRC	N/A	Asset management
Beijing New Oriental MEGAWAY Education & Consulting Co., Ltd.	March 4, 2015	PRC	N/A	Educational consulting
Beijing Aixuehisi Education & Technology Co., Ltd.	January 6, 2015	PRC	N/A	Technology
Beijing Fishpond Software Technology Co., Ltd.	November 24, 2015	PRC	N/A	Technology
Beijing Bright the Future Education & Technology Co., Ltd.	July 18, 2016	PRC	N/A	Consulting
Beijing New Oriental Stars Education & Consulting Co., Ltd (“Stars”)	July 11, 2007	PRC	N/A	Kindergarten
Beijing Chao Yang District Kindergarten of Stars (“ChaoYang Kindergarten”)	November 20, 2007	PRC	N/A	Kindergarten
Nanjing Yuhuatai District New Oriental Kindergarten of Stars (“Nanjing Kindergarten”)	April 10, 2009	PRC	N/A	Kindergarten
Qingdao Alice Education & Technology Company Limited (“Qingdao Alice “)	August 21, 2014	PRC	N/A	Kindergarten
Qingdao Laoshan District Happy Alice Kindergarten (“Laoshan Alice”)	December 4, 2014	PRC	N/A	Kindergarten
Qingdao Happy Alice Kindergarten (“Qingdao Happy Alice”)	November 29, 2005	PRC	N/A	Kindergarten
Qingdao Chengyang District Happy Alice Kindergarten (“Chengyang Alice”)	October 30, 2014	PRC	N/A	Kindergarten
Beijing Chao Yang District Taiyanggong Kindergarten of Stars (“Taiyanggong Kindergarten”)	January 20, 2017	PRC	N/A	Kindergarten

- (a) Guangzhou School and Guangzhou Panyu School were established in the year ended May 31, 2014. Although they are separate legal entities, from the perspective of the Group’s internal management, they together with Guangzhou Haizhu School are considered as one school since they are operated by the same local management in Guangzhou.
- (b) Although the Fuyang School is a separate legal entity, from the perspective of the Group’s internal management, Fuyang School and Hangzhou School are considered as one school since they are operated by the same local management in Hangzhou.
- (c) The contractual agreements between Xuncheng, New Oriental China and Chongshengdongfang were terminated in September 2015.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements

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 schools and subsidiaries and Xuncheng and its subsidiary. Since the operations of New Oriental China and the schools and Xuncheng and its subsidiary 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 schools and subsidiaries, Xuncheng and its subsidiary as disclosed. Therefore, the Company aggregates the disclosures related to New Oriental China, New Oriental China's schools and subsidiaries, and Xuncheng and its subsidiary as variable interest entities and referred to them 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 schools and subsidiaries 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 VIE, and (2) receive the economic benefits of the VIE that could be significant to the VIE. 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 a substantive kick out right. More specifically, the Company believes the terms of the exclusive option agreement are valid, binding and enforceable under 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 shareholder 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.

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VIE Arrangements between New Oriental China and the Company's PRC subsidiaries – continued

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 schools and subsidiaries pursuant to which each of the schools and subsidiaries 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.
- (iii) Other operating service agreements. Pursuant to operating service agreements between certain WFOEs and the schools or the subsidiaries of New Oriental China, the WFOEs have agreed to provide certain operating services to the schools or the subsidiaries 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 schools and subsidiaries. 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. Eight WFOEs, namely Beijing Hewstone, Beijing Pioneer, Beijing Smart Wood, Beijing Joy Tend, Beijing Magnificence, Beijing Top, Beijing Shenghe and Beijing Jinghong, entered into agreements whereby the WFOEs sell various self-developed educational software to the schools or subsidiaries of New Oriental China. Except for four agreements that are silent on renewal, these agreements provide unlimited two-year automatic renewal terms, and schools and subsidiaries of New Oriental China cannot terminate the agreements without the consent of the WFOEs in China.

Master exclusive service agreements. 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 schools and subsidiaries. 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, 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 right 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 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. 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.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

VIE Arrangements between New Oriental China and the Company's PRC subsidiaries - continued

Equity pledge agreement. 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 Decision and Beijing Hewstone.

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 Century Friendship, a PRC domestic enterprise controlled by the Company's founder, chairman and chief executive officer, 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 VIE's 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 agreements.

In February 2017, as part of our efforts to streamline the corporate structure, the Group 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 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 SAIC.

Exclusive option agreement. 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 right 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 shareholder 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 agreements.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

VIE Arrangements between New Oriental China and the Company's PRC subsidiaries – continued

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, 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 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.

VIE Arrangements between Xuncheng and the Company's subsidiary

During the fiscal year ended May 31, 2015, Beijing Chongshengdongfang Network Technology Co., Ltd. ("Chongshengdongfang"), a PRC subsidiary of the Company entered into a series of contractual arrangements (the "Xuncheng VIE Agreements") with New Oriental China and Xuncheng, a subsidiary of New Oriental China that engages in internet content services as the Internet Content Provider ("ICP"). The Xuncheng VIE Agreements enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of Xuncheng, and (2) receive the economic benefits of Xuncheng that could be significant to Xuncheng. Accordingly, the Company is considered the primary beneficiary of Xuncheng. The terms of Xuncheng VIE Agreements are substantially the same as those signed between New Oriental China and the Company's PRC subsidiaries.

In September 2015, the above contractual arrangements between Chongshengdongfang, New Oriental China and Xuncheng were terminated. The Group continues to consolidate Xuncheng through voting interest held by New Oriental China since September 2015.

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 PRC laws and regulations and are legally enforceable. However, 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 PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Company's PRC subsidiaries and VIEs;
- discontinue or restrict the operations of any related-party transactions between the Company's PRC subsidiaries and VIEs;
- limit the Group'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 VIEs may not be able to comply;

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

VIE Arrangements between Xuncheng and the Company's subsidiary - continued

Risks in relation to the VIE structure - continued

- require the Company or the Company's PRC subsidiaries or VIEs to restructure the relevant ownership structure or operations; or
- restrict or prohibit the Company's use of the proceeds of the additional public offering to finance the Group's business and operations in China.

The Company's ability to conduct its education business may be negatively affected if the PRC government were to carry out of any of 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 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 only one of the beneficial shareholders of the company, holding 13.5% of the total common shares outstanding as of May 31, 2017. 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 executive officer 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.

In addition, the current sole shareholder of the New Oriental China is also a beneficial owner of the Company and therefore has 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 the 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.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

VIE Arrangements between Xuncheng and the Company's subsidiary - continued

Risks in relation to the VIE structure - continued

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 VIEs in the Group:

	As of May 31,	
	2016	2017
	US\$	US\$
Total current assets	1,262,811	1,590,750
Total non-current assets	381,262	488,709
Total assets	1,644,073	2,079,459
Total current liabilities	860,877	1,137,288
Total non-current liabilities	1,432	2,174
Total liabilities	862,309	1,139,462

	Years ended May 31,		
	2015	2016	2017
	US\$	US\$	US\$
Net revenues	1,221,101	1,443,851	1,777,864
Net income	265,485	313,828	333,456
Net cash provided by operating activities	357,893	450,848	450,196
Net cash used in investing activities	(167,847)	(286,235)	(459,532)
Net cash provided by financing activities	—	69,747	8,807

The VIEs contributed an aggregate of 97.9%, 97.7% and 98.8% of the consolidated net revenues for the years ended May 31, 2015, 2016 and 2017, respectively. The Company's operations not conducted through contractual arrangements with the VIEs primarily consist of the leasing of its commercial property. As of the fiscal years ended May 31, 2016 and 2017, the VIEs accounted for an aggregate of 69.8% and 71.1%, respectively, of the consolidated total assets, and 93.7% and 94.6%, respectively, of the consolidated total liabilities. The assets were not associated with the VIEs primarily consist of cash and cash equivalents, prepaid expenses, short-term investments and long-term investments.

There are no consolidated VIEs' assets that are collateral 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 shareholder 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 23 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 VIEs’ schools and subsidiaries. The Company and its WFOEs have entered into contractual arrangements with the VIEs and its shareholder, 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. All inter-company transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses in the financial statements and accompanying notes. Significant accounting estimates reflected in the Group’s consolidated financial statements include purchase price allocation relating to the business acquired, the valuation allowance for deferred tax assets, economic lives and impairment of property and equipment, impairment of goodwill, impairment of long-term investments, fair value of long-term available-for-sale investments, allowance for doubtful accounts and share-based compensation. 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 and restructuring costs are expensed as incurred.

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 if recorded as a liability, it is subsequently carried at fair value with changes in fair value reflected in earnings.

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.

Term deposits

Term deposits consist of deposits placed with financial institutions with original maturities of greater than three months and less than one year.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Short-term investments

Short term investments consist mostly of held-to-maturity investments with the maturity of less than one year. 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 held-to-maturity investments for other-than-temporary impairment ("OTTI") based on the specific identification method. The Group considers available quantitative and qualitative evidence in evaluating the potential impairment of its short-term investments. If the cost of an investment exceeds the investment's fair value, the Group considers, among other factors, general market conditions, expected future performance of the investees, the duration and the extent to which the fair value of the investment is less than the cost, and the Group's intent and ability to hold the investments. OTTI is recognized as a loss in the consolidated statement of operation.

Restricted cash

Restricted cash represents Renminbi ("RMB") deposits in bank accounts as deposits for establishing new schools and 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.

Allowance for doubtful accounts

Accounts receivable represents amounts due from corporate customers of the Group's various schools and subsidiaries. The Group provides allowance for doubtful accounts based on historical collection experience and a review of the current status of accounts receivable and advances to suppliers. Accounts receivable and advances to suppliers are presented net of allowance for doubtful accounts.

Changes in the allowance for doubtful accounts were as follows:

	As of May 31,	
	2016	2017
	US\$	US\$
Beginning balance	801	408
Charge during the year	235	354
Written-off	(628)	(177)
Ending balance	<u>408</u>	<u>585</u>

Inventory

Inventories of the Group are mainly consisted of books. Inventories are stated at the lower of cost or net realizable value.

Land use rights

Land use rights are recorded at cost and amortized on a straight-line basis over the remaining term of the land certificate, from 38.5 to 50 years.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated on a straight line basis over the following estimated economic 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 economic life

Construction in progress

The Group constructs certain of its property and equipment. In addition to cost under the construction contracts, interest cost and external costs directly related to the construction of such facilities, including equipment installation and shipping costs, are capitalized. Depreciation is recorded at the time assets are ready for the intended use.

Impairment of long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, the Group measures impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the fair value of the assets. The Group did not record impairment losses on long-lived assets during the years ended May 31, 2015, 2016 and 2017.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

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 factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The estimation of fair value of each reporting unit using a discounted cash flow methodology also requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the Group's business, estimation of the useful life over which cash flows will occur, and determination of the Group's weighted average cost of capital. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for the reporting unit.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill – continued

In order to test goodwill for impairment, the Group first assesses 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. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, goodwill is then tested following a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit’s goodwill.

The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill.

An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. The Group recognized nil, nil and US\$1,682 impairment loss on goodwill during the years ended May 31, 2015, 2016 and 2017.

Long-term investments

The Group’s long-term investments consist of cost method investments, equity method investments, available-for-sale investments and held-to-maturity investments.

(a) Cost Method Investments

For investee companies over which the Group does not have significant influence and a controlling interest, the Group carries the investment at cost and recognizes as income any dividend received from distribution of the investee’s earnings.

The Group reviews its cost method investments for impairment whenever an event or circumstance indicates that an OTTI has occurred. The Group considers available quantitative and qualitative evidence in evaluating potential impairment of its cost method investments. An impairment charge is recorded if the cost of an investment exceeds its fair value and such excess is determined to be other-than temporary.

The Group estimated the fair value of these investee companies based on the discounted cash flow approach. Factors the Group considers in making such a determination include general market conditions, the duration and the extent to which the fair value of an investment is less than its cost, and the Group’s intent and ability to hold such investment. The Group recorded US\$2, nil and nil impairment losses on its cost method investments during the years ended May 31, 2015, 2016 and 2017, respectively.

(b) Equity Method Investments

Investee companies over which the Group has the ability to exercise significant influence, but does not have a controlling interest, 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%. 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, where the Group holds more than 50% equity interest, the Group may only have significant influence but not have control over the investees. Equity method is also used to account for these investments.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Long-term investments - continued

(b) Equity Method Investments - continued

An impairment charge is recorded if the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than temporary. The Group estimated the fair value of the investee company based on comparable quoted price for similar investment in active market, if applicable, or discounted cash flow approach which requires significant judgments, including the estimation of future cash flows, which is dependent on internal forecasts, the estimation of long term growth rate of a company's business, the estimation of the useful life over which cash flows will occur, and the determination of the weighted average cost of capital. The Company did not record impairment losses on its equity method investment during the years ended May 31, 2015, 2016 and 2017, respectively.

(c) Available-for-sale Investments

For investments in investees' stocks which are determined to be debt securities, the Group accounts for them as long-term available-for-sale investments when they are not classified as either trading or held-to-maturity investments. Available-for-sale investments are carried at their fair values and the unrealized gains or losses from the changes in fair values are included in accumulated other comprehensive income.

The Group reviews its investments for OTTI based on the specific identification method. The Group considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds the investment's fair value, the Group considers, among other factors, general market conditions, government economic plans, the duration and the extent to which the fair value of the investment is less than the cost, the Group's intent and ability to hold the investment, and the financial condition and near term prospects of the investees. The Company recorded nil, nil and US\$2,338 impairment losses on its available-for-sale investments during the years ended May 31, 2015, 2016 and 2017, respectively.

(d) Long-term Held-to-maturity Investments

The Group's long-term held-to-maturity investment represents a trust guaranteed by a bank with the maturity of more than one year, which is stated at its amortized cost. As of May 31, 2017, the related balance was all collected.

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 17% of the gross sales for general VAT payer. Most of the subsidiaries of the Company are deemed as general VAT payer for the sales of guidance materials and the intercompany sales of self-developed software. For general VAT payer, VAT on sales is calculated at 17% on revenue 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.

On January 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation officially launched a pilot VAT reform program ("Pilot Program"), applicable to businesses in selected industries. Such VAT Pilot Program were phased in Beijing, Jiangsu, Anhui, Fujian, Guangdong, Tianjin, Zhejiang, and Hubei between September and December 2012. Business in the Pilot Program would pay VAT instead of sales tax. Starting from August 1, 2013, the Pilot Program was expanded to cover all regions in the PRC. Implementation of the Pilot Program, the new enrollment system development services and other operating services which were previously subject to business tax are therefore subject to VAT at the rate of 6% of revenue. The net VAT balance between input VAT and output VAT is recorded as accrued expenses in Group's consolidated financial statements.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Value added tax (“VAT”) – continued

Since May 2016, in accordance with Cai Shui [2016] No. 68, the non-academic educational programs and services in short-term training schools are subject to a simple VAT collection method and apply for a 3% VAT rate. Therefore, the Group’s non-academic educational programs and services in short-term language training schools which were previously subject to business tax are now subject to VAT.

Revenue recognition

Revenue is recognized when persuasive evidence that an arrangement exists, delivery of the product or service has occurred, the selling price is both fixed and determinable and collection is reasonably assured. Revenue is reported net of business taxes, VAT and refunds. Business tax and VAT amounted to US\$45,664 and US\$52,993 for the years ended May 31, 2015 and 2016, respectively. Subsequent to May 2016, the Group no longer incurred business taxes. The primary sources of the Group’s revenues are as follows:

(a) Educational programs and services

The educational programs and services consist of language training and test preparation courses, primary and secondary school education and college admission examination retaking training services. Tuition is generally paid in advance and is initially recorded as deferred revenue. Tuition revenue for educational programs and services is recognized proportionately as the instructions are delivered, and is reported net of business taxes, VAT and related surcharges, and tuition refunds. Students are entitled to a short term course 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. Tuition refunds have been insignificant in the fiscal years ended May 31, 2015, 2016 and 2017, respectively. After the trial period, if a student withdraws from a class, usually no refunds will be provided and any collected but unearned portion of the fee is recognized at that time.

The Group also sells online-learning cards primarily to distributors at fixed prices after deducting a pre-determined fixed discount to the face value of the cards. Online-learning card sales represent prepaid service fees received from students for e-learning services. The prepaid service fee is recorded as deferred revenue upon receiving the upfront payment. Revenue is recognized upon actual usage of the cards by the students based on the number of minutes the students use the e-learning services, of which the actual usage is tracked by the Group on an individual basis. Upon the expiration of the online-learning card, which ranges from six months to one year from the date of sale of the card to the distributor, the Group will recognize the remaining unused minutes as revenue.

(b) Books and others

The Group sells educational books or other educational materials either through its own book stores or websites or through third party distributors. Revenue from sales made through the Group’s book stores is recognized upon sales to customers. Revenue through distributors is recognized once the products are sold to the end customers.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the shorter of the lease term or estimated economic life.

Advertising costs

The Group expenses advertising costs as they incurred them. Total advertising expenses were US\$38,295, US\$39,753 and US\$41,498, for the years ended May 31, 2015, 2016 and 2017, respectively, and have been included as part of selling and marketing expenses.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

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\$1,230, US\$494 and US\$1,325, for the years ended May 31, 2015, 2016 and 2017, respectively.

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 and the VIEs located in the PRC are maintained in its local currency, the 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.

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies 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, and revenues and expenses 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 consolidated statements of comprehensive income.

Transactions in currencies other than the functional currencies during the year are converted into the applicable functional currencies at the applicable rates of exchange prevailing at the dates of the transactions. Exchange gains and losses are recognized in the consolidated statements of operations.

Foreign currency risk

The 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 the 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\$747,762 and US\$762,895 as of May 31, 2016 and 2017, 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 on is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value - continued

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.

The Group determines the transfers between levels are deemed to have occurred at the end of the periods presented.

Measured fair value on a recurring basis

The Group measured its financial assets and liabilities primarily including available-for-sale securities at fair value on a recurring basis as of May 31, 2016 and 2017.

As of May 31, 2016 and 2017, the available-for-sale investments recorded in long-term investments include redeemable preferred shares, common shares of two listed companies, convertible bond and assets management plan and trust (Refer to Note 12). Those are measured and recorded at fair value on a recurring basis in periods subsequent to their initial recognition and are as follows:

Description	May 31, 2016			Total US\$
	Quoted Prices in Active Market for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
	US\$	US\$	US\$	
Available for sales investments:				
Common Shares	15,945	—	—	15,945
Redeemable preferred shares	—	42,263	69,873	112,136
Convertible bond	—	12,310	—	12,310
Asset management plan and trust	—	23,413	—	23,413
Total	15,945	77,986	69,873	163,804

Description	May 31, 2017			Total US\$
	Quoted Prices in Active Market for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
	US\$	US\$	US\$	
Available for sales investments:				
Common Shares	36,406	—	—	36,406
Redeemable preferred shares	—	30,669	123,029	153,698
Asset management plan and trust	—	7,486	—	7,486
Total	36,406	38,155	123,029	197,590

The Company measured the fair value of its investments in common shares using the market approach based on the quoted stock price of its investee in the active market and has classified it as level 1 measurement.

The Company measured the fair value of its convertible bond and asset management plan and trust based on the respective principal and expected returns and has classified those as level 2 measurement.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Redeemable preferred shares do not have a quoted market rate. For those, 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 an investment with similar terms or a recent transaction agreed by the Company and the investee and has 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 on sale, discount of lack of marketability, investee's time to IPO 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 the fair values.

The Group did not have any transfers between Level 1 and Level 2 fair value measurements during the periods presented. During the years ended May 31, 2016 and 2017, the Group transferred several redeemable preferred shares from level 2 to level 3 for a total of US\$63,881 and US\$31,505 respectively as the Company changed its fair value measurement for those investees. Specifically, the Company changed its measurement method from recent transactions to a market approach or income approach described in the previous paragraph to determine the investment's fair value as no recent transactions were available as of May 31, 2016 and 2017.

The following table provides additional information about the reconciliation of the fair value measurements of assets and liabilities using significant unobservable inputs (level 3).

	Available-for-sale investments
	US\$
Balance at June 1, 2015	—
Transfer from level 2 fair value measurements	63,881
Initial recognition	2,844
Unrealized gain	3,148
Balance at May 31, 2016	<u>69,873</u>
Transfer from level 2 fair value measurements	31,505
Initial recognition	—
Unrealized gain	21,651
Balance at May 31, 2017	<u>123,029</u>

Measured fair value on a nonrecurring basis

Goodwill and other intangible assets are measured at fair value on a nonrecurring basis when an impairment is recognized.

The Group measured goodwill at fair value on a nonrecurring basis when it is annually evaluated or whenever events or changes in circumstances indicate that carrying amount of a reporting unit exceeds its fair value as a result of the impairment assessments. The Group measured 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. The Group did not recognize any impairment loss related to other intangible assets arising from acquisitions for the years ended May 31, 2015, 2016 and 2017. The fair value of goodwill is determined using discounted cash flows, and an impairment loss will be recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. The Group recognized nil, nil and US\$1,682 of impairment loss related to goodwill for the years ended May 31, 2015, 2016 and 2017, respectively.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value of financial instruments

The Group's financial instruments consist primarily of cash and cash equivalents, restricted cash, term deposits, short-term held-to-maturity investments, accounts receivable, amount due from/to related parties, long-term investments within one year, available-for-sale investments, long-term held-to-maturity investment and accounts payable. Available-for-sale investments are carried at fair value. The carrying amounts of cash and cash equivalents, restricted cash, term deposits, short-term held-to-maturity investments, accounts receivable, amount due from/to related parties, and accounts payable approximate their fair values due to the short-term maturities of these instruments. Long-term held-to-maturity investment is stated at its amortized cost.

Net income per share

Basic net income per share is computed by dividing income attributable to holders of common shares by the weighted average number of common shares outstanding during the year. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised into common shares. Common share equivalents are excluded from the computation of the diluted net income per share in years when their effect would be anti-dilutive.

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 using 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 taxing 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 expense.

Comprehensive income

Comprehensive income includes net income, unrealized gain or loss on available-for-sale securities and foreign currency translation adjustments. 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 expense net of a forfeiture rate on a straight-line basis over the requisite service period, with a corresponding addition to 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 Company's equity shares to measure the fair value of non-vested equity shares ("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.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based compensation - continued

The amount of compensation expense 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. The estimate of forfeitures is based on historical turnover rate and will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will impact the amount of share-based compensation expense to be recognized in future periods.

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents, term deposits, restricted cash, and accounts receivable. As of May 31, 2017, substantially all of the Group's cash and cash equivalents, and term deposits 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 fiscal years 2015, 2016 and 2017, respectively.

Newly adopted accounting pronouncements

In February 2015, the Financial Accounting Standards Board ("FASB") issued the Audit Standards Update ("ASU") 2015-02, "Amendments to the Consolidation Analysis". The objective of issuing the amendments is to change the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendments are an improvement to current U.S. GAAP because they simplify the Codification and reduce the number of consolidation models through the elimination of the indefinite deferral of Statement 167 and because they place more emphasis on risk of loss when determining a controlling financial interest. The amendments are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the amendments in this Update using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. A reporting entity also may apply the amendments retrospectively. The Group adopted this ASU on June 1, 2016 and determined it has no impact in the current year.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330), which modifies the accounting for inventory. Under this ASU, the measurement principle for inventory will change from lower of cost or market value to lower of cost and net realizable value. The ASU defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Group adopted this ASU on June 1, 2016 and determined it had no impact in the current year.

Recently issued accounting pronouncements not yet adopted

In May 2014, the FASB issued ASU 2014-09 which affects any entity using U.S. GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. This ASU also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of Topic 350, Intangibles—Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in this ASU.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Recently issued accounting pronouncements not yet adopted - continued

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted.

The new standard permits adoption either by using (i) a full retrospective approach for all periods presented in the period of adoption or (ii) a modified retrospective approach with the cumulative effect of initially applying the new standard recognized at the date of initial application and providing certain additional disclosures.

In August 2015, FASB issued its final standard formally amending the effective date of the new revenue recognition guidance. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The new revenue guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption.

The Group plans to adopt the ASU on June 1, 2018, and is in the process of evaluating the impact to its consolidated financial statements.

In January 2016, FASB issued ASU 2016-01 which is intended to improve the recognition and measurement of financial instruments. The ASU affects public and private companies, not-for-profit organizations, and employee benefit plans that hold financial assets or owe financial liabilities.

The new guidance makes targeted improvements to existing U.S. GAAP by:

- Requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income;
- Requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes;
- Requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements;
- Eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities;
- Eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and
- Requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as “own credit”) when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Recently issued accounting pronouncements not yet adopted - continued

The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The new guidance permits early adoption of the own credit provision. Adoption of the amendment must be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, except for amendments related to equity instruments that do not have readily determinable fair values which should be applied prospectively. The Group does not expect the adoption of this guidance will have a significant effect on the Group's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the guidance is permitted. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Group is in the process of evaluating the impact that this pronouncements on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, simplifying the Transition to the Equity Method of Accounting. The amendments eliminate the requirement that when an investment qualified for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previous held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increase in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. The Group does not expect the adoption of this pronouncement will have a significant effect on its consolidated financial position or results of operations.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718). The new guidance simplifies certain aspects related to income taxes, statement of cash flows, and forfeitures when accounting for share-based payment transactions. This new guidance will be effective for the Company for the first reporting period beginning after December 15, 2016, with earlier adoption permitted. Certain of the amendments related to timing of the recognition of tax benefits and tax withholding requirements should be applied using a modified retrospective transition method. Amendments related to the presentation of the statement of cash flows should be applied retrospectively. All other provisions may be applied on a prospective or modified retrospective basis. For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application will be permitted. The Group does not expect the adoption of this pronouncement will have a significant effect on its consolidated financial position or results of operations.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Recently issued accounting pronouncements not yet adopted - continued

In November 2016, the FASB issued ASU 2016-18: Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update do not provide a definition of restricted cash or restricted cash equivalents. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments in this Update should be applied using a retrospective transition method to each period presented. The Group is in the process of evaluating the impact of the Update on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04: Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. To simplify the subsequent measurement of goodwill, the Board eliminated Step 2 from the goodwill impairment test. Under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity should apply the amendments in this Update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. A public business entity that is a SEC filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Group is in the process of evaluating the impact of the Update on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

Acquisition of Qingdao Alice

In order to expand its business in kindergarten industry and benefit from the synergistic effect, the Group acquired 100% equity interest in Qingdao Alice on December 1, 2014, for a total consideration of US\$12,929, which was fully paid as of May 31, 2015. The acquisition was recorded using the acquisition method of accounting, accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The purchase price allocation described below was based on a valuation analysis provided by an independent appraiser. The purchase price was allocated as at the date of acquisition as follows:

	US\$	Amortization period
Cash	2,306	
Other current assets	644	
Property, plant and equipment	89	1-5 years
Intangible assets		
Trademark	1,058	10.1 years
Student base	1,998	2.2 years
Favorable lease	763	8.7 years
Goodwill	7,540	
Other current liabilities	(514)	
Deferred tax liabilities	(955)	
Total	12,929	

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3. BUSINESS ACQUISITIONS - continued

Acquisition of AINUOSHIDA

In March 2015, the Group invested and paid US\$1,129 to obtain 18% equity interest in AINUOSHIDA to expand the business of its overseas consulting and benefit from the synergistic effect expected from such investment. The investment was initially recognized as available-for-sale investment as the Group determined that it was a debt security and measured the investment subsequently at fair value. In December 2016, the Group acquired an additional 33% equity interest in AINUOSHIDA, for a total consideration of US\$3,842, which was fully paid as of May 31, 2017. The acquisition resulted in the Group obtaining control of AINUOSHIDA with an ownership of 51% equity interest.

The Group recognized an investment gain of US\$723 as a result of remeasuring the 18% equity interest immediately to fair value before the business combination. The acquisition was recorded using the acquisition method of accounting. Accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The acquisition-date fair value of the equity interest held by the Group immediately prior to the acquisition date was measured at fair value using a discounted cash flow method and taking into account certain factors including the management projection of discounted future cash flow and an appropriate discount rate. The purchase price allocation described below was based on a valuation analysis provided by an independent appraiser. The purchase price was allocated as at the date of acquisition as follows:

	US\$	Amortization period
Cash	2,499	
Other current assets	4,874	
Property, plant and equipment	493	1-5 years
Intangible assets		
Trademark	1,708	10 years
Student base	1,069	1 year
Software	76	3 years
Goodwill	5,516	
Other current liabilities	(6,040)	
Deferred tax liabilities	(713)	
Fair value of the 18% equity interest	(1,741)	
Noncontrolling interests	(3,899)	
Total	3,842	

4. DISPOSAL OF SUBSIDIARIES

Disposal of Dianshijingwei

In April 2016, the Group sold 51% equity interest in Beijing Dianshijingwei Technology Co., Ltd (“Dianshijingwei”) to some of Dianshijingwei’s management for a cash consideration of US\$2,325. As of the disposal date, Dianshijingwei had accumulated deficit resulting in the Group deriving a gain from the deconsolidation. The disposal gain recognized by the Group was US\$3,760 and was recorded in the consolidated statements of operations for the year ended May 31, 2016. Subsequent to this disposal, the Group accounted for its 49% investment in Dianshijingwei as an equity method investment because the Group retained the ability to exercise significant influence. The disposal of Dianshijingwei did not represent a strategic shift and did not have a major effect on the Group’s operation.

The disposal gains from the transaction was presented as continuing operation.

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5. SHORT-TERM INVESTMENTS

Short-term investments consisted of the following:

	As of May 31,	
	2016	2017
	US\$	US\$
Held-to-maturity investments	<u>819,229</u>	<u>1,312,942</u>

Short-term investments consist of various fixed-income 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 interest rates ranging from 2.6% to 5.0%. 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.

While these fixed-income financial products are not publicly traded, the Group estimated that their fair value approximate their amortized costs considering their short term maturities and high credit quality. No OTTI loss was recognized for the years ended May 31, 2015, 2016 and 2017, respectively.

6. INVENTORY

Inventory consisted of the following:

	As of May 31,	
	2016	2017
	US\$	US\$
Course materials in schools	<u>5,787</u>	<u>7,419</u>
Publications in bookstores	<u>21,516</u>	<u>24,323</u>
	<u>27,303</u>	<u>31,742</u>

Inventory was marked down to the lower of cost or net realizable value, in the amount of US\$638 and US\$152 for the years ended May 31, 2016 and 2017, respectively.

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7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As of May 31,	
	2016	2017
	US\$	US\$
Prepaid rent	33,135	44,746
Advances to suppliers	23,143	29,358
Interest receivable	9,341	14,005
Rental deposit	7,122	8,355
Receivable from BOCI for the proceeds of exercise of options and withholding tax	5,548	—
Prepaid advertising fees	3,250	4,235
Staff advances (a)	2,829	2,514
Value added taxes recoverable	2,534	2,305
Deposit of advertising & decoration	1,961	1,411
Receivable of social insurance	1,374	1,651
Prepaid property taxes and other taxes	616	947
Others (b)	8,824	9,870
	<u>99,677</u>	<u>119,397</u>

- (a) Staff advances were provided to staff for traveling and related use which are expensed as incurred and staff allowance for on-site enrollment activities.
- (b) Others primarily included maintenance fees, other receivables and other miscellaneous prepayments.

8. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	As of May 31,	
	2016	2017
	US\$	US\$
Buildings	146,411	141,477
Transportation equipment	8,553	8,618
Furniture and education equipment	76,492	88,671
Computer equipment and software	40,707	48,385
Leasehold improvements	169,345	216,848
	441,508	503,999
Less: accumulated depreciation	(209,937)	(235,853)
Construction in-process	6,127	14,654
	<u>237,698</u>	<u>282,800</u>

Depreciation expense for the years ended May 31, 2015, 2016 and 2017 was US\$46,663, US\$47,281 and US\$53,864 respectively.

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9. LAND USE RIGHTS, NET

Land use rights consisted of the following:

	As of May 31,	
	<u>2016</u>	<u>2017</u>
	US\$	US\$
Land use rights	5,178	5,003
Less: accumulated amortization	(1,201)	(1,307)
Exchange differences	(71)	(28)
Land use rights, net	<u>3,906</u>	<u>3,668</u>

Amortization expenses for land use rights for the years ended May 31, 2015, 2016 and 2017 were US\$116, US\$112 and US\$106, respectively. The Group expects to recognize US\$106 in amortization expense for each of the next five years and US\$3,138 thereafter.

10. INTANGIBLE ASSETS, NET

Intangible assets consisted of the following:

	As of May 31,	
	<u>2016</u>	<u>2017</u>
	US\$	US\$
Costs:		
Intangible assets with indefinite lives:		
Trademark	248	241
Intangible assets with finite lives:		
Trademark	1,293	2,976
Courseware	47	122
Student base	1,978	2,995
Favorable lease	713	689
License	415	415
	<u>4,694</u>	<u>7,438</u>
Accumulated amortization:		
Trademark	(383)	(581)
Courseware	(47)	(58)
Student base	(1,404)	(2,455)
Favorable lease	(123)	(199)
License	(119)	(140)
	<u>(2,076)</u>	<u>(3,433)</u>
Net carrying amount:		
Intangible assets with indefinite lives:		
Trademark	248	241
Intangible assets with definite lives:		
Trademark	910	2,395
Courseware	—	64
Student base	574	540
Favorable lease	590	490
License	296	275
	<u>2,618</u>	<u>4,005</u>

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10. INTANGIBLE ASSETS, NET - continued

Amortization expenses for the intangible assets for the years ended May 31, 2015, 2016 and 2017, were US\$607, US\$1,122 and US\$1,419, respectively. As of May 31, 2017, the Group expects to record amortization expenses related to intangible assets US\$963, US\$400, US\$380, US\$368 and US\$368 for the years ended May 31, 2018, 2019, 2020, 2021, 2022, respectively, and US\$1,526 thereafter.

11. GOODWILL, NET

	As of May 31,	
	<u>2016</u>	<u>2017</u>
	US\$	US\$
Costs:		
Beginning balance	11,194	10,545
Acquisition of AINUOSHIDA	—	5,516
Exchange differences	(649)	(296)
Ending balance	<u>10,545</u>	<u>15,765</u>
Accumulated goodwill impairment loss:		
Beginning balance	—	—
Impairment of Tongwen	—	(1,682)
Ending balance	<u>—</u>	<u>(1,682)</u>
Goodwill, net	<u>10,545</u>	<u>14,083</u>

The Company's goodwill reflects the excess of the consideration paid or transferred including the fair value of contingent consideration over the fair values of the identifiable net assets acquired. The goodwill impairment test is performed by evaluating an initial qualitative assessment of the likelihood of impairment. If this step indicates that the qualitative assessment does not result in a more likely than not indication of impairment, no further impairment testing is required. If it does result in a more likely than not indication of impairment, the impairment test is performed.

The Company acquired Tongwen Gaokao and Tongwen High school (collectively "Tongwen") in September 2008. During the year ended May 31, 2017, the Group performed its goodwill impairment testing and determined there was an impairment. As a result, the entire balance of goodwill associated with Tongwen and amounting to US\$1,682 was written off.

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12. LONG-TERM INVESTMENTS

Long term investments consisted of the following:

	As of May 31,	
	2016	2017
	US\$	US\$
Cost method investments:	1,460	8,132
Equity method investments:		
Beijing Dongfangheli Investment and Development Ltd. ("Dongfangheli") (a)	3,451	2,851
Juesheng Education Group Ltd. ("Juesheng.com") (b)	3,249	2,881
Suzhou Qingrui Education & Technology Co., Ltd. ("Kouyu100") (c)	3,261	3,436
Other equity method investments (j)	3,638	2,369
Available-for-sale investments:		
Shanghai Golden Education & Training Co. Ltd. ("Golden Finance") (d)	34,242	44,809
Shanghai ALO7 Technology Co., Ltd. ("Alo7.com") (e)	29,639	17,370
AVIC Trust Tianqi No.556 ("Trust 556") (f)	16,037	—
Tarena International, Inc. ("Tarena") (g)	15,945	25,695
Beijing ShangJiaChongYe Education & Technology Co. Ltd. ("Shangjiachongye") (h)	12,310	32,644
Beijing ROBOROBO Technology Co. Ltd. ("ROBOROBO") (i)	9,999	—
Beijing Shengtong Printing Co. Ltd ("Shengtong") (i)	—	10,711
Other available-for-sale investments (j)	45,632	66,361
	<u>178,863</u>	<u>217,259</u>

- (a) In August 2014, the Group invested US\$4,034 to acquire 50% equity interest in Dongfangheli, a company concentrating on investment in educational research and development programs and software consulting services. The Group used the equity method to account for the investment as the Group has the ability to exercise significant influence but does not have control over the investee.
- (b) In August 2014 and May 2015, the Group invested US\$3,006 and US\$501 respectively in Juesheng.com, a company engaging in providing international educational products search engine service, for 11.9% equity interests. These investments were classified as available-for-sale investment as the Company determined that the shares were debt securities due to the redemption option available to the investor and measured the investment subsequently at fair value. Unrealized holding gain of US\$3,933 was reported in other comprehensive income for the year ended May 31, 2015. In March 2016, Juesheng.com successfully listed on the National Equities Exchange and Quotations ("NEEQ"). Upon the listing, the Group's preference rights, including its redemption and liquidation preference were terminated and the shares became common shares. As the share conversion is not considered an earnings realization event, all unrealized gains deferred in accumulated other comprehensive income were reversed to the carrying amount of the common shares such that the initial carrying amount of such shares is equal to the original cost basis of the original investment. The Group further accounted for its investment by using equity method as the Group determined that it can exercise significant influence over Juesheng.com.
- (c) In December 2014, the Group invested US\$3,472 in Kouyu100, a company applying cutting edge psychoacoustic technology to spoken language training and correcting the pronunciation of a student like a real tutor, for 7% equity interest. The investment was classified as available-for-sale investment as the Company determined that the shares were debt securities due to the redemption option available to the investor and measured subsequently at fair value. Unrealized gain of nil was reported in other comprehensive income for the year ended May 31, 2015. In December 2015, Kouyu100 successfully listed on the NEEQ. Upon the listing, the Group's preference rights, including redemption and liquidation preference were terminated and the shares became common shares. As the share conversion is not considered an earnings realization event, all unrealized gains deferred in accumulated other comprehensive income were reversed to the carrying amount of the common shares such that the initial carrying amount of such shares is equal to the original cost basis of the original investment. The Group further accounted for this investment by using the equity method as the Group determined that it can exercise significant influence over Kouyu100.

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12. LONG-TERM INVESTMENTS - continued

- (d) In April and November 2015, the Group invested US\$3,398 and US\$11,437 respectively in Golden Finance, a company focusing on training programs associated with finance and business management, for 19.5% equity interest. Unrealized holding gains of nil, US\$19,407 and US\$10,567 were reported in other comprehensive income for the years ended May 31, 2015, 2016 and 2017, respectively.
- (e) On March 5, 2012, the Group acquired a convertible promissory from Alo7.com for US\$1,000, which entitled the Group to automatically convert the note into equity security. On July 1, 2012, the Group converted the US\$1,000 promissory note into convertible redeemable preferred shares and warrants issued by Alo7.com, for 3.4% equity ownership interest in Alo7.com on an as-converted basis.

In March, June and September 2014, the Group further invested US\$2,576, US\$300 and US\$10,000 into Alo7.com. As of May 31, 2017, the Company had 17.2% equity interests in Alo7.com. Unrealized holding gains of US\$13,428, US\$1,704 and loss of US\$8,678 were reported in other comprehensive income for the years ended May 31, 2015, 2016 and 2017, respectively.

- (f) In October 2015, the Group invested US\$15,654 in a two-year trust named Trust 556 with an expected annualized interest rate of 8.5%. The principal and the interest are not guaranteed during the Group's holding period and will be paid upon maturity. The investment was classified as available-for-sale investment as the Group determined that the shares were debt securities and unrealized holding gains of US\$383 and US\$706 were reported in other comprehensive income for the years ended May 31, 2016 and 2017, respectively. As of May 31, 2017, the investment of US\$16,743 was reclassified to long term investment due within one year.
- (g) In March 2014, the Group invested US\$13,500 in Tarena, which is a service provider of IT professional education in China, for around 3% equity interest. Unrealized holding gain of US\$3,495, loss of US\$1,005 and gain of US\$9,750 were reported in other comprehensive income for the years ended May 31, 2015, 2016 and 2017, respectively.
- (h) In January 2016, the Group invested US\$12,310 to acquire convertible bond issued by Shangjiachongye, which focuses on online education specific to vocational qualification training. In July 2016, the Group converted all of the convertible bonds into redeemable preferred shares of Shangjiachongye for a 4.9% equity interest. In the meantime, the Group additionally invested US\$12,205 into redeemable preferred shares for another 4.9% equity interest. Unrealized holding gains of nil and US\$8,129 were reported in other comprehensive income for the years ended May 31, 2016 and 2017, respectively.
- (i) In April 2015, the Group acquired 18% equity interest in ROBOROBO for a cash consideration of US\$4,356, a company applying various robots build training courses for kids with different ages. Unrealized holding gains of nil and US\$5,643 were reported in other comprehensive income for the years ended May 31, 2015 and 2016, respectively.

In February 2017, the Group disposed the shares in ROBOROBO to exchange for shares newly issued by Shengtong which is an A-share listed company in China. Realized gain of US\$7,086 was recognized for the year ended May 31, 2017. The equity interest acquired in Shengtong was classified as available-for-sale security and measured at fair value. Unrealized holding gain of US\$423 was reported in other comprehensive income for the year ended May 31, 2017.

- (j) As to the other investments, they represent several insignificant investments either classified as equity method investments or available-for-sale investments as of May 31, 2016 and 2017.

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13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	As of May 31,	
	2016	2017
	US\$	US\$
Accrued payroll	131,151	157,167
Payable for purchase of property and equipment	11,953	21,445
Amounts reimbursable to employees (a)	8,294	11,022
Individual taxes withholding	8,186	6,454
Refundable fees received from students (b)	5,755	8,687
Business taxes payable	5,259	—
Value-added taxes payable	6,506	9,516
Accrued advertising fees	6,443	7,798
Rent payable	6,285	7,532
Welfare payable	6,004	6,102
Royalty fees payable (c)	3,637	4,011
Refundable deposit (d)	3,161	5,382
Accrued professional service fees	2,352	1,486
Other taxes payable	1,240	1,604
Others (e)	10,818	12,494
Total	<u>217,044</u>	<u>260,700</u>

- (a) Amounts reimbursable to employees included traveling and the related expenses incurred by employees on behalf of the Group.
- (b) Refundable fees received from students represent (1) the miscellaneous expenses other than tuition fee received from students which will be paid out on behalf of students; and (2) tuition fees refundable to students for withdrawn classes.
- (c) Royalty fees payable related to payments to content providers for on-line learning programs and those to counterparties for copyright and resource sharing.
- (d) 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.
- (e) Others primarily included transportation expenses, utility fees, property management fees, and other miscellaneous expenses payable.

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14. SHARE-BASED COMPENSATION

On January 20, 2006, the Company adopted 2006 Share Incentive Plan (“2006 Share Incentive Plan”), under which the Company may grant share options to purchase up to 8,000,000 common shares of the Group, to its employees, directors and consultants. The number of common shares available for grant under the 2006 Share Incentive Plan may be increased annually by (i) an additional 5,000,000 shares on January 1, 2007, (ii) an additional 5,000,000 shares on January 1, 2008, and (iii) an annual increase in common shares to be added on the first business day of each calendar year beginning in 2009 equal to the lesser of (x) 3,000,000 shares, (y) two percent (2%) of total common shares outstanding as of such date, or (z) a lesser number of shares as determined by the Group’s management. In the event the aggregate number of shares that may be issued in any given year under all share compensation plans has reached the maximum number of shares allowed in that year, the Company may grant additional awards up to 2,000,000 shares, or extra shares. The number of shares granted in excess of the annual maximum in any given year will result in the reduction of the maximum shares available for grant in the next year. The 2006 Share Incentive Plan has an effective period of 10 years.

As of May 31, 2017, the Company has transferred 16,000,000 common shares to its depository bank for the issuance to employees and non-employees upon the exercise of their vested share options or upon the vesting of NES. The Company launched a share repurchase program and has since 2013 repurchased a cumulative 5,246,349 of common shares from the open market. Such shares are reserved for the employees and non-employees to exercise of their vested share options and NES in the future. As of May 31, 2017, 691,943 treasury shares were for future issuance upon the exercise of share options and vesting of NES.

The Company recorded total share-based compensation expense of US\$15,689, US\$16,810 and US\$20,287 during the years ended May 31, 2015, 2016 and 2017, respectively.

Share options

The following table summarizes information regarding the share options granted:

<u>Share options</u>	<u>Shares granted</u>	<u>Grant-date fair value</u> US\$	<u>Exercise price</u> US\$
<u>Grant date:</u>			
February 28, 2006	7,099,500	1.00	2.02
July 21, 2006	1,620,000	1.15	2.38
September 7, 2006	100,000	2.38	3.75
March 5, 2007	3,946,500	4.09	8.75
January 17, 2012	3,060,000	10.33	12.19
<u>Total</u>	<u>15,826,000</u>		

The exercise price of share options is at least 100% of the fair value of the common shares on the date of the grant. The term of a share option is up to ten years from the date of grant. During the year ended May 31, 2016, the Group extended the terms of share options granted on February 28, 2006 for another three years. The extension did not have a material impact on the Group’s consolidated financial statements. The share options generally vest over three years at six-month vesting increments per year. During the year ended May 31, 2017, the Group canceled 23,938 outstanding share options granted on March 5, 2007 due to the 10 years validity.

In January 2016, the Company’s 2006 Share Incentive Plan expired. However, the expiration of the plan did not affect the exercise right of options granted prior to such expiration.

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14. SHARE-BASED COMPENSATION - continued

Share options - continued

The Company adopted the 2016 Share Incentive Plan (“2016 Share Incentive Plan”) in January 2016 to continue to provide incentives to employees, directors and consultants after the termination of 2006 Share Incentive Plan. The maximum aggregate number of shares which may be issued pursuant to all awards (including options) granted under the 2016 Share Incentive Plan is 10,000,000 shares. As of May 31, 2017, no share options had been granted under 2016 Share Incentive Plan.

As of May 31, 2017, 11,285,510 common shares out of the 16,000,000 common shares held by the depositary bank had been issued to employees and non-employees upon the exercise of their share options, and 2,256,592 shares out of the 5,246,349 treasury shares had been reissued to employees and non-employees upon exercise of their share options.

A summary of share options activity under 2006 Share Incentive Plan for year ended May 31, 2017 is as follows:

	<u>Weighted Number of Options</u>	<u>Weighted- average Exercise Prices</u> US\$	<u>Remaining Contractual Life</u> years	<u>Aggregated Intrinsic Value</u> US\$
Options outstanding at May 31, 2016	78,337	6.13	0.58	2,829
Granted	—	—		
Exercised	48,047	5.37		
Forfeited	23,938	8.75		
Options outstanding at May 31, 2017	<u>6,352</u>	<u>2.02</u>	1.58	<u>442</u>
Options vested and expect to vest at May 31, 2017	<u>6,352</u>	<u>2.02</u>	1.58	<u>442</u>
Options exercisable at May 31, 2017	<u>6,352</u>	<u>2.02</u>	1.58	<u>442</u>

The total intrinsic value of share options exercised during the years ended May 31, 2015, 2016 and 2017 were US\$5,249, US\$4,802 and US\$2,133, respectively. No new share options were granted during the years ended May 31, 2015, 2016 and 2017, respectively. As of May 31, 2017, no unrecognized compensation expense related to share options.

NES

The following table summarizes information regarding NES granted in fiscal year 2015, 2016 and 2017:

<u>NES</u>	<u>Grant-date Shares granted</u>	<u>Fair Value and Intrinsic value</u> US\$
Grant date:		
July 23, 2014	209,650	21.01
September 29, 2014	24,020	22.32
February 5, 2015	600,000	18.52
July 9, 2015	486,330	22.69
October 19, 2015	60,000	22.45
November 16, 2016	<u>436,016</u>	<u>47.19</u>
Total	<u>1,816,016</u>	

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14. SHARE-BASED COMPENSATION - continued

NES - continued

In July 2014, the Company granted 209,650 NES to employees which is eligible to vest on May 31, 2015.

In September 2014, the Company granted 24,020 NES to employees which is eligible to vest on May 31, 2015.

In February 2015, the Company granted 600,000 NES to employees which is eligible to vest 240,000, 180,000 and 180,000 on December 31, 2015, 2016 and 2017, respectively.

In July 2015, the Company granted 486,330 NES to employees which is eligible to vest on May 31, 2016.

In October 2015, the Company granted 60,000 NES to employees which is eligible to vest 20,000, 20,000 and 20,000 on May 31, 2016, December 31, 2016 and 2017, respectively.

In November 2016, the Company granted 436,016 NES to employees which is eligible to vest on June 30, 2017.

As of May 31, 2017, 4,714,490 common shares out of the 16,000,000 common shares held by the depositary bank had been issued to employees and non-employees upon the vesting of their NES, and 2,297,814 shares out of the 5,246,349 treasury shares had been reissued to employees and non-employees upon the vesting of their NES.

A summary of NES activities under 2006 Share Incentive Plan for the year ended May 31, 2017 is as follows:

	Number of NES	Weighted- average grant date fair value and intrinsic value US\$
NES outstanding at May 31, 2016	400,000	18.91
Granted	436,016	47.19
Vested	(200,000)	18.91
Forfeited	<u>(4,050)</u>	47.19
NES outstanding at May 31, 2017	<u>631,966</u>	38.24
NES vested and expect to vest at May 31, 2017	<u>631,966</u>	

The total fair value of shares vested during the year ended May 31, 2017 was US\$3,783. The weighted average grant date fair value of NES granted during the years ended May 31, 2015, 2016 and 2017 was US\$19.26, US\$22.66 and US\$47.19 respectively. As of May 31, 2017, total unrecognized compensation expense for NES of US\$3,486 is expected to be recognized over a weighted average period of 0.2 years.

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15. INCOME TAXES

Significant components of provision for income taxes for the years ended May 31, 2015, 2016 and 2017 were as follows:

	Years ended May 31,		
	2015 US\$	2016 US\$	2017 US\$
Current:			
PRC	<u>31,552</u>	<u>39,467</u>	<u>51,142</u>
Deferred:			
PRC	<u>(5,331)</u>	<u>(1,936)</u>	<u>(518)</u>
Total provision for income taxes	<u>26,221</u>	<u>37,531</u>	<u>50,624</u>

The Company is incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the Company is not subject to income or capital gains taxes. In addition, dividend payments are not subject to withholdings tax in the Cayman Islands.

The Company's subsidiaries Smart Shine, Winner Park and Elite Concept are located in Hong Kong and are subject to an income tax rate of 16.5% for taxable income earned in Hong Kong. Elite Concept and Smart Shine received a special dividend of US\$75,898 and nil during the years ended May 31, 2016 and 2017. Withholding taxes of US\$7,590 and nil in connection with the dividends were fully paid during the years ended May 31, 2016 and 2017, respectively.

The Company's PRC subsidiaries and the VIEs are subject to the 25% standard enterprise income tax except for those accepted as deemed profit method enterprises, or qualified for small-scale enterprises, or granted preferential tax treatment.

Enterprises that qualify as a high and new technology enterprise ("HNTE") are subject to a tax rate of 15%. Beijing Decision, Beijing Hewstone, Beijing Pioneer and Xuncheng continued to qualify as HNTE and were subject to a tax rate of 15% during the years ended May 31, 2015, 2016 and 2017. Beijing Smart Wood qualified as HNTE and could enjoy a tax rate of 15% since January 2016.

Enterprises that qualify as the "newly established software enterprise" ("NESE") are exempt from Enterprise Income Tax ("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 Smart Wood, Beijing Right Time, Beijing Joy Tend, Beijing Top, Beijing Shenghe, Beijing Magnificence and Beijing Jinghong were qualified as NESE and enjoyed the EIT tax benefit that began from January 2012, January 2013, January 2013, January 2014, January 2014, January 2015 and January 2017, respectively.

Beijing Haidian School was not required by the governing tax bureau to pay any EIT since its establishment through May 31, 2017. If Beijing Haidian School is required to pay EIT in 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.

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15. INCOME TAXES - continued

Significant components of the Group's deferred tax assets and liabilities were as follows:

	As of May 31,	
	2016	2017
	US\$	US\$
Deferred tax assets, non-current		
Allowance doubtful accounts	252	2,017
Accrued expenses	18,427	21,893
Deferred revenue for incentive plan	2,376	233
Net operating loss carry-forward	<u>6,910</u>	<u>8,696</u>
Total deferred tax assets, non-current	27,965	32,839
Less: valuation allowance	<u>(3,624)</u>	<u>(3,981)</u>
Net, deferred tax assets, non-current	<u>24,341</u>	<u>28,858</u>
Deferred tax liabilities, non-current		
Acquired of non-current assets	<u>1,982</u>	<u>2,220</u>
Total deferred tax liabilities, non-current	<u>1,982</u>	<u>2,220</u>

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\$3,981 as of May 31, 2017, an increase of US\$357 from US\$3,624 as of May 31, 2016.

As of the year ended May 31, 2017, the Group had net operating loss carried-forwards of US\$36,608 from the Company's PRC subsidiaries and VIE, which will expire on various dates from May 31, 2018 to May 31, 2022.

A reconciliation of the effective tax rates from the 25% statutory tax rates was as follows for the years ended May 31, 2015, 2016 and 2017:

	Years ended May 31,		
	2015	2016	2017
	%	%	%
Statutory tax rate	25.00	25.00	25.00
Effect of expenses not deductible for tax purposes	4.91	4.57	2.03
Effect of tax holiday	(20.82)	(18.05)	(13.41)
Changes in valuation allowance	(0.59)	0.25	0.11
Effect of dividend withholding tax	<u>3.39</u>	<u>2.27</u>	<u>1.58</u>
Total provision for income taxes	<u>11.89</u>	<u>14.04</u>	<u>15.31</u>

If the tax holidays granted to the WFOEs and current tax treatments on certain schools and subsidiaries of New Oriental China were not available, the Group's income tax expense would have increased by US\$47,080, US\$47,559 and US\$42,895, the basic net income per share attributable to the Company would decrease by US\$0.30, US\$0.30 and US\$0.27 for the years ended May 31, 2015, 2016 and 2017, respectively, and the diluted net income per share attributable to the Company would decrease by US\$0.30, US\$0.30 and US\$0.27 for the years ended May 31, 2015, 2016 and 2017, respectively.

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15. INCOME TAXES - continued

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 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 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. During the year ended May 31, 2015, Shanghai Smart Words paid US\$5,559 withholding tax when it paid a special dividend to Smart Shine. During the year ended May 31, 2016, Beijing Hewstone, Shanghai Smart Words and Beijing Decision paid US\$7,590 withholding tax when they paid a special dividend to their parent companies, Elite Concept.

Aggregate undistributed earnings of the Company’s PRC subsidiaries and VIEs that are available for distribution was US\$1,133,217 and US\$1,457,705 as of May 31, 2016 and 2017, respectively. Upon distribution of such earnings, the Company will be subject to PRC EIT taxes, the amount of which is impractical to estimate. The Company did not record any tax on any of the aforementioned undistributed earnings because the relevant subsidiaries and VIEs do not intend to declare dividends and the Company intends to permanently reinvest it within the PRC. Additionally, no deferred tax liability was 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, 2015, 2016 and 2017, respectively. 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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16. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share for the periods indicated:

	Years ended May 31,		
	2015 US\$	2016 US\$	2017 US\$
Numerator used in basic and diluted net income per share:			
Net income attributable to New Oriental			
Education & Technology Group Inc.	193,013	224,884	274,457
Net income available for future distribution	<u>193,013</u>	<u>224,884</u>	<u>274,457</u>
Shares (denominator):			
Weighted average common shares outstanding used in computing basic net income per share	<u>156,438,606</u>	<u>156,782,439</u>	<u>157,551,320</u>
Plus incremental weighted average common shares from assumed exercise of share options and vesting of NES using the treasury stock method	<u>863,568</u>	<u>609,247</u>	<u>435,074</u>
Weighted average common shares outstanding used in computing diluted net income per share	<u>157,302,174</u>	<u>157,391,686</u>	<u>157,986,394</u>
Net income per share			
- Basic	1.23	1.43	1.74
- Diluted	<u>1.23</u>	<u>1.43</u>	<u>1.74</u>

The weighted average of 1,940,781, 1,596,948 and 828,067 treasury shares have been excluded in computing basic net income per share for the years ended May 31, 2015, 2016 and 2017, respectively.

There was no employee stock options excluded from the dilutive share calculation for the years ended May 31, 2015, 2016 and 2017 due to anti-dilutive effects.

17. RELATED-PARTIES TRANSACTIONS

The Group had the following balances and transaction with related parties:

Balances:

	Notes	Relationship	Amounts due from related parties, non-current As of May 31,	
			2016 US\$	2017 US\$
Metropolis Holding China Limited		Company controlled by the executive		
	(1)	Chairman	1,741	1,064
MaxEn		Joint Venture	—	684
			<u>1,741</u>	<u>1,748</u>

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17. RELATED-PARTIES TRANSACTIONS - continued

Balance - continued:

	Notes	Relationship	Amounts due from related parties, current		Amounts due to related parties, current	
			As of May 31,		As of May 31,	
			2016	2017	2016	2017
			US\$	US\$	US\$	US\$
Metropolis Holding China Limited		Company controlled by the executive				
	(1)	Chairman	637	1,895	—	—
MaxEn		Joint Venture	812	—	13	12
Beijing Haiwei Career Services Co., Ltd (“Haiwei Career”)	(2)	Joint Venture	1,553	3,965	—	—
Dianshijingwei	(3)	Long-term investee	1,520	—	—	—
Others	(4)		17	88	29	36
Total			<u>4,539</u>	<u>5,948</u>	<u>42</u>	<u>48</u>

Transactions:		Relationship	Rental expense		
			For the years ended May 31		
			2015	2016	2017
			US\$	US\$	US\$
Metropolis Holding China Limited	(1)	Company controlled by the Executive Chairman	5,298	7,139	6,790

		Relationship	Loan to related parties		
			For the years ended May 31		
			2015	2016	2017
			US\$	US\$	US\$
Haiwei Career	(2)	Joint Venture	—	1,520	3,965
Beijing Weixuemingri Network Technology Co., Ltd. (“Weixuemingri”)	(5)	Joint Venture	—	998	1,733
Great Thanks Holdings Limited		Company established by the shareholder of the Joint Venture	—	—	1,450
Total			<u>—</u>	<u>2,518</u>	<u>7,148</u>

		Relationship	Revenue		
			For the years ended May 31		
			2015	2016	2017
			US\$	US\$	US\$
MaxEn		Joint Venture	—	177	—
Beijing Tongban Education & Technology Co., Ltd (“Tongban”)		Long-term investee	—	3	12
STEMedu.cn		Long-term investee	—	11	60
Goldern Finance		Long-term investee	—	—	18
Total			<u>—</u>	<u>191</u>	<u>90</u>

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18. COMMITMENTS AND CONTINGENCIES

Operating leases

The Group leases offices, classroom and warehouse facilities under operating leases. The terms of substantially all of these leases are ten years or less. Future minimum lease payments under non-cancelable operating leases were as follows on May 31, 2017:

	US\$
Years ended May 31:	
2018	204,996
2019	185,059
2020	157,333
2021	123,894
2022	83,329
Thereafter	88,611
	<u>843,222</u>

Rent expense for the years ended May 31, 2015, 2016 and 2017 related to all cancelable and non-cancelable leases were US\$157,523, US\$173,797 and US\$199,329, respectively.

Capital commitments

As of May 31, 2017, future minimum capital commitments under non-cancelable construction and investments were as follows:

	US\$
Capital commitment for the purchase of property and equipment	3,359
Capital commitment for leasehold improvements	16,338
Capital commitment for investments	10,064
	<u>29,761</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 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.

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19. NONCONTROLLING INTERESTS

	Koolearn Corporation US\$	Xuncheng US\$	New Road US\$	Jinzhou School US\$	Dongfangyoubo US\$	Ainuoshida US\$	Total US\$
Balance as of May 31, 2015	3,458	—	38	—	—	—	3,496
Capital injection from noncontrolling interests shareholders	—	28,737	—	182	—	—	28,919
Capital repurchase from noncontrolling interests shareholders	(3,497)	—	—	—	—	—	(3,497)
Unrealized gain on available-for-sale investment attributed to noncontrolling interests shareholders	—	999	—	—	—	—	999
Foreign currency translation adjustment attributed to noncontrolling interest shareholders	—	(269)	(2)	—	—	—	(271)
Net income (loss) attributed to noncontrolling interests shareholders	39	423	3	(21)	—	—	444
Balance as of May 31, 2016	—	29,890	39	161	—	—	30,090
Capital injections from noncontrolling interests shareholders	—	3,348	—	—	576	—	3,924
Addition of noncontrolling interests in connection with acquisition	—	—	—	—	—	3,909	3,909
Unrealized gain on available-for-sale investment attributed to noncontrolling interests shareholders	—	(23)	—	—	—	—	(23)
Foreign currency translation adjustment attributed to noncontrolling interests shareholders	—	(1,118)	(2)	(4)	2	13	(1,109)
Net income (loss) attributed to noncontrolling interests shareholders	—	4,454	(1)	(176)	(254)	(1,684)	2,339
Balance as of May 31, 2017	—	36,551	36	(19)	324	2,238	39,130

The schedule below discloses the effects of changes in the Company's ownership interest on the Company's equity:

	Year Ended May 31,	
	2016 US\$	2017 US\$
Net income attribute to New Oriental Education & Technology Group Inc.	224,884	274,457
Increase in the Group's additional paid-in capital resulting from capital injection of Dongfangyoubo's noncontrolling interests shareholders	—	138
Increase in the Group's additional paid-in capital resulting from capital injection of Xuncheng's noncontrolling interests shareholders	39,579	4,733
Decrease in the Group's additional paid-in capital resulting from capital repurchase from Xuncheng's noncontrolling interests shareholders	—	(5,412)
Increase in the Group's additional paid-in capital resulting from transferring Xuncheng's common shares to noncontrolling interests shareholders	—	5,704
Changes from net income attributable to New Oriental Education & Technology Group Inc. shareholders and transfers from/to noncontrolling interests	264,463	279,620

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19. NONCONTROLLING INTERESTS - continued

- (1) In February 2015, Koolearn Corporation issued 5,000,000 ordinary shares to certain employees and received the cash consideration of US\$3,752. As the Company still retained a controlling interest in Koolearn Corporation, the disposal was accounted as an equity transaction in the Company's consolidated financial statements and the Company recognized a noncontrolling interest representing the 5.9% equity interest over Koolearn Corporation as of May 31, 2015. In September 2015, the Group repurchased all these shares from the employees at the original purchase price per share. As the Group retained control over Koolearn before and after the repurchase of the 5.9% interest, the acquisition of this additional equity interest was accounted as an equity transaction in the Company's consolidated financial statements.
- (2) In November 2015, the Group sold a 21% ownership of Xuncheng to seven limited partnership entities ("LPs") representing the employees of the Group. In April 2016, another 12.5% ownership of Xuncheng was sold to Lin Zhi Tencent Technology Co., Ltd an affiliate of Tencent Holdings Limited. All the cash consideration was fully paid by the other investors as of May 31, 2016. In June 2016, the Group further sold 1.7% ownership of Xuncheng to 8 market makers. In December 2016, the Group repurchased 1.3% from 6 market makers aforementioned and sold it to another 4 market makers again in May 2017. As of May 31, 2017, the equity interest owned by the Group in Xuncheng was diluted to 68%.
- (3) In February 2015, New Road which provides travel agent service was established. The Company and another investor have 51% and 49% equity interest, respectively. The cash consideration was fully paid by the other investor as of May 31, 2015.
- (4) In April 2016, Jinzhou School which provides language training services was established. The Company and another investor have 60% and 40% equity interest, respectively. The cash consideration was fully paid by the other investor as of May 31, 2016.
- (5) In June 2016, Dongfangyouba which provides live broadcast lesson service, was established. The Company and another investor have 51% and 49% equity interest, respectively. The cash consideration was fully paid by the other investor as of May 31, 2017.
- (6) In December 2016, the Group purchased an additional 33% of AINUOSHIDA resulting in the Group controlling AINUOSHIDA through 51% ownership. See Note 3 for additional details.

20. 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. During the year ended May 31, 2015, the Group identified six operating segments, including language training and test preparation, primary and secondary school education, online education, content development and distribution, pre-school education and overseas study consulting services. During the year ended May 31, 2016, the Group further separated study tour previously included in overseas study consulting services as a separate operating segment. The seven operating segments for the year ended May 31, 2017 are identified as language training and test preparation, primary and secondary school education, online education, content development and distribution, overseas study consulting services, pre-school education and study tour. Language training and test preparation and primary and secondary school education have been identified as reportable segments. Online education, content development and distribution, overseas study consulting services, pre-school education and study tour operating segments were aggregated as others because individually they do not exceed the 10% quantitative threshold.

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20. SEGMENT INFORMATION - continued

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 costs and expenses, and operating income. Net revenues, operating costs and expenses, operating income, and total assets by segment were as follows:

For the year ended May 31, 2015

	Language training and test preparation courses US\$	Primary and secondary education US\$	Others US\$	Consolidated US\$
Net revenues	1,040,380	26,735	179,651	1,246,766
Operating costs and expenses:				
Cost of revenues	(442,994)	(9,083)	(74,243)	(526,320)
Selling and marketing	(122,697)	(1,039)	(42,540)	(166,276)
General and administrative	(245,315)	(10,068)	(49,387)	(304,770)
Unallocated corporate expenses	—	—	—	(95,871)
Total operating costs and expenses	(811,006)	(20,190)	(166,170)	(1,093,237)
Operating income	229,374	6,545	13,481	153,529
Segment assets	937,020	75,046	299,442	1,311,508
Unallocated corporate assets	—	—	—	640,029
Total assets	937,020	75,046	299,442	1,951,537

For the year ended May 31, 2016

	Language training and test preparation courses US\$	Primary and secondary education US\$	Others US\$	Consolidated US\$
Net revenues	1,238,572	30,011	209,765	1,478,348
Operating costs and expenses:				
Cost of revenues	(516,370)	(9,812)	(88,182)	(614,364)
Selling and marketing	(125,815)	(744)	(48,255)	(174,814)
General and administrative	(296,686)	(12,558)	(55,937)	(365,181)
Unallocated corporate expenses	—	—	—	(128,912)
Total operating costs and expenses	(938,871)	(23,114)	(192,374)	(1,283,271)
Gain on disposal of subsidiaries	—	—	3,760	3,760
Operating income	299,701	6,897	21,151	198,837
Segment assets	1,120,580	78,556	411,744	1,610,880
Unallocated corporate assets	—	—	—	743,954
Total assets	1,120,580	78,556	411,744	2,354,834

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20. SEGMENT INFORMATION - continued

For the year ended May 31, 2017

	Language training and test preparation courses	Primary and secondary education	Others	Consolidated
	US\$	US\$	US\$	US\$
Net revenues	1,510,497	30,782	258,230	1,799,509
Operating costs and expenses:				
Cost of revenues	(623,364)	(10,465)	(115,757)	(749,586)
Selling and marketing	(146,544)	(1,347)	(60,572)	(208,463)
General and administrative	(363,949)	(11,317)	(63,406)	(438,672)
Unallocated corporate expenses	—	—	—	(140,639)
Total operating costs and expenses	<u>(1,133,857)</u>	<u>(23,129)</u>	<u>(239,735)</u>	<u>(1,537,360)</u>
Operating income	<u>376,640</u>	<u>7,653</u>	<u>18,495</u>	<u>262,149</u>
Segment assets	1,361,261	79,655	527,300	1,968,216
Unallocated corporate assets	—	—	—	956,763
Total assets	<u>1,361,261</u>	<u>79,655</u>	<u>527,300</u>	<u>2,924,979</u>

21. 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. 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\$61,448, US\$71,434 and US\$89,709 for the years ended May 31, 2015, 2016 and, 2017, respectively.

22. STATUTORY RESERVE

Prior to payment of dividends, pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, the Company's subsidiaries and 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 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, 2015, 2016 and 2017, US\$530, US\$695 and US\$1,749 was accrued for the general reserve, respectively.

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, 2015, 2016 and 2017, appropriations to the development fund amounted to US\$23,212, US\$31,158 and US\$33,529, respectively.

These reserves are included as statutory reserves in the consolidated statements of changes in equity and comprehensive income. The Group allocated US\$23,742, US\$31,853 and US\$ 35,278 to statutory reserves during the years ended May 31, 2015, 2016 and 2017, respectively. The statutory reserves cannot be transferred to the Company in the form of loans or advances and are not distributable as cash dividends except in the event of liquidation.

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23. RESTRICTED NET ASSETS

Relevant PRC laws and regulations restrict the WFOEs and 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. The balance of restricted net assets was US\$358,956 and US\$488,560, of which US\$292,542 and US\$425,927 was attributed to the paid in capital, additional paid-in capital and statutory reserves of the VIEs and US\$66,414 and US\$62,633 was attributed to the paid in capital, additional paid-in capital and statutory reserves of the WFOEs, as of May 31, 2016 and 2017, 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 applicable PRC law, loans from PRC companies to their offshore affiliated entities require governmental approval, and advances by PRC companies to their offshore affiliated entities must be supported by bona fide business transactions.

24. SUBSEQUENT EVENTS

On July 26, 2017, the Group's board of directors has declared a special cash dividend in the amount of US\$0.45 per ADS/common share. The cash dividend will be paid on October 6, 2017 to shareholders of record at the close of business on September 6, 2017. The ex-dividend date will be September 1, 2017. The aggregate amount of cash dividends to be paid is approximately US\$70.0 million, which will be funded by surplus cash on the Company's consolidated balance sheets.

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 Condensed Financial Information of Parent Company
 Balance Sheets
 (In thousands, except share and share data)

	As of May 31,	
	2016	2017
	US\$	US\$
ASSETS		
Current assets:		
Cash and cash equivalents	11,984	11,472
Term deposit	10,000	10,000
Prepaid expense and other current assets	5,900	210
Amounts due from related parties	16,758	—
Total current assets	44,642	21,682
Amounts due from related parties	—	56,965
Long-term investments	96,498	120,260
Investments in subsidiaries and VIEs	1,353,090	1,569,358
Total assets	1,494,230	1,768,265
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accrued expenses and other current liabilities	6,016	3,675
Amounts due to related parties	83,642	83,642
Total current liabilities	89,658	87,317
Equity:		
Common shares (US\$0.01 par value; 300,000,000 shares authorized as of May 31, 2016 and 2017; 158,379,387 shares issued as of May 31, 2016 and 2017; 157,439,397 and 157,687,444 shares outstanding as of May 31, 2016 and 2017, respectively)	1,584	1,584
Treasury stock	(9)	(7)
Additional paid-in capital	223,422	249,126
Retained earnings	1,116,627	1,391,084
Accumulated other comprehensive income	62,948	39,161
Total shareholders' equity	1,404,572	1,680,948
Total liabilities and equity	1,494,230	1,768,265

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Statements of Operations
(In thousands)

	Years ended May 31,		
	2015	2016	2017
	US\$	US\$	US\$
Operating costs and expenses:			
General and administrative	12,963	16,732	18,236
Total operating costs and expenses	12,963	16,732	18,236
Operating loss	(12,963)	(16,732)	(18,236)
Interest income	2	1	122
Equity in earnings of subsidiaries and VIEs	205,974	241,615	292,571
Net income	193,013	224,884	274,457

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Statements of Comprehensive Income
(In thousands)**

	Years ended May 31,		
	2015	2016	2017
	US\$	US\$	US\$
Net income	193,013	224,884	274,457
Other comprehensive income, net of tax			
Foreign currency translation adjustment	12,006	(72,193)	(46,331)
Unrealized gain on available-for-sale investment, net of tax effect of nil, nil and nil for years ended May 31, 2015, 2016 and 2017	21,940	35,636	22,544
Other comprehensive income/ (loss)	33,946	(36,557)	(23,787)
Comprehensive income attributable to New Oriental Education & Technology Group Inc.	226,959	188,327	250,670

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Additional Information - Financial Statement Schedule I

Condensed Financial Information of Parent Company Statements of Changes in Equity
(In thousands, except share data)

	Common shares		Additional paid-in capital US\$	Treasury stock US\$	Retained earnings US\$	Accumulated other comprehensive income US\$	Total shareholders' equity US\$
	Unrestricted shares	Amount US\$					
Balance at June 1, 2014	157,758,666	1,584	174,009	(6)	784,612	65,559	1,025,758
Reissuance of Treasury stock for the exercises of employee share options	953,514	—	11,353	9	—	—	11,362
Reissuance of Treasury stock for Non-vested equity shares vested	575,432	—	(6)	6	—	—	—
Share based compensation expense	—	—	15,689	—	—	—	15,689
Share repurchase	(2,800,849)	—	(59,392)	(28)	—	—	(59,420)
Net income	—	—	—	—	193,013	—	193,013
Foreign currency translation adjustment	—	—	—	—	—	12,006	12,006
Unrealized gain on available-for-sale securities, net of tax effect of nil	—	—	—	—	—	21,940	21,940
Balance at May 31, 2015	156,486,763	1,584	141,653	(19)	977,625	99,505	1,220,348
Reissuance of Treasury stock for the exercises of employee share options	240,304	—	2,428	3	—	—	2,431
Reissuance of Treasury stock for Non-vested equity shares vested	712,330	—	(7)	7	—	—	—
Share based compensation expense	—	—	16,810	—	—	—	16,810
Dividend declared	—	—	—	—	(62,668)	—	(62,668)
Net income	—	—	—	—	224,884	—	224,884
Capital injection of noncontrolling interests	—	—	39,579	—	—	—	39,579
Repurchase share from noncontrolling interest	—	—	(255)	—	—	—	(255)
Equity restructure of Xuncheng	—	—	23,214	—	(23,214)	—	—
Foreign currency translation adjustment	—	—	—	—	—	(72,193)	(72,193)
Unrealized gain on available-for-sale securities, net of tax effect of nil	—	—	—	—	—	35,636	35,636
Balance at May 31, 2016	157,439,397	1,584	223,422	(9)	1,116,627	62,948	1,404,572
Reissuance of Treasury stock for the exercises of employee share options	48,047	—	256	—	—	—	256
Reissuance of Treasury stock for Non-vested equity shares vested	200,000	—	(2)	2	—	—	—
Share based compensation expense	—	—	20,287	—	—	—	20,287
Net income	—	—	—	—	274,457	—	274,457
Capital injection of noncontrolling interests	—	—	4,871	—	—	—	4,871
NCI transactions in Xuncheng	—	—	74	—	—	—	74
Capital injection in Taiyanggong Kindergarten	—	—	218	—	—	—	218
Foreign currency translation adjustment	—	—	—	—	—	(46,331)	(46,331)
Unrealized gain on available-for-sale investment, net of tax effect of nil	—	—	—	—	—	22,544	22,544
Balance at May 31, 2017	157,687,444	1,584	249,126	(7)	1,391,084	39,161	1,680,948

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED MAY 31, 2015, 2016 AND 2017
 (In thousands, except share and per share data, or otherwise noted)
 Additional Information - Financial Statement Schedule I
 Condensed Financial Information of Parent Company
 Statements of Cash Flows
 (In thousands)

	Years ended May 31,		
	2015 US\$	2016 US\$	2017 US\$
Cash flows from operating activities:			
Net income	193,013	224,884	274,457
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Equity in earnings of subsidiaries	(205,974)	(241,615)	(292,571)
Dividend received from subsidiaries	—	49,984	43,417
Share-based compensation expense	15,689	16,810	20,287
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	(2,613)	5,135	5,404
Accrued expenses and other current liabilities	(2,728)	(3,673)	(2,341)
Amounts due from/to related parties	(762)	(1,446)	(40,207)
Net cash (used in) provided by operating activities	<u>(3,375)</u>	<u>50,079</u>	<u>8,446</u>
Cash flows from investing activities			
Investments in term deposits	—	(10,000)	—
Payment for available-for-sale investments	(10,300)	(9,500)	(1,000)
Proceed from investment withdrawn in Dajie.com	—	540	—
Loan to related parties	(6,423)	1,487	—
Investment in a subsidiary	—	—	(8,500)
Repayment from related parties	—	8,512	—
Net cash used in investing activities	<u>(16,723)</u>	<u>(8,961)</u>	<u>(9,500)</u>
Cash flows from financing activities:			
Proceeds from issuance of common shares upon exercise of share options	11,332	2,176	542
Loan from a related party	75,060	8,610	—
Cash paid for shares repurchase	(59,420)	—	—
Cash paid for dividend	—	(62,668)	—
Net cash provided by (used in) financing activities	<u>26,972</u>	<u>(51,882)</u>	<u>542</u>
Net increase / (decrease) in cash and cash equivalents	6,874	(10,764)	(512)
Cash and cash equivalents, beginning of year	<u>15,874</u>	<u>22,748</u>	<u>11,984</u>
Cash and cash equivalents, end of year	<u>22,748</u>	<u>11,984</u>	<u>11,472</u>

NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2015, 2016 AND 2017
(In thousands, except share and per share data, or otherwise noted)
Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
Note to the Financial Statements

1. BASIS FOR PREPARATION

The condensed financial information of the Company has been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that the Company used the equity method to account for investments in its subsidiaries and VIEs.

2. INVESTMENTS IN SUBSIDIARIES AND VIEs

The Company and its subsidiaries and VIEs were included in the consolidated financial statements where the inter-company balances and transactions were eliminated upon consolidation. For purpose of the Company's stand-alone financial statements, its investments in subsidiaries and VIEs were reported using the equity method of accounting. The Company's share of income and losses from its subsidiaries and VIEs were reported as equity in earnings of subsidiaries and VIEs in the accompanying parent company financial statements.

3. INCOME TAXES

The Company is a Cayman Islands company, therefore, is not subjected to income taxes for all years presented.

4. RELATED-PARTY TRANSACTIONS

The following represented related party balances as of May 31, 2016 and 2017:

	May 31,	
	2016	2017
	US\$	US\$
Amount due from related parties:		
Winner Park	12	12
Abundant State Limited	—	40,000
Elite Concept Holdings Limited	9,897	10,104
Koolearn Holdings Limited	180	180
New Oriental China	6,669	6,669
	<u>16,758</u>	<u>56,965</u>
Amount due to related parties:		
Elite Concept Holdings Limited	357	357
Abundant State Limited	81,798	81,798
Smart Shine	1,487	1,487
	<u>83,642</u>	<u>83,642</u>

All related party balances were non-interest bearing and unsecured. The amount due to related parties will be paid based on demand.

Equity Pledge Agreement

This Equity Pledge Agreement (“**Agreement**”) is executed on April 23, 2012 in Beijing among:

Party A: Beijing Hewstone Technology Co., Ltd., with its registration address at Room 311, Building B, No. 3, Danling Street, Haidian District, Beijing;

Party B: Beijing Century Friendship Education Investment Co., Ltd., with its registration address at Room 202, B2/F, No. 2 of Haidian East 3rd Street, Haidian District, Beijing;

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd., with its registration address at 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing.

WHEREAS:

- (1) Party A has entered into a series of agreements (“Principal Agreements”) with Party C and Party C’s affiliates respectively;
- (2) Party B holds 100% of the equity interest in Party C and agrees to provide security of pledge over the equity interest for the performance of payment obligations of Party C and its affiliates under the Principal Agreements, and Party A agrees to accept such security of pledge.

NOW, THEREFORE, the Parties agree as follows:

1. Principal Agreements

All Parties hereto acknowledge and confirm that the Principal Agreements over which the security of pledge is provided hereunder include a series of contracts which have been concluded and become effective among Party A, Party C and Party C’s affiliates, including but not limited to the agreements listed in Appendix I hereto and the agreements to be executed among Party A, Party C and Party C’s affiliates in the future. All Parties confirm that within the term of this Agreement, the Parties shall, at the request of Party A, promptly recognize the agreements executed and terminated among Party A, Party C and Party C’s affiliates as the Principal Agreements and amend Appendix I accordingly.

2. Pledge

Party B agrees to pledge 10% of its equity interest in Party C (“Pledged Equity Interest”) to Party A in whole as the security for the performance of all the obligations of Party B, Party C and Party C’s affiliates under the Principal Agreements.

3. Amounts of Pledge

The guaranteed rights under this Agreement are all the rights Party A has under the Principal Agreements (whether the rights of dispose, claim, defense and formation), including but not limited to Party C’s equity interest with the registered capital of RMB5,000,000.

4. Scope of Pledge

The Pledged Equity Interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the Principal Agreements. To clarify, the scope of pledge shall not be limited by the amount of the registered capital stipulated in Article 3.

5. Term of Pledge

The pledge shall be effective when upon registration with the competent industrial and commercial administrations of Party C and shall be terminated after the Principal Agreements are performed, invalidated or terminated, whichever the latest. During the term of pledge, in the event that Party B, Party C or Party C’s affiliates fail to perform any obligations under the Principal Agreements, or any of the circumstances stipulated in Article 9 occurs, Party A shall have the right to dispose the Pledged Equity Interest in accordance with the Agreement.

6. Registration

6.1 Party B and Party C undertake to Party A that they shall:

- (i) record the pledge on the register of members of Party C and submit the updated register of members to Party A for keeping; and

(ii) register the pledge with competent industrial and commercial administrations and obtain written registration certificates within thirty (30) business days following the execution of this Agreement. During the term of this Agreement, the register of members of Party C shall be kept by Party A or persons designated by Party A, unless Party C or its affiliates need the register of members for the purpose of registration or amendment during the course of business.

6.2 Party B and Party C further undertake that, after the execution of this Agreement, with the prior consent of Party A, Party B may increase its capital contribution to Party C, provided that any capital contribution by Party B to Party C shall be subject to this Agreement. Party B and Party C shall immediately amend the register of members of Party C and register the change to the pledge with the competent industrial and commercial administrations pursuant to the provisions in this Article 6.

7. Party B's Representations

7.1 Party B is the legal owner of the Pledged Equity Interest.

7.2 Except for the pledge provided herein, Party B has not created any other pledge on the Pledged Equity Interest.

8. Party B's Undertakings and Warranties

8.1 Party B undertakes to Party A that in the term of this Agreement, it will:

(a) without Party A's prior written consent, not transfer the Pledged Equity Interest, or establish or permit the existence of any guaranty on the Pledged Equity Interest, unless otherwise agreed mutually;

(b) comply with all the laws and regulations concerning pledge of rights. Upon receipt of any notice, instruction or suggestion issued or promulgated by competent authorities, Party B shall produce such notice, instruction or suggestion to Party A within 5 days, and comply with them or submit appeals and presentations pursuant to Party A's reasonable requests or with Party A's consent.

8.2 Party B agrees that, for the purpose of this Agreement, Party A shall have the right to exercise its pledge right in accordance with the relevant laws without being suspended or interrupted by legal procedures initiated by Party B, its successors, its principals or any other person.

8.3 Party B undertakes to Party A that, for the purpose of protecting or perfecting the guaranty provided in this Agreement for the payment under the Principal Agreements, Party B will, upon Party A's request, honestly sign, and urge other persons with interests in the pledge to sign all right certificates, agreements and covenants in connection with the enforcement of this Agreement, and urge other persons with interests to the pledge to take, any action in relation to the enforcement of this Agreement and facilitate Party A's exercising of its rights under this Agreement.

8.4 Party B undertakes to Party A that, in order to ensure the interests of Party A, Party B will abide by and perform all undertakings, promises, warrants, agreements, representations and conditions. If Party B fails to perform or performs incompletely undertakings, promises, warrants, agreements, representations and conditions, Party B shall indemnify all the losses suffered by Party A as a result.

9. Exercise of Pledge

9.1 Party A may require that Party B or Party C immediately fulfill all the obligations under the Agreement and the pledge under this Agreement can be exercised immediately if any of the following circumstances, to the extent that are permitted by relevant P.R.C laws and administrative regulations, occurs:

(a) any statement, warranty or representation made by Party B, Party C or Party C's affiliates under the Agreement or Principal Agreements are not in consistency, accurate, true or no longer accurate or true in any aspect; or Party B, Party C or Party C's affiliates breach or fail to fulfill any obligation or abide by any warranty and undertaking under the Agreement or Principal Agreements; or

(b) any or more of the obligations of Party B, Party C or Party C's affiliates under the Agreement or Principal Agreements is/are deemed as unlawful or void; or

(c) Party B or Party C materially breaches the stipulations regarding its obligations under this Agreement.

9.2 In the event of the occurrence of any of the said exercise events, Party A may exercise its pledge right by purchasing or designating other parties to purchase the security of pledge at a converted price, or through auction or sale of the security of pledge. Party A may exercise the right of pledge under the agreement and does not need to exercise other guarantees or rights, or carry out other measures or procedures to Party B and/or Party C or any other person.

9.3 Party B and Party C, at the request of Party A, should take all lawful and appropriate actions to guarantee Party A's exercise of the pledge right. For the purpose of this, Party B and Party C should sign all the documents and materials and carry out all measures and take all actions reasonably required by Party A.

10. Transfer

10.1 Unless agreed in writing by Party A in advance, Party B shall not have the right to donate or transfer any rights and obligations under this Agreement with the exception of the "Option Agreement" concluded between Party B and New Oriental Education & Technology Group Inc.

10.2 This Agreement shall be binding upon Party B and its successors, and also binding upon Party A, its successors and its assignees.

10.3 Party A may, at any time, assign all or any of its rights and obligations under the Principal Agreements to a designated person (natural or legal), under which circumstance the assignee shall have the rights and obligations Party A has under this Agreement as if it were a Party to this Agreement. Where Party A transfers its rights and obligations under the Principal Agreements, Party B shall, upon Party A's request, execute agreements and/or documents concerning said transfer.

10.4 Where there is a change to Party A as result of said assignment, both new Parties shall enter into a new equity pledge agreement.

11. Confidentiality

This Agreement and all its provisions shall be confidential by all not be disclosed to any third party, expect certain involved senior officers, directors, employees, agents and professional consultants unless the laws require a party to disclose information in connection with this Agreement to the government, public or shareholders, or to file this Agreement with governmental authorities.

This Article 11 shall survive any amendment, rescission or termination of this Agreement.

12. Liability for Breach of Contract

A party shall compensate the other parties for all the losses if it fails to perform its obligations under this Agreement or if its representations or warranties under this Agreement prove to be substantially false or incorrect.

13. Force Majeure

In the event that force majeure affects the performance of this Agreement, the party suffering from the force majeure shall immediately notify the other parties by telegraph, facsimile or other electronical forms and provide the written certificate within fifteen (15) working days. Based the impact of the force majeure on the performance of this Agreement, all the parties shall negotiate and decide whether to terminate this Agreement, partly waive the obligations of performance or delay the performance.

14. Miscellaneous

14.1 Any dispute arising from the performance of this Agreement shall be settled through friendly negotiation. Disputes that cannot be settled through such negotiation shall be submitted to Beijing Arbitration Commission in Beijing in accordance with its arbitration rules. The award of the arbitration shall be final.

14.2 This Agreement shall be effective from the signing day.

14.3 This Agreement is executed in Chinese with three (3) originals, each party holding an original.

(The reminder of this page is intentionally left blank)

(Signature Page)

Party A: Beijing Hewstone Technology Co., Ltd.

Authorized Representative:

/s/ Authorized Representative

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Authorized Representative:

/s/ Authorized Representative

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Authorized Representative:

/s/ Authorized Representative

Appendix I:

List of Principal Agreements

<u>No.</u>	<u>Name of the Agreement</u>
1	HS Intelligent Learning Progress Management Engine System Development Service Agreements
2	Data-protected Media Distribution System Development Service Agreements

Supplemental Agreement to the Equity Pledge Agreement

This supplemental agreement to the Equity Pledge Agreement (the “**Supplemental Agreement**”) is executed by and among the following parties on September 19, 2014 in Beijing:

Party A: Beijing Hewstone Technology Co., Ltd.

Registered Address: Room 506, No. 2 of Haidian North 1st Road, Haidian District, Beijing

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Registered Address: Room 202, B2/F, No. 2 of Haidian East 3rd Street, Haidian District, Beijing

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Registered Address: 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing

Whereas:

1. The Equity Pledge Agreement has been executed by and among the Parties on April 23, 2012, where Party B agrees to pledge 10% of its equity interest in Party C to Party A in whole as the security for the performance of the payment obligations of Party C and Party C’s affiliates under the Principal Agreements;
2. Beijing Pioneer Technology Co., Ltd. and Party C have entered into the Master Exclusive Service Agreement on September 19, 2014, as one of the Principal Agreements of the Equity Pledge Agreement.

IN WITNESS WHEREOF, the Parties agree to amend the following list of Principal Agreements as the appendix to the Equity Pledge Agreement:

Appendix

List of Principal Agreements

<u>No.</u>	<u>Name of the Agreement</u>
1.	Option Agreements
2.	Master Exclusive Service Agreement and its related service agreements

Terms used in this Supplemental Agreement shall have the same meaning as those defined in the Principal Agreements and the Equity Pledge Agreement. This Supplemental Agreement shall become effective when signed by all parties. It will replace the original list of Principal Agreements as appendix to the Equity Pledge Agreement, and will constitute part of the entire Equity Pledge Agreement. Unless clearly revised in this Supplemental Agreement, other items in the original agreement shall remain the effectiveness.

(The remainder of this page is intentionally left blank)

(Signature Page)

Party A: Beijing Hewstone Technology Co., Ltd.

Company Seal:

/s/ Company Seal

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Company Seal:

/s/ Company Seal

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Company Seal:

/s/ Company Seal

First Amendment to Equity Pledge Agreement and its Supplement

This First Amendment to Equity Pledge Agreement and its Supplement (the “**Amendment**”) is made on February 16, 2017 in Beijing by and among:

Party A: Beijing Hewstone Technology Co., Ltd., a wholly foreign-owned enterprise incorporated and registered in Beijing under the laws of the People’s Republic of China (the “**PRC**”), with its registered address at 506, No. 2 of Haidian North 1st Street, Haidian District, Beijing;

Party B: Beijing Century Friendship Education Investment Co., Ltd., a domestic enterprise incorporated and registered in Beijing under the laws of the PRC, with its registered address at B206, No. 2-202 of Haidian East 3rd Street, Haidian District, Beijing; and

Party C: New Oriental Education & Technology Group Co., Ltd a domestic enterprise incorporated and registered in Beijing under the laws of the PRC, with its registered address at 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing.

Party A, Party B and Party C are referred hereinafter individually as a “**Party**”, collectively the “**Parties**”. The terms used but not defined herein shall have the meaning ascribed to it in the Equity Pledge Agreement (defined below).

RECITALS

WHEREAS, the Parties have entered into an equity pledge agreement dated April 23, 2012 (the “**Equity Pledge Agreement**”) and a supplement to the Equity Pledge Agreement dated September 19, 2014 (the “**Supplement**”) (the two agreements collectively, the “**Equity Pledge Agreement and its Supplement**”);

WHEREAS, Beijing Decision Education & Consulting Co., Ltd., Party B and Party C have entered into a call option agreement dated February 16, 2017, replacing the call option agreement made by Shanghai Smart Words Software Technology Co., Ltd., Party B and Party C dated April 23, 2012; and

WHEREAS, Beijing Pioneer Technology Co., Ltd. and Party C have entered into the second amendment to a certain master exclusive service agreement dated February 16, 2017.

NOW, THEREFORE, the Parties agree to amend the Equity Pledge Agreement and its Supplement in accordance with the following terms and conditions hereof:

1. Amendment to the Equity Pledge Agreement and its Supplement

(1) The “List of Principal Agreements” attached to the Equity Pledge Agreement is amended as follows:

Appendix:

List of Principal Agreements

<u>No.</u>	<u>Name of the Agreement</u>
1	The Call Option Agreement made by and among Beijing Decision Education & Consulting Co., Ltd., Beijing Century Friendship Education Investment Co., Ltd., and New Oriental Education & Technology Group Co., Ltd dated February 16, 2017, and any supplement, amendment and replacement thereto
2	The Master Exclusive Service Agreement made by and among Beijing Pioneer Technology Co., Ltd. and Beijing New Oriental Education & Technology (Group) Co., Ltd. dated September 19, 2014 (including any supplement, amendment and replacement thereto) and any related individual service agreement

2. Effect

The Amendment shall be effective as of the date first written above, subject to signature hereupon by each of the Parties.

3. No Other Amendment

The Amendment is an integral part and shall have the same effect and enforceability with the remaining of the Equity Pledge Agreement. Unless otherwise expressly provided herein, none of terms, conditions, obligations, warranties or agreements in the Equity Pledge Agreement is implicitly or otherwise modified, altered or amended, or affected or waived in any way whatsoever by this Amendment. Any and all of such terms, conditions, obligations, warranties and agreements are hereby acknowledged and confirmed in its entirety, and shall continue to have full force and effect.

4. Governing Law

The Amendment shall be governed by and construed in accordance with the PRC laws.

(The remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, the Parties have caused the Amendment to be signed on the date first written above.

Party A: Beijing Hewstone Technology Co., Ltd.

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ Beijing Hewstone Technology Co., Ltd.

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ Beijing Century Friendship Education Investment Co., Ltd.

Party C: New Oriental Education & Technology Group Co., Ltd

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ New Oriental Education & Technology Group Co., Ltd

Equity Pledge Agreement

This Equity Pledge Agreement (“**Agreement**”) is executed on April 23, 2012 in Beijing among:

Party A: Beijing Decision Education & Consulting Co., Ltd., with its registration address at Room 312, Building B, No. 3 of Danling Street, Haidian Street, Beijing;

Party B: Beijing Century Friendship Education Investment Co., Ltd., with its registration address at Room 202, B2/F, No. 2 of Haidian East 3rd Street, Haidian District, Beijing;

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd., with its registration address at 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing.

WHEREAS:

- (1) Party A has entered into a series of agreements (“Principal Agreements”) with Party C and Party C’s affiliates respectively;
- (2) Party B holds 100% of the equity interest in Party C and agrees to provide security of pledge over the equity interest for the performance of payment obligations of Party C and its affiliates under the Principal Agreements, and Party A agrees to accept such security of pledge.

NOW, THEREFORE, the Parties agree as follows:

1. Principal Agreements

All Parties hereto acknowledge and confirm that the Principal Agreements over which the security of pledge is provided hereunder include a series of contracts which have been concluded and become effective among Party A, Party C and Party C’s affiliates, including but not limited to the agreements listed in Appendix I hereto and the agreements to be executed among Party A, Party C and Party C’s affiliates in the future. All Parties confirm that within the term of this Agreement, the Parties shall, at the request of Party A, promptly recognize the agreements executed and terminated among Party A, Party C and Party C’s affiliates as the Principal Agreements and amend Appendix I accordingly.

2. Pledge

Party B agrees to pledge 6% of its equity interest in Party C (“Pledged Equity Interest”) to Party A in whole as the security for the performance of all the obligations of Party B, Party C and Party C’s affiliates under the Principal Agreements.

3. Amounts of Pledge

The guaranteed rights under this Agreement are all the rights Party A has under the Principal Agreements (whether the rights of dispose, claim, defense and formation), including but not limited to Party C’s equity interest with the registered capital of RMB3,000,000.

4. Scope of Pledge

The Pledged Equity Interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the Principal Agreements. To clarify, the scope of pledge shall not be limited by the amount of the registered capital stipulated in Article 3.

5. Term of Pledge

The pledge shall be effective when upon registration with the competent industrial and commercial administrations of Party C and shall be terminated after the Principal Agreements are performed, invalidated or terminated, whichever the latest. During the term of pledge, in the event that Party B, Party C or Party C’s affiliates fail to perform any obligations under the Principal Agreements, or any of the circumstances stipulated in Article 9 occurs, Party A shall have the right to dispose the Pledged Equity Interest in accordance with the Agreement.

6. Registration

6.1 Party B and Party C undertake to Party A that they shall:

- (i) record the pledge on the register of members of Party C and submit the updated register of members to Party A for keeping; and

(ii) register the pledge with competent industrial and commercial administrations and obtain written registration certificates within thirty (30) business days following the execution of this Agreement. During the term of this Agreement, the register of members of Party C shall be kept by Party A or persons designated by Party A, unless Party C or its affiliates need the register of members for the purpose of registration or amendment during the course of business.

6.2 Party B and Party C further undertake that, after the execution of this Agreement, with the prior consent of Party A, Party B may increase its capital contribution to Party C, provided that any capital contribution by Party B to Party C shall be subject to this Agreement. Party B and Party C shall immediately amend the register of members of Party C and register the change to the pledge with the competent industrial and commercial administrations pursuant to the provisions in this Article 6.

7. Party B's Representations

7.1 Party B is the legal owner of the Pledged Equity Interest.

7.2 Except for the pledge provided herein, Party B has not created any other pledge on the Pledged Equity Interest.

8. Party B's Undertakings and Warranties

8.1 Party B undertakes to Party A that in the term of this Agreement, it will:

(a) without Party A's prior written consent, not transfer the Pledged Equity Interest, or establish or permit the existence of any guaranty on the Pledged Equity Interest, unless otherwise agreed mutually;

(b) comply with all the laws and regulations concerning pledge of rights. Upon receipt of any notice, instruction or suggestion issued or promulgated by competent authorities, Party B shall produce such notice, instruction or suggestion to Party A within 5 days, and comply with them or submit appeals and presentations pursuant to Party A's reasonable requests or with Party A's consent.

8.2 Party B agrees that, for the purpose of this Agreement, Party A shall have the right to exercise its pledge right in accordance with the relevant laws without being suspended or interrupted by legal procedures initiated by Party B, its successors, its principals or any other person.

8.3 Party B undertakes to Party A that, for the purpose of protecting or perfecting the guaranty provided in this Agreement for the payment under the Principal Agreements, Party B will, upon Party A's request, honestly sign, and urge other persons with interests in the pledge to sign all right certificates, agreements and covenants in connection with the enforcement of this Agreement, and urge other persons with interests to the pledge to take, any action in relation to the enforcement of this Agreement and facilitate Party A's exercising of its rights under this Agreement.

8.4 Party B undertakes to Party A that, in order to ensure the interests of Party A, Party B will abide by and perform all undertakings, promises, warrants, agreements, representations and conditions. If Party B fails to perform or performs incompletely undertakings, promises, warrants, agreements, representations and conditions, Party B shall indemnify all the losses suffered by Party A as a result.

9. Exercise of Pledge

9.1 Party A may require that Party B or Party C immediately fulfill all the obligations under the Agreement and the pledge under this Agreement can be exercised immediately if any of the following circumstances, to the extent that are permitted by relevant P.R.C laws and administrative regulations, occurs:

(a) any statement, warranty or representation made by Party B, Party C or Party C's affiliates under the Agreement or Principal Agreements are not in consistency, accurate, true or no longer accurate or true in any aspect; or Party B, Party C or Party C's affiliates breach or fail to fulfill any obligation or abide by any warranty and undertaking under the Agreement or Principal Agreements; or

(b) any or more of the obligations of Party B, Party C or Party C's affiliates under the Agreement or Principal Agreements is/are deemed as unlawful or void; or

(c) Party B or Party C materially breaches the stipulations regarding its obligations under this Agreement.

9.2 In the event of the occurrence of any of the said exercise events, Party A may exercise its pledge right by purchasing or designating other parties to purchase the security of pledge at a converted price, or through auction or sale of the security of pledge. Party A may exercise the right of pledge under the agreement and does not need to exercise other guarantees or rights, or carry out other measures or procedures to Party B and/or Party C or any other person.

9.3 Party B and Party C, at the request of Party A, should take all lawful and appropriate actions to guarantee Party A's exercise of the pledge right. For the purpose of this, Party B and Party C should sign all the documents and materials and carry out all measures and take all actions reasonably required by Party A.

10. Transfer

10.1 Unless agreed in writing by Party A in advance, Party B shall not have the right to donate or transfer any rights and obligations under this Agreement with the exception of the "Option Agreement" concluded between Party B and New Oriental Education & Technology Group Inc.

10.2 This Agreement shall be binding upon Party B and its successors, and also binding upon Party A, its successors and its assignees.

10.3 Party A may, at any time, assign all or any of its rights and obligations under the Principal Agreements to a designated person (natural or legal), under which circumstance the assignee shall have the rights and obligations Party A has under this Agreement as if it were a Party to this Agreement. Where Party A transfers its rights and obligations under the Principal Agreements, Party B shall, upon Party A's request, execute agreements and/or documents concerning said transfer.

10.4 Where there is a change to Party A as result of said assignment, both new Parties shall enter into a new equity pledge agreement.

11. Confidentiality

This Agreement and all its provisions shall be confidential by all not be disclosed to any third party, expect certain involved senior officers, directors, employees, agents and professional consultants unless the laws require a party to disclose information in connection with this Agreement to the government, public or shareholders, or to file this Agreement with governmental authorities.

This Article 11 shall survive any amendment, rescission or termination of this Agreement.

12. Liability for Breach of Contract

A party shall compensate the other parties for all the losses if it fails to perform its obligations under this Agreement or if its representations or warranties under this Agreement prove to be substantially false or incorrect.

13. Force Majeure

In the event that force majeure affects the performance of this Agreement, the party suffering from the force majeure shall immediately notify the other parties by telegraph, facsimile or other electronical forms and provide the written certificate within fifteen (15) working days. Based the impact of the force majeure on the performance of this Agreement, all the parties shall negotiate and decide whether to terminate this Agreement, partly waive the obligations of performance or delay the performance.

14. Miscellaneous

14.1 Any dispute arising from the performance of this Agreement shall be settled through friendly negotiation. Disputes that cannot be settled through such negotiation shall be submitted to Beijing Arbitration Commission in Beijing in accordance with its arbitration rules. The award of the arbitration shall be final.

14.2 This Agreement shall be effective from the signing day.

14.3 This Agreement is executed in Chinese with three (3) originals, each party holding an original.

(The reminder of this page is intentionally left blank)

(Signature Page)

Party A: Beijing Decision Education & Consulting Co., Ltd.

Authorized Representative:

/s/ Authorized Representative

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Authorized Representative:

/s/ Authorized Representative

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Authorized Representative:

/s/ Authorized Representative

Appendix I:

List of Principal Agreements

<u>No.</u>	Name of the Agreement
1	New Enrollment System Development Service Agreements

Supplemental Agreement to the Equity Pledge Agreement

This supplemental agreement to the Equity Pledge Agreement (the “**Supplemental Agreement**”) is executed by and among the following parties on September 19, 2014 in Beijing:

Party A: Beijing Decision Education & Consulting Co., Ltd.

Registered Address: Room 502, No. 2 of Haidian North 1st Road, Haidian Street, Beijing

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Registered Address: Room 202, B2/F, No. 2 of Haidian East 3rd Street, Haidian District, Beijing

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Registered Address: 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing

Whereas:

1. The Equity Pledge Agreement has been executed by and among the Parties on April 23, 2012, where Party B agrees to pledge 6% of its equity interest in Party C to Party A in whole as the security for the performance of the payment obligations of Party C and Party C’s affiliates under the Principal Agreements;
2. Beijing Pioneer Technology Co., Ltd. and Party C have entered into the Master Exclusive Service Agreement on September 19, 2014, as one of the Principal Agreements of the Equity Pledge Agreement.

IN WITNESS WHEREOF, the Parties agree to amend the following list of Principal Agreements as the appendix to the Equity Pledge Agreement:

Appendix

List of Principal Agreements

<u>No.</u>	<u>Name of the Agreement</u>
1.	Option Agreements
2.	Master Exclusive Service Agreement and its related service agreements

Terms used in this Supplemental Agreement shall have the same meaning as those defined in the Principal Agreements and the Equity Pledge Agreement. This Supplemental Agreement shall become effective when signed by all parties. It will replace the original list of Principal Agreements as appendix to the Equity Pledge Agreement, and will constitute part of the entire Equity Pledge Agreement. Unless clearly revised in this Supplemental Agreement, other items in the original agreement shall remain the effectiveness.

(The remainder of this page is intentionally left blank)

(Signature Page)

Party A: Beijing Decision Education & Consulting Co., Ltd.

Company Seal:

/s/ Company Seal

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Company Seal:

/s/ Company Seal

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Company Seal:

/s/ Company Seal

First Amendment to Equity Pledge Agreement and its Supplement

This First Amendment to Equity Pledge Agreement and its Supplement (the “**Amendment**”) is made on February 16, 2017 in Beijing by and among:

Party A: Beijing Decision Education & Consulting Co., Ltd., a wholly foreign-owned enterprise incorporated and registered in Beijing under the laws of the People’s Republic of China (the “**PRC**”), with its registered address at Room 312, Block B, 3 Danling Street, Haidian Street, Beijing;

Party B: Beijing Century Friendship Education Investment Co., Ltd., a domestic enterprise incorporated and registered in Beijing under the laws of the PRC, with its registered address at B206, No. 2-202 of Haidian East 3rd Street, Haidian District, Beijing; and

Party C: New Oriental Education & Technology Group Co., Ltd a domestic enterprise incorporated and registered in Beijing under the laws of the PRC, with its registered address at 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing.

Party A, Party B and Party C are referred hereinafter individually as a “**Party**”, collectively the “**Parties**”. The terms used but not defined herein shall have the meaning ascribed to it in the Equity Pledge Agreement (defined below).

RECITALS

WHEREAS, the Parties have entered into an equity pledge agreement dated April 23, 2012 (the “**Equity Pledge Agreement**”) and a supplement to the Equity Pledge Agreement dated September 19, 2014 (the “**Supplement**”) (the two agreements collectively, the “**Equity Pledge Agreement and its Supplement**”);

WHEREAS, the Parties have entered into a call option agreement dated February 16, 2017, replacing the call option agreement made by Shanghai Smart Words Software Technology Co., Ltd., Party B and Party C dated April 23, 2012; and

WHEREAS, Beijing Pioneer Technology Co., Ltd. and Party C have entered into the second amendment to a certain master exclusive service agreement dated February 16, 2017.

NOW, THEREFORE, the Parties agree to amend the Equity Pledge Agreement and its Supplement in accordance with the following terms and conditions:

1. Amendment to the Equity Pledge Agreement and its Supplement

(1) Sections 2 and 3 of the Equity Pledge Agreement are replaced as follows:

“2. Pledge

Party B agrees to pledge all of the 43% equity interests in Party C held by it (the “Pledged Equity Interest”) to Party A as security for performance by Party B, Party C and Party C’s affiliates of all of their obligations under the Principal Agreements.

3. Security

The principal security provided under this Agreement are all of the rights of Party A under the Principal Agreements (regardless of the rights of disposal, claim, defense and formation), including but not limited to its equity interests in Party C whose registered capital is RMB21,500,000.

(2) The “List of Principal Agreements” attached to the Equity Pledge Agreement is amended as follows:

Appendix:

List of Principal Agreements

<u>No.</u>	<u>Name of the Agreement</u>
1	The Call Option Agreement made by and among Beijing Decision Education & Consulting Co., Ltd., Beijing Century Friendship Education Investment Co., Ltd., and New Oriental Education & Technology Group Co., Ltd dated February 16, 2017, and any supplement, amendment and replacement thereto
2	The Master Exclusive Service Agreement made by and among Beijing Pioneer Technology Co., Ltd. and Beijing New Oriental Education & Technology (Group) Co., Ltd. dated September 19, 2014 (including any supplement, amendment and replacement thereto) and any related individual service agreement
2.	<p><u>Effect</u></p> <p>The Amendment shall be effective as of the date first written above, subject to signature hereupon by each of the Parties.</p>
3.	<p><u>No Other Amendment</u></p> <p>The Amendment is an integral part and shall have the same effect and enforceability with the remaining of the Equity Pledge Agreement. Unless otherwise expressly provided herein, none of terms, conditions, obligations, warranties or agreements in the Equity Pledge Agreement is implicitly or otherwise modified, altered or amended, or affected or waived in any way whatsoever by this Amendment. Any and all of such terms, conditions, obligations, warranties and agreements are hereby acknowledged and confirmed in its entirety, and shall continue to have full force and effect.</p>
4.	<p><u>Governing Law</u></p> <p>The Amendment shall be governed by and construed in accordance with the PRC laws.</p>

(The remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, the Parties have caused the Amendment to be signed on the date first written above.

Party A: Beijing Decision Education & Consulting Co., Ltd.

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ Beijing Decision Education & Consulting Co., Ltd.

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ Beijing Century Friendship Education Investment Co., Ltd.

Party C: New Oriental Education & Technology Group Co., Ltd

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ New Oriental Education & Technology Group Co., Ltd

Equity Pledge Agreement

This Equity Pledge Agreement (“**Agreement**”) is executed on April 23, 2012 in Beijing among:

Party A: Beijing Pioneer Technology Company Limited, with its registration address at Room 315, Building B, No. 3, Danling Street, Haidian District, Beijing;

Party B: Beijing Century Friendship Education Investment Co., Ltd., with its registration address at Room 202, B2/F, No. 2 of Haidian East 3rd Street, Haidian District, Beijing;

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd., with its registration address at 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing.

WHEREAS:

- (1) Party A has entered into a series of agreements (“Principal Agreements”) with Party C and Party C’s affiliates respectively;
- (2) Party B holds 100% of the equity interest in Party C and agrees to provide security of pledge over the equity interest for the performance of payment obligations of Party C and its affiliates under the Principal Agreements, and Party A agrees to accept such security of pledge.

NOW, THEREFORE, the Parties agree as follows:

1. Principal Agreements

All Parties hereto acknowledge and confirm that the Principal Agreements over which the security of pledge is provided hereunder include a series of contracts which have been concluded and become effective among Party A, Party C and Party C’s affiliates, including but not limited to the agreements listed in Appendix I hereto and the agreements to be executed among Party A, Party C and Party C’s affiliates in the future. All Parties confirm that within the term of this Agreement, the Parties shall, at the request of Party A, promptly recognize the agreements executed and terminated among Party A, Party C and Party C’s affiliates as the Principal Agreements and amend Appendix I accordingly.

2. Pledge

Party B agrees to pledge 19% of its equity interest in Party C (“Pledged Equity Interest”) to Party A in whole as the security for the performance of all the obligations of Party B, Party C and Party C’s affiliates under the Principal Agreements.

3. Amounts of Pledge

The guaranteed rights under this Agreement are all the rights Party A has under the Principal Agreements (whether the rights of dispose, claim, defense and formation), including but not limited to Party C’s equity interest with the registered capital of RMB9,500,000.

4. Scope of Pledge

The Pledged Equity Interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the Principal Agreements. To clarify, the scope of pledge shall not be limited by the amount of the registered capital stipulated in Article 3.

5. Term of Pledge

The pledge shall be effective when upon registration with the competent industrial and commercial administrations of Party C and shall be terminated after the Principal Agreements are performed, invalidated or terminated, whichever the latest. During the term of pledge, in the event that Party B, Party C or Party C’s affiliates fail to perform any obligations under the Principal Agreements, or any of the circumstances stipulated in Article 9 occurs, Party A shall have the right to dispose the Pledged Equity Interest in accordance with the Agreement.

6. Registration

6.1 Party B and Party C undertake to Party A that they shall:

- (i) record the pledge on the register of members of Party C and submit the updated register of members to Party A for keeping; and

(ii) register the pledge with competent industrial and commercial administrations and obtain written registration certificates within thirty (30) business days following the execution of this Agreement. During the term of this Agreement, the register of members of Party C shall be kept by Party A or persons designated by Party A, unless Party C or its affiliates need the register of members for the purpose of registration or amendment during the course of business.

6.2 Party B and Party C further undertake that, after the execution of this Agreement, with the prior consent of Party A, Party B may increase its capital contribution to Party C, provided that any capital contribution by Party B to Party C shall be subject to this Agreement. Party B and Party C shall immediately amend the register of members of Party C and register the change to the pledge with the competent industrial and commercial administrations pursuant to the provisions in this Article 6.

7. Party B's Representations

7.1 Party B is the legal owner of the Pledged Equity Interest.

7.2 Except for the pledge provided herein, Party B has not created any other pledge on the Pledged Equity Interest.

8. Party B's Undertakings and Warranties

8.1 Party B undertakes to Party A that in the term of this Agreement, it will:

(a) without Party A's prior written consent, not transfer the Pledged Equity Interest, or establish or permit the existence of any guaranty on the Pledged Equity Interest, unless otherwise agreed mutually;

(b) comply with all the laws and regulations concerning pledge of rights. Upon receipt of any notice, instruction or suggestion issued or promulgated by competent authorities, Party B shall produce such notice, instruction or suggestion to Party A within 5 days, and comply with them or submit appeals and presentations pursuant to Party A's reasonable requests or with Party A's consent.

8.2 Party B agrees that, for the purpose of this Agreement, Party A shall have the right to exercise its pledge right in accordance with the relevant laws without being suspended or interrupted by legal procedures initiated by Party B, its successors, its principals or any other person.

8.3 Party B undertakes to Party A that, for the purpose of protecting or perfecting the guaranty provided in this Agreement for the payment under the Principal Agreements, Party B will, upon Party A's request, honestly sign, and urge other persons with interests in the pledge to sign all right certificates, agreements and covenants in connection with the enforcement of this Agreement, and urge other persons with interests to the pledge to take, any action in relation to the enforcement of this Agreement and facilitate Party A's exercising of its rights under this Agreement.

8.4 Party B undertakes to Party A that, in order to ensure the interests of Party A, Party B will abide by and perform all undertakings, promises, warrants, agreements, representations and conditions. If Party B fails to perform or performs incompletely undertakings, promises, warrants, agreements, representations and conditions, Party B shall indemnify all the losses suffered by Party A as a result.

9. Exercise of Pledge

9.1 Party A may require that Party B or Party C immediately fulfill all the obligations under the Agreement and the pledge under this Agreement can be exercised immediately if any of the following circumstances, to the extent that are permitted by relevant P.R.C laws and administrative regulations, occurs:

- (a) any statement, warranty or representation made by Party B, Party C or Party C's affiliates under the Agreement or Principal Agreements are not in consistency, accurate, true or no longer accurate or true in any aspect; or Party B, Party C or Party C's affiliates breach or fail to fulfill any obligation or abide by any warranty and undertaking under the Agreement or Principal Agreements; or
- (b) any or more of the obligations of Party B, Party C or Party C's affiliates under the Agreement or Principal Agreements is/are deemed as unlawful or void; or
- (c) Party B or Party C materially breaches the stipulations regarding its obligations under this Agreement.

9.2 In the event of the occurrence of any of the said exercise events, Party A may exercise its pledge right by purchasing or designating other parties to purchase the security of pledge at a converted price, or through auction or sale of the security of pledge. Party A may exercise the right of pledge under the agreement and does not need to exercise other guarantees or rights, or carry out other measures or procedures to Party B and/or Party C or any other person.

9.3 Party B and Party C, at the request of Party A, should take all lawful and appropriate actions to guarantee Party A's exercise of the pledge right. For the purpose of this, Party B and Party C should sign all the documents and materials and carry out all measures and take all actions reasonably required by Party A.

10. Transfer

10.1 Unless agreed in writing by Party A in advance, Party B shall not have the right to donate or transfer any rights and obligations under this Agreement with the exception of the "Option Agreement" concluded between Party B and New Oriental Education & Technology Group Inc.

10.2 This Agreement shall be binding upon Party B and its successors, and also binding upon Party A, its successors and its assignees.

10.3 Party A may, at any time, assign all or any of its rights and obligations under the Principal Agreements to a designated person (natural or legal), under which circumstance the assignee shall have the rights and obligations Party A has under this Agreement as if it were a Party to this Agreement. Where Party A transfers its rights and obligations under the Principal Agreements, Party B shall, upon Party A's request, execute agreements and/or documents concerning said transfer.

10.4 Where there is a change to Party A as result of said assignment, both new Parties shall enter into a new equity pledge agreement.

11. Confidentiality

This Agreement and all its provisions shall be confidential by all not be disclosed to any third party, expect certain involved senior officers, directors, employees, agents and professional consultants unless the laws require a party to disclose information in connection with this Agreement to the government, public or shareholders, or to file this Agreement with governmental authorities.

This Article 11 shall survive any amendment, rescission or termination of this Agreement.

12. Liability for Breach of Contract

A party shall compensate the other parties for all the losses if it fails to perform its obligations under this Agreement or if its representations or warranties under this Agreement prove to be substantially false or incorrect.

13. Force Majeure

In the event that force majeure affects the performance of this Agreement, the party suffering from the force majeure shall immediately notify the other parties by telegraph, facsimile or other electronical forms and provide the written certificate within fifteen (15) working days. Based the impact of the force majeure on the performance of this Agreement, all the parties shall negotiate and decide whether to terminate this Agreement, partly waive the obligations of performance or delay the performance.

14. Miscellaneous

14.1 Any dispute arising from the performance of this Agreement shall be settled through friendly negotiation. Disputes that cannot be settled through such negotiation shall be submitted to Beijing Arbitration Commission in Beijing in accordance with its arbitration rules. The award of the arbitration shall be final.

14.2 This Agreement shall be effective from the signing day.

14.3 This Agreement is executed in Chinese with three (3) originals, each party holding an original.

(The reminder of this page is intentionally left blank)

(Signature Page)

Party A: Beijing Pioneer Technology Company Limited

Authorized Representative:

/s/ Authorized Representative

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Authorized Representative:

/s/ Authorized Representative

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Authorized Representative:

/s/ Authorized Representative

Appendix I:

List of Principal Agreements

<u>No.</u>	<u>Name of the Agreement</u>
1	Education Call Center Platform Development Service Agreements
2	CRM System Development Service Agreements
3	Overseas Study Management System Development Service Agreements
4	Software Purchase Agreements

Supplemental Agreement to the Equity Pledge Agreement

This supplemental agreement to the Equity Pledge Agreement (the “**Supplemental Agreement**”) is executed by and among the following parties on September 19, 2014 in Beijing:

Party A: Beijing Pioneer Technology Company Limited

Registered Address: Room 315, Building B, No. 3, Danling Street, Haidian District, Beijing

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Registered Address: Room 202, B2/F, No. 2 of Haidian East 3rd Street, Haidian District, Beijing

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Registered Address: 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing

Whereas:

1. The Equity Pledge Agreement has been executed by and among the Parties on April 23, 2012, where Party B agrees to pledge 19% of its equity interest in Party C to Party A in whole as the security for the performance of the payment obligations of Party C and Party C’s affiliates under the Principal Agreements;
2. Beijing Pioneer Technology Co., Ltd. and Party C have entered into the Master Exclusive Service Agreement on September 19, 2014, as one of the Principal Agreements of the Equity Pledge Agreement.

IN WITNESS WHEREOF, the Parties agree to amend the following list of Principal Agreements as the appendix to the Equity Pledge Agreement:

Appendix

List of Principal Agreements

<u>No.</u>	<u>Name of the Agreement</u>
1.	Option Agreements
2.	Master Exclusive Service Agreement and its related service agreements

Terms used in this Supplemental Agreement shall have the same meaning as those defined in the Principal Agreements and the Equity Pledge Agreement. This Supplemental Agreement shall become effective when signed by all parties. It will replace the original list of Principal Agreements as appendix to the Equity Pledge Agreement, and will constitute part of the entire Equity Pledge Agreement. Unless clearly revised in this Supplemental Agreement, other items in the original agreement shall remain the effectiveness.

(The remainder of this page is intentionally left blank)

(Signature Page)

Party A: Beijing Pioneer Technology Company Limited

Company Seal:

/s/ Company Seal

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Company Seal:

/s/ Company Seal

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Company Seal:

/s/ Company Seal

First Amendment to Equity Pledge Agreement and its Supplement

This First Amendment to Equity Pledge Agreement and its Supplement (the “**Amendment**”) is made on February 16, 2017 in Beijing by and among:

Party A: Beijing Pioneer Technology Company Limited, a wholly foreign-owned enterprise incorporated and registered in Beijing under the laws of the People’s Republic of China (the “**PRC**”), with its registered address at 1301-1307, 13/F, 2 East 3rd Street, Haidian Street, Beijing;

Party B: Beijing Century Friendship Education Investment Co., Ltd., a domestic enterprise incorporated and registered in Beijing under the laws of the PRC, with its registered address at B206, No. 2-202 of Haidian East 3rd Street, Haidian District, Beijing; and

Party C: New Oriental Education & Technology Group Co., Ltd a domestic enterprise incorporated and registered in Beijing under the laws of the PRC, with its registered address at 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing.

Party A, Party B and Party C are referred hereinafter individually as a “**Party**”, collectively the “**Parties**”. The terms used but not defined herein shall have the meaning ascribed to it in the Equity Pledge Agreement (defined below).

RECITALS

WHEREAS, the Parties have entered into an equity pledge agreement dated April 23, 2012 (the “**Equity Pledge Agreement**”) and a supplement to the Equity Pledge Agreement dated September 19, 2014 (the “**Supplement**”) (the two agreements collectively, the “**Equity Pledge Agreement and its Supplement**”);

WHEREAS, Beijing Decision Education & Consulting Co., Ltd., Party B and Party C have entered into a call option agreement dated February 16, 2017, replacing the call option agreement made by Shanghai Smart Words Software Technology Co., Ltd., Party B and Party C dated April 23, 2012; and

WHEREAS, Party A and Party C have entered into the second amendment to a certain master exclusive service agreement dated February 16, 2017.

NOW, THEREFORE, the Parties agree to amend the Equity Pledge Agreement and its Supplement in accordance with the following terms and conditions:

1. Amendment to the Equity Pledge Agreement and its Supplement

(1) The “List of Principal Agreements” attached to the Equity Pledge Agreement is amended as follows:

Appendix:

List of Principal Agreements

<u>No.</u>	<u>Name of the Agreement</u>
1	The Call Option Agreement made by and among Beijing Decision Education & Consulting Co., Ltd., Beijing Century Friendship Education Investment Co., Ltd., and New Oriental Education & Technology Group Co., Ltd dated February 16, 2017, and any supplement, amendment and replacement thereto
2	The Master Exclusive Service Agreement made by and among Beijing Pioneer Technology Co., Ltd. and Beijing New Oriental Education & Technology (Group) Co., Ltd. dated September 19, 2014 (including any supplement, amendment and replacement thereto) and any related individual service agreement

2. Effect

The Amendment shall be effective as of the date first written above, subject to signature hereupon by each of the Parties.

3. No Other Amendment

The Amendment is an integral part and shall have the same effect and enforceability with the remaining of the Equity Pledge Agreement. Unless otherwise expressly provided herein, none of terms, conditions, obligations, warranties or agreements in the Equity Pledge Agreement is implicitly or otherwise modified, altered or amended, or affected or waived in any way whatsoever by this Amendment. Any and all of such terms, conditions, obligations, warranties and agreements are hereby acknowledged and confirmed in its entirety, and shall continue to have full force and effect.

4. Governing Law

The Amendment shall be governed by and construed in accordance with the PRC laws.

(The remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, the Parties have caused the Amendment to be signed on the date first written above.

Party A: Beijing Pioneer Technology Company Limited

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ Beijing Pioneer Technology Company Limited

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ Beijing Century Friendship Education Investment Co., Ltd.

Party C: New Oriental Education & Technology Group Co., Ltd

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ New Oriental Education & Technology Group Co., Ltd

Equity Pledge Agreement

This Equity Pledge Agreement (“**Agreement**”) is executed on April 23, 2012 in Beijing among:

Party A: Beijing Smart Wood Software Technology Co., Ltd., with its registration address at 8/F, No. 6 of Haidianzhong Street, Haidian District, Beijing;

Party B: Beijing Century Friendship Education Investment Co., Ltd., with its registration address at Room 202, B2/F, No. 2 of Haidian East 3rd Street, Haidian District, Beijing;

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd., with its registration address at 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing.

WHEREAS:

- (1) Party A has entered into a series of agreements (“Principal Agreements”) with Party C and Party C’s affiliates respectively;
- (2) Party B holds 100% of the equity interest in Party C and agrees to provide security of pledge over the equity interest for the performance of payment obligations of Party C and its affiliates under the Principal Agreements, and Party A agrees to accept such security of pledge.

NOW, THEREFORE, the Parties agree as follows:

1. Principal Agreements

All Parties hereto acknowledge and confirm that the Principal Agreements over which the security of pledge is provided hereunder include a series of contracts which have been concluded and become effective among Party A, Party C and Party C’s affiliates, including but not limited to the agreements listed in Appendix I hereto and the agreements to be executed among Party A, Party C and Party C’s affiliates in the future. All Parties confirm that within the term of this Agreement, the Parties shall, at the request of Party A, promptly recognize the agreements executed and terminated among Party A, Party C and Party C’s affiliates as the Principal Agreements and amend Appendix I accordingly.

2. Pledge

Party B agrees to pledge 28% of its equity interest in Party C (“Pledged Equity Interest”) to Party A in whole as the security for the performance of all the obligations of Party B, Party C and Party C’s affiliates under the Principal Agreements.

3. Amounts of Pledge

The guaranteed rights under this Agreement are all the rights Party A has under the Principal Agreements (whether the rights of dispose, claim, defense and formation), including but not limited to Party C’s equity interest with the registered capital of RMB14,000,000.

4. Scope of Pledge

The Pledged Equity Interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the Principal Agreements. To clarify, the scope of pledge shall not be limited by the amount of the registered capital stipulated in Article 3.

5. Term of Pledge

The pledge shall be effective when upon registration with the competent industrial and commercial administrations of Party C and shall be terminated after the Principal Agreements are performed, invalidated or terminated, whichever the latest. During the term of pledge, in the event that Party B, Party C or Party C’s affiliates fail to perform any obligations under the Principal Agreements, or any of the circumstances stipulated in Article 9 occurs, Party A shall have the right to dispose the Pledged Equity Interest in accordance with the Agreement.

6. Registration

6.1 Party B and Party C undertake to Party A that they shall:

- (i) record the pledge on the register of members of Party C and submit the updated register of members to Party A for keeping; and

(ii) register the pledge with competent industrial and commercial administrations and obtain written registration certificates within thirty (30) business days following the execution of this Agreement. During the term of this Agreement, the register of members of Party C shall be kept by Party A or persons designated by Party A, unless Party C or its affiliates need the register of members for the purpose of registration or amendment during the course of business.

6.2 Party B and Party C further undertake that, after the execution of this Agreement, with the prior consent of Party A, Party B may increase its capital contribution to Party C, provided that any capital contribution by Party B to Party C shall be subject to this Agreement. Party B and Party C shall immediately amend the register of members of Party C and register the change to the pledge with the competent industrial and commercial administrations pursuant to the provisions in this Article 6.

7. Party B's Representations

7.1 Party B is the legal owner of the Pledged Equity Interest.

7.2 Except for the pledge provided herein, Party B has not created any other pledge on the Pledged Equity Interest.

8. Party B's Undertakings and Warranties

8.1 Party B undertakes to Party A that in the term of this Agreement, it will:

(a) without Party A's prior written consent, not transfer the Pledged Equity Interest, or establish or permit the existence of any guaranty on the Pledged Equity Interest, unless otherwise agreed mutually;

(b) comply with all the laws and regulations concerning pledge of rights. Upon receipt of any notice, instruction or suggestion issued or promulgated by competent authorities, Party B shall produce such notice, instruction or suggestion to Party A within 5 days, and comply with them or submit appeals and presentations pursuant to Party A's reasonable requests or with Party A's consent.

8.2 Party B agrees that, for the purpose of this Agreement, Party A shall have the right to exercise its pledge right in accordance with the relevant laws without being suspended or interrupted by legal procedures initiated by Party B, its successors, its principals or any other person.

8.3 Party B undertakes to Party A that, for the purpose of protecting or perfecting the guaranty provided in this Agreement for the payment under the Principal Agreements, Party B will, upon Party A's request, honestly sign, and urge other persons with interests in the pledge to sign all right certificates, agreements and covenants in connection with the enforcement of this Agreement, and urge other persons with interests to the pledge to take, any action in relation to the enforcement of this Agreement and facilitate Party A's exercising of its rights under this Agreement.

8.4 Party B undertakes to Party A that, in order to ensure the interests of Party A, Party B will abide by and perform all undertakings, promises, warrants, agreements, representations and conditions. If Party B fails to perform or performs incompletely undertakings, promises, warrants, agreements, representations and conditions, Party B shall indemnify all the losses suffered by Party A as a result.

9. Exercise of Pledge

9.1 Party A may require that Party B or Party C immediately fulfill all the obligations under the Agreement and the pledge under this Agreement can be exercised immediately if any of the following circumstances, to the extent that are permitted by relevant P.R.C laws and administrative regulations, occurs:

(a) any statement, warranty or representation made by Party B, Party C or Party C's affiliates under the Agreement or Principal Agreements are not in consistency, accurate, true or no longer accurate or true in any aspect; or Party B, Party C or Party C's affiliates breach or fail to fulfill any obligation or abide by any warranty and undertaking under the Agreement or Principal Agreements; or

(b) any or more of the obligations of Party B, Party C or Party C's affiliates under the Agreement or Principal Agreements is/are deemed as unlawful or void; or

(c) Party B or Party C materially breaches the stipulations regarding its obligations under this Agreement.

9.2 In the event of the occurrence of any of the said exercise events, Party A may exercise its pledge right by purchasing or designating other parties to purchase the security of pledge at a converted price, or through auction or sale of the security of pledge. Party A may exercise the right of pledge under the agreement and does not need to exercise other guarantees or rights, or carry out other measures or procedures to Party B and/or Party C or any other person.

9.3 Party B and Party C, at the request of Party A, should take all lawful and appropriate actions to guarantee Party A's exercise of the pledge right. For the purpose of this, Party B and Party C should sign all the documents and materials and carry out all measures and take all actions reasonably required by Party A.

10. Transfer

10.1 Unless agreed in writing by Party A in advance, Party B shall not have the right to donate or transfer any rights and obligations under this Agreement with the exception of the "Option Agreement" concluded between Party B and New Oriental Education & Technology Group Inc.

10.2 This Agreement shall be binding upon Party B and its successors, and also binding upon Party A, its successors and its assignees.

10.3 Party A may, at any time, assign all or any of its rights and obligations under the Principal Agreements to a designated person (natural or legal), under which circumstance the assignee shall have the rights and obligations Party A has under this Agreement as if it were a Party to this Agreement. Where Party A transfers its rights and obligations under the Principal Agreements, Party B shall, upon Party A's request, execute agreements and/or documents concerning said transfer.

10.4 Where there is a change to Party A as result of said assignment, both new Parties shall enter into a new equity pledge agreement.

11. Confidentiality

This Agreement and all its provisions shall be confidential by all not be disclosed to any third party, expect certain involved senior officers, directors, employees, agents and professional consultants unless the laws require a party to disclose information in connection with this Agreement to the government, public or shareholders, or to file this Agreement with governmental authorities.

This Article 11 shall survive any amendment, rescission or termination of this Agreement.

12. Liability for Breach of Contract

A party shall compensate the other parties for all the losses if it fails to perform its obligations under this Agreement or if its representations or warranties under this Agreement prove to be substantially false or incorrect.

13. Force Majeure

In the event that force majeure affects the performance of this Agreement, the party suffering from the force majeure shall immediately notify the other parties by telegraph, facsimile or other electronical forms and provide the written certificate within fifteen (15) working days. Based the impact of the force majeure on the performance of this Agreement, all the parties shall negotiate and decide whether to terminate this Agreement, partly waive the obligations of performance or delay the performance.

14. Miscellaneous

14.1 Any dispute arising from the performance of this Agreement shall be settled through friendly negotiation. Disputes that cannot be settled through such negotiation shall be submitted to Beijing Arbitration Commission in Beijing in accordance with its arbitration rules. The award of the arbitration shall be final.

14.2 This Agreement shall be effective from the signing day.

14.3 This Agreement is executed in Chinese with three (3) originals, each party holding an original.

(The reminder of this page is intentionally left blank)

(Signature Page)

Party A: Beijing Smart Wood Software Technology Co., Ltd.

Authorized Representative:

/s/ Authorized Representative

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Authorized Representative:

/s/ Authorized Representative

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Authorized Representative:

/s/ Authorized Representative

Appendix I:

List of Principal Agreements

No.	Name of the Agreement
1	Teaching and Research Materials Compilation System Development Service Agreements
2	Teacher Capability Remote Improvement System Development Service Agreements
3	Book Supporting Evaluation Research and Development System Development Service Agreements
4	Learning Multi-dimensional Diagnosis and Evaluation System Development Service Agreements
5	Software Purchase Agreements

Supplemental Agreement to the Equity Pledge Agreement

This supplemental agreement to the Equity Pledge Agreement (the “**Supplemental Agreement**”) is executed by and among the following parties on September 19, 2014 in Beijing:

Party A: Beijing Smart Wood Software Technology Co., Ltd.

Registered Address: Room 201-01, 2/F, No. 2 of Haidian East 3rd Road, Haidian District, Beijing

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Registered Address: Room 202, B2/F, No. 2 of Haidian East 3rd Street, Haidian District, Beijing

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Registered Address: 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing

Whereas:

1. The Equity Pledge Agreement has been executed by and among the Parties on April 23, 2012, where Party B agrees to pledge 28% of its equity interest in Party C to Party A in whole as the security for the performance of the payment obligations of Party C and Party C’s affiliates under the Principal Agreements;
2. Beijing Pioneer Technology Co., Ltd. and Party C have entered into the Master Exclusive Service Agreement on September 19, 2014, as one of the Principal Agreements of the Equity Pledge Agreement.

IN WITNESS WHEREOF, the Parties agree to amend the following list of Principal Agreements as the appendix to the Equity Pledge Agreement:

Appendix

List of Principal Agreements

<u>No.</u>	<u>Name of the Agreement</u>
1.	Option Agreements
2.	Master Exclusive Service Agreement and its related service agreements

Terms used in this Supplemental Agreement shall have the same meaning as those defined in the Principal Agreements and the Equity Pledge Agreement. This Supplemental Agreement shall become effective when signed by all parties. It will replace the original list of Principal Agreements as appendix to the Equity Pledge Agreement, and will constitute part of the entire Equity Pledge Agreement. Unless clearly revised in this Supplemental Agreement, other items in the original agreement shall remain the effectiveness.

(The remainder of this page is intentionally left blank)

(Signature Page)

Party A: Beijing Smart Wood Software Technology Co., Ltd.

Company Seal:

/s/ Company Seal

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Company Seal:

/s/ Company Seal

Party C: Beijing New Oriental Education & Technology (Group) Co., Ltd.

Company Seal:

/s/ Company Seal

First Amendment to Equity Pledge Agreement and its Supplement

This First Amendment to Equity Pledge Agreement and its Supplement (the “**Amendment**”) is made on February 16, 2017 in Beijing by and among:

Party A: Beijing Smart Wood Software Technology Co., Ltd., a wholly foreign-owned enterprise incorporated and registered in Beijing under the laws of the People’s Republic of China (the “**PRC**”), with its registered address at 201-01, 2/F, No. 2 of Haidian East 3rd Street, Haidian District, Beijing;

Party B: Beijing Century Friendship Education Investment Co., Ltd., a domestic enterprise incorporated and registered in Beijing under the laws of the PRC, with its registered address at B206, No. 2-202 of Haidian East 3rd Street, Haidian District, Beijing; and

Party C: New Oriental Education & Technology Group Co., Ltd a domestic enterprise incorporated and registered in Beijing under the laws of the PRC, with its registered address at 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing.

Party A, Party B and Party C are referred hereinafter individually as a “**Party**”, collectively the “**Parties**”. The terms used but not defined herein shall have the meaning ascribed to it in the Equity Pledge Agreement (defined below).

RECITALS

WHEREAS, the Parties have entered into an equity pledge agreement dated April 23, 2012 (the “**Equity Pledge Agreement**”) and a supplement to the Equity Pledge Agreement dated September 19, 2014 (the “**Supplement**”) (the two agreements collectively, the “**Equity Pledge Agreement and its Supplement**”);

WHEREAS, Beijing Decision Education & Consulting Co., Ltd., Party B and Party C have entered into a call option agreement dated February 16, 2017, replacing the call option agreement made by Shanghai Smart Words Software Technology Co., Ltd., Party B and Party C dated April 23, 2012; and

WHEREAS, Beijing Pioneer Technology Co., Ltd. and Party C have entered into the second amendment to a certain master exclusive service agreement dated February 16, 2017.

NOW, THEREFORE, the Parties agree to amend the Equity Pledge Agreement and its Supplement in accordance with the following terms and conditions:

1. Amendment to the Equity Pledge Agreement and its Supplement

(1) The “List of Principal Agreements” attached to the Equity Pledge Agreement is amended as follows:

Appendix:

List of Principal Agreements

<u>No.</u>	<u>Name of the Agreement</u>
1	The Call Option Agreement made by and among Beijing Decision Education & Consulting Co., Ltd., Beijing Century Friendship Education Investment Co., Ltd., and New Oriental Education & Technology Group Co., Ltd dated February 16, 2017, and any supplement, amendment and replacement thereto
2	The Master Exclusive Service Agreement made by and among Beijing Pioneer Technology Co., Ltd. and Beijing New Oriental Education & Technology (Group) Co., Ltd. dated September 19, 2014 (including any supplement, amendment and replacement thereto) and any related individual service agreement

2. Effect

The Amendment shall be effective as of the date first written above, subject to signature hereupon by each of the Parties.

3. No Other Amendment

The Amendment is an integral part and shall have the same effect and enforceability with the remaining of the Equity Pledge Agreement. Unless otherwise expressly provided herein, none of terms, conditions, obligations, warranties or agreements in the Equity Pledge Agreement is implicitly or otherwise modified, altered or amended, or affected or waived in any way whatsoever by this Amendment. Any and all of such terms, conditions, obligations, warranties and agreements are hereby acknowledged and confirmed in its entirety, and shall continue to have full force and effect.

4. Governing Law

The Amendment shall be governed by and construed in accordance with the PRC laws.

(The remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, the Parties have caused the Amendment to be signed on the date first written above.

Party A: Beijing Smart Wood Software Technology Co., Ltd.

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ Beijing Smart Wood Software Technology Co., Ltd.

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ Beijing Century Friendship Education Investment Co., Ltd.

Party C: New Oriental Education & Technology Group Co., Ltd

Authorized Representative:

Signature: /s/ Authorized Representative

Seal: /s/ New Oriental Education & Technology Group Co., Ltd

签署版
Execution Version

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成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成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 and 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 No.	学校英文名称 English Name of Schools	学校中文名称 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.	Huhhot 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.

SCHEDULE 3

附件 3

List of Existing Service Agreements

现有服务协议清单

序号 NO.	现有服务协议 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 Guangzhou New Oriental Training School
3	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Tianjin New Oriental Training School
4	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Xi'an Yanta District New Oriental Training School
5	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Nanjing Gulou New Oriental Advanced Study School
6	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Shenzhen New Oriental Training School
7	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Chongqing New Oriental Training School
8	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Chengdu New Oriental School
9	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Changsha Furong District New Oriental Training School
10	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Taiyuan New Oriental Training School
11	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Changchun New Oriental Training School
12	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Suzhou New Oriental School
13	New Enrollment System Development Service Agreement between Beijing Decision Education & Consulting Co., Ltd. and Yunnan New Oriental Training School
14	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
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 Shiyan 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 Shiyan 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 Shiyang 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 Shiyan 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的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 Aixuehuisi 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

序号
NO.

现有服务协议
Existing Service Agreement

- 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

序号
NO.

现有服务协议
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

序号
NO.

现有服务协议
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

序号
NO.现有服务协议
Existing Service Agreement

- 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

序号
NO.

现有服务协议
Existing Service Agreement

- 135 Software Sales Agreement between Beijing Pioneer Technology Company Limited and Nanchang Donghu 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)

序号
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

序号
NO.现有服务协议
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

序号
NO.

现有服务协议
Existing Service Agreement

- 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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- 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 Shiyan 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 Shiyang 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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NO.现有服务协议
Existing Service Agreement

- 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 Shiyan 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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- 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 Shiyan 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

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- 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

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- 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

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- 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.

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- 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

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- 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

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- 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

Termination Agreement

This Termination Agreement (this “**Agreement**”) is made on February 16, 2017 in Beijing by and among:

Party A: Shanghai Smart Words Software Technology Co., Ltd., a wholly foreign-owned enterprise incorporated and registered in Beijing under the laws of the People’s Republic of China (the “**PRC**”), with its registered address at Room 707-2, 200 Huiyuan Road, Jiading Industrial District, Shanghai;

Party B: Beijing Century Friendship Education Investment Co., Ltd., a domestic enterprise incorporated and registered in Beijing under the laws of the PRC, with its registered address at B206, No. 2-202 of Haidian East 3rd Street, Haidian District, Beijing; and

Party C: New Oriental Education & Technology Group Co., Ltd a domestic enterprise incorporated and registered in Beijing under the laws of the PRC, with its registered address at 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing.

(Party A, Party B and Party C are referred hereinafter individually as a “**Party**”, collectively the “**Parties**”.)

RECITALS

(A) **WHEREAS**, the Parties have entered into a call option agreement dated April 23, 2012 in Beijing, attached hereto as Schedule I (the “**Call Option Agreement**”);

(B) **WHEREAS**, the Parties have entered into an equity pledge agreement dated April 23, 2012 in Beijing attached hereto as Schedule II (the “**Equity Pledge Agreement**”) and a supplement to the Equity Pledge Agreement dated September 19, 2014 in Beijing attached hereto as Schedule III (the “**Supplement**”); and

(C) **WHEREAS**, the Parties agree to terminate each of the Call Option Agreement, the Equity Pledge Agreement and the Supplement.

(D) **NOW, THEREFORE**, in consideration of the terms and agreements contained herein, by which the Parties agree to be legally bound, the Parties agree as follow:

AGREEMENTS

1. The Parties hereby acknowledge and agree that the Call Option Agreement, the Equity Pledge Agreement and the Supplement set forth under the recitals of the Agreement shall be terminated as of the date of this Agreement.
2. This Agreement shall be effective as of the date first written above, subject to signature hereof by each of the Parties.
3. Within thirty (30) business days as of the date hereof or any other period as soon as practicable possible, Party B and Party C will initiate processing and complete relevant procedures with applicable industrial and commercial authority, deregister Party B’s pledge of the 37% equity interests of Party C held by it in favor of Party A provided under the Equity Interests Pledge Agreement (the “**Pledged Equity Interests**”), and obtain evidence for such deregistration from the competent registration authority in writing.
4. Upon the date hereof, Party A shall return the register of shareholders containing the Pledged Equity Interests maintained by it or any person designated by it, and Party B and Party C shall update the register of shareholders of Party C reflecting deregistration of the Pledged Equity Interests.
5. Upon the date hereof, Party A shall return the Equity Interests Transfer Agreement signed and delivered to the custody of Party A by Party B under the Call Option Agreement.
6. This Agreement shall constitute the entire agreements among the Parties regarding the subject matter hereof.

7. Any and all disputes arising from performance of this Agreement shall be resolved by negotiations of the Parties and, if the negotiations fail, submitted to Beijing Arbitration Commission for arbitration in accordance with its arbitration rules then in effect. The arbitration shall be in Beijing, and the arbitrary award shall be final and conclusive.

8. This Agreement is in three counterparts with each Party holding one of them, and each of the executed counterpart shall have the same effect.

(The remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed on the date first written above.

Party A: Shanghai Smart Words Software Technology Co., Ltd.

Authorized Representative:

Signature: /s/ Authorized Representative _____

Seal: /s/ Shanghai Smart Words Software Technology Co., Ltd.

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Authorized Representative:

Signature: /s/ Authorized Representative _____

Seal: /s/ Beijing Century Friendship Education Investment Co., Ltd.

Party C: New Oriental Education & Technology Group Co., Ltd

Authorized Representative:

Signature: /s/ Authorized Representative _____

Seal: /s/ New Oriental Education & Technology Group Co., Ltd

SCHEDULE I

The Call Option Agreement made by and among Shanghai Smart Words Software Technology Co., Ltd., Beijing Century Friendship Education Investment Co., Ltd., and Beijing New Oriental Education & Technology (Group) Co., Ltd. dated April 23, 2012

SCHEDULE II

The Equity Interests Pledge Agreement made by and among Shanghai Smart Words Software Technology Co., Ltd., Beijing Century Friendship Education Investment Co., Ltd., and Beijing New Oriental Education & Technology (Group) Co., Ltd. dated April 23, 2012

SCHEDULE III

The Supplement to the Equity Interests Pledge Agreement made by and among Shanghai Smart Words Software Technology Co., Ltd., Beijing Century Friendship Education Investment Co., Ltd., and Beijing New Oriental Education & Technology (Group) Co., Ltd. dated September 19, 2014

Call Option Agreement

This Call Option Agreement (this “**Agreement**”) is made on February 16, 2017 in Beijing by and among:

Party A: Beijing Decision Education & Consulting Co., Ltd., with its registered address at Room 312, Block B, 3 Danling Street, Haidian Street, Beijing;

Party B: Beijing Century Friendship Education Investment Co., Ltd., with its registered address at B206, No. 2-202 of Haidian East 3rd Street, Haidian District, Beijing; and

Party C: New Oriental Education & Technology Group Co., Ltd with its registered address at 9/F, No. 6 of Haidianzhong Street, Haidian District, Beijing.

(Party A, Party B and Party C are referred hereinafter individually as a “**Party**”, collectively the “**Parties**”.)

The Parties, through negotiations, agree as follows in respect of Party A’s purchase of equity interests of Party C from by Party B and intend to be legally bound hereby:

1. Equity Interests

1.1 Party A shall have the right to request transfer from Party B any or all (subject to Party A’ request) of 100% equity interests of Party C held by Party B (the “**Equity Interests**”) and Party B shall transfer the Equity Interests to Party A or any third party designated by Party A at the request of Party A, if:

- (1) applicable laws and regulations of the PRC permits holding any or all of the Equity Interests by Party A; or
- (2) Party A considers it advisable or necessary to make such transfer.

Any and all of the rights granted to Party A under this Agreement are exclusive and irrevocable.

1.2 It is agreed by the Parties that Party A may exercise its call option wholly or partially to acquire any or all of the Equity Interests, the number of which exercise is unlimited.

1.3 It is agreed by the Parties that Party A may designate any third party to be transferred with any or all of the Equity Interests, and Party B may not refuse to transfer any or all of the Equity Interests to such third party.

1.4 Prior to transfer of the Equity Interests to Party A contemplated hereunder and without prior written consent from Party A, Party B may not transfer the Equity Interests.

2. Procedures

2.1 In conjunction with execution of this Agreement, Party B shall enter into an Equity Transfer Agreement in the form attached hereto as Schedule I and place the executed version under the custody of Party B.

2.2 If Party A elects to be transferred with the Equity Interests under Section 1.1, it shall provide Party B with a written notice setting forth the percentage of the Equity Interest and the identity of the transferee in connection with the proposed transfer. Party B and Party C shall provide any and all information and documents necessary for re-registration of the Equity Interest so transferred within seven days upon notice by Party A.

2.3 Other than the notice provided under Section 2.2, Party A’s exercise of the call option to purchase the Equity Interests are subject to no precedent or ancillary conditions or procedures.

3. Transfer Price

3.1 The transfer price of the Equity Interests shall be the minimum amount permitted under the PRC laws and regulation at the time of transfer and, if the Equity Interests are transferred in installments, the transfer price shall be calculated in proportion to the percentage of the Equity Interests so transferred.

3.2 Any tax arising from transfer of the Equity Interests shall be the Parties under applicable laws.

4. Schedule

If amendment to the form Equity Transfer Agreement attached hereto as Schedule I is required in connection with transfer of the Equity Interests under then applicable PRC laws and regulations, the amendment shall be made by the Parties in good faith in accordance with the PRC laws and regulations.

The schedule attached hereto is an integral part and has the same effect with remainder of this Agreement.

5. Confidentiality

This Agreement and all of its provisions shall be confidential and may not be disclosed to any third party, other than senior officers, directors, employees, agents and professional consultants to be involved in the transfer, unless any Party is required by law to disclose information in connection with this Agreement to any government agency, the general public or its shareholders, or to file this Agreement with any governmental agency.

This Section 5 shall survive any amendment, termination or cancellation of this Agreement.

6. Breach Liability

If any Party fails to perform any of its obligations under this Agreement, any of the representations or warranties made by it under this Agreement prove to be materially inaccurate or incorrect, such Party shall be deemed to have breached this Agreement and held liable for any and all losses incurred by the other Parties.

7. Force Majeure

In the event that force majeure affects the performance of this Agreement, the party suffering from the force majeure shall immediately notify the other parties by telegraph, facsimile or other electronical forms and provide the written certificate within fifteen (15) working days. Based the impact of the force majeure on the performance of this Agreement, all the parties shall negotiate and decide whether to terminate this Agreement, partly waive the obligations of performance or delay the performance.

8. Miscellaneous

8.1 It is acknowledged by the Parties that execution, performance and interpretation of this Agreement shall be governed by the PRC laws, and Party B may transfer the Equity Interests to Party A or any third party designated by Party A only when it is permitted and to the extent permissible under the PRC laws.

8.2 Any and all disputes arising from performance of this Agreement shall be resolved by negotiations of the Parties and, if the negotiations fail, submitted to Beijing Arbitration Commission for arbitration in accordance with its arbitration rules then in effect. The arbitration shall be in Beijing, and the arbitrary award shall be final and conclusive.

8.3 This Agreement shall be effective as of the date on which it is affixed with the corporate seal of each of the Parties.

8.4 This Agreement is in Chinese in three originals, with each Party holding one of them.

(The remainder of this page is intentionally left blank)

Party A: Beijing Decision Education & Consulting Co., Ltd.

Seal: /s/ Beijing Pioneer Technology Co., Ltd.

Party B: Beijing Century Friendship Education Investment Co., Ltd.

Seal: /s/ Beijing Century Friendship Education Investment Co., Ltd.

Party C: New Oriental Education & Technology Group Co., Ltd

Seal: /s/ New Oriental Education & Technology Group Co., Ltd

Schedule I

Form Equity Interests Transfer Agreement

This Equity Interests Transfer Agreement (this “**Agreement**”) is made in Beijing by the between Beijing Century Friendship Education Investment Co., Ltd. (the “**Transferor**”) and [WFOE] (the “**Transferee**”).

The Parties, through negotiations, agree as follows regarding the transfer of equity interests:

1. The Transferor agrees to transfer to the Transferee, and the Transferee agrees to be transferred from the Transferor, all of the []% equity interests in New Oriental Education & Technology Group Ltd. held by the Transferor.
2. Upon completion of the transfer, the Transferor shall have no right or obligation as a shareholder of New Oriental Education & Technology Group Ltd., and the Transferee shall have the rights and obligations as a shareholder of New Oriental Education & Technology Group Ltd.
3. Any matter not provided herein shall be subject to separate agreement of the Parties in writing.
4. This Agreement shall become effective as of the date of signature hereof by the Parties.
5. This Agreement is in four counterparts, with each Party holding one copy and the remaining to be used for re-registration with industrial and commercial authorities.

Transferor: Beijing by the between Beijing Century Friendship Education Investment Co., Ltd. (seal)

Transferee:

By:

By:

Date:

Date:

List of Subsidiaries and Variable Interest Entities

<u>Subsidiaries:</u>	<u>Jurisdiction of Incorporation</u>	<u>Direct Parent Company of the Subsidiary and its Jurisdiction of Incorporation</u>
Beijing Decision Education & Consulting Co., Ltd.	PRC	Elite Concept Holdings Limited (Hong Kong)
Beijing Judgment Education & Consulting Co., Ltd.	PRC	Winner Park 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)
Shanghai Smart Words Software Technology Co., Ltd.	PRC	Smart Shine International Limited (Hong Kong)
Beijing Smart Wood Software Technology Co., Ltd.	PRC	Smart Shine International Limited (Hong Kong)
Beijing Joy Tend Technology Co., Ltd.	PRC	Smart Shine International Limited (Hong Kong)
Beijing Right Time Technology Co., Ltd.	PRC	Elite Concept Holdings Limited (Hong Kong)
Beijing Top Technology Co., Ltd.	PRC	Elite Concept Holdings Limited (Hong Kong)
Beijing Magnificence Technology Co., Ltd.	PRC	Elite Concept Holdings 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)
Abundant State Limited	BVI	New Oriental Education & Technology Group Inc. (Cayman Islands)
Beijing Sincerity Technology Co., Ltd.	PRC	Beijing Hewstone Education & Consulting Co., Ltd. (PRC)
Beijing Walkite International Travel Co., Ltd.	PRC	Beijing Sincerity Technology Co., Ltd. (PRC)
Walkite International Academy Co., Ltd.	UK	Beijing Walkite International Travel Co., Ltd. (PRC)
Walkite International Academy (U.S.A) Co., Ltd.	USA	Beijing Walkite International Travel Co., Ltd. (PRC)
Beijing New Road Information Consulting Service Co., Ltd.	PRC	Beijing Walkite International Travel Co., Ltd. (PRC)
Beijing Shenghe Technology Co., Ltd.	PRC	Beijing Decision Education & Consulting Co., Ltd. (PRC)
Beijing Jinghong Software Technology Co., Ltd.	PRC	Smart Shine International Limited (Hong Kong)
New Oriental Vision Overseas Consulting Australia Pty Ltd	AUS	Elite Concept Holdings Limited (Hong Kong)
Variable Interest Entities:		
New Oriental Education & Technology Group Co., Ltd *	PRC	

(1)* New Oriental China had the following subsidiaries as of May 31, 2017, all of which are formed in the PRC:

- 77 schools; and
- 56 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(s) 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(s) 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 function):
 - (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 27, 2017

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(s) 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(s) 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 function):

(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 27, 2017

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, 2017 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 27, 2017

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, 2017 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 27, 2017

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 27, 2017

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.D—Key Information—Risk Factors,” “Item 4.B—Information on the Company—Business Overview—Regulation,” “Item 4.C—Information on the Company—Organizational Structure” and “Item 5.A—Operating and Financial Review and Prospects—Critical Accounting Policies” and included in New Oriental Education & Technology Group Inc.’s annual report on Form 20-F for the fiscal year ended May 31, 2017 (the “Annual Report”), which will be filed by New Oriental Education & Technology Group Inc. on or after September 27, 2017, 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 and No. 333-172020) of New Oriental Education & Technology Group Inc. of the summary of our opinion under the headings “Item 3.D—Key Information—Risk Factors,” “Item 4.B—Information on the Company—Business Overview—Regulation,” “Item 4.C—Information on the Company—Organizational Structure” and “Item 5.A—Operating and Financial Review and Prospects—Critical Accounting Policies.” 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 the Registration Statements No. 333-172020 and 333-140083 on Form S-8 of our reports dated September 27, 2017, relating to the consolidated financial statements and financial statement schedule of New Oriental Education & Technology Group Inc., its subsidiaries, variable interest entities and their schools and subsidiaries (collectively, the “Group”), and the effectiveness of the Group’s internal control over financial reporting, appearing in the Annual Report on Form 20-F of New Oriental Education & Technology Group Inc. for the year ended May 31, 2017.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, People’s Republic of China
September 27, 2017