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

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (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 February 28, 2015.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

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.....
Commission file number: 001-34900

TAL Education Group
(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)

12/F, Danling SOHO
6 Danling Street, Haidian District
Beijing 100080
People's Republic of China
(Address of principal executive offices)

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Beijing 100080
People's Republic of China
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing two Class A common shares **Class A common shares, par value $0.001 per share***	**The New York Stock Exchange**

* Not for trading, but only in connection with the listing on The New York Stock Exchange of American depositary shares ("ADSs"). Currently, each ADS represents two Class A common 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.

As of February 28, 2015, 88,371,876 Class A common shares, par value $0.001 per share and 71,456,000 Class B common shares, par value $0.001 per share were outstanding.

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

In this annual report, except where the context otherwise requires and for purposes of this annual report only:

- "China" or "PRC" refers to the People's Republic of China, excluding Taiwan, Hong Kong and Macau;
- "we," "us," "our company" and "our" refer to TAL Education Group, a Cayman Islands company, and its subsidiaries and Consolidated Affiliated Entities (as defined below);
- "shares" or "common shares" refers to our Class A and Class B common shares, par value $0.001 per share, and "preferred shares" or "Series A preferred shares" refers to our Series A convertible redeemable preferred shares, par value $0.001 per share, which were automatically converted into Class A common shares upon the completion of our company's initial public offering in October 2010;
- "ADSs" refers to our American depositary shares, each of which represents two Class A common shares;
- "Variable Interest Entities," or "VIEs," refers to Beijing Xueersi Network Technology Co., Ltd., or Xueersi Network, and Beijing Xueersi Education Technology Co., Ltd., or Xueersi Education, and Beijing Dongfangrenli Science & Commerce Co., Ltd., or Beijing Dongfangrenli, all of which are domestic PRC companies in which we do not have equity interests but whose financial results have been consolidated into our consolidated financial statements in accordance with U.S. GAAP; and "Consolidated Affiliated Entities" refers to our VIEs and the VIEs' direct and indirect subsidiaries and schools;
- "U.S. GAAP" refers to generally accepted accounting principles in the United States;
- "student enrollments" refer to the cumulative total number of courses enrolled in and paid for by our students, including multiple courses enrolled in and paid for by the same student;
- "student retention rate" refers to the percentage of our students who subsequently enroll in one or more of our courses after enrolling in at least one course in the previous study term;
- "K-12" refers to the year before the first grade through the last year of high school;
- "RMB" or "Renminbi" refers to the legal currency of China; and
- "$" or "U.S. dollars" refer to the legal currency of the United States.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that reflect our current expectations and views of future events. 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 these forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "is/are likely to" or other similar expressions. These forward-looking statements include statements relating to:

- our anticipated growth strategies;
- competition in the K-12 after-school tutoring market;
- 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 course offerings;
- risks associated with the expansion of our geographic reach;
- the expected increase in spending on private education in China; and
- PRC laws, regulations and policies relating to private education and providers of after-school tutoring services.

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. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. You should read this annual report and the documents that we refer to in this annual report completely and 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 with these cautionary statements.

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. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

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 selected consolidated statement of operations data for our company for the fiscal years ended February 28, 2013, 2014 and 2015 and the selected consolidated balance sheet data as of February 28, 2014 and 2015 are derived from our audited consolidated financial statements included elsewhere in this annual report. The selected consolidated statement of operations data for our company for the fiscal years ended February 28/29, 2011 and 2012 and the selected consolidated balance sheet data as of February 28/29, 2011, 2012 and 2013 are derived from our audited consolidated financial statements not included in this annual report.

The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements and related notes and "Item 5—Operating and Financial Review and Prospects" included elsewhere in this annual report. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

Our historical results are not necessarily indicative of results to be expected in any future period.

	For the Years Ended February 29/28,				
	2011	2012	2013	2014	2015
	(in thousands of $, except for share, per share and per ADS data)				
Consolidated Statements of Operations Data:					
Net revenues	$ 110,588	$ 177,520	$ 225,931	$ 313,895	$ 433,970
Cost of revenues[1]	(56,143)	(95,587)	(115,749)	(151,543)	(203,074)
Gross profit	54,445	81,933	110,182	162,352	230,896
Operating expenses					
Selling and marketing[1]	(9,935)	(23,166)	(27,674)	(35,761)	(53,882)
General and administrative[1]	(19,085)	(37,815)	(51,125)	(70,300)	(110,230)
Impairment losses on long-term prepayment	—	—	(594)	—	—
Impairment losses on intangible assets and goodwill	—	(140)	—	—	—
Total operating expenses	(29,020)	(61,121)	(79,393)	(106,061)	(164,112)
Government subsidies	149	213	632	1,105	464
Income from operations	25,574	21,025	31,421	57,396	67,248
Interest income	1,346	3,500	5,344	9,438	16,614
Interest expense	(58)	—	—	—	(5,811)
Other income/ (expenses)	1	4,180	776	102	(2,010)
Impairment loss on long-term investment	—	(235)	—	—	—
Gain from sale of a long-term investment	—	—	—	297	—
Gain from sales of available-for-sale securities	6	—	—	53	—
Gain on extinguishment of liabilities	134	—	—	—	—
Gain on fair value change from long-term investment	—	—	—	—	1,202
Income before provision for income tax and loss from equity method investments	27,003	28,470	37,541	67,286	77,243
Provision for income tax	(2,628)	(4,156)	(4,101)	(6,680)	(9,369)
Loss from equity method investments	—	—	—	—	(730)
Net income from continuing operations	24,375	24,314	33,440	60,606	67,144
Net loss from discontinued operations, net of taxes	(334)	—	—	—	—
Net income	24,041	24,314	33,440	60,606	67,144
Add: Net loss attributable to noncontrolling interest	—	—	—	—	13
Net income attributable to common shareholders of TAL Education Group	24,041	24,314	33,440	60,606	67,157
Net income per common share					
Basic from continuing operations	$ 0.18	$ 0.16	$ 0.21	$ 0.39	$ 0.42
Basic from discontinued operations	$ (0.00)	—	—	—	—
Total—Basic	$ 0.18	$ 0.16	$ 0.21	$ 0.39	$ 0.42
Diluted from continuing operations	$ 0.18	$ 0.16	$ 0.21	$ 0.38	$ 0.41
Diluted from discontinued operations	$ (0.00)	—	—	—	—
Total—Diluted	$ 0.18	$ 0.16	$ 0.21	$ 0.38	$ 0.41
Net income per ADS[2]					
Basic from continuing operations	$ 0.36	$ 0.32	$ 0.43	$ 0.77	$ 0.85
Basic from discontinued operations	$ (0.00)	—	—	—	—
Total—Basic	$ 0.36	$ 0.32	$ 0.43	$ 0.77	$ 0.85
Net income per ADS[2]					
Diluted from continuing operations	$ 0.35	$ 0.31	$ 0.43	$ 0.76	$ 0.82
Diluted from discontinued operations	$ (0.00)	—	—	—	—
Total—Diluted	$ 0.35	$ 0.31	$ 0.43	$ 0.76	$ 0.82
Cash Dividends per common share	$ 0.24[3]	—	$ 0.25[4]	—	—
Weighted average shares used in calculating net income per common share and dividends per common share					
Basic	131,911,539	154,000,219	155,607,458	156,726,994	158,381,576
Diluted	136,445,635	155,874,381	155,631,090	159,444,928	163,589,649

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

	For the Years Ended February 29/28,				
	2011	2012	2013	2014	2015
	(in thousands of $, except for share, per share and per ADS data)				
Cost of revenues	$ 521	$ 418	$ 106	$ 48	$ 48
Selling and marketing	975	1,497	1,815	1,161	2,073
General and administrative	3,810	5,986	6,363	7,136	16,320
Total	5,306	7,901	8,284	8,345	18,441

(2) Each ADS represents two Class A common shares.

(3) In November 2010, we paid a $30 million cash dividend to our shareholders of record as of September 29, 2010. Our issued and outstanding share capital as of September 29, 2010 consisted of 120,000,000 Class B common shares and 5,000,000 Class A preferred shares. The 5,000,000 Class A preferred shares were converted into 5,000,000 Class B common shares upon the completion of our initial public offering.

(4) In December 2012, we paid a $39 million cash dividend to our shareholders of record as of December 7, 2012. Our issued and outstanding share capital as of December 7, 2012 consisted of 68,314,150 Class A common shares and 87,806,000 Class B common shares.

	As of February 29/28,				
	2011	2012	2013	2014	2015
	(in thousands of $, except for share, per share and per ADS data)				
Summary Consolidated Balance Sheet Data:					
Cash and cash equivalents	$173,166	$188,580	$185,081	$269,931	$470,157
Total assets	217,770	294,653	316,042	427,599	772,415
Deferred revenue	50,678	85,594	102,514	132,401	177,640
Total liabilities	62,719	104,536	124,597	167,603	458,844
Total equity	155,051	190,117	191,445	259,996	313,571

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 significantly decreasing course fees, our business and prospects will be materially and adversely affected.

The success of our business depends primarily on the number of students enrolled 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 continue to develop new programs and enhance or adapt existing programs to respond to changes in market trends, student demands and government policies, expand our geographic reach, manage our growth while maintaining consistent and high teaching quality, effectively market our programs to a broader base of prospective students, develop additional high-quality educational content and respond effectively to competitive pressures. If we are unable to continue to attract students without significantly decreasing course fees to enroll in our courses, our revenues may decline, which may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to continue to recruit, train and retain qualified and dedicated teachers, who are critical to the success of our business and the effective delivery of our tutoring services to students.

Our teachers are critical to the quality of our services and our reputation. We seek to hire qualified and dedicated teachers who deliver effective and inspirational instruction. There is a limited pool of teachers with these attributes, and we must provide competitive compensation packages to attract and retain such teachers. We must also provide continued training to our teachers to ensure that they stay abreast of changes in student demands, academic standards and other key trends necessary to teach effectively. Although we have not experienced major difficulties in recruiting, training or retaining qualified teachers in the past, we may not be able to recruit, train and retain a sufficient number of qualified teachers in the future to keep pace with our growth while maintaining consistent teaching quality in the different markets we serve. A shortage of qualified teachers or a decrease in the quality of our teachers' services, whether actual or perceived, or a significant increase in compensation for us to retain qualified teachers, would have a material adverse effect on our business, financial condition and results of operations.

We may not be able to improve the content of our existing courses or to develop new courses or services in a timely or cost-effective manner.

We constantly update and improve the content of our existing courses and develop new courses or services to meet changing market demands. Revisions to our existing courses and our newly developed courses or services may not be well received by existing or prospective students or their parents. If we cannot respond effectively to changes in market demands, our business may be adversely affected. Even if we are able to develop new courses or services that are well received, we may not be able to introduce them in a timely or cost-effective manner. If we do not respond adequately to changes in market demands, our ability to attract and retain students may be impaired and our financial results could suffer.

Offering new courses or services or modifying existing courses may require us to invest in content development, increase marketing efforts and re-allocate resources away from other uses. We may have limited experience with the content of new courses or services and may need to adjust our systems and strategies to incorporate new courses or services into our existing offerings. If we are unable to continuously improve the content of our existing courses, or offer new courses or services in a timely or cost-effective manner, our results of operations and financial condition could be adversely affected.

If we are not able to maintain and enhance the value of our brand, our business and operating results may be harmed.

We believe that market awareness of our "Xueersi" brand has contributed significantly to the success of our business, and that maintaining and enhancing the value of this brand is critical to maintaining and enhancing our competitive advantage. If we are unable to successfully promote and market our brand and services, our ability to attract new students could be adversely impacted and, consequently, our financial performance could suffer. We mainly rely on word-of-mouth referrals to attract prospective students. We also use integrated marketing tools and tactics such as the Internet, wechat, social media, public lectures, outdoor advertising campaigns, co-brand promotions, and distribution of marketing materials to promote our brand and service offerings. In order to maintain and increase our brand recognition and promote our new service offerings, we have increased our marketing personnel and expenses over the last several years. We have also sought to strengthen recognition for our other brands, such as our "Haoweilai" brand, which is the umbrella brand for all our brands, our "Zhikang" brand, through which we offer personalized premium services, our "Mobby" brand, through which we offer young learners tutoring services for students aged two through eight, our "Lejiale" brand, through which we offer English subject tutoring services and our "Dongxuetang" brand, through which we offer our Chinese subject tutoring services. A number of factors could prevent

us from successfully promoting our brand, including student dissatisfaction with our services and the failure of our marketing tools and strategies to attract prospective students. If we are unable to maintain and enhance our "Xueersi" brand, successfully develop additional brands, or utilize marketing tools in a cost-effective manner, our revenues and profitability may suffer.

Moreover, we offer a variety of courses to primary, middle and high school students in some of the large cities in China. As we continue to grow in size, expand our course offerings and extend our geographic reach, it may be more difficult to maintain quality and consistent standards of our services and to protect and promote our brand name.

Furthermore, we cannot assure you that our sales and marketing efforts will be successful in further promoting our brand in a cost-effective manner. If we are unable to further enhance our brand recognition and increase awareness of our services, or if we incur excessive sales and marketing expenses, our business and results of operations may be materially and adversely affected.

Our historical financial and operating results, growth rates and profitability may not be indicative of future performance.

Our net revenues increased from $225.9 million in the fiscal year ended February 28, 2013 to $313.9 million in the fiscal year ended February 28, 2014, and further to $434.0 million in the fiscal year ended February 28, 2015. Any evaluation of our business and our prospects must be considered in light of the risks and uncertainties encountered by companies at our stage of development. In addition, the after-school tutoring service market in China is still at the development stage, which makes it difficult to evaluate our business and future prospects. Furthermore, our results of operations may vary from period to period in response to a variety of other factors beyond our control, including general economic conditions and regulations or government actions pertaining to the private education service sector in China, changes in spending on private education, our ability to accurately predict cost of revenues and operating expenses, and non-recurring charges incurred under unexpected circumstances or in connection with acquisitions, equity investments or other extraordinary transactions. Due to the above factors, our historical financial and operating results, growth rates and profitability may not be indicative of our future performance and you should not rely on our past results or our historical growth rates as indications of our future performance.

If our students' level of performance deteriorates or satisfaction with our services declines, they may decide to withdraw from our courses and request refunds and our business, financial condition, results of operations and reputation would be adversely affected.

The success of our business depends on our ability to deliver a satisfactory learning experience and improved academic results. Our tutoring services may fail to improve a student's academic performance and a student may perform below expectations even after completing our courses. Additionally, student and parent satisfaction with our services may decline. A student's learning experience may also suffer if his or her relationship with our teachers does not meet expectations. We generally offer refunds for the remaining classes in a course to students who withdraw from the course. If a significant number of students fail to improve their academic performance after attending our courses or if their learning experiences with us are unsatisfactory, they may decide to withdraw from our courses and request refunds, and our business, financial condition, results of operations and reputation would be adversely affected.

We face significant competition, and if we fail to compete effectively, we may lose our market share or fail to gain additional market share, and our profitability may be adversely affected.

The private education market in China is rapidly evolving, highly fragmented and competitive, and we expect competition to persist and intensify. We face competition in each type of services we offer

and in each geographic market where we operate. Our competitors at the national level include New Oriental Education & Technology Group Inc. and Xueda Education Group.

Our student enrollments may decrease due to intense competition. Some of our 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, admission standards, market trends or new technologies. In addition, some smaller local companies may be able to respond more quickly to changes in student preferences in some of our targeted markets. Moreover, the increasing use of the Internet and advances in Internet, mobile Internet and computer-related technologies, such as web video conferencing and online testing simulators, are eliminating geographic and physical facility-related entry barriers to providing private education services. As a result, smaller local companies or Internet-content providers may be able to use the Internet or mobile Internet to offer their programs, services and products quickly and cost-effectively to a large number of students with less capital expenditure than previously required. Consequently, we may be required to reduce course fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities, which could result in a decrease in our revenues and profitability. We will also face increased competition as we expand our operations. 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 effectively respond to competition, we may lose our market share or fail to gain additional market share, and our profitability may be adversely affected.

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

Our business has experienced growth in recent years. The number of our learning centers increased from 255 as of February 28, 2013 to 289 as of February 28, 2015. We plan to continue to expand our operations in different geographic markets in China. The establishment of new learning centers poses challenges and requires us to make investments in management, capital expenditures, marketing expenses and other resources. The expansion has resulted, and will continue to result, in substantial demands on our management and staff as well as our financial, operational, technological and other resources. In addition, we typically incur pre-opening costs associated with our new learning centers, and may incur losses during their initial ramp-up stage because we incur rent, salary and other operating expenses for new learning centers regardless of any revenues we may generate. If the ramp-up of our new learning centers is slower than expected, whether due to our inability to attract sufficient student enrollments or charge hourly rates for our courses that are high enough for us to recover our costs, our overall financial performance may be materially and adversely affected. Our planned expansion will also place significant pressure on us to maintain teaching quality and consistent standards, controls and policies to ensure that our brand does not suffer as a result of any decrease, whether actual or perceived, in the quality of our programs. To manage and support our expansion, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and management personnel as well as other administrative and marketing personnel. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, maintain or accelerate our current growth rate, maintain or increase our gross and operating profit margins, recruit and retain qualified teachers and management personnel, successfully integrate new learning centers into our operations and otherwise effectively manage our growth. If we are not successful in effectively and efficiently managing our expansion, we may not be able to capitalize on new business opportunities, which may have a material and adverse impact on our financial condition and results of operations.

If we fail to successfully execute our growth strategies, our business and prospects may be materially and adversely affected.

Our growth strategies include further penetrating our existing markets, extending our geographic reach into new regions, and further developing our online course offerings and online education platform. We may not succeed in executing our growth strategies due to a number of factors, including, without limitation, the following:

- we may fail to identify, and effectively market our services in, new markets with sufficient growth potential into which to expand our network or promote new courses in existing markets;
- it may be difficult to increase the number of learning centers in more developed cities;
- although we have replicated our growth model in Beijing and Shanghai to certain other cities, we may not be able to continue to do so to additional geographic markets, and we may experience decline in our Beijing or Shanghai businesses that would offset the growth we are experiencing in other geographic markets;
- our analysis for selecting suitable new locations may not be accurate and the demand for our services at the newly selected locations may not materialize or increase as rapidly as we expect;
- we may fail to obtain the requisite licenses and permits necessary to open learning centers at our desired locations from local authorities or face risks in opening without the requisite licenses and permits;
- we may not be able to manage our personalized premium services business efficiently and cost-effectively;
- we may not be able to continue to enhance our online offerings or expand them to new markets, generate profits from online offerings, or adapt online offerings to changing student needs and technological advances such that we will continue to face significant student acquisition costs in the markets we enter; and
- we may not be profitable in our new tutoring business and may encounter obstacles in expanding our Mobby tutoring business to other markets.

If we fail to successfully execute our growth strategies, we may not be able to maintain our growth rate and our business and prospects may be materially and adversely affected as a result.

We derive a majority of our revenues from a limited number of cities. Any event negatively affecting the private education market in these cities, or any increase in the level of competition for the types of services we offer in these cities, could have a material adverse effect on our overall business and results of operations.

Our services in Beijing and Shanghai have contributed a significant but declining portion of our revenues. We derived approximately 77.4%, 65.9% and 55.9% of our total net revenues for the fiscal years ended February 28, 2013, 2014 and 2015, respectively, from these two cities. Revenues from our services in other cities have grown quickly in recent years and began to contribute more significantly to our total revenues. For instance, we derived approximately 10.9% of our total net revenues from Guangzhou and 7.4% of our total net revenues from Shenzhen for the year ended February 28, 2015. We believe that our reliance on revenues from Beijing and Shanghai will continue to decrease as revenues from other cities continue to grow. However, we still expect that we will derive a majority of our revenues from a limited number of cities for the foreseeable future. If any of these cities experiences an event negatively affecting its private education market, such as a serious economic downturn, natural disaster or outbreak of contagious disease, adopts regulations relating to private education that place additional restrictions or burdens on us, or experiences an increase in the level of

competition for the types of services we offer, our overall business and results of operations may be materially and adversely affected.

If we fail to manage our personalized premium services business efficiently and cost-effectively, our business and prospects could be harmed.

The expansion of our personalized premium services business has entailed and may continue to entail significant investment of human capital, financial resources and management time and attention as such one-on-one tutoring services impose a different set of requirements on our teachers and many other aspects of our operations than small classes, which currently constitute the main format of our service offerings. If we fail to manage our personalized premium services business efficiently and cost-effectively, it could have an adverse effect on our business and prospects.

Failure to adequately and promptly respond to changes in PRC laws and regulations on school curriculum, examination systems and admission standards in China could render our courses and services less attractive to students.

Under the PRC education system, school admissions rely heavily on examination results. College and high school entrance examinations in most cases are mandatory for high school and middle school graduates to gain admission to colleges and high schools, respectively. Therefore, a student's performance in these examinations is critical to his or her education and future employment prospects. Although examinations are not required for entering middle schools, many key middle schools administer their own assessment processes to disqualify prospective students. It is therefore common for students to take after-school tutoring classes to improve performance, and the success of our business to a large extent depends on the continued use of assessment process by high schools and colleges in their admissions. However, this heavy emphasis on examination scores may decline or fall out of favor with educational institutions or education authorities in China.

There are continuous changes in high school and college entrance exams and college admission standards in China, including the focus of the subjects and questions tested, the format of the tests, and the manner in which the tests are administered. These changes require us to continually update and enhance our curriculum, course materials and teaching methods. Any inability to track and respond to these changes in a timely and cost-effective manner would make our services and products less attractive to students, which may materially and adversely affect our reputation and ability to continue to attract students. For example, the Ministry of Education, or MoE, promulgated new curriculum standards for primary and secondary schools in China covering 19 subjects, including mathematics, Chinese and English, in December 2011. These new curriculum standards took effect in the fall semester of 2012. In October 2013, the Beijing Municipal Commission of Education announced plans to change policies relating to college entrance examinations, under which changes to the format and content of English exam are to be introduced in the coming years. We have completed the process of adapting our tutoring programs and materials to these new curriculum requirements. However, any failure to respond in a timely and cost-effective manner to such changes will adversely impact the marketability of our services and products.

Regulations and policies which de-emphasize scholastic competition achievements in college and high school admissions have had, and may continue to have, an impact on our enrollments. Our business in Beijing has been affected by the change in policy on the use of mathematical Olympiad competition results for admission to key middle schools. Following the MoE's amendment of its "extra credit policy" in November 2010 to limit the number of extra scores Olympiad competition winners may receive for their college entrance examination and in compliance with the Implementation Opinions on Standardizing Educational Changes and Adjusting Arbitrary Educational Changes in 2013, which relate to the admissions processes of high schools, certain local educational authorities promulgated policies limiting the role of Olympiad competitions in the admission process of high

schools and middle schools. In February 2013, the Beijing Municipal Education Commission issued a Notice on Mitigating Schoolwork-Related Stress on Students in Primary and Secondary Schools, which, among other things, prohibit public schools from cooperating with or authorizing private training organizations to offer after-school tutoring services for the purpose of enrolling students in such public schools. This policy has generally resulted in a decrease in the demand for mathematical Olympiad competition courses, which in turn has also affected the enrollments in our mathematics classes as well as our personalized premium services business. In addition, the MoE issued the Implementation Opinions on Further Improving the Exam-exemption and Nearest Schooling Enrollment Work in Secondary Schools in January 2014 to clarify that local educational administrative departments at all levels, public schools and private schools are not allowed to use examinations to select their students. Public schools may not use various competitions or examinations as the selection method for enrollment. The general office of the MoE issued the Notice on Further Improving the Compulsory School Exam-exemption and Nearest Schooling Enrollment Work in Main Cities to the provincial and municipal educational administrative departments in Beijing, Tianjin, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Hubei, Guangdong, Chongqing, Sichuan, Shanxi, Dalian, Qingdao, Ningbo, Xiamen and Shenzhen in January 2014 to further request that all the primary schools and secondary schools in main cities implement this notice gradually from now to 2017 and put an end to the entrance examinations and the link between entrance examinations and enrollment. These policies were published recently and have not resulted in a decrease in the demand for any of our services so far. However, we cannot ensure you that they will not adversely affect the performance of our after-school tutoring business and personalized premium services that target students in primary schools.

Also, education authorities in Yunnan Province stopped administering provincial-level high school entrance examinations in 2010. High school admissions in Yunnan Province have since then been based on a combination of middle school examination results that have replaced raw scores with letter grades and comprehensive evaluations of students' aptitude and performance by their middle schools. Yunnan Province also began to prohibit subject competitions in primary and secondary schools in November 2009. Although we do not offer after-school tutoring services in Yunnan Province, nor do we expect to do so in the near future, it is possible that the local governments in the areas where we have operations may adopt similar measures. Furthermore, approximately 109 universities in China have been allowed to recruit generally no more than 5% of their students through independently administered examinations and admission procedures in recent years. In some provinces, such as Hubei, this proportion was reported to be increased to 8% in 2012. Candidates for admission to those universities are still required to take college entrance examinations and meet certain threshold requirements, but their college entrance exam scores are no longer the sole determining factor in the admission processes of those universities. If we fail to adjust our services to respond to any such material changes, our business may be materially and adversely affected. In addition, admission and assessment processes in China constantly undergo changes and development in terms of subject and skill focus, question type, examination format and the manner in which processes are used. We are therefore required to continually update and improve our curriculum, course materials and our teaching methods. A failure to track and respond to any such changes in a timely and cost-effective manner could make our courses and services less attractive to students, which may materially and adversely affect our reputation and ability to continue to attract students and in turn have a material adverse effect on our business, financial condition and results of operations.

Accidents or injuries suffered by our students or other people on our premises may adversely affect our reputation, subject us to liability and cause us to incur substantial costs.

Although we carry certain liability insurance for our students and their parents, in the event of accidents or injuries or other harm to students or other people on our premises, including those caused by or otherwise arising from the actions of our employees or contractors on our premises, our facilities

may be perceived to be unsafe, which may discourage prospective students from attending our classes. We could also face claims alleging that we were negligent, provided inadequate supervision to our employees or contractors and therefore should be held jointly liable for harm caused by them or are otherwise liable for injuries suffered by our students or other people on our premises. For instance, in 2012, three students were injured while attending a physics laboratory class in Beijing. We have paid for the medical and related expenses and/or negotiated settlements with the families of these three students, and while we have liability insurance policies, such policies only covered a small portion of the compensation. Although we have since enhanced preventive measures to avoid similar incidents, we cannot assure you that there will be no similar incidents in the future. A material liability claim against us or any of our teachers or independent contractors could adversely affect our reputation, enrollment and revenues. Even if unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management.

Our new courses and services may compete with our existing offerings.

We are constantly developing new courses and services to meet changes in student demands, school curriculum, testing materials, admission standards, market trends and technologies. While some of the courses and services that we develop will expand our current offerings and increase student enrollment, others may compete with or render obsolete our existing offerings without increasing our total student enrollment. For example, our online courses might attract students away from our classroom-based courses. If we are unable to increase our total student enrollment and profitability as we expand our course and service offerings, our business and growth may be adversely affected.

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

Widespread use of the Internet for educational purposes is a relatively recent occurrence, and the market for Internet-based courses and services is characterized by rapid technological changes and innovations, as well as unpredictable product life cycles and user preferences. We have limited experience with online courses and services. We must be able to adapt quickly to changing student needs and preferences, technological advances and evolving Internet practices in order to compete successfully in online education. Ongoing enhancement of our online offerings and technologies may entail significant expenses and technological risks, and we may not be able to use new technologies effectively and may fail to adapt to changes in the online education market on a timely and cost-effective basis. We began offering online courses through our *www.xueersi.com* in 2010 and revenues generated from our online course offerings through *www.xueersi.com* accounted for 3.1%, 3.0% and 3.6% of our total net revenues in the fiscal years ended February 28, 2013, 2014 and 2015, respectively. We expect that revenues from our online course offerings will increase. However, if improvements to our online offerings and technologies are delayed, result in systems interruptions or are not aligned with market expectations or preferences, we may lose market share and our growth prospects could be adversely affected.

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

Our future success depends heavily upon the continuing services of the members of our senior management team, which includes Bangxin Zhang, our chairman and chief executive officer, Yachao Liu, our senior vice president, Yunfeng Bai, our senior vice president and Rong Luo, our chief financial officer. If any member of our senior management team leaves us and we fail to effectively manage a transition to new personnel in the future or if we fail to attract and retain qualified and experienced professionals on acceptable terms, our business, financial condition and results of operations could be

adversely affected. Competition for experienced management personnel in the education industry is intense, and we may not be able to retain the services of our senior executives or key personnel, or to attract and retain high-quality senior executives or key personnel in the future.

Our success also depends on our having highly trained financial, technical, human resource, sales and marketing staff, management personnel and qualified and dedicated teachers for local markets. We will need to continue to hire additional personnel as our business grows. A shortage in the supply of personnel with requisite skills or our failure to recruit them could impede our ability to increase revenues from our existing courses and services, to launch new course and service offerings and to expand our operations, and would have an adverse effect on our business and financial results.

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

Our office space and service and learning centers are presently mainly located on leased premises. We purchased 7,582 square meters of building space in Beijing in July 2011, which we renovated as offices in the fiscal year ended February 28, 2013. With respect to our leased premises, at the end of each lease term, which generally ranges from one to 15 years, we must negotiate an extension of the lease and if we are not able to negotiate an extension on terms acceptable to us, we will be forced to move to a different location, or the rent may increase significantly. This could disrupt our operations and adversely affect our profitability. All of our leases are subject to renewal at market prices, which could result in a substantial rent increase at each time of renewal. We compete with many other businesses for sites in certain prime locations and some landlords may have entered into long-term leases with our competitors for these locations. As a result, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms or at all, which could adversely affect our business. In addition, a few of our lessors have not been able to provide us with copies of title certificates or other evidencing documents to prove that they have authorization to lease the properties to us. We also have not registered most of our lease agreements with the relevant PRC governmental authorities as required by relevant PRC law. As of the date of this annual report, we are not aware of any actions, claims or investigations threatened against us or our lessors with respect to the defects in our leasehold interests. We were aware of the defects when we entered into those leases. In many cases, we entered into leases upon promises from the lessors that relevant certificates and authorizations would be delivered at a later time, which did not eventually materialize. Our business and legal teams followed an internal guideline to identify and assess risks in connection with leasing the properties, and a final business decision was made after our analysis of the likely impact of the defects on the leasehold interests and the value of the properties to our expansion plan. However, there is no assurance that our decision would always lead to the favorable outcome we expected to achieve. If any of our leases are terminated as a result of challenges by third parties or government authorities for lack of title certificates or proof of authorization to lease, we do not expect to be subject to any fines or penalties but we may be forced to relocate the affected learning centers and incur additional expenses relating to such relocation. If we fail to find suitable replacement sites in a timely manner or on terms acceptable to us, our business and results of operations could be materially and adversely affected.

Capacity constraints of our teaching facilities could cause us to lose students to our competitors.

The teaching facilities of our physical network are limited in size and number of classrooms. We may not be able to admit all students who would like to enroll in our courses due to the capacity constraints of our teaching facilities. This would deprive us of the opportunity to serve them and to potentially develop a long-term relationship with them for continued services. If we fail to expand our physical capacity as quickly as the demand for our classroom-based services grows, we could lose potential students to our competitors, and our results of operations and business prospects could suffer.

If we fail to protect our intellectual property rights, our brand and business may suffer.

We consider our copyrights, trademarks, trade names, Internet domain names, patents and other intellectual property rights invaluable to our ability to continue to develop and enhance our brand recognition. Unauthorized use of our intellectual property rights may damage our reputation and brands. Our "Xueersi" brand and logo is a registered trademark in China. Our proprietary curricula and course materials are protected by copyrights. However, preventing infringement on or misuse of intellectual property rights could be difficult, costly and time-consuming, particularly in China. The measures we take to protect our intellectual property rights may not be adequate to prevent unauthorized uses. Furthermore, application of laws governing intellectual property rights in China is uncertain and evolving, and could involve substantial risks to us. There have been several incidents in the past where third parties used our brand "Xueersi" without our authorization, and on occasion we have needed to resort to litigation to protect our intellectual property rights. In addition, we are still in the process of applying for the registration in China of the trademarks for our "Haoweilai" brand. We cannot assure you that the relevant governmental authorities will grant us the approval to register such trademarks. As a result, we may be unable to prevent third parties from utilizing this brand name, which may have an adverse impact on our brand image. If we are unable to adequately protect our intellectual property rights in the future, we may lose these rights, our brand name may be harmed, and our business may suffer materially. Furthermore, our management's attention may be diverted by violations of our intellectual property rights, and we may be required to enter into costly litigation to protect our proprietary rights against any infringement or violation.

We may encounter disputes from time to time relating to our use of the intellectual property of third parties.

We cannot assure you that our courses and marketing materials, online courses, products, and platform or other intellectual property developed or used by us do not or will not infringe upon valid copyrights or other intellectual property rights held by third parties. We may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in those disputes. For instance, on April 28, 2015, three major education publishers, People's Education Press, Ltd., Beijing Normal University Press Ltd. and Foreign Language Teaching and Research Press LLC, made a joint statement on protecting copyrights and pursuing legal liabilities against those entities which use, edit, publish, sell or otherwise disseminate the contents in the textbooks published by the three press without authorization. We have adopted policies and procedures to prohibit our employees and contractors from infringing upon third-party copyright or intellectual property rights. However, we cannot assure that our teachers or other personnel will not, against our policies, use third-party copyrighted materials or intellectual property without proper authorization in our classes, on our websites, at any of our locations or via any medium through which we provide our programs. Our users may also post unauthorized third-party content on our websites. We may incur liability for unauthorized duplication or distribution of materials posted on our websites or used in our classes. We have been involved in claims against us alleging our infringement of third-party intellectual property rights and we may be subject to such claims in the future. Any such intellectual property infringement claim could result in costly litigation and divert our management attention and resources.

We may fail to successfully make necessary or desirable acquisition or investment, and we may not be able to achieve the benefits we expect from recent and future acquisitions or investments.

We have made and intend to continue to make acquisitions or equity investments in additional businesses that complement our existing business. We may not be able to successfully integrate acquired businesses. We may not have any control over the businesses or operations of our minority equity investments, the value of which may decline over time. As a result, our business and operating results could be harmed. In addition, if the businesses we acquire or invest in do not subsequently generate

the anticipated financial performance or if any goodwill impairment test triggering event occurs, we may need to revalue or write down the value of goodwill and other intangible assets in connection with such acquisitions or investments, which would harm our results of operations. For example, we discontinued our operation of the two schools in Jianli and Qianjiang during the fiscal year ended February 28, 2011. In the fiscal year ended February 29, 2012, we recognized a goodwill impairment loss of $0.1 million relating to a purchase of a business in Tianjin in March 2008. Moreover, we made a series of investments in recent years, including a minority equity investment of approximately $23.5 million in BabyTree Inc. in January 2014, a minority equity investment of approximately $18.0 million in Minerva Project, Inc., or Minerva, in October 2014, and a minority equity investment of $15.0 million in Guokr Inc., or Guokr, in October 2014. These and other investments may need to be revalued or written down in the future.

In addition, we may be unable to identify appropriate acquisition or strategic investment targets when it is necessary or desirable to make such acquisition or investment to remain competitive or to expand our business. Even if we identify an appropriate acquisition or investment target, we may not be able to negotiate the terms of the acquisition or investment successfully, finance the proposed transaction or integrate the relevant businesses into our existing business and operations. Furthermore, as we often do not have control over the companies in which we only have minority stake, we cannot ensure that these companies always will comply with applicable laws and regulations in their business operations. Material non-compliance by our investees may cause substantial harms to our reputations and the value of our investment.

Seasonal and other fluctuations in our results of operations could adversely affect the trading price of our ADSs.

Our revenues and operating results may fluctuate as a result of seasonal variations in our business, principally due to changes in student enrollments. The fluctuations may result in volatility or have an adverse effect on the market price of our ADSs. In addition, comparisons of our operating results between different periods within a single financial year, or between same periods in different financial years, may not be meaningful and should not be relied upon as good indicators of our performance.

If we cannot obtain sufficient cash when we need it, we may not be able to meet our payment obligations under our convertible notes.

In May 2014, we issued $200 million in aggregate principal amount of 2.50% convertible senior notes due 2019. Additionally, we granted to the initial purchasers of the notes a 30-day option to purchase up to an additional $30 million in principal amount of notes. Upon the exercise of such option by certain initial purchasers, we issued an aggregate of $230 in aggregate principal amount of the notes. The notes bear interest at a rate of 2.50% per year, payable semiannually in arrears on May 15 and November 15 of each year, beginning on November 15, 2014. The notes will mature on May 15, 2019. Holders of the notes will have the right to require us to repurchase for cash all or part of their notes on May 15, 2017 or upon the occurrence of certain fundamental changes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. The notes are convertible into ADSs, at the option of the holders, in integral multiples of $1,000 principal amount at any time prior to the close of business on the second trading day immediately preceding the maturity date. We cannot assure you that we will have sufficient funds to pay the interest or repurchase price or fulfill other obligations under the notes.

We are a holding company with no material operations of our own. As a result, we rely upon dividends and other cash distributions paid to us by our subsidiaries to meet our payment obligations under the notes and our other obligations. Our subsidiaries are distinct legal entities and do not have any obligation, legal or otherwise, to provide us with dividends or other distributions. We may face tax or other adverse consequences, or legal limitations, on our ability to obtain funds from these entities.

In addition, our ability to obtain external financing in the future is subject to a variety of uncertainties, including:

- our financial condition, results of operations and cash flows;
- general market conditions for financing activities by internet companies; and
- economic, political and other conditions in China and elsewhere.

If we are unable to obtain funding in a timely manner or on commercially acceptable terms, we may not be able to meet our payment obligations under our convertible notes. If we fail to pay interest on the notes, we will be in default under the indenture governing the notes, which in turn may constitute a default under existing and future agreements governing our indebtedness.

We have limited liability insurance coverage and do not carry business disruption insurance.

We have limited liability insurance coverage for our students and their parents in all of our learning centers. A successful liability claim against us due to injuries suffered by our students or other people on our premises could materially and adversely affect our financial conditions, results of operations and reputation. Even if unsuccessful, such a claim could cause adverse publicity to us, require substantial cost to defend and divert the time and attention of our management. For more information, see "Item 3.D.—Key Information—Risk Factors—Risks Related to Our Business—Accidents or injuries suffered by our students or other people on our premises may adversely affect our reputation, subject us to liability and cause us to incur substantial costs." In addition, we do not have any business disruption insurance. Any business disruption event could result in substantial cost to us and diversion of our resources.

System disruptions to our websites or computer systems or a leak of student data could damage our reputation and limit our ability to retain students and increase student enrollment.

The performance and reliability of our websites and computer systems is critical to our reputation and ability to retain students and increase student enrollment. Any system error or failure, or a sudden and significant increase in online traffic, could disrupt or slow access to our websites. We cannot assure you that we will be able to expand our online infrastructure in a timely and cost-effective manner to meet the increasing demands of our students and their parents. In addition, our computer systems store and process important information including, without limitation, class schedules, registration information and student data and could be vulnerable to interruptions or malfunctions due to events beyond our control, such as natural disasters and technology failures. For instance, we have in the past experienced interruptions to our operations due to temporary computer system failures. Although we have a daily backup system that runs on different servers for our operating data, we may still lose important student data or suffer disruption to our operations if there is a failure of the database system or the backup system. In addition, computer hackers, foreign governments or cyber terrorists may attempt to penetrate our network security and our website. Unauthorized access to our proprietary business information or customer data may be obtained through break-ins, sabotage, breach of our secure network by an unauthorized party, computer viruses, computer denial-of-service attacks, employee theft or misuse, breach of the security of the networks of our third party providers, or other misconduct. Because the techniques used by computer programmers who may attempt to penetrate and sabotage our network security or our website change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. It is also possible that unauthorized access to customer data may be obtained through inadequate use of security controls by customers. We would suffer economic and reputational damages if a technical failure of our systems or a security breach compromises student data, including identification or contact information, although there has not been any compromise in the past. Any disruption to our computer systems could

therefore have a material adverse effect on our on-site operations and ability to retain students and increase student enrollments.

We face risks related to natural and other disasters, including outbreaks of health epidemics, and other extraordinary events, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural and other disasters, including earthquakes, fire, floods, environmental accidents, power loss, communication failures and similar events. Additionally, our business could be materially and adversely affected by the outbreak of H7N9 bird flu, H1N1 swine influenza, severe acute respiratory syndrome, or SARS, Ebola or another health epidemic. While we have not suffered any material loss or experienced any significant increase in costs as a result of any natural and other disaster or other extraordinary event, our student attendance and our business could be materially and adversely affected by any such occurrence in any of the cities in which we have major operations.

Failure to maintain effective internal controls over financial reporting could cause us to inaccurately report our financial result or fail to prevent fraud and have a material adverse effect on our business, results of operations and the trading price of our ADSs.

We are subject to the reporting obligations under U.S. securities laws. Section 404 of the Sarbanes-Oxley Act of 2002 and related rules require public companies to include a report of management on their internal control over financial reporting in their annual reports. This report must contain an assessment by management of the effectiveness of a public company's internal control over financial reporting. In addition, an independent registered public accounting firm for a public company must attest to and report on management's assessment of the effectiveness of the company's internal control over financial reporting. Our efforts to implement standardized internal control procedures and develop the internal tests necessary to verify the proper application of the internal control procedures and their effectiveness are a key area of focus for our board of directors, our audit committee and senior management.

Our management has concluded that our internal control over financial reporting was effective as of February 28, 2015, and our independent registered public accounting firm has issued an attestation report which concludes that our internal control over financial reporting was effective in all material aspects as of February 28, 2015. However, if we fail to maintain effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. Moreover, effective internal controls over financial reporting are necessary for us to produce reliable financial reports and are important to help prevent fraud. In addition, we need to continue to evaluate the consolidation of our VIEs and VIEs' subsidiaries and schools given the change in the ownership or voting power of the Company by the nominee shareholders of the VIEs. As a result, although we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to continue to comply with Section 404 and other requirements of the Sarbanes-Oxley Act of 2002, any failure to maintain effective internal controls over financial reporting could in turn result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ADSs.

We may be the subject of anti-competitive, harassing, or other detrimental conduct by third parties including anonymous allegations, negative blog postings, and the public dissemination of malicious assessments of our business that could cause us to incur significant time and costs to address these allegations, harm our reputation and adversely affect the price of our ADSs.

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes allegations, anonymous or otherwise, sent to our auditors and/or other third

parties regarding our operations, accounting, revenues, business relationships, business prospects and business ethics. Additionally, allegations, directly or indirectly against us, may be posted in internet chat-rooms or on blogs or any websites by anyone, whether or not related to us, on an anonymous basis. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, 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 anonymous allegations or malicious statements about our business, which in turn may adversely affect the price of our ADSs.

We have granted and will continue to grant restricted shares, share options and other share-based awards in the future, which may materially reduce our net income.

We adopted a share incentive plan in June 2010 that permits granting of options to purchase our Class A common shares, restricted shares, restricted share units, share appreciation rights, dividend equivalent rights and other instruments as deemed appropriate by the administrator under the plan. In August 2013, we amended and restated our 2010 Share Incentive Plan. Pursuant to the amended and restated 2010 Share Incentive Plan, the maximum aggregate number of Class A common shares that may be issued pursuant to all awards under our share incentive plan is equal to five percent (5%) of the total issued and outstanding shares as of the date of the amended and restated 2010 Share Incentive Plan. However, the shares reserved may be increased automatically if and whenever the unissued share reserve accounts for less than one percent (1%) of the total then issued and outstanding shares, so that after the increase, the shares unissued and reserved under this plan immediately after each such increase shall equal five percent (5%) of the then issued and outstanding shares. As of May 8, 2015, 13,877,146 non-vested restricted Class A common shares and 450,000 share options to purchase 450,000 Class A common shares under our share incentive plan previously granted to our employees, directors and consultants are outstanding. As a result of these grants and potential future grants under the plan, we have incurred and will continue to incur share-based compensation expenses. We had share-based compensation expenses of $8.3 million, $8.3 million and $18.4 million for the fiscal years ended February 28, 2013, 2014 and 2015, respectively. As of February 28, 2015, the unrecognized compensation expenses related to the non-vested restricted shares amounted to $123.9 million, which will be recognized over a weighted-average period of 4.3 years. Expenses associated with share-based compensation awards granted under our share incentive plan may materially reduce our future net income. However, if we limit the size of grants under our share incentive plan to minimize share-based compensation expenses, we may not be able to attract or retain key personnel.

Risks Related to Our Corporate Structure

If the PRC government determines that the agreements that establish the structure for operating our business in China are not in compliance 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 education services outside China. None of our offshore holding companies is an educational institution or provides education services. To comply with PRC laws and regulations, we have entered into a series of contractual arrangements among Beijing Century TAL Education Technology Co., Ltd., or TAL Beijing, on the one hand, and Xueersi Education, Xueersi Network, Beijing Dongfangrenli and their respective shareholders, subsidiaries and schools, on the other hand. We rely on the series of contractual arrangements among TAL Beijing, Xueersi Education, Xueersi Network, Beijing Dongfangrenli and their respective shareholders, subsidiaries and schools to conduct most of our services in China. We have been and are expected to continue to be dependent on our Consolidated Affiliated Entities in

China to operate our education business until we qualify for direct ownership of educational businesses in China. Pursuant to our contractual arrangements with our Consolidated Affiliated Entities, we, through our wholly owned subsidiaries in China, exclusively provide comprehensive intellectual property licensing, technical and business support services to our Consolidated Affiliated Entities in exchange for payments from them. In addition, we have entered into agreements with Xueersi Education, Xueersi Network, Beijing Dongfangrenli and each of their respective shareholders, which provide us with the ability to effectively control Xueersi Education, Xueersi Network, Beijing Dongfangrenli and their respective existing and future subsidiaries and schools, as applicable.

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, or MoC, 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, or an FIE. Under the draft Foreign Investment Law, variable interest entities would also be deemed as FIEs, 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 PRC 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 "Regulation—The Draft PRC Foreign Investment Law" and "—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

If the corporate structure and contractual arrangements through which we conduct our business in China are found to be in violation of any existing or future PRC laws or regulations, or such arrangements are determined as illegal and invalid by PRC courts, arbitration tribunals or regulatory authorities, or if we fail to obtain or maintain any of the required permits or approvals, we would be subject to potential actions by the relevant PRC regulatory authorities with broad discretion, which actions could include:

- revoke our business and operating licenses;
- require us to discontinue or restrict our operations;
- limit our business expansion in China by way of entering into contractual arrangements;
- restrict our right to collect revenues or impose fines;
- block our websites;
- require us to restructure our operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- impose additional conditions or requirements with which we may not be able to comply; or
- take other regulatory or enforcement actions against us that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. If any of these actions results in our inability to direct the activities of our Consolidated Affiliated Entities that most significantly impact their economic performance, and/or our failure to receive the economic benefits from our Consolidated Affiliated Entities, we may not be able to consolidate these entities in our consolidated financial statements in accordance with

U.S. GAAP. However, we do not believe that such actions would result in the liquidation or dissolution of our company, our wholly owned subsidiaries in China or our Consolidated Affiliated Entities.

We rely on contractual arrangements with our Consolidated Affiliated Entities for our PRC operations, which may not be as effective in providing operational control as direct ownership.

We have relied and expect to continue to rely on contractual arrangements with our Consolidated Affiliated Entities to operate our education business. For a description of these contractual arrangements, see "Item 4.C.—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities." These contractual arrangements may not be as effective in providing us with control over our Consolidated Affiliated Entities as direct ownership. If we had direct ownership of the Consolidated Affiliated Entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of these entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, we rely on the performance by our Consolidated Affiliated Entities and their respective shareholders of their obligations under the contracts to exercise control over and receive economic benefits from our Consolidated Affiliated Entities.

We have entered into equity pledge agreements with Xueersi Education, Xueersi Network and Beijing Dongfangrenli and their respective shareholders to guarantee the performance of the obligations of our Consolidated Affiliated Entities under the exclusive business cooperation agreements they have entered into with us. In the registration forms submitted to the local branch of the State Administration of Industry and Commerce, or the SAIC, for the pledges over the equity interests under the equity pledge agreements, the amount of registered equity interests pledged to TAL Beijing, our wholly owned subsidiary, was RMB10 million, RMB3 million and RMB1 million for Xueersi Education, Xueersi Network and Beijing Dongfangrenli, respectively, which represents 100% of their respective registered capital. The equity pledge agreements with the shareholders of the VIEs 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 the VIEs. 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.

In addition, we have not entered into agreements with our VIEs that pledge the assets of our Consolidated Affiliated Entities for the benefit of us or our wholly owned subsidiaries. Consequently, the assets of our Consolidated Affiliated Entities are not secured on behalf of our wholly owned subsidiary, and the amounts owed by our Consolidated Affiliated Entities are not collateralized. As a result, if our Consolidated Affiliated Entities fail to pay any amount due to us under, or otherwise breach, the exclusive business service agreements, we will not be able to directly seize the assets of our Consolidated Affiliated Entities. If the nominee shareholders of the VIEs do not act in the best interests of us when conflicts of interest arise, or if they act in bad faith towards us, they may attempt to cause the our Consolidated Affiliated Entities to transfer or encumber the assets of the Consolidated Affiliated Entities without our authorization. In such a scenario, we may choose to exercise our option under the call option agreements to demand the shareholders of the VIEs to transfer their respective equity interests in the VIEs to a PRC person designated by us, and we may need to resort to litigation in the PRC courts to effect such an equity interests transfer and prevent the transfer or encumbrance of the VIEs' assets without our authorization. However, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements.

Any failure by our VIEs or their respective shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business and financial condition.

If our VIEs or any of their respective subsidiaries or schools or any of their respective shareholders fails to perform its obligations under the contractual arrangements, we may have to incur substantial costs and resources to enforce our rights under the contracts, and rely on legal remedies under the PRC law, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. For example, if the shareholders of our VIEs were to refuse to transfer their equity interest in these entities to us or our designee when we exercise the call option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, we may have to take legal actions to compel them to perform their contractual obligations.

All the material agreements under our contractual arrangements, which are summarized under "Item 4.C.—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities", are governed by PRC law and provide for the resolution of disputes under the agreements through arbitration in Beijing. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in China is not as developed as 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. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected.

The legal owners of our VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The four legal owners of Xueersi Education and Xueersi Network are Mr. Bangxin Zhang, Mr. Yachao Liu, Mr. Yunfeng Bai and Mr. Yundong Cao, and the three legal owners of Beijing Dongfangrenli are Mr. Zhang, Mr. Liu and Mr. Bai. Mr. Zhang, Mr. Liu and Mr. Bai are shareholders and directors or officers of TAL Education Group. Mr. Cao is a beneficial owner of TAL Education Group. Mr. Zhang is a director of TAL Education Group. Mr. Liu is a director of Beijing Dongfangrenli. The interests of Mr. Zhang, Mr. Liu, Mr. Bai and Mr. Cao as beneficial owners of the VIEs may differ from the interests of our company as a whole, since these parties' respective equity interests in the VIEs may conflict with their respective equity interests in our company.

We cannot assure you that when conflicts of interest arise, any or all of these individuals will act in the best interests of our company or such conflicts will be resolved in our favor. In addition, these individuals may breach, or cause our Consolidated Affiliated Entities to breach, or refuse to renew, the existing contractual arrangements we have with them and our Consolidated Affiliated Entities. In June 2013, we entered into a deed of undertaking with Mr. Zhang, which prevents Mr. Zhang from using his majority voting power to remove, replace or appoint any of our directors, and from casting any votes he has as our director or shareholder on any resolutions or matters concerning the deed itself. The deed is irrevocable, and applies to any and all periods during which Mr. Zhang beneficially owns share representing more than 50% of the aggregate voting power of our then total issued and outstanding shares. However, there can be no assurance that such arrangement is sufficient to address potential conflicts of interests Mr. Zhang may encounter. Other than this deed of undertaking we have entered into with Mr. Zhang, we currently do not have any arrangements to address potential conflicts of interest Mr. Zhang, Mr. Liu, Mr. Bai and Mr. Cao may encounter in their capacity as nominee shareholders of the VIEs (and, as applicable, as directors of the VIEs), on the one hand, and as

beneficial owners of our company (and, as applicable, director and/or officers of our company), on the other hand. To a large extent, we rely on the legal owners of the VIEs to abide by the laws of the Cayman Islands and China, which provide that directors and officers owe a fiduciary duty to our company that requires them to act in good faith and in the best interests of our company and not to use their positions for personal gains. If we cannot resolve any conflict of interest or dispute between us and these individuals, 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 corporate chops or 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 chops must be approved by the responsible departments and follow our internal procedure.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Our designated legal representatives generally do not have access to the chops. Although we monitor such employees and the designated legal representatives, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees or designated legal representatives could abuse their authority, for example, by binding the relevant subsidiary or Consolidated Affiliated Entity with contracts against our interests, as we would be obligated to honor these contracts if the other contracting party acts in good faith in reliance on the apparent authority of our chops or signatures of our legal representatives. If any designated legal representative obtains control of the chop in an effort to obtain control over the relevant entity, we would need to have a shareholder or board resolution to designate a new legal representative and to take legal action to seek the return of the chop, apply for a new chop with the relevant authorities, or otherwise seek legal remedies for the legal representative's violation of the duties to us.

If any of the authorized employees or designated legal representatives obtain and misuse or misappropriate 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 Consolidated Affiliated Entities may be subject to significant limitations on their ability to operate private schools or make payments to related parties, or otherwise be materially and adversely affected by changes in PRC laws governing private education providers.

The principal regulations governing private education in China are The Law for Promoting Private Education and The Implementation Rules for The Law for Promoting Private Education. Under these regulations, a private school may elect to be a school that does not require reasonable returns or a

school that requires reasonable returns. At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of 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. 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 clear requirements or restrictions on a private school's ability to operate its education business based on such school's status as one that does or does not require reasonable returns.

Our schools are registered as schools that require reasonable returns in some cities and as schools that do not require reasonable returns in others. As of the date of this annual report, we have 37 affiliated schools, among which 14 have elected not to require reasonable returns and the remaining 23 have elected to require reasonable returns. The respective sponsor of each school will make such election and determine the amounts to be allocated to each school's development fund in accordance with PRC laws and regulations. We do not believe that the election to be a school that does or does not require reasonable returns will affect amounts that may be distributed to us by means of different fee payments such as service fees. As a holding company, we rely on dividends and other distributions from our PRC subsidiaries, including TAL Beijing. TAL Beijing and its designated affiliates are entitled to receive service fees from the schools according to the relevant exclusive business cooperation agreements. We do not believe that TAL Beijing and its designated affiliates' right to receive the service fees from the schools will be affected by such election, but if our judgment turns out to be incorrect, TAL Beijing and our other PRC subsidiaries' ability to make distributions or pay dividends to us may be materially and adversely impacted. If a school elects to be a school that does not require reasonable return but in fact pays reasonable return to its sponsor, in extreme cases, PRC government authorities have the right to suspend the operations of the relevant school and suspend student enrollment and perhaps even to de-register the operating permits of such schools altogether, which may materially and adversely impact our business, financial condition and results of operations.

Contractual arrangements our subsidiaries have entered into with our Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities and a finding that we or our Consolidated Affiliated Entities 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 within ten years after the taxable year when the transactions are conducted. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between our wholly owned subsidiaries in China and our Consolidated Affiliated Entities do not represent an arm's-length price and consequently adjust our Consolidated Affiliated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Consolidated Affiliated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our Consolidated Affiliated Entities for unpaid taxes. Our consolidated net income may be materially and adversely affected if our Consolidated Affiliated Entities' tax liabilities increase or if they are subject to late payment fees or other penalties.

If any of our PRC subsidiaries or Consolidated Affiliated Entities becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy certain important 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.

We currently conduct our operations in China mainly through contractual arrangements with our Consolidated Affiliated Entities. As part of these arrangements, our Consolidated Affiliated Entities hold operating permits and licenses and some of the assets that are important to the operation of our business. If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations.

We do not have priority pledges and liens against the assets of our Consolidated Affiliated Entities. As a contractual and property right matter, this lack of priority pledges and liens has remote risks. If any of our Consolidated Affiliated Entities 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 the assets. If any of our Consolidated Affiliated Entities 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 the entity to our PRC subsidiaries under the applicable service agreements.

In the event that the shareholders of any of our VIEs initiates a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of the relevant VIE 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

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions in a civil law system may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always consistent, and enforcement of these laws, regulations and rules involve uncertainties, which may limit the available legal protections. In addition, the PRC administrative and court authorities have significant discretion in interpreting and implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we may enjoy in China than under some more developed legal systems. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith and may affect our ability to enforce our contractual or tort rights. In addition, the regulatory uncertainties may be exploited through unmerited legal actions or threats in an attempt to extract payments or benefits from us. Such uncertainties may therefore increase our operating expenses and costs, and materially and adversely affect our business and results of operations.

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

The MoC 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 MoC is currently soliciting comments on this draft and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the draft 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, or an FIE. The draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MoC, 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, market entry clearance by the MoC 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.

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 "*Risks Related to Our Corporate Structure.*" 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.

Through our dual-class share structure, Mr. Bangxin Zhang, a PRC citizen, possesses and controls 74.2% of the voting power of our company. 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 is soliciting comments from the

public on this point. Moreover, it is uncertain whether the industries in which our variable interest entities operate will be subject to the foreign investment restrictions or prohibitions set forth in the "negative list" to be issued. If the enacted version of the Foreign Investment Law and the final "negative list" mandate further actions, such as the MoC market entry clearance, to be completed by companies with existing VIE structure like us, we face uncertainties as to whether such clearance can be timely obtained, or at all.

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 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. 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.

Uncertainties with respect to PRC regulatory restrictions on after-school services could have a material adverse effect on us.

In 2009, the MoE, together with a few other PRC government agencies, issued implementation rules on administration of education-related fee collection, which provide, among other things, that schools that are part of the compulsory education system are not allowed to charge students additional fees for any type of after-school tutoring classes, and that public schools and their teachers, whether or not in cooperation with private schools, are prohibited from offering any type of after-school tutoring or training classes for a fee outside the school. Private schools, which are not part of the compulsory education system, generally are permitted to offer after-school tutoring services pursuant to their private school operating permits issued by the relevant PRC government authorities pursuant to the Law for Promoting Private Education and implementation rules promulgated thereunder. However, several provincial government agencies issued notices or rules applicable in their respective provinces expressly prohibiting even private schools from offering after-school tutoring classes to primary and secondary school students. Among the areas where we offer after-school tutoring services, local governments in Shanghai and Tianjin issued notices in 2004 and 2005, respectively, prohibiting private schools from offering after-school tutoring services to primary and secondary school students. Nevertheless, we are not aware of any instances in Shanghai or Tianjin where the government authorities took actions enforcing the aforementioned notices; nor have we received any notices, warnings or inquiries from these government authorities with respect to our tutoring services. In February 2013, the Beijing Municipal Education Commission issued a Notice on Reducing Schoolwork-Related Stress on Students in Primary and Secondary Schools, which, among other things, strictly prohibits private schools from offering after-school tutoring classes to primary and secondary school students. This notice came into effect in March 2013, but due to its relatively new status, there are uncertainties pertaining to its implementation. The aforementioned notices do not provide any monetary penalties for violations and thus we are not able to quantify the penalties that we may be subject to if we are deemed not to be in compliance with these notices. We are not aware of any imminent risks in connection with the aforementioned notices. However, since PRC regulatory authorities have significant discretion in interpreting and implementing rules and regulations and that regulatory enforcements can be inconsistent, we cannot assure you that we will not in the future be subject to the above mentioned regulations, fined or otherwise penalized by government authorities for offering such classes, in which case our business and operations could be materially and adversely affected.

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. 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 tutoring services in China; failure to comply with these requirements may materially and 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 operate our tutoring service business. For instance, a duly approved private school will be granted a private school operating permit, and shall be registered with the Ministry of Civil Affairs or its local branches as a privately run non-enterprise institution. In addition, learning centers of schools must make filings with the MoE or its local branches. As of the date of this annual report, we have 289 learning centers in operation, of which 198 learning centers offer Xueersi Peiyou small-class tutoring services and four learning centers offer Mobby small-class tutoring services. Among the 202 learning centers, 37 learning centers have not completed filing requirements for permits or registrations. These 37 learning centers in the aggregate accounted for 8.8% of our total net revenues for the fiscal year ended February 28, 2015. 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.

We are in the process of preparing filings and applying for permits for these learning centers but do not expect to complete all such filings and obtain all such permits in the near term. We have been taking steps to meet these requirements, but there is no assurance that our efforts will result in full compliance given the significant amount of discretion PRC government authorities have in interpreting, implementing and enforcing rules and regulations and due to other factors beyond our control. For example, Shenzhen Municipal Education Bureau ceased accepting applications for the establishment of new private schools between the year of 2006 and December 7, 2010. While we were preparing the application to the Shenzhen educational authorities for the operating permits in Shenzhen, two of our learning centers received notices from the local city administrative departments in March 2012 which required us to obtain the operating permits before we could continue our business in Shenzhen. We later received the private school operating permit for our school in Shenzhen from Shenzhen Municipal Education Bureau in August 2013 and completed the registration with the Shenzhen City Civil Affairs Office in November 2013. For the ten Xueersi Peiyou learning centers operated by our school in Shenzhen, we have completed the required registration with the Shenzhen Municipal Education Bureau.

We have been making efforts to ensure compliance with applicable rules and regulations in establishing new learning centers, as well as to remediate non-compliances relating to our existing learning centers. In addition, our business and legal teams follow an internal guideline to make necessary filings and obtain necessary permits for new learning centers on a timely basis, and final business decisions are made taking into account the business and legal risks and uncertainties in our

expansion plan. However, if we fail to comply with the applicable legal requirements concerning obtaining and maintaining applicable licenses and permits and fulfilling applicable registration and filing requirements to operate our after-school tutoring business, including any failure to cure non compliances in a timely manner, 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.

If the relevant PRC regulatory authorities subsequently determine that personalized premium services must be operated through schools or for-profit training institutions that meet certain legal requirements, our personalized premium services business would be exposed to increased risks, which may materially and adversely affect our business and results of operations.

Substantially all of the personalized premium services we offer in Beijing are offered through Beijing Huanqiu Zhikang Shidai Education Consulting Co., Ltd., or Huanqiu Zhikang, and Zhixuesi Education Consulting (Beijing) Co., Ltd., Zhixuesi Beijing, our wholly owned subsidiaries, both of which are foreign-invested companies under PRC laws. Huanqiu Zhikang and Zhixuesi Beijing together with their branches have obtained business licenses from the Beijing branch of the SAIC, expressly permitting them to conduct "educational consulting services," which we believe covers our personalized premium services in Beijing and are not under the jurisdiction of the Beijing Municipal Education Commission based on telephone inquiries we and our PRC counsel have made to the Beijing Municipal Education Commission. For the fiscal year ended February 28, 2015, revenues from the personalized premium services of Huanqiu Zhikang and Zhixuesi Beijing contributed approximately 9.4% of our total net revenues.

In cities other than Beijing, a significant portion of our personalized premium services is offered through the subsidiaries of our VIEs, and most of these subsidiaries have obtained business licenses from the local branch of the SAIC permitting them to conduct consulting services. However, some of the subsidiaries of our VIEs have not obtained business licenses and a few learning centers which engage in personalized premium services have not obtained operating permits that meet regulatory requirements. For example, Shanghai local educational authority and Shanghai branch of the SAIC published provisional measures in June 2013 regarding the registration and management of for-profit educational institutions to provide the conditions and procedures for setting up for-profit private training institutions in the form of a company and further clarify that other types of companies shall not carry out educational consulting or one-on-one services. These provisional measures became effective on July 20, 2013 and will be in force for two years. We offered personalized premium services in some districts in Shanghai through companies with their business license not permitting them to conduct such consulting services and we have not yet set up companies in Shanghai to meet regulatory requirements in accordance with the aforementioned rules. In addition, five learning centers in Xi'an are operated by a subsidiary of a VIE without the scope of "educational consulting services" for the fiscal year ended February 28, 2015, revenues from the personalized premium services of such subsidiaries of our VIEs in Shanghai and Xi'an contributed approximately 1.4% of our total net revenues.

We believe that our personalized premium services fall within the scope of "for-profit training activities" and are not "educational activities" that must be under the jurisdiction of the educational authorities and thus offered through schools or educational institutions. However, the differences between "educational activities," on the one hand, and "for-profit training activities" and "educational consulting services," on the other hand, remain unclear under applicable PRC laws and regulations. The Law for Promoting Private Education provides that "educational activities," which are required to be conducted through schools or educational institutions, shall be regulated by the MoE whereas "for-profit training activities" shall be regulated by the SAIC in accordance with separate regulations to be issued by the State Council. To date, the State Council has not promulgated any regulations with respect to "for-profit training activities." In July 2010, the MoE issued the National Guidance on Mid-

to Long-term Education Reform and Development, which is the first guidance expressly encouraging the applicable PRC government authorities to classify, through implementing rules or regulations, activities as "for-profit training activities" to be conducted only by for-profit entities or "non-profit training or educational activities" to be conducted only by certain schools. However, to date, the SAIC and the MoE have not issued any such rules or regulations, and in practice, regulators in different local jurisdictions may still have different views and administrative policies on one-on-one tutoring activities. Therefore, we cannot be certain that the relevant government authorities will reach the same conclusion in the future as we have that our personalized premium services fall within the scope of "for-profit training activities" and are not "educational activities."

If the relevant PRC regulatory authorities subsequently determine that our personalized premium services must be operated through schools or educational institutions, as opposed to through companies, or if the local branch of the SAIC subsequently determines that our personalized premium services must be operated through companies that hold business licenses to cover for-profit training services or educational consulting services, we may be required to restructure our operations to offer personalized premium services through the schools owned by our VIEs. We may also be subject to fines of up to RMB100,000 for each of our subsidiaries that offers personalized premium services, suspension of our personalized premium services or other penalties, which may materially and adversely affect our business and results of operations.

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.

All of our business operations are conducted in China and all of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The economy in China differs from the economies of most developed countries in many respects, including the degree of government involvement, level of development, growth rate, control of foreign exchange and currency conversion, access to financing and allocation of resources.

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.

A severe or prolonged downturn in the global or PRC economy could materially and adversely affect our business and our financial condition.

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 PRC economy since 2012. 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. There have also been concerns over unrest in Ukraine, the Middle East and Africa, which have resulted in volatility in oil and other markets. In addition, there have been concerns about the territorial disputes involving China in Asia and the economic effects. Economic conditions in China are sensitive to global economic conditions. Although the PRC economy has grown significantly in the past decade, that growth may not continue, as evidenced by the slowing of the growth of the PRC economy since 2012. Any severe or

prolonged slowdown in the PRC economy may materially and adversely affect our business, results of operations and financial condition. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

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

The economy of China has been experiencing increases in labor costs in recent years. The overall economy and the average wage in China are expected to continue to grow. The average wage level for our employees has increased in recent years. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. It is up to the relevant government agencies to determine whether an employer has made adequate payments of the requisite statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our students by increasing prices for our services or improving the utilization of our teachers and our staff, our profitability and results of operations may be materially and adversely affected.

We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could limit our ability to pay dividends to holders of our ADSs and common shares.

We are a holding company and conduct substantially all of our business through our operating subsidiaries and Consolidated Affiliated Entities. We may rely on dividends paid by our subsidiaries for our cash needs, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. In particular, regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. PRC companies are also required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to their statutory surplus reserves until the accumulative amount of such reserves reaches 50% of their registered capital. These reserves are not distributable as cash dividends. Furthermore, if our subsidiaries and Consolidated Affiliated Entities in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. 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. In addition, PRC companies may allocate a portion of their after-tax profit to their staff welfare and bonus fund at the discretion of their boards of directors. Our PRC subsidiaries and Consolidated Affiliated Entities historically have not allocated any of their after-tax profits to staff welfare and bonus funds, since there is no legal requirement to do so, but they may nevertheless decide to set aside such funds in the future. There is no maximum amount of after-tax profit that a company may contribute to such funds. Moreover, each of our affiliated schools is required to allocate certain amount of profits to its development fund for the construction or maintenance of school facilities or procurement or upgrade of educational equipment at the end of each fiscal year. See "Item 4.B. Information on the Company—Business Overview—PRC Regulation—Regulations on Private Education—The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" for a discussion on the requirements for private schools to make allocations to school development funds. Any direct or indirect limitation on the ability of our PRC subsidiaries to distribute dividends and other distributions to us could materially and adversely limit our ability to make investments or acquisitions at the holding company level, pay dividends or otherwise fund and conduct our business.

PRC laws and regulations may limit the use of the proceeds we received from our initial public offering or other financing activities for our investment or operations in China.

In utilizing the proceeds we received from our initial public offering in October 2010 or from other financing activities, such as the offering of convertible senior notes in May 2014, as an offshore holding company with PRC subsidiaries, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries or our VIEs, or (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- capital contributions to our subsidiaries in China, whether existing ones or newly established ones, must be approved by the MoC or its local branches and must also be registered with the State Administration of Foreign Exchange, or SAFE, or its local branches;
- loans by us to our 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 SAFE or its local branches; and
- loans by us to our Consolidated Affiliated Entities, which are domestic PRC entities, must be approved by the National Development and Reform Commission and must also be registered with the SAFE or its local branches.

In addition, on August 29, 2008, the SAFE promulgated a notice regulating the conversion by a foreign-invested company of its capital contribution in foreign currency into Renminbi, or SAFE Circular 142, which requires that RMB converted from foreign currency-denominated capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the relevant government authority and may not be used to make equity investments in China, unless specifically provided otherwise. Moreover, the approved use of such RMB funds may not be changed without approval from the SAFE. RMB funds converted from foreign exchange may not be used to repay loans in RMB if the proceeds of such loans have not yet been used. Any violation of SAFE Circular 142 may result in severe penalties, including substantial fines. 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. On March 30, 2015, the 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. Although SAFE Circular 142 will be abolished once SAFE Circular 19 becomes effective on June 1, 2015, the foregoing rules have been retained in SAFE Circular 19.

Furthermore, the SAFE promulgated a circular on November 9, 2010, or SAFE Circular 59, which, among other things, requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents, or otherwise approved by the board of directors. For example, as we apply with the SAFE to convert the proceeds from the issuance of convertible senior notes into RMB funds for use of such funds in China, they need to be used in accordance with the offering documents of the notes, or when the proposed use of the proceeds is inconsistent with what is set forth in the offering documents, we need to submit the board resolution in relation to such proposed use of proceeds to the SAFE and the settlement of foreign exchange for such use of proceeds shall comply with the PRC regulations in relation to foreign exchange.

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. The actual time taken, however, 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, with respect to our future plans to use the U.S. dollar proceeds we receive from offshore offerings for our investment and operations in China. If we fail to receive such registrations or approvals, our ability to use the proceeds of offshore offerings and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners to personal liability and limit our ability to acquire PRC companies or to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute profits to us, or otherwise materially and adversely affect us.

The Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Circular 75, requires PRC residents to register with the relevant local branch of the SAFE before establishing or controlling any company outside China, referred to as an offshore special purpose company, for the purpose of raising funds from overseas to acquire or exchange the assets of, or acquiring equity interests in, PRC entities held by such PRC residents and to update such registration in the event of any significant changes with respect to that offshore company. The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced SAFE Circular 75. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions.

We believe that all of our shareholders who are PRC citizens or residents have completed their required registrations with the SAFE in accordance with SAFE Circular 75 prior to, and immediately after, the completion of our initial public offering in October 2010. Our shareholders who are PRC citizens or residents have make the necessary applications, filings and amendments required by the SAFE to reflect the establishment of some new subsidiaries, name changes to some of our subsidiaries and changes to their shareholding. However, we may not at all times be fully aware or informed of the identities of all of our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with rules and requirements of the SAFE; nor can we ensure you that their registrations, if they choose to apply, will be successful. The failure or inability of

our PRC resident beneficial owners to make any required registrations or comply with these requirements may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans to our PRC operations, limit our PRC subsidiary's ability to pay dividends or otherwise distribute profits to us, or otherwise materially and adversely affect us.

The M&A rules establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

On August 8, 2006, six PRC regulatory agencies, namely the MoC, the State Assets Supervision and Administration Commission, the State Administration of Taxation, or the SAT, the SAIC, the China Securities Regulatory Commission, or CSRC, and the SAFE, jointly adopted regulations, commonly referred to as the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that the MoC be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC 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 MoC, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

The discontinuation of any of the preferential tax treatments currently available to us in China could adversely affect our overall results of operations.

Under the PRC Enterprise Income Tax Law, or the EIT Law, an enterprise qualified as a High and New Technology Enterprise is entitled to a preferential tax rate of 15%. The status of High and New Technology Enterprise may be retained subject to annual re-examination. From January 1, 2011, Xueersi Education was eligible for retention of High and New Technology Enterprise status and therefore was entitled to a preferential tax rate of 15% until the end of calendar year 2013. From January 1, 2014, Xueersi Education was again eligible for retention of High and New Technology Enterprise status, and is therefore entitled to a preferential tax rate of 15% until the end of calendar year 2016. Our wholly owned subsidiary, TAL Beijing, was qualified as a Newly Established Software Enterprise under the EIT Law and therefore entitled to a two-year exemption from the enterprise income tax from calendar year 2009 to 2010 and a further tax reduction to 50% of the applicable rate from calendar year 2011 to 2013. Moreover, TAL Beijing was qualified as a High and New Technology Enterprise from January 1, 2014, and is therefore entitled to a preferential tax rate of 15% from calendar year 2014 to 2016. Our wholly owned subsidiary, Yidu Huida Education Technology (Beijing) Co., Ltd., or Yidu Huida, was qualified as a Newly Established Software Enterprise under the EIT law, and therefore entitled to a two-year exemption from the enterprise income tax from calendar year 2011 to 2012 and enjoys a further tax reduction to 50% of the applicable rate from calendar year 2013 to 2015. Our wholly owned subsidiary, Beijing Xintang Sichuang Education Technology Co., Ltd., or Beijing Xintang Sichuang, was also qualified as a Newly Established Software Enterprise under the EIT Law and was therefore entitled to a two-year exemption from the enterprise income tax from calendar year 2013 to 2014 and enjoys a further reduction to a tax rate of 12.5% from calendar year 2015 to 2017.

We cannot assure you, however, that the tax authorities will not in the future change their position on our preferential tax treatments or that our subsidiaries and Consolidated Affiliated Entities will be able to pass their respective annual re-examination and obtain preferential tax treatment. Further, the preferential tax treatments granted to us by government authorities may be adjusted or revoked at any time in the future. The discontinuation of any preferential tax treatments currently available to us will

cause our effective tax rate to increase, which will increase our income tax expenses and in turn decrease our net income.

Under the EIT Law, we may be classified as a PRC "resident enterprise". Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the EIT Law, an enterprise established outside China with "de facto management body" within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a PRC enterprise for enterprise income tax purposes, although the dividends paid to one resident enterprise from another may be qualified as "tax-exempt income." The implementing rules of the EIT Law define de facto management as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the SAT 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 all of the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function are mainly in China; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in China; and (iv) at least half of the enterprise's directors with voting right or senior management reside in China.

In addition, the SAT issued a bulletin on August 3, 2011, effective as of September 1, 2011, to provide more guidance on the implementation of the above circular. The bulletin clarified certain matters relating to resident status determination, post-determination administration and competent tax authorities. It also specifies that when provided with a copy of a PRC tax resident determination certificate from a resident PRC-controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the PRC-sourced dividends, interest and royalties to the PRC-controlled offshore incorporated enterprise. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. We believe that none of our offshore holding companies should be treated as a "resident enterprise" for PRC tax purposes. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue. If the PRC tax authorities determine that any of our offshore holding companies are "resident enterprises" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules, dividend income between qualified resident enterprises is a "tax-exempt income," we cannot guarantee that dividends paid to TAL Education Group from our PRC subsidiaries through TAL Holding Limited, or TAL Hong Kong, or dividends paid from our PRC subsidiaries to Yidu Technology Group, which is incorporated in the Cayman Islands, through Yidu Technology Group Limited, which is incorporated in Hong Kong, would qualify as "tax-exempt income" and will not be subject to withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as "resident enterprises" for PRC enterprise income tax purposes. Finally, the "resident enterprise" classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC enterprise

shareholders and with respect to gains derived by our non-PRC and enterprise shareholders from transferring our notes, shares or ADSs, if such income is considered PRC-sourced income by the relevant PRC authorities. This could have the effect of increasing 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. In addition to the uncertainties regarding how the "resident enterprise" classification may apply, it is also possible that the rules may change in the future, possibly with retroactive effect.

Dividends we receive from our operating subsidiaries located in China may be subject to PRC withholding tax.

Pursuant to the Arrangement between the PRC and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, dividends declared after January 1, 2008 and distributed to our Hong Kong subsidiaries by our PRC subsidiaries are subject to withholding tax at a rate of 5%, provided that our Hong Kong subsidiaries are deemed by the relevant PRC tax authorities to be "non-PRC resident enterprises" under the EIT Law and hold at least 25% of the equity interest of our PRC subsidiaries. The SAT promulgated the Notice on How to Understand and Determine the Beneficial Owners in Tax Agreement on October 27, 2009, or SAT Circular 601, which provides guidance for determining whether a resident of a jurisdiction with tax treaties with China is the "beneficial owner" of an item of income under PRC tax treaties and tax arrangements. According to SAT Circular 601, a beneficial owner generally must engage in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. A conduit company normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. Although we may use our Hong Kong subsidiaries as a platform to expand our business in the future, our Hong Kong subsidiaries currently do not engage in any substantive business activities and thus it is possible that our Hong Kong subsidiaries may not be regarded as "beneficial owners" for the purposes of SAT Circular 601 and the dividends they receive from our PRC subsidiaries would be subject to withholding tax at a rate of 10%.

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 SAT Circular 698, issued by the SAT on December 10, 2009, where a foreign investor transfers the equity interests of a 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 (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report the indirect transfer to the competent tax authority. The PRC tax authority will examine the true nature of the indirect transfer, and if the tax authority considers that the foreign investor has adopted an "abusive arrangement" in order to avoid PRC tax, it may disregard the existence of the overseas holding company and re-characterize the indirect transfer and as a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10%.

On February 6, 2015, the SAT issued 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 SAT Bulletin 7, which terminated the aforementioned articles of SAT Circular 698. Pursuant to SAT Bulletin 7, where a non-resident enterprise indirectly transfers properties such as equity in PRC resident enterprises without any justifiable business purposes and aiming to avoid the payment of enterprise income tax, such indirect transfer must be reclassified as a direct transfer of equity in PRC resident enterprise. To assess whether an indirect transfer of PRC taxable properties has

reasonable commercial purposes, all arrangements related to the indirect transfer must be considered comprehensively and factors set forth in SAT Bulletin 7 must be comprehensively analyzed in light of the actual circumstances. SAT Bulletin 7 also provides that, where a non-PRC resident enterprise transfers its equity interests in a 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.

There is little practical experience regarding the application of SAT Bulletin 7 because it was newly issued in February 2015. During the effective period of SAT Circular 698, some intermediary holding companies were actually looked through by the PRC tax authorities, and consequently the non-PRC resident investors were deemed to have transferred the PRC subsidiaries and PRC corporate taxes were assessed accordingly. It is possible that we or our non-PRC resident investors may become at risk of being taxed under SAT Bulletin 7 and may be required to expend valuable resources to comply with SAT Bulletin 7 or to establish that we or our non-PRC resident investors should not be taxed under SAT Bulletin 7, which may have an adverse effect on our financial condition and results of operations or such non-PRC resident investors' investment in us.

We face risks and uncertainties with respect to the licensing requirement for Internet audio-video programs.

On December 20, 2007, the State Administration of Radio, Film and Television, or SARFT (which was merged with the General Administration of Press and Publication in 2013 to form the State Administration of Press, Publication, Radio, Film and Television, or SAPPRFT), and the Ministry of Information Industry, or MII (which was superseded in 2008 by the Ministry of Industry and Information Technology, or MIIT), issued the Administrative Measures Regarding Internet Audio-Video Program Services, or the Internet Audio-Video Program Measures, which became effective on January 31, 2008. 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 the SARFT or SAPPRFT (as applicable) or the relevant local branches or completing the relevant registration with the SARFT or SAPPRFT (as applicable) or the relevant local branches, and only entities wholly owned or controlled by the PRC government may engage in the production, editing, integration or consolidation, and transmission to the public through the Internet, of audio-video programs, or the provision of audio-video program uploading and transmission services. On February 3, 2008, the SARFT and the MII jointly held a press conference in response to inquiries related to the Internet Audio-Video Program Measures, during which the SARFT and the MII officials indicated that providers of audio-video program services established prior to the promulgation date of the Internet Audio-Video Program Measures that do not have any regulatory non-compliance records can re-register with the relevant government authorities to continue their current business operations. After the conference, the two authorities published a press release that confirmed the above guidelines. There are still significant uncertainties relating to the interpretation and implementation of the Internet Audio-Video Program Measures, in particular, the scope of Internet Audio-Video Programs.

Furthermore, on April 1, 2010, the SARFT promulgated the Test Implementation of the Tentative Categories of Internet Audio-Visual Program Services, or the Categories, which clarified the scope of Internet audio-video programs services. According to the Categories, there are four categories of Internet audio-visual program services which are further divided into seventeen sub-categories. The third sub-category to the second category covers the making and editing of certain specialized audio-video programs concerning, among other things, educational content, and broadcasting such content to the general public online.

We began offering online courses in 2010 *www.xueersi.com*, and in the fiscal years ended February 28, 2013, 2014 and 2015, revenues derived from audio-video program services offered through

www.xueersi.com that may be subject to the Audio-Video Program Measures were 3.1%, 3.0% and 3.6%, respectively, of our total net revenues. In the course of offering online tutoring services, we transmit our audio-video educational courses and programs through the Internet only to enrolled students, not to the general public. The limited scope of our audience distinguishes us from general online audio-video broadcasting companies, such as companies operating user-generated content websites. In addition, we do not provide audio-video program uploading and transmission services. As a result, we believe that we are not subject to the Internet Audio-Video Program Measures. However, there is no further official or publicly available interpretation of these definitions, especially the scope of Internet audio-video program service. If the government authorities determine that our provision of online tutoring services falls within the Internet Audio-Video Program Measures, we may not be able to obtain the License for Disseminating Audio-Video Programs through Information Network. If this occurs, we may become subject to significant penalties, fines, legal sanctions or an order to suspend our use of audio-video content.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

Substantially all of our revenues and costs are denominated in RMB. The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in PRC political and economic conditions and PRC foreign exchange policies. The conversion of Renminbi into foreign currencies, including U.S. dollar, is based on 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. As a consequence, the Renminbi fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. After June 2010, the Renminbi began to appreciate against the U.S. dollar again, although there have been some periods when it has depreciated against the U.S. dollar, as it did for example during 2014. 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.

To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our common shares or ADSs, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

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

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

The PRC government imposes controls on the convertibility between the Renminbi and foreign currencies and, in certain cases, the remittance of currency out of China. Under our current corporate structure, our income will be primarily derived from a share of the earnings from our PRC subsidiaries. Revenues of our PRC subsidiaries are all denominated in RMB. Shortages in the availability of foreign currency may restrict the ability of our PRC 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 the SAFE by complying with certain procedural requirements. However, for any PRC company, dividends can be declared and paid only out of the retained earnings of that company under PRC law. Furthermore, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. Specifically, under the existing exchange restrictions, without a prior approval of the SAFE, cash generated from the operations of our subsidiaries in China may be used to pay dividends by our PRC subsidiaries to TAL Education Group through our Hong Kong subsidiaries and pay employees of our PRC subsidiaries who are located outside China in a currency other than the Renminbi. With a prior approval from the SAFE, cash generated from the operations of our PRC subsidiaries and Consolidated Affiliated Entities may be used to pay off debt in a currency other than the RMB owed by our subsidiaries and Consolidated Affiliated Entities to entities outside China, and make other capital expenditures outside China in a currency other than the Renminbi. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

The 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 SEC, as auditors of companies that are traded publicly in the United States and a firm registered with the United States Public Company Accounting Oversight Board, or 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 China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other 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 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.

Employee participants in our share incentive plan who are PRC citizens may be required to register with the SAFE. We also face regulatory uncertainties in China that could restrict our ability to grant restricted shares or share options to our employees who are PRC citizens.

To implement the Administrative Rule on Foreign Exchange Matters of Individuals promulgated by the People's Bank of China and its related implementing rule provided by the SAFE, on March 28, 2007, the SAFE issued the Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Incentive Plan and Stock Option Plan of An Overseas Listed

Company, or SAFE Circular 78. For any plans adopted by an overseas listed company that are covered by SAFE Circular 78, it requires the employee participants who are PRC citizens to register, through a PRC agent or PRC subsidiary of the overseas listed company, with the SAFE or its local branch. In addition, SAFE Circular 78 also requires the employee participants who are PRC citizens to follow a series of requirements, including applications for foreign exchange purchase quotas, opening of special bank accounts and filings with the SAFE or its local branch before they exercise their stock options. On January 7, 2008, the SAFE issued Notice on Relinquishing Power of Approving the First-time Application of Foreign Exchange Purchase Quotas, Opening of Special Bank Accounts. According to this notice, the local SAFE branches at provincial level have the authority to approve certain foreign exchange transactions in connection with equity compensation plans or incentive plans.

Pursuant to the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in a Stock Incentive Plan of an Overseas Publicly-Listed Company issued by the SAFE on February 15, 2012, or SAFE Circular 7, which terminated both SAFE Circular 78 and the Notice on Relinquishing Power of Approving the First-time Application of Foreign Exchange Purchase Quotas, Opening of Special Bank Accounts issued by the SAFE on January 7, 2008, a qualified PRC agent (which could be the PRC subsidiary of the overseas-listed company) is required to file, on behalf of "domestic individuals" (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) who are granted shares or share options by the overseas-listed company according to its stock incentive plan, an application with the 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 the PRC 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 their exercise of stock options and their purchase and sale of stock. The PRC domestic agent also needs to update registration with the SAFE within three months after the overseas-listed company materially changes its stock incentive plan or make any new stock incentive plans.

Prior to the issuance of SAFE Circular 7, we received approval from the SAFE's Beijing branch in January 2012 in regards to applications we had submitted on behalf of certain of our employees who hold a significant number of restricted shares. Upon the issuance of SAFE Circular 7, we renewed our registration on behalf of these employees in accordance with SAFE Circular 7 as SAFE Circular 78 ceased to be applicable for such registration. From time to time, we need to apply for or to update our registration with the SAFE or its local branches on behalf of our employees who are granted options or registered shares under our 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 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 plan who are PRC citizens fail to comply with SAFE Circular 7, we and/or such participants of our share incentive plan 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 restricted shares or from granting options under our share incentive plan to our employees who are PRC citizens. Such events could adversely affect our business operations.

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 Exchange Act.

Starting in 2011 the PRC 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 audited in mainland China, the SEC and the PCAOB sought to obtain from the PRC firms access to their audit work papers and related documents. The 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 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 PRC-based accounting firms, including our independent registered public accounting firm. A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the SEC. On February 6, 2015, before SEC's review had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC retains the 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 China, which could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding PRC-based, U.S.-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 delisting of our ordinary shares from the NYSE or deregistration 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 we first listed our ADSs. Since our ADSs became listed on the New York Stock Exchange on October 20, 2010, the closing prices of

our ADSs have ranged from $7.3 to $38.25 per ADS, and the last reported trading price on May 27, 2015 was $36.49 per ADS.

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 significant acquisitions, strategic partnerships, joint ventures or capital commitments,
- addition or departure of our executive officers and key personnel,
- detrimental negative publicity about us, our competitors or our industry,
- intellectual property litigation, and
- general economic, regulatory or political conditions in China and the United States.

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. The securities of some PRC-based companies that have listed their securities in the United States have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of these PRC-based companies' securities after their offerings may affect the attitudes of investors toward PRC-based companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other PRC-based companies may also negatively affect the attitudes of investors towards PRC-based 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 have contributed and may continue to contribute to extreme volatility in the global stock markets. These broad market and industry fluctuations may adversely affect 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 restricted shares under our share incentive plan.

Moreover, we expect that the trading price of our convertible senior notes will be significantly affected by the market price of our ADSs. On the other hand, the price of the ADSs could also be affected by possible sales of the ADSs by investors who view our convertible senior notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving the ADSs. This trading activity could, in turn, affect the trading prices of our convertible senior notes.

Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A common shares and ADSs may view as beneficial.

Our common shares are divided into Class A common shares and Class B common shares. Holders of Class A common shares are entitled to one vote per share, while holders of Class B common shares are entitled to ten votes per share. We issued Class A common shares represented by our ADSs in our initial public offering in October 2010. As part of the redesignation of our capital structure at the time of our initial public offering, all of our existing shareholders as of September 29, 2010, including our

founders, received Class B common shares, and our outstanding preferred shares were automatically converted into Class B common shares immediately prior to the completion of our initial public offering. Holders of Class A common shares are entitled to one vote per share, while holders of Class B common shares are entitled to ten votes per share. Each Class B common share is convertible into one Class A common share at any time by the holder thereof. Class A common shares are not convertible into Class B common shares under any circumstances.

Upon any transfer of Class B common shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B common shares shall be automatically and immediately converted into the equal number of Class A common shares. In addition, if at any time, any of the persons who held Class B common shares immediately before our initial public offering and their affiliates collectively own less than 5% of the total number of the issued and outstanding Class B common shares, each issued and outstanding Class B common share owned by such Class B holder shall be automatically and immediately converted into one share of Class A common share, and no Class B common shares shall be issued by us thereafter. Due to the disparate voting powers attached to these two classes, As of May 8, 2015, holders of our Class B common shares (excluding any Class A common shares such holder may hold in the form of ADSs) collectively hold approximately 89.0% the voting power of our outstanding shares and have considerable influence over matters requiring shareholder approval, including election of directors and significant corporate transactions, such as a merger or sale of our company or our assets. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A common shares and ADSs may view as beneficial.

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

As of May 8, 2015, our executive officers, directors and their affiliated entities beneficially own approximately 44.8% of our total outstanding shares, representing 89.0% of our total voting power. These shareholders, if they acted together, could exert substantial influence over matters requiring approval by our shareholders, including electing directors and approving mergers or other business combination transactions and they may not act in the best interests of other minority shareholders. This concentration of ownership may also discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders.

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

The trading market for our securities depends, in part, on the research reports and ratings that securities or industry analysts or ratings agencies publish about us, our business and the K-12 after-school tutoring 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 securities 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 securities or trading volume to decline.

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

Sales of our ADSs in the public market and after the convertible senior notes offering, or the perception that these sales could occur, may cause the market price of our ADSs to decline and could materially impair our ability to raise capital through equity offerings in the future. We have Class A

and Class B common shares outstanding, including Class A common shares represented by ADSs. All of our ADSs are freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act. Class A common shares not represented by ADS, such as grants of restricted Class A common shares which have vested, and Class B common shares are available for sale subject to volume and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act. To the extent shares are sold into the market, the market price of our ADSs could decline.

A number of the ADSs are reserved for issuance upon conversion of our convertible senior notes. The conversion of some or all of the convertible senior notes will dilute the ownership interests of existing shareholders and holders of the ADSs. The issuance and sale of a substantial number of ADSs, or the perception that such issuances and sales may occur, could adversely affect the trading price of our convertible senior notes and the market price of the ADSs and impair our ability to raise capital through the sale of additional equity securities.

In addition, several of our shareholders have the right to cause us to register the sale of their shares under the Securities Act upon the occurrence of certain circumstances. Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration of these shares. Sales of these registered shares in the public market could cause the price of our ADSs to decline.

Our articles of association contain anti-takeover provisions that could discourage a third party from acquiring us, which could limit our shareholders' opportunity to sell their shares, including Class A common shares represented by our ADSs, at a premium.

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. These preferred shares may have better voting rights than our Class A common shares, in the form of ADSs or otherwise, and 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 rights of the holders of our common shares and ADSs may be diluted.

Holders of ADSs have fewer rights than shareholders and must act through the depositary to exercise those rights.

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying Class A common shares in accordance with the provisions of the deposit agreement. Under our memorandum and articles of association, the minimum notice period required to convene a general meeting is ten days. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw your common shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

You may not receive distributions on our common shares or any value for them if such distribution is illegal or if any required government approval cannot be obtained in order to make such distribution available to you.

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

You may be subject to limitations on transfers 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 deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary will not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act, or exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

Conversion of our convertible notes may dilute the ownership interest of existing shareholders.

The conversion of some or all of our convertible notes may dilute the ownership interests of existing shareholders. Any sales in the public market of the ordinary shares issuable upon such conversion could adversely affect prevailing market prices of our ordinary shares. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress the market price of our ordinary shares.

Provisions of our convertible notes could discourage an acquisition of us by a third party.

In May 2014, we issued $200 million in aggregate principal amount of 2.50% convertible senior notes due 2019. Additionally, we granted to the initial purchasers of the notes a 30-day option to purchase up to an additional $30 million in principal amount of notes. Upon the exercise of such option by certain initial purchasers, we issued an aggregate of $230 in aggregate principal amount of the notes. Certain provisions of our convertible notes could make it more difficult or more expensive for a third party to acquire us. For instance, holders of the notes will have the right to require us to repurchase for cash all or part of their notes upon the occurrence of certain fundamental changes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. The indentures for these convertible notes define a "fundamental change" to include, among other things: (1) any recapitalization, reclassification or change of our Class A common shares or the ADSs as a result of which these securities would be converted into, or exchanged for, shares, other securities, other property or assets; (2) any share exchange, consolidation or merger involving our company as a result of which holders of our call classes of common equity do not own 50% of all classes of common equity of the surviving corporation; (3) sale, lease or other transfer of all or substantially all of our assets to a third party; (4) the adoption of any plan relating to the dissolution or liquidation of our company; or (4) our ADSs ceasing to be listed on a major U.S. national securities exchange.

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

Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, the Cayman Islands Companies Law (as amended) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that 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 precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands.

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

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

We are a Cayman Islands company and substantially all of our assets are located outside the United States. All of our current operations are conducted in China. In addition, most of our directors and officers are nationals and residents of China. As a result, it may be difficult for you to effect service of process within the United States or elsewhere outside China upon these persons. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside the United States. In addition, there is uncertainty as to whether the courts of the Cayman

Islands or China would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state and it is uncertain whether such Cayman Islands or PRC courts would be competent to hear original actions brought in the Cayman Islands or China against us or such persons predicated upon the securities laws of the United States or any state. In addition, since we are incorporated under the laws of the Cayman Islands and our corporate affairs are governed by the laws of the Cayman Islands, it is difficult for you to bring an action against us based upon PRC laws in the event that you believe that your rights as a shareholder have been infringed.

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

Under U.S. federal income tax law, we will be classified as a PFIC for any taxable year if either (i) at least 75% of our gross income for the taxable year is passive income or (ii) at least 50% of the value of our assets (determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income (the "asset test"). Although the law in this regard is unclear, we treat our VIEs and their respective subsidiaries as being owned by us for U.S. federal income tax purposes, not only because we control their management decisions but also because we are entitled to substantially all of the economic benefits associated with these entities, and, as a result, we consolidate their operating results in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of the VIEs and their respective subsidiaries for U.S. federal income tax purposes, we would likely be treated as a PFIC for our current and any subsequent taxable year.

While we do not anticipate becoming a PFIC for the current taxable year or the foreseeable future, no assurance can be given in this regard because the determination of whether we will be or become a PFIC is a fact-intensive inquiry made on an annual basis that depends, in part, on the composition of our income and assets. Fluctuations in the market price of our ADSs may cause us to become a PFIC for the current or subsequent taxable years because the value of assets for the purpose of the asset test may be determined by reference to the market price of our ADSs from time to time (which may be volatile). The composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets. Under circumstances where our revenue from activities that produce passive income significantly increase relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase.

If we were to be or become classified as a PFIC, a U.S. Holder (as defined in "Item 10.E.—Additional Information—Taxation—U.S. Federal Income Tax Considerations—General") may be subject to reporting requirements and may incur significantly increased U.S. federal 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 the U.S. federal income tax rules. Further, if we were a PFIC for any year during which a U.S. Holder held our ADSs or common shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. Holder held our ADSs or common shares. You are urged to consult your tax advisor concerning the U.S. federal income tax consequences of holding and disposing of ADSs or common shares if we are or become classified as a PFIC. For more information see "Item 10.E.—Additional Information—Taxation—U.S. Federal Income Tax Considerations—PFIC Considerations" and "Item 10.E.—Additional Information—Taxation—U.S. Federal Income Tax Considerations—PFIC Rules."

Item 4. Information on the Company

A. History and Development of the Company

We started our operation in 2005 with the establishment of Xueersi Education, a domestic company in China. We then incorporated TAL Education Group to become our offshore holding company under the laws of the Cayman Islands on January 10, 2008, in order to facilitate foreign investment in our company. TAL Education Group established TAL Holdings Limited in Hong Kong in March 2008 as our intermediary holding company, which subsequently established six wholly owned subsidiaries in China: TAL Education Technology (Beijing) Co., Ltd. in May 2008, Huanqiu Zhikang in September 2009, Yidu Huida in November 2009, TAL Electronic Technology (Shanghai) Co., Ltd. in May 2012 (subsequently dissolved in February 2014), Beijing Xintang Sichuang in August 2012, and Zhixuesi Beijing in October 2012. In February 2012, we acquired Yidu Technology Group, a company incorporated in the Cayman Islands, which then established a wholly owned subsidiary, Yidu Technology Group Limited, in Hong Kong in April 2012. In November 2012, Yidu Technology Group Limited established a wholly owned subsidiary, Yidu Xuedi Network Technology (Beijing) Co., Ltd.

In August 2013, we changed the name of TAL Education Technology (Beijing) Co., Ltd. to Beijing Century TAL Education Technology Co., Ltd.. In addition, we changed our umbrella brand from "Xueersi" to "Haoweilai". However, we still use "Xueersi Peiyou" as the primary brand for our small classes and "Mobby" as our brand for tutoring services for young learners aged two through eight.

In February 2014, we acquired Kaoyan.com, which is a site designed to improve preparation for entrance examinations for postgraduate degrees. The acquisition was intended, along with our offerings of gaokao.com for college admissions examinations, zhongkao.com for high school admissions examinations, aoshu.com for mathematics training, zuowen.com for Chinese writing training and yingyu.com for English training, among our various other websites and domain names, to add to our suite of study tools for secondary and post-secondary admissions examinations and mathematics, Chinese and English skills.

We have also made investments in other businesses that complement our existing business. In January 2014, we made a minority equity investment of $23.5 million in BabyTree Inc., an operator of a leading online resource and community platform for prospective and new parents. In October 2014, we made a minority equity investment of $18.0 million in Minerva, a new provider of undergraduate education in the United States. In October 2014, we made a minority equity investment of $15 million in Guokr, a mobile and web-based community for science and technology education in China.

For information on our capital expenditures, see "Item 5.B.—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Expenditures."

In October 2010, we completed an initial public offering of 13,800,000 ADSs. On October 20, 2010, we listed our ADSs on the New York Stock Exchange under the symbol "XRS."

In May 2014, we issued $200 million in aggregate principal amount of 2.50% convertible senior notes due 2019. Additionally, we granted to the initial purchasers of the notes a 30-day option to purchase up to an additional $30 million in principal amount of notes. Upon the exercise of such option by certain initial purchasers, we issued an aggregate of $230 in aggregate principal amount of the notes. The notes bear interest at a rate of 2.50% per year, payable semiannually in arrears on May 15 and November 15 of each year, beginning on November 15, 2014. The notes will mature on May 15, 2019. Holders of the notes will have the right to require us to repurchase for cash all or part of their notes on May 15, 2017 or upon the occurrence of certain fundamental changes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. The notes are convertible into ADSs, at the option of the holders, in integral multiples of $1,000 principal amount at any time prior to the close of business on the second trading day immediately preceding the maturity date. Our principal executive offices are

located at 12/F, Danling SOHO, 6 Danling Street, Haidian District, Beijing 100080, People's Republic of China. Our telephone number at this address is +86 (10) 5292 6692. Our registered office in the Cayman Islands is located at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. In addition, as of the date of this annual report, we have branch offices in 19 cities in China. Our agent for service of process in the United States in connection with our registration statement on Form F-1 for our initial public offering in October 2010 is Law Debenture Corporate Services Inc., located at 400 Madison Avenue, 4th Floor, New York, New York 10017.

B. Business Overview

Overview

We are a leading K-12 after-school tutoring services provider in China. We offer comprehensive tutoring services to K-12 students covering core academic subjects, including among others, mathematics, physics, chemistry, biology, history, geography, political science, English and Chinese, as well as, through our Mobby tutoring services, young learners tutoring services for students aged two through eight. We have successfully established "Xueersi" as a leading brand in the PRC K-12 private education market closely associated with high teaching quality and academic excellence, as evidenced by our students' academic performance, our ability to recruit students through word-of-mouth referrals and the numerous recognitions and awards we have received.

We deliver our tutoring services primarily through small classes (including Xueersi Peiyou and Mobby tutoring services), personalized premium services and online course offerings. As of February 28, 2015, our extensive educational network consisted of 289 learning centers and 267 service centers in 19 cities throughout China, with approximately half of these learning centers and service centers located in Beijing and Shanghai, as well as our online courses and online education platform. Our student enrollments increased from approximately 816,110 in the fiscal year ended February 28, 2013 to approximately 1,494,430 in the fiscal year ended February 28, 2015, representing a compound annual growth rate, or CAGR, of 35.3%.

We complement our organic technological development with strategic initiatives. In January 2014, we made a minority equity investment of $23.5 million in BabyTree Inc., an operator of a leading online resource and community platform for prospective and new parents. This investment is intended to provide us insight into the market for early childhood development and learning and to complement and extend our existing online presence in the K-12 space. This investment will also provide us with more information on the online pre-school space as we continue to expand our offerings in this market. In October 2014, we made a minority equity investment of $18.0 million in in Minerva, a new provider of undergraduate education in the United States. We believe this strategic investment and the long-term relationship we build with Minerva will provide our students with opportunities to experience international and technology-driven learning. In October 2014, we made a minority equity investment of $15 million in Guokr, a mobile and web-based community for science and technology education in China. This investment is intended to complement the expansion and innovation in our core tutoring service offerings and add to our multi-media learning platform, especially the Internet and mobile Internet. This investment will also help us extend our reach to a complementary customer base, mostly college-based technology enthusiasts.

Our total net revenues increased from $225.9 million in the fiscal year ended February 28, 2013 to $434.0 million in the fiscal year ended February 28, 2015, representing a CAGR of 38.6%. Our net income increased from $33.4 million in the fiscal year ended February 28, 2013 to $67.1 million in the fiscal year ended February 28, 2015, representing a CAGR of 41.7%.

We operate *www.jzb.com* (formerly *www. eduu.com*), a leading online education platform in China. The website serves as a gateway to our online courses, primarily offered through our website

www.xueersi.com, and other websites dedicated to specific topics, including college entrance examinations, high school entrance examinations, graduate school entrance examinations, preschool education, personalized premium services under our "Zhikang" brand, study abroad, mathematics, English, Chinese composition, small-class training under our "Xueersi Peiyou" brand, tutoring services for students aged two through eight under our "Mobby" brand, raising infants and toddlers, etc. We also offer select educational content through mobile applications. We are constantly working to expand our online offerings, with learning materials and services in varying stages of development. Our online platform enables us to continue to roll out and expand our online course offerings. Our online platform is protected by a combination of PRC laws and regulations that protect trademarks, copyrights, domain names, know-how and trade secrets, as well as confidentiality agreements.

Due to PRC legal restrictions on foreign ownership and investment in the education business in China, we operate our after-school tutoring service business primarily through our VIEs and their subsidiaries and schools in China. We do not hold equity interests in our VIEs; however, through a series of contractual arrangements with our VIEs and their respective shareholders, we effectively control and are able to derive substantially all of the economic benefits from our VIEs and their subsidiaries and schools.

Our Mission, Vision and Values

Our mission is to make learning more effective, efficient and fun. We believe learning should be an enjoyable experience for all of our students. Our vision is to integrate the latest technologies into the learning process and to continuously introduce innovative approaches to teaching and tutoring so as to garner the respect of parents and students alike. As an educational institution, we seek to attract the most talented workforce and create the most enjoyable classroom environments so we can best serve our teachers, staff members and students. Lastly, we believe values such as student satisfaction, responsibility, innovation, proactiveness, diligence and cooperation are critical to our success and we strive to promote and adhere to these values. For more information about our mission, vision and values, please visit our Group official website at *www.100tal.com/gywm/aboutus*.

Our Tutoring Services

We deliver our tutoring services to our students through small-class settings, personalized premium services and online course offerings.

In August 2013, we changed the name of TAL Education Technology (Beijing) Co., Ltd. to Beijing Century TAL Education Technology Co., Ltd. In addition, we changed our umbrella brand from "Xueersi" to "Haoweilai". However, we still use "Xueersi Peiyou" as the primary brand for our small classes and "Mobby" as our brand for young learners tutoring services, which are also conducted in small-class formats, for students aged two through eight.

Xueersi Peiyou and Mobby small classes

We have been delivering courses in small-class settings since the inception of our company. Xueersi Peiyou small classes, which typically have a maximum of 15 to 35 students per class for different grade levels, remain our main form of service offering in terms of revenue and number of student enrollments. As of February 28, 2015, 198 of our 289 learning centers and 174 of our 267 service centers nationwide offer Xueersi Peiyou small classes. We have a wide range of sessions for different courses. A typical Xueersi Peiyou small-class course consists of ten to 15 sessions during each spring and fall school semester and 15 or seven sessions during each summer and winter break. Currently, each Xueersi Peiyou small-class session typically lasts two to three hours with course fees ranging from RMB40 to RMB75 per hour.

We keep the size of our classes comparatively small so that students can receive more individual attention from teachers than what they would typically experience in a large class setting and are able to learn in an interactive group environment. We design curricula catering to our students' different educational requirements and needs. Many of our classes for the same subject and grade level are offered at different levels of difficulty to better cater to the different needs of our students. For instance, we offer mathematics tutoring in the forms of basic classes, advanced classes, which are taught at a faster pace than basic classes, intensive classes, which are conducted at an even more accelerated pace, and specialized classes, which cater to the needs of advanced students and focus on specialized training for mathematics competitions. We periodically assess our students' progress, and based on the results of such assessment, reassign students to different classes on an as-needed basis such that each student's situation and needs are taken into consideration.

In March 2011, we began offering tutoring services to children, aged three to six years old, under our "Mobby" brand, and we have expanded our services to students from two to eight years old. These tutoring services are offered in small-class format of up to 12 children per class and focus primarily on mathematics for young learners. A typical Mobby course consists of 23 or 24 sessions taking place from the spring semester through the summer holiday or the fall semester through the winter holiday, or five to 16 sessions during each school semester or summer or winter break. Currently, each session typically lasts one and a half hours or two hours, with course fees of RMB250 or RMB270 per session. As of February 28, 2015, four of our learning centers offered Mobby tutoring services.

To maximize transparency, improve learning experience and build trust with students and parents, we allow parents to audit most of the small classes their children attend, and for many of our Xueersi Peiyou small classes, also offer unconditional refunds for any remaining unattended classes net of the costs of materials if notified by the student or parent within the first two-thirds of each course.

In November 2010, we launched Intelligent Classroom System, or ICS, a proprietary classroom teaching solution used in small-class instruction. Through ICS, teachers at each of our learning centers are able to upload over the Internet all of our internally developed multi-media teaching content, including instructional videos and audio materials, and project this content onto white boards to make the instructional process more efficient and the learning experience more interactive and stimulating.

Personalized Premium Services

We began to offer personalized premium services in September 2007 under our "Zhikang" brand. As of February 28, 2015, our Zhikang network included 87 learning centers and 89 service centers in Beijing, Shanghai, Tianjin, Guangzhou, Shenzhen, Wuhan, Hangzhou, Nanjing, Xi'an and Chengdu. We have a wide range of pricing for our one-on-one courses. Currently, the course fees for our personalized premium services typically range from RMB130 to RMB270 per 40 minutes.

Our personalized premium services mainly provide customized curricula and course materials and flexible schedules to suit each student's educational focus in a one-on-one student-teacher setting. We provide personalized premium services to cater to the specific requirements of our students, such as addressing weaknesses in particular subjects or topics, providing intensive examination or competition preparation and tailoring the pace of learning to accommodate above- or below-average learning curves.

Key features of our personalized premium services include:

Customized tutoring solution. Each prospective student of our personalized premium services must meet with our educational planner and undergo a diagnostic assessment of the student's strengths, weaknesses and potential. We then design and recommend a customized tutoring solution to the student in consultation with the student's parents with respect to timing, cost and other considerations specific to the students' circumstances. During the entire course of our personalized premium services

for a student, we actively monitor the student's progress and adjust the curriculum and learning pace for the student when necessary.

Tailor-made course materials. The course materials used in our personalized premium services are selected by subject teachers from our comprehensive course material database for the benefits of each student. We leverage our strong curriculum and course material development capability to provide high quality course materials to our students.

One-on-one student-teacher setting, supported by a team of experienced teachers. Each student in our personalized premium service has access to a large pool of experienced teachers. Teachers are chosen by students and their parents based on the interests and needs of each student. Each of our personalized premium tutoring sessions is conducted in a one-on-one student-teacher setting.

Personalized attention. We assign each student a coordinator, who routinely communicates with the student and the student's parents to address their questions and concerns and to closely monitor the quality of our services. The coordinator also solicits monthly feedback from students and parents. We also accommodate any request by students or parents to change teachers to the extent practicable.

Online Courses

We began to offer online courses in January 2010 through *www.xueersi.com*. Through *www.xueersi.com*, we offer online courses on mathematics, English, Chinese, physics, chemistry, biology, and other subjects. Currently, the fees for online course available on *www.xueersi.com* range from RMB15 to RMB50 per 45 to 60 minutes. We also offer select online courses through other websites.

Online courses enable us to leverage our proprietary curricula and course materials and high quality teachers to target markets beyond the reach of our physical network. It also enables our students to access our courses through the Internet at times and places most convenient for them.

On March 26, 2015, we launched our new TPEC flipped classroom offering. This new offering is intended to serve as a major upgrade from the traditional model of online course offerings. Instead of delivering one-way lectures, the flipped classroom model enables our students to participate in more proactive and interactive learnings.

Key features of our online courses include:

High quality audio-video lectures. Our online courses mainly feature high quality audio-video lectures by experienced teachers. They are delivered through a multimedia web interface using streaming media and other technologies. The audio-video lectures are accompanied by high resolution animated slides to create a stimulating learning environment for our students. Compared to traditional online courses, video lectures offered by TPEC flipped classroom are delivered in more expressive and interactive manners, and are intended to provide real-classroom experience.

Teachers with superior communication skills. We select lecturers for our online courses from among top teachers. We seek to engage teachers who have a strong command of the respective subject areas and superior communication skills. In particular, we seek teachers capable of, and preferably experienced in, delivering effective instructions through audio-video format. All teachers for online courses are required to undergo trial classes before recording their lectures.

Examination at various stages of learnings. In addition to our existing offerings of testing after each lecture and testing after completing certain portion of each course, we will offer an assignment function as part of our TPEC flipped class offering. Through this new function, students can photograph and upload their assignments and receive timely written and audio feedback from teachers.

Practice through live broadcasting classes. By offering live broadcasting classes, our teachers can adjust the pace and content of each class according to student performance and reaction. Under this model, students can proactively participate in the class and obtain a more personalized learning experience.

Communication with parents and students. We launched a mobile app to enable 24/7 communication between our teachers and students. Through this mobile app, we also provide parents with one-on-one communication service and updates on education information.

We plan to further develop our online course offerings to extend our market reach and maximize the potential of our services. In particular, we intend to expand our course offerings to include more subjects and grade levels. We have also made a few acquisitions and investments to expand our online business and enhance our online presence. In February 2014, we acquired Kaoyan.com, which is a site designed to improve preparation for entrance examinations for postgraduate degrees. The acquisition was intended, along with our offerings of gaokao.com for college admissions examinations, zhongkao.com for high school admissions examinations, zuowen.com for Chinese writing training, aoshu.com for mathematics training, and yingyu.com for English training, to provide a complete suite of study tools for secondary and post-secondary admissions examinations and mathematics, Chinese and English skills. In January 2014, we made a minority equity investment of $23.5 million in BabyTree Inc., an operator of a leading online resource and community platform for prospective and new parents. This investment is intended to provide us insight into the market for early childhood development and learning and to complement and extend our existing online presence in the K-12 space. This investment will also provide us with more information on the online early childhood development space as we continue to expand our offerings in this market. In October 2014, we made a minority equity investment of $15 million in Guokr, a mobile and web-based community for science and technology education in China. This investment is intended to complement the expansion and innovation in our core tutoring service offerings and add to our multi-media learning platform, especially the Internet and mobile Internet.

Student Services

We strive to provide a supportive learning environment to our students through our teachers, class coordinators, call centers and online platform.

Our teachers keep track of the students' performance and progress and regularly communicate with the students and parents. Moreover, each of our students in the personalized premium services is assigned a class coordinator who is in close contact with the students and parents regarding scheduling and other logistical issues, receives feedback on teaching quality and arranges teacher replacements where necessary.

We have seven call centers in Beijing, Shanghai, Tianjin, Guangzhou and Shenzhen, the main functions of which include receiving enquiries, accepting registrations to small classes, addressing course-related issues and facilitating communication with existing and prospective students for our center-based offerings and the parents of such students. As of February 28, 2015, we had approximately 230 operators at the call centers. All of our call centers are open during business hours, and our Beijing and Shanghai call centers also remain open until 9 pm and 9:30 pm in the evening, respectively.

In addition, the online platform, among other things, provides an efficient channel for students and parents to submit study questions to our subject experts.

Our Curricula and Course Materials

Curricula

The curricula for our K-12 tutoring services covers the core K-12 subjects and is described in more detail in the table below. We started our business by offering tutoring classes in mathematics and then gradually rolled out courses in other subjects over the past several years. In terms of grade levels, we

initially focused on serving primary school students and over time expanded our course offerings into higher grade levels. The following table provides a list of our current K-12 course offerings:

	Primary School							Middle School			High School		
	K	1	2	3	4	5	6	7	8	9	10	11	12
Mathematics	●	●	●	●	●	●	●	●	●	●	●	●	●
English	●	●	●	●	●	●	●	●	●	●	●	●	●
Chinese	●	●	●	●	●	●	●	●	●	●	●	●	●
Physics	—	—	—	—	—	—	●	●	●	●	●	●	●
Chemistry	—	—	—	—	—	—	—	—	●	●	●	●	●
Biology	—	—	—	—	—	—	—	—	—	—	●	●	●
History	—	—	—	—	—	—	—	—	—	—	●	●	●
Political Science	—	—	—	—	—	—	—	—	—	—	●	●	●
Geography	—	—	—	—	—	—	—	—	—	—	●	●	●

● Currently offered.

— Currently not offered.

The history, political science and geography courses set forth in the table above are offered mainly through personalized premium tutoring services under our "Zhikang" brand. Net revenues related to these courses are not material.

The curricula for our Mobby tutoring services that we began in March 2011 focuses primarily on mathematics.

Curriculum and Course Material Development

Substantially all of our education content for our non-English subject areas is developed in-house. As of February 28, 2015, we had a team of over 150 full-time employees who are responsible for developing, updating and improving our curricula and course materials. In addition, approximately 340 full-time teachers are also engaged in the development of the curriculum and course material in addition to their classroom teaching commitments.

For the science subjects offered through small classes, our team works closely with experts in different subject fields to keep up with changing academic and examination requirements in the PRC education system and solicits feedback from our teachers based on their classroom experience. The development process of our curricula and course materials typically starts with reviewing and referencing recent teaching materials and teachers' training materials from leading public schools as well as any new examination requirements to analyze the latest market trends and needs. Our development team is able to identify subjects and concepts that are difficult for students and focuses on the most important and difficult concepts and skills in the curricula. To address different educational requirements and needs of our students at each grade level, we have also developed curricula and course materials tailored for classes of different difficulty levels based on that group of students' learning curves as well as their strengths and weaknesses. We evaluate, update and improve course materials based upon usage rate, feedback from teachers, students and parents as well as student performance. Most of our curricula and course materials are developed at our corporate level in Beijing and adopted by other locations with modifications to meet local requirements and demands. We have modularized a portion of our course materials based on specific topics so that centrally developed content can be more easily adopted locally and make our services more scalable, and we are in the process of modularizing other portions of our course materials.

In addition, we have signed two agreements with McGraw-Hill Education whereby we have cooperated to co-develop and co-brand two sets of English language educational materials for small classes. In 2012, McGraw-Hill Education and our company completed the development of these two sets of materials. In March 2014, we, through our "Lejiale" brand which offers English subject tutoring services, collaborated closely with Cambridge University Press, and together, launched a series of English learning materials called "Hello Learner's English." The Hello Learner's English series of learning materials is tailored specifically for Chinese students, from grades one through six, and introduces new learning patterns for students to advance their English speaking, listening, reading and writing abilities, preparing students to pass the government authorized English examinations or well-recognized English assessment tests, and for their future secondary school or college English entrance examinations.

Our Teachers

Our teaching staff is critical to maintaining the quality of our services and to promoting our brand and reputation. We have a team of dedicated and highly qualified teachers with a strong passion for education, whom we believe are essential to our success. We are committed to maintaining consistent and high teaching quality across our business. This commitment is reflected in our highly selective teacher hiring process, our emphasis on continued teacher training and rigorous evaluation, competitive performance-based compensation and opportunities for career advancement. We had 2,787, 3,364 and 4,367 full-time teachers and 1,263, 1,282 and 1,158 contract teachers as of February 28, 2013, 2014 and 2015, respectively.

We recruit teachers from university graduates, including many top-tier universities in China, as well as experienced teachers with a solid track record and strong reputation from other schools. Each of our newly hired full-time teachers is required to undergo certain standard and customized trainings that focus on education content, teaching skills and techniques as well as our corporate culture and values. In addition, our teachers are regularly evaluated for their classroom performance and teaching results. Our teachers' retention, compensation and promotion are to a large extent based on the results of such evaluations. The evaluation process is highly rigorous and, for our small-class business, it is based mainly on four factors: student retention rate, refund rate, class fulfillment rate and student and parent satisfaction rate.

We offer our teachers competitive and performance-based compensation packages and provide them with prospects of career advancement within the company. Our best teachers may be promoted to become directors of our operations in new geographic markets outside Beijing, invited to participate in our educational content development effort and even considered for senior management positions.

Our Network

As of February 28, 2015, our extensive network consisted of 289 learning centers and 267 service centers in Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Wuhan, Nanjing, Xi'an, Hangzhou, Chengdu, Zhengzhou, Suzhou, Chongqing, Taiyuan, Changsha, Shenyang, Shijiazhuang, Qingdao and Jinan, call centers in Beijing, Shanghai, Tianjin, Guangzhou and Shenzhen, as well as our online platform. Our learning centers are physical locations where classes are conducted. Our service centers offer consultation, course selection, registration and other services, most of which are also provided by our call centers.

The following table sets forth the number of learning centers and service centers in each of the 19 cities in our physical network as of February 28, 2015.

City	Number of Learning Centers	Number of Service Centers
Beijing	108	103
Shanghai	42	35
Guangzhou	25	23
Shenzhen	16	16
Tianjin	15	14
Wuhan	14	15
Nanjing	14	12
Xi'an	13	13
Hangzhou	11	10
Chengdu	8	6
Zhengzhou	5	5
Suzhou	3	3
Chongqing	3	2
Taiyuan	3	2
Changsha	2	2
Shenyang	2	2
Shijiazhuang	2	2
Qingdao	2	1
Jinan	1	1

We intend to open new learning and service centers both in our existing and newly identified geographic markets to capitalize on growth opportunities. We have adopted a systematic approach to expansion of our learning centers and geographic markets. The decision on whether to enter a new city is typically made at the corporate business unit level and involves a well-established process requiring participation by different levels of management personnel within our organizational structure. Our process in identifying a new market involves developing plans for promoting our brand locally, recruiting teachers and other staff and commencing course offerings with an initial focus on certain core subjects and grades. In then selecting the locations for new learning centers, we perform studies of each location by gathering education statistics, demographic data, public transportation information and other data.

We operate *www.jzb.com* (formerly *www.eduu.com*), a leading online education platform in China. The website serves as a gateway to our online courses, primarily offered through our website *www.xueersi.com*, and other websites dedicated to specific topics, including college entrance examinations, high school entrance examinations, graduate school entrance examinations, preschool education, personalized premium services under our "Zhikang" brand, study abroad, mathematics, English, Chinese composition, small-class training under our "Xueersi Peiyou" brand, tutoring services for students aged two through eight under our "Mobby" brand, raising infants and toddlers, etc. We also offer select educational content through mobile applications.

Marketing and Student Recruitment

We recruit students for our small-class business primarily through word-of-mouth referrals. Our reputation and brand have also greatly facilitated our student recruitment. Moreover, we engage in a range of marketing activities to enhance our brand recognition among prospective students and their parents, generate interest in our service offerings and further stimulate referrals. In the fiscal years ended February 28, 2013, 2014 and 2015, our selling and marketing expenses were $27.7 million,

$35.8 million and $53.9 million, respectively, accounting for 12.2%, 11.4% and 12.4% of our total net revenues, respectively.

Referrals

We believe the single greatest contributor to our success in small-class student recruitment has been word-of-mouth referrals by our students and their parents who share their learning experiences with others. Our recruitment through word-of-mouth referrals has enjoyed a strong network effect with the rapid growth in our student base, and benefits from our reputation, brand and the performance track record of our students.

Online Platform

Our online platform is an important component of our marketing and branding efforts. It also facilitates direct and frequent communications with and among our prospective students as well as our existing students and parents, supporting our overall sales and marketing efforts.

Public Lectures, Seminars, Diagnostic Sessions and Media Interviews

We frequently offer free public lectures, seminars and diagnostic sessions to students and parents as a way of providing useful information to our prospective students and relevant experience for them to evaluate our offerings. In addition, our approach to teaching quality and the track record of our student performance has been covered by traditional and new media, which we believe has further enhanced our reputation and brand.

Advertisement and Others

We advertise through leading search engines in China and our cooperative relationships with other education websites targeting students in China. We also have advertising arrangements with national and regional newspapers in China and use other advertising channels such as outdoor advertising campaigns. In addition, we distribute marketing materials such as brochures, posters and flyers to current and prospective students and their parents in our learning centers, service centers and outside public school campuses. We also participate in various education services and products exhibitions and conventions.

Competition

The after-school tutoring service sector in China is rapidly evolving, highly fragmented and competitive. We face competition in each type of service we offer and each geographic market in which we operate. Our competitors at the national level include New Oriental Education & Technology Group Inc. and Xueda Education Group.

We believe the principal competitive factors in our business include the following:

- brand;
- student achievements;
- price-to-value;
- type and quality of tutoring services offered; and
- ability to effectively tailor service offerings to the needs of students, parents and educators.

We believe that we compete favorably with our competitors on the basis of the above factors. However, some of our competitors may have more resources than we do, and may be able to devote greater resources than we can to expand their business and market shares. See "Item 3.D.—Key

Information—Risk Factors—Risks Related to Our Business—We face significant competition, and if we fail to compete effectively, we may lose our market share and our profitability may be adversely affected."

Intellectual Property

Our brands, trademarks, service marks, copyrights, patents and other intellectual property rights distinguish and protect our course offerings and services from infringement, and contribute to our competitive advantages in the after-school tutoring service sector in China. Our intellectual property rights include the following:

- 93 trademark registrations for our brand and logo in China and Hong Kong;
- domain names;
- copyrights to substantially all of the course contents we developed in house, including all of our online courses;
- copyright registration certificates for 170 software programs developed by us relating to different aspects of our operations; and
- 5 patents granted in China relating to interactive and technology-driven teaching and learning in our classes.

In particular, among the domain names we have registered, several are highly valued and unique online assets as the domain name incorporates the Chinese spelling of the theme of the corresponding website, and is therefore easy to remember. Our domain names include the following:

Website Domain Name	Topic
www.jzb.com (formerly *www.eduu.com*)	Our main webpage which mainly has links to the websites listed below
www.xueersi.com	Online courses
www.gaokao.com	College entrance examinations
www.zhongkao.com	High school entrance examinations
www.jiajiaoban.com	Personalized premium services
www.aoshu.com	Mathematics for primary and middle schools; specialized training for competition mathematics
www.yingyu.com	English language
www.zuowen.com	Chinese composition
www.youjiao.com	Preschool and kindergarten education
www.liuxue.com	Study abroad
www.speiyou.com	Small-class training under our Xueersi Peiyou brand
www.mobby.cn	Tutoring services for students aged two through eight under our Mobby brand
www.yuer.com	Raising infants and toddlers
www.kaoyan.com	Post-graduate degree entrance examination

To protect our brand and other intellectual property, we rely on a combination of trademark, copyright, patent, domain names, know-how and trade secret laws as well as confidentiality agreements with our employees, contractors and others. We cannot be certain that our efforts to protect our intellectual property rights will be adequate or that third parties will not infringe or misappropriate these rights. See "Item 3.D.—Key Information—Risk Factors—Risks Related to Our Business—If we fail to protect our intellectual property rights, our brand and business may suffer."

Insurance

We maintain various insurance policies covering all of our leased facilities and all of our office space to safeguard against risks and unexpected events, including accidents that may occur at the place where we conduct our operations. We have purchased limited liability insurance covering all of our learning centers in all cities, with maximum claim amount of RMB0.45 million per person for our students and their parents, and RMB5,000 per person for our contract employees. We do not maintain business disruption insurance, product liability insurance or key-man life insurance. We consider our insurance coverage to be in line with that of other private education providers of a similar size in China.

Legal Proceedings

From time to time, we may be subject to various legal proceedings, investigations and claims arising in the ordinary course of business. We are not currently involved in any material litigation, arbitration or administrative proceedings that could have a material adverse effect on our financial condition or results of operations, and we are not aware of any material legal or administrative proceedings threatened against us.

PRC 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 National People's Congress, which is the country's highest legislative body, 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 MoE, the General Administration of Press and Publication, the Ministry of Industry and Information Technology, the SAIC, the Ministry of Civil Affairs and their respective local offices.

Regulations on Private Education

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

Education Law of the PRC

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

The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education

The Law for Promoting Private Education became effective on September 1, 2003 and was amended on June 29, 2013. The Implementation Rules for the Law for Promoting Private Education became effective on April 1, 2004. Under these regulations, "private schools" are defined as schools established by non-governmental organizations or individuals using non-government funds. In addition, under the regulations, private schools providing certifications, pre-school education, self-study aid and other academic education are subject to approval by the education authorities, while private schools engaging in occupational qualification training and occupational skill training are subject to approval by the authorities in charge of labor and social welfare. A duly approved private school will be granted a private school operating permit, and shall be registered with the Ministry of Civil Affairs or its local branches as a privately run non-enterprise institution. In addition, learning centers of schools must make filings with the MoE or its local branches. Our 37 affiliated schools have all obtained and maintained their respective private school operating permits and have registered with the Ministry of Civil Affairs or its relevant local branch.

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 that are of a special nature. Government-run schools that provide compulsory education are not permitted to be converted into private schools. In addition, 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 pricing authority and be publicly disclosed. A private school that does not provide certifications shall file its pricing information with the pricing authority and publicly disclose such information. We do not offer any degree or certification course and thus we shall file our pricing information with the relevant pricing authorities in the school districts where we have operations. We disclose our pricing information for our services provided by our private schools to the public.

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 net of costs, donations received, government subsidies, if any, the reserved development fund and other expenses as required by the regulations. Private schools fall into three categories, including 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 income that can be distributed as reasonable return shall be determined by the school's board of directors, taking into consideration the following factors: (i) school fee types and collection criteria, (ii) the ratio of the school's expenses in connection with educational activities and improvement of educational conditions to the total fees collected; and (iii) the admission standards and educational quality. The relevant information relating to the above factors shall be publicly disclosed before the school's board may determine the percentage of the school's annual net income to be distributed as reasonable returns. Such information and the decision to distribute reasonable returns shall also be filed with the relevant government authorities within 15 days of the board decision. However, none of the current PRC laws and regulations provides any specific formula or guideline for determining "reasonable returns." In addition, none of the current PRC laws and regulations sets forth clear requirements or restrictions on a private school's ability to operate its education business as a school that requires reasonable returns or as a school that does not require reasonable returns.

At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of school facilities 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 the date of this annual report, among our 37 affiliated schools, 14 have elected not to require reasonable returns and the remaining 23 have elected to require reasonable returns. Because no preferential tax policies have been promulgated by the relevant authorities, none of our 37 affiliated schools enjoys any preferential tax treatments pursuant to the requirements of local governmental authorities. All of them have allocated certain amounts to their development funds in compliance with the aforesaid provisions.

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 the date of this annual report, Xueersi Education and Xueersi Network or their subsidiaries were the sponsors of our 37 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 by becoming the member of and controlling the composition of the school's decision making body. 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.

Before the Law for Promoting Private Education took effect in 2003, the Regulations on Schools Run by Different Sectors of Society had provided that upon liquidation, the residual assets of a private school after the original investment had been returned to the sponsor would be used by the relevant PRC government for the development of private education. However, this is no longer the case, as Article 68 of the Law for Promoting Private Education expressly abolished the Regulations on Schools Run by Different Sectors of Society.

We are not aware of any PRC law which provides that upon liquidation of a private school, the sponsor is legally restricted to receive only its invested capital and is not allowed to receive other returns. 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. Since the Law for Promoting Private Education became effective on September 1, 2003, neither we nor our PRC counsel have been 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 plans to so in the future. If, for any reason, we would like to divest a profitable school, a commercially sensible way to do so is to sell, rather than liquidate, the school. When selling a school, the sponsor is entitled to receive consideration for transferring sponsorship, which often exceeds its initial investment in the school.

Regulations on PRC-Foreign Cooperation in Operating Schools

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

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

Permits for schools jointly operated by PRC and foreign entities shall be obtained from the relevant education authorities or the authorities that regulate labor and social welfare in China. We are not required to apply for such permits as all of our schools are operated by Xueersi Education, Xueersi Network or their respective subsidiaries, which are PRC entities.

Outline of PRC National Plan for Medium- and Long-Term Education Reform and Development (2010-2020)

On July 29, 2010, the PRC central government promulgated the Outline of PRC National Plan for Medium- and Long-Term Education Reform and Development (2010-2020), which for the first time announced the policy that the government will implement a reform to divide private education entities into two categories: (1) for-profit private education entities and (2) not-for-profit private education entities. On October 24, 2010, the General Office of the State Council issued the Notices on the National Education System Innovation Pilot. Under this notice, the PRC government plans to implement a for-profit and non-profit classified management system for the private schools in Shanghai, Zhejiang, Shenzhen and Jilin Huaqiao Foreign Language School. However, the above outline and the innovation pilot is still new and no additional national law or regulation has been promulgated to implement them and, except in Shanghai, no other local government of the pilot areas has promulgated relevant regulations on differentiated management of the private schools. Shanghai promulgated the Interim Measures for the Registration of Operational Private Training Institutions, which requires for-profit private training institutions to register with local administration of industry and commerce bureau and will remain effective until August 8, 2015. If, upon the implementation of the above reform, our schools choose to be for-profit private education entities, they may be subject to all the taxes that are applicable to enterprises as if they were enterprises; if our schools choose to be not-for-profit private education entities, our contractual arrangements with our VIEs and their respective schools and

subsidiaries may be subject to more stringent scrutiny and the education authorities may not allow our schools to pay us services fees under the contractual arrangements as they currently do. As a result, the implementation of this reform may adversely affect our results of operations.

On January 1, 2015, the State Council passed a package of revised draft amendments on education including Compulsory Education Law, Higher Education Law and the Law on the Promotion of Privately-run Schools, and decided to submit the package to the Standing Committee of the National People's Congress for deliberation. Under the draft amendments, for-profit private education schools are encouraged. If we are required to, or choose to, change our schools into for-profit private education entities, we may have to adjust our business structure in accordance with the relevant amended regulations.

On June 18, 2012, the MoE issued the Implementation Opinions of the MoE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a PRC-foreign education institute shall be less than 50%. These opinions currently do not apply to our schools because we currently do not have PRC-foreign education institutes.

Regulations on Online and Distance Education

Pursuant to the Administrative Regulations on Educational Websites and Online and Distance Education Schools issued by the MoE in 2000, educational websites and online education schools may provide education services in relation to higher education, secondary education, primary education, preschool education, education for teachers, 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 that issue education certificates.

Based on the above regulations issued by the MoE, setting up educational websites and online education schools is subject to approval from relevant education authorities, depending on the specific type of education provided. Any education website and online education school shall, upon receipt of the approval, indicate on its website such approval information as well as the approval date and file number.

However, according to the Administrative License Law promulgated by the Standing Committee of the National People's Congress, or NPC, on August 27, 2003, which became effective on July 1, 2004, only laws promulgated by NPC and regulations and decisions promulgated by the State Council may eliminate the requirement for any administrative license. Furthermore, according to a regulation promulgated by the State Council on June 29, 2004, and later amended on January 29, 2009, operators of "online education schools" must obtain approval from the government, while no approval is required to operate "educational websites." Xueersi Education and Xueersi Network, our VIEs engaging in online education-related services, are not required to obtain a license to operate "online education schools" as they do not offer government accredited degrees or certifications through their tutoring services. As a result and in accordance with the laws and regulations promulgated by NPC and the State Council, they are not required to obtain approval to operate "educational websites" from the MoE. On January 1, 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.

Regulations on Publishing and Distribution of Publications

On December 25, 2001, the State Council promulgated the Administrative Regulations on Publication, or the Publication Regulations, which became effective on February 1, 2002, and which was later amended on March 19, 2011. The Publication Regulations apply to publication activities, i.e., the publishing, printing, copying, importation or distribution of publications, including books, newspapers, periodicals, audio and video products and electronic publications, each of which requires approval from the relevant publication administrative authorities.

On April 13, 2005, the State Council announced a policy on private investments in China relating to cultural matters, which affects private investments in businesses that involve publishing. The policy authorizes the Ministry of Culture and several other central government authorities to adopt detailed rules to implement the policy. In July 2005, the Ministry of Culture, together with other central government authorities, issued a regulation that prohibits private and foreign investors from engaging in the publishing business. Our subsidiaries and Consolidated Affiliated Entities are not permitted to engage in the publishing business under this regulation.

Subsequent to the implementation of the Publication Regulations, the General Administration of Press and Publication issued the Administrative Regulations on Publications Market, which became effective on September 1, 2003 and which was amended on June 16, 2004. According to the Administrative Regulations on Publications Market, any organization or individual engaged in general distribution, wholesale or retail distribution of publications shall obtain a Permit for Operating Publications Business. Distribution of publications in China is regulated on different administrative levels. An entity engaged in general distribution of publications shall obtain such permit from the General Administration of Press and Publication and may conduct general distribution of the publications in China. An entity engaged in wholesaling of publications shall obtain such permit from the provincial office of the General Administration of Press and Publication and may not engage in general distribution in China. An entity engaged in retail distribution of publications shall obtain such permit from the local office of the Administration of Press and Publication and may not conduct general distribution or wholesaling of publications in China.

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

During the term of the above-mentioned permits, the General Administration of Press and Publication or its local branches or other competent authorities may conduct annual or spot examinations or inspections to ascertain their compliance with applicable regulations and may require changes in or renewal of such permits.

The Administrative Regulations on Publishing Audio-Video Products was later amended on March 19, 2011, pursuant to which the Permit for Operating Audio-Video Products is replaced by the Permit for Operating Publications Business. In addition, the General Administration of Press and Publication and the MoC jointly issued the Administrative Regulations on Publication Market, which became effective on March 25, 2011, and was subsequently amended on July 13, 2013 and December 7, 2013, or the New Administrative Regulations on Publication Market. According to the New Administrative Regulations on Publication Market, the distribution of publications is still subject to the same license system provided in the Administrative Regulations on Publication Market, except that the scope of publications is widened to include audio and video products. Upon the effectiveness of the New Administrative Regulations on Publication Market, the Administrative Regulations on Publication Market ceased to be effective, and entities or individuals engaging in distribution of publications, including 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.

Xueersi Education and Xueersi Network, our VIEs engaging in retailing teaching materials and audio-video products to our students, have obtained the Permit for Operating Publications Business for retail services. If our VIEs engaged in the retail distribution of teaching materials and audio-video products 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.

Decision of the Central Committee of the Communist Party of China on Major Issues Concerning Comprehensively Deepening Reforms

The Decision of the Central Committee of the Communist Party of China on Major Issues Concerning Comprehensively Deepening Reforms, which was adopted at the Third Plenary Session of the 18th Central Committee of the Communist Party of China on November 12, 2013 will further open and liberalize certain investment access. The finance, education, culture and medical sectors will enjoy an orderly opening-up to market access and the government will encourage non-state capital to invest in the education sector.

Regulations on Internet Information Services

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 offer any commercial Internet information services in China. 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 regulating those sectors as well.

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

Xueersi Education and Xueersi Network, which engage in providing substantially all of the Internet information services and providing online bulletin board services in China, respectively, have each obtained an ICP license from, and will duly amend registrations with, the Beijing branch of the MII.

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

The SARFT promulgated the Rules for Administration of Broadcasting of Audio-Video Programs through the Internet and Other Information Networks, or the Broadcasting Rules, in 2004, which became effective on October 11, 2004. The Broadcasting Rules apply to the activities of broadcasting, integration, transmission, downloading of audio-video programs with computers, televisions or mobile phones as 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 for engaging in Internet broadcasting activities. On April 13, 2005, the State Council announced a policy on private investments in businesses in China that relate to cultural matters, which

prohibits private investments in businesses relating to the dissemination of audio-video programs through information networks.

On December 20, 2007, the SARFT and the MII issued the Internet Audio-Video Program Measures, which became effective on January 31, 2008. 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 the SARFT or SAPPRFT (as applicable) or the relevant local branches or completing the relevant registration with the SARFT or SAPPRFT (as applicable) or the relevant local branches and only entities wholly owned or controlled by the PRC government may engage in the production, editing, integration or consolidation, and transmission to the public through the Internet, of audio-video programs, and the provision of audio-video program uploading and transmission services. There are significant uncertainties relating to the interpretation and implementation of the Internet Audio-Video Program Measures, in particular, the scope of "Internet Audio-Video Programs." However, on April 1, 2010, the SARFT promulgated the Tentative Categories of Internet Audio-Visual Program Service, or the Categories, which clarified the scope of Internet Audio-Video Programs. According to the Categories, there are four categories of Internet audio-visual program service which in turn are divided into seventeen sub-categories. The third sub-category of the second category covers the making and broadcasting of certain specialized audio-visual programs concerning art, culture, technology, entertainment, finance, sports, and education.

In the fiscal year ended February 28, 2015, 3.6% of our total net revenues were derived from audio-video program services offered through *www.xueersi.com* that may be subject to the Audio-Video Program Measures. In the course of offering online tutoring services through *www.xueersi.com*, we transmit our audio-video educational courses and programs through the Internet only to enrolled course participants, not to the general public. The limited scope of our audience distinguishes us from general online audio-video broadcasting companies, such as companies operating user-generated content websites. In addition, we do not provide audio-video program uploading and transmission services. As a result, we believe that we are not subject to the Internet Audio-Video Program Measures. However, there is no further official or publicly available interpretation of these definitions, especially the scope of "Internet audio-video program service." If the governmental authorities determine that our provision of online tutoring services falls within the Internet Audio-Video Program Measures, we may not be able to obtain the License for Disseminating Audio-Video Programs through Information Network. If this occurs, we may become subject to significant penalties, fines, legal sanctions or an order to suspend our use of audio-video content.

Regulations on Television Program Industry

Television program productions and distribution businesses are mainly regulated by the Administrative Regulations on Radio and Television which became effective on September 1, 1999, the Administrative Regulations on the Production and Operation of Radio and Television Program which became effective on August 20, 2004, and the Administrative Regulations on the Content of Television Plays which became effective on July 1, 2010. Pursuant to these regulations, television programs can only be produced by television stations at the municipal level or above or entities with either a Film Production License or a License for the Production and Operation of Radio and Television Program.

Pursuant to the SARFT Circular on the Implementation of Licensing System for the Distribution of Domestically Produced TV Animation Movies which was issued on January 7, 2005 and became effective as of January 20, 2005, a licensing system was introduced since January 20, 2005 for the distribution of domestically produced TV animation movies. The Permit for Public Projection of Film or the Permit for Distribution of Domestically Produced TV Animation Movies must be obtained for broadcasting any domestically produced TV animation movie from the SARFT, before a TV animation movie could be broadcasted through television channels.

Xueersi Education and Xueersi Network, which carry out producing TV animation movies, have each obtained the License for the Production and Operation of Radio and Television Program from the Beijing branch of the SARFT, and we have obtained the Permit for Distribution of Domestically Produced TV Animation Movies for our TV animation movie *Mobby's Legend*. Currently we also display a series video program called *Lihuadan* on a video sharing website. We have not yet obtained the required license for *Lihuadan* because the program is currently under content adjustment.

Regulations on Protection of the Right of Dissemination through Information Networks

On May 18, 2006, the State Council promulgated the Regulations on Protection of the Right of Dissemination through Information Networks, which became effective on July 1, 2006 and was revised in January 2013. These regulations require that every organization or individual who disseminates a third party's work, performance, audio or visual recording products to the public through information networks shall obtain permission from, and pay compensation to, the legitimate copyright owner of such products, unless otherwise provided under relevant laws and regulations. The legitimate copyright owner may take technical measures to protect his or her copyright and any organization or individual shall not intentionally jeopardize, destroy or otherwise assist others in jeopardizing such protective measures unless otherwise permitted under law. The regulations also provide that permission from and compensation to the copyright owner is not required in the case of limited dissemination to teaching or research staff for the purpose of school instruction or scientific research only.

Xueersi Education, Xueersi Network and Haidian School are the major operators of our website engaged in the dissemination of educational content through the Internet in China. We have established policies related to intellectual property rights protection in accordance with applicable PRC laws and regulations.

Regulations on Consulting Services for Overseas Studies

With respect to intermediate and consulting business activities relating to self-funded overseas studies, the MoE and the SAIC jointly issued the Administrative Regulations on the Intermediate Services for Self-funded Overseas Studies in August 1998 and its Implementing Rules in August 1999, which require that any intermediate service organization engaged in such services 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 MoE for the Recognition on the Intermediate Service Organization for Self-funded Overseas Studies. Organizations or individuals without such Recognition from the MoE are not allowed to engage in any intermediate and consulting business activities relating to self-funded overseas studies.

Beijing Dongfangrenli has obtained the Recognition on the Intermediate Service Organization for Self-funded Overseas Studies from the MoE.

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

In July 2014, the MoE promulgated the Guidelines for Overseas Study Tour participated by the Primary and Middle School Students (Trial). Under the guidelines, overseas study tours participated in by primary and middle school students means, by adapting to the characteristics and educational needs of the primary and middle school students, programs that organize such students to travel overseas in the manner of group travel and group accommodation, either during the academic semesters or vacations, 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 similar activities. During these tours, the proportion of study, in terms of both content and duration, must be no less

than half of all activities on these tours. The organizer must choose legitimate and qualified institutions to cooperate with, stress the importance of education on safety, and appoint a guiding teacher for each group. The organizer must apply the rules of cost accounting, notify the students and their guardians of the composition of the fees and expenses, and enter into agreements as required by law. Schools and school personnel must not seek any economic benefit from organizing its own students to attend an overseas study tour.

Regulations on Intellectual Property Rights Protection

China has adopted legislation governing intellectual property rights, including copyrights and trademarks. China is a signatory to major international conventions on intellectual property rights and is subject to the Agreement on Trade Related Aspects of Intellectual Property Rights as a result of its accession to the World Trade Organization in December 2001.

Copyright. The National People's Congress amended the Copyright Law in 2001 and 2010 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 copyright infringement related to content posted or transmitted over the Internet, the National Copyright Administration and the MII jointly promulgated the Administrative Measures for Copyright Protection Related to the Internet on April 30, 2005. These measures became effective on May 30, 2005.

Trademark. The PRC Trademark Law, adopted in 1982 and revised in 2001 and 2013 (the 2013 revised version has been promulgated August 30, 2013 and became effective on May 1, 2014), protects the proprietary rights to registered trademarks. The Trademark Office under the SAIC handles trademark registrations and may grant a term of ten years for registered trademarks, which may be extended for another ten years upon request. Trademark license agreements must be filed with the Trademark Office for record. In addition, if a registered trademark is recognized as a well-known trademark, the protection of the proprietary right of the trademark holder may reach beyond the specific sector of the relevant products or services. We have registered 91 trademarks with the Trademark Office. We have filed applications for registration of 156 other trademarks and logos with the Trademark Office. We are in the process of registering additional marks and logos.

Patent. The PRC Patent Law was adopted in 1984, and most recently amended in 2008. Under the PRC Patent Law, a patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Council is responsible for receiving, examining and approving patent applications. An invention patent is valid for 20 years, and a utility model or design patent is valid for 10 years, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by law.

Domain names. Internet domain name registration and related matters are primarily regulated by (i) the Implementing Rules on Registration of Domain Names, which was issued by China Internet Network Information Centre on September 25, 2002 and was amended on June 5, 2009 and May 28, 2012 (the 2012 amended version became effective on May 29, 2012), (ii) the Measures on Administration of Domain Names for the PRC Internet, issued by the MII on November 5, 2004 and became effective as of December 20, 2004, and (iii) the Measures on Domain Name Disputes Resolution for the PRC Internet issued by the China Internet Network Information Centre on May 28,

2012 and became effective as of June 28, 2012. 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 China Internet Network Information Centre.

The Draft PRC Foreign Investment Law

In January 2015, the MoC 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 MoC, 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 MoC 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 is soliciting 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 Foreign Exchange Registration of Overseas Investment by PRC Residents.

The Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Circular 75, requires PRC residents to register with the relevant local branch of the SAFE before establishing or controlling any company outside China, referred to as an offshore special purpose company, for the purpose of raising funds from overseas to acquire or exchange the assets of, or acquiring equity interests in, PRC entities held by such PRC residents and to update such registration in the event of any significant changes with respect to that offshore company.

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced SAFE Circular 75. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions.

We believe that all of our shareholders who are PRC citizens or residents completed their required registrations with the SAFE in accordance with SAFE Circular 75 prior to, and immediately after, the completion of our initial public offering in October 2010, and we have filed with the SAFE amendments related to our listing on the New York Stock Exchange. Our shareholders who are PRC citizens or residents have updated their registrations with the SAFE in accordance with SAFE Circular 75 or SAFE Circular 37, as applicable, to reflect the establishment of new subsidiaries, the name changes to some of our subsidiaries and changes to their shareholding.

Regulations on Loans to and Direct Investment in the PRC Entities by Offshore Holding Companies

According to the Implementation Rules for the Provisional Regulations on Statistics and Supervision of Foreign Debt promulgated by the SAFE on September 24, 1997 and the Interim Provisions on the Management of Foreign Debts, or the Provisions, promulgated by the SAFE, the National Development and Reform Commission and the Ministry of Finance, which was effective from March 1, 2003, loans by foreign companies to their subsidiaries in China, which are foreign-invested enterprises, are considered foreign debt, and such loans must be registered with the local branches of the SAFE. Under the Provisions, these foreign-invested enterprises must submit registration applications to the local branches of the SAFE within 15 days following execution of foreign loan

agreements, and the registration should be completed within 20 business days from the date of receipt of the application. In addition, the total amount of accumulated medium-term and long-term foreign debt and the balance of short-term debt borrowed by a foreign-invested enterprise is limited to the difference between the total investment and the registered capital of the foreign-invested enterprise. Total investment of a foreign-invested enterprise is the total amount of capital that can be used for the operation of the foreign-invested enterprise, as approved by the MoC or its local branch, and may be increased or decreased upon approval by the MoC or its local branch. Registered capital of a foreign-invested enterprise is the total amount of capital contributions to the foreign-invested enterprise by its foreign holding company or owners, as approved by the MoC or its local branch and registered at the SAIC or its local branch.

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 MoC or its local branch has been obtained. In approving such capital contributions, the MoC 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 March 10, 2015, a new Foreign-Investment Industrial Guidance Catalog was issued to become effective on April 10, 2015 and to replace the previous one issued in 2011.

Each of our PRC subsidiaries is a foreign-invested enterprise, is not engaged in any prohibited or restricted businesses listed in either the previous or the current Foreign-Investment Industrial Guidance Catalog and has not incurred any foreign debt.

Regulations on Employee Share Incentive Awards Granted by Listed Companies

The Operating Procedures for Administration of PRC Individuals Participating in the Employee Share Ownership Plan of Offshore Listed Companies, or SAFE Circular 78, regulate the foreign exchange matters associated with employee stock ownership plans granted to PRC residents by companies whose shares are listed on overseas stock exchanges. PRC individuals who are granted share incentive awards by companies listed on overseas stock exchanges based on an employee stock ownership plan are required to register with the SAFE or its local branches. Pursuant to SAFE Circular 78, PRC individuals participating in the employee stock ownership plans of the foreign-listed companies shall entrust their employers, including foreign-listed companies and their subsidiaries or branch offices, or engage PRC agents, to handle various foreign exchange matters associated with their employee stock ownership plans. The PRC agents or the employers shall, on behalf of the PRC individuals who have the right to exercise the employee share options, apply annually to the SAFE or its local branches for a quota for conversion and/or payment of foreign currencies in connection with the PRC individuals' exercise of the employee share options if necessary. The foreign exchange proceeds received by the PRC individuals from the sale of shares under the stock ownership plans granted by the foreign-listed companies must be remitted to bank accounts in China opened by their employers or PRC agents.

Further, a notice concerning individual income tax on earnings from employee share incentive awards, jointly issued by the Ministry of Finance and the SAT, provides that 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.

On February 15, 2012, 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, which terminated both SAFE Circular 78 and the Notice on Relinquishing Power of Approving the First-time Application of Foreign Exchange Purchase Quotas, Opening of Special Bank Accounts issued by the SAFE on January 7, 2008. According to SAFE Circular 7, 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 the SAFE to conduct the SAFE registration with respect to such stock incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock purchase or stock option exercise. Such PRC individuals' foreign exchange income received from the sale of stocks and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in China opened and managed by the PRC domestic agent before distribution to such individuals. In addition, such domestic individuals must also retain an overseas entrusted institution to handle matters in connection with the exercise of their stock options and their purchase and sale of stock. The PRC domestic agent also needs to update registration with the SAFE within three months after the overseas-listed company materially changes its stock incentive plan or make any new stock incentive plans.

Prior to the issuance of SAFE Circular 7, we received approval from the SAFE's Beijing branch in January 2012 in regards to applications we had submitted on behalf of certain of our employees who hold a significant number of restricted shares. Upon the issuance of SAFE Circular 7, SAFE Circular 78 ceased to be applicable for such registration. From time to time, we need to make applications or update our registration with the 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 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 plan who are PRC citizens fail to comply with SAFE Circular 7, we and/or such participants of our share incentive plan 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 restricted shares or from granting options under our share incentive plan to our employees who are PRC citizens.

M&A Regulations

On August 8, 2006, six PRC regulatory agencies, namely the MoC, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC, and the SAFE, jointly adopted the M&A Rules, which became effective on September 8, 2006 and amended on June 22, 2009. The M&A Rules establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that the MoC be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise where any of the following situations exist: (i) the transaction involves an important industry in China, (ii) the transaction may affect national "economic security," or (iii) the PRC domestic enterprise has a well-known trademark or historical Chinese trade name in China. Complying with the requirements of the M&A Rules to complete acquisitions of PRC

companies by foreign investors could be time-consuming, and any required approval processes, including obtaining approval from the MoC, may delay or inhibit the ability to complete such transactions.

Regulations on Foreign Currency Exchange

Pursuant to applicable PRC regulations on foreign currency exchange, the Renminbi is freely convertible to foreign currencies for current account items only, such as trade-related receipts and payments, interest and dividends. Conversion of Renminbi to foreign exchange for capital account items, such as direct equity investments, loans and repatriation of investments, require the prior approval of the SAFE or its local branches. Payments for transactions that take place within China must be made in RMB. Domestic companies or individuals can repatriate payments received from abroad in foreign currencies or deposit those payments abroad subject to the requirement that such payments be repatriated within a certain period of time. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks. Foreign exchange on the current account can be either retained or sold to financial institutions that have foreign exchange settlement or sales business without prior approval from the SAFE, subject to certain regulations. Foreign exchange on the capital account can be retained or sold to financial institutions that have foreign exchange settlement and sales business with prior approval of the SAFE, unless otherwise provided.

In utilizing the proceeds we received from our initial public offering and other financing activities, such as the issuance of convertible senior notes, as an offshore holding company with PRC subsidiaries, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries or our Consolidated Affiliated Entities, or (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- capital contributions to our subsidiaries in China, whether existing ones or newly established ones, must be approved by the MoC or its local branches and must also be registered with the SAFE or its local branches;
- loans by us to our 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 SAFE or its local branches; and
- loans by us to our Consolidated Affiliated Entities, which are domestic PRC entities, must be approved by the National Development and Reform Commission and must also be registered with the SAFE or its local branches.

In addition, on August 29, 2008, the SAFE promulgated a notice regulating the conversion by a foreign-invested company of its capital contribution in foreign currency into Renminbi, or SAFE Circular 142, which restricts the use of RMB funds converted from foreign exchange. It requires that RMB converted from foreign currency-denominated capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the relevant government authority and may not be used to make equity investments China, unless specifically provided otherwise. Moreover, the approved use of such RMB funds may not be changed without approval from the SAFE. RMB funds converted from foreign exchange may not be used to repay loans in RMB if the proceeds of such loans have not yet been used. Any violation of SAFE Circular 142 may result in severe penalties, including substantial fines. On March 30, 2015, the 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. Although SAFE Circular 142 will be abolished once SAFE Circular 19 becomes effective on June 1, 2015, the foregoing rules have been retained in SAFE Circular 19. On February 13, 2015, the SAFE promulgated the Notice on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct

Investment, or SAFE Circular 13, which will be effective on June 1, 2015. Pursuant to SAFE Circular 13, annual foreign exchange inspection of direct investment will be cancelled and registration of existing equity will be required. SAFE Circular 13 also grants banks the authority to directly examine and handle foreign exchange registration under both domestic and overseas direct investment.

Furthermore, the SAFE promulgated a circular on November 9, 2010, or Circular 59, which, among other things, requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents, or otherwise approved by the board. For example, if we apply with the SAFE to convert the proceeds from the issuance of convertible senior notes into RMB funds for use of such funds in China, they need to be used in accordance with the offering documents of the notes, or when the use of the proceeds is beyond what is described in the offering documents, we should submit the board resolution in relation to such use of proceeds to the SAFE and the settlement of foreign exchange for such use of proceeds shall comply with the PRC regulations in relation to foreign exchange.

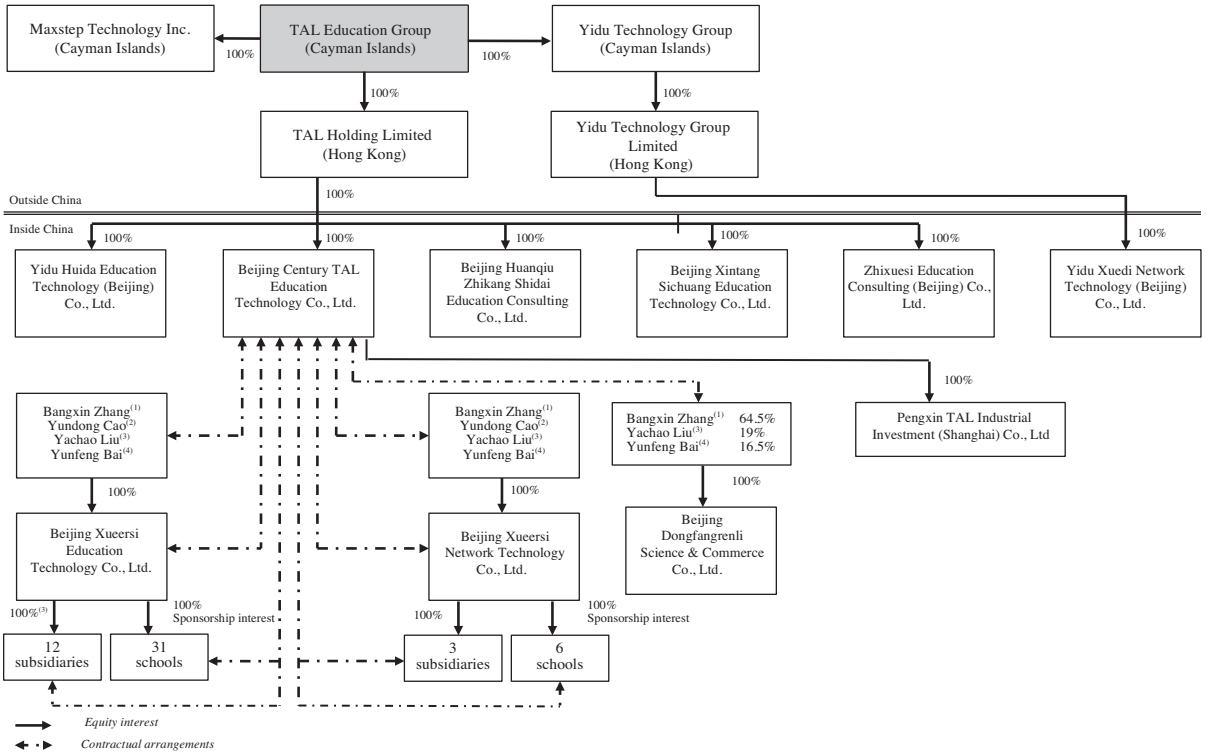
We expect that PRC regulations concerning loans and direct investment by offshore holding companies to PRC entities will continue to limit our use of proceeds from offshore offerings. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than 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 maximum of 90 days. The actual time taken, however, 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, with respect to our future plans to use the U.S. dollar proceeds we received from offshore offerings for our expansion and operations in China. If we fail to receive such registrations or approvals, our ability to use the proceeds from our offshore offerings and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business.

Regulations on Dividend Distribution

Under applicable PRC laws and regulations, companies in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, companies in China are required to allocate at least 10% of their accumulated profits each year, if any, to fund statutory reserves of up to 50% of the registered capital of the enterprise. Statutory reserves are not distributable as cash dividends. Each of our subsidiaries, VIEs and VIEs' subsidiaries in China are required to comply with this statutory reserves funding requirement. Although the statutory surplus 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 affiliated 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 23 private 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 the remaining 14 private 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. As a result of these PRC laws and regulations, as of February 28, 2015, we had $19.0 million in statutory surplus reserves and development fund, or 6.0% of total equity, that are not distributable as cash dividends. We do not expect that the statutory surplus reserve requirement will materially limit our ability to pay dividends to our shareholders or our plan to expand our business because we are to date only required to set aside an additional $3.1 million to satisfy the maximum requirement of statutory surplus reserves for all of our PRC subsidiaries and our Consolidated Affiliated Entities.

C. Organizational Structure

The following diagram sets out details of our significant subsidiaries and Consolidated Affiliated Entities as of the date of this annual report:



Note:

(1) Mr. Bangxin Zhang is our chairman and chief executive officer. He owned 37.3% of the common shares and 74.2% of the voting power of TAL Education Group as of May 8, 2015.

(2) Mr. Yundong Cao owned 4.9% of the common shares and 1.0% of the voting power of TAL Education Group as of December 31, 2014, as reported on Schedule 13G/A filed by Central Glory Investments Limited on March 11, 2015.

(3) Mr. Yachao Liu is our senior vice president. He owned 5.6% of the common shares and 11.0% of the voting power of TAL Education Group as of May 8, 2015.

(4) Mr. Yunfeng Bai is our senior vice president. He owned 1.9% of the common shares and 3.9% of voting power of TAL Education Group as of May 8, 2015.

(5) Percentage ownership represents aggregate ownership of Xueersi Education and Xueersi Network. Xueersi Education is the majority shareholder of five subsidiaries, and the minority shareholdings of each of the five subsidiaries are held by Xueersi Network. Three of the five subsidiaries wholly owns six schools. Xueersi Education wholly owns the remaining seven subsidiaries and 25 schools. We evaluated the sponsorship interest in the schools for consolidation under the asset, lease, variable interest entity and voting interest models. After consideration, we consolidated the schools under the variable interest model.

Contractual Arrangements with Our Consolidated Affiliated Entities

Due to PRC legal restrictions on foreign ownership and investment in the education business in China, TAL Beijing, one of our wholly owned PRC subsidiaries, has entered into a series of contractual arrangements with Xueersi Education, Xueersi Network and Beijing Dongfangrenli, which we refer to as our VIEs, and the respective shareholders, subsidiaries and schools of our VIEs. The series of contractual arrangements, which are summarized below, enable us, through TAL Beijing, (1) to direct the activities of our VIEs that most significantly affect the VIEs' economic performance and (2) to receive substantially all the benefits from our Consolidated Affiliated Entities. We rely on the series of contractual arrangements among TAL Beijing, Xueersi Education, Xueersi Network and Beijing Dongfangrenli and their respective shareholders, subsidiaries and schools to conduct most of our tutoring services in China. Substantially all of our personalized premium services in Beijing are offered through Huanqiu Zhikang.

Exclusive Business Service Agreements. Pursuant to the Exclusive Business Cooperation Agreement entered into in June 2010 by and among TAL Beijing, Xueersi Education, Xueersi Network, the shareholders of Xueersi Education and Xueersi Network and our other Consolidated Affiliated Entities, which supersedes all agreements among parties with respect to subject matters thereof, TAL Beijing or its designated affiliates have the exclusive right to provide each of Xueersi Education and Xueersi Network and their subsidiaries and schools comprehensive intellectual property licensing and various technical and business support services. Pursuant to the Exclusive Service Agreement entered into by and among TAL Beijing, Beijing Dongfangrenli and its shareholders on December 27, 2011, TAL Beijing and its designated affiliates have the exclusive right to provide Beijing Dongfangrenli and its subsidiaries (if any) comprehensive intellectual property licensing and various technical and business support services. The services under each of these agreements include, but are not limited to, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resource and internal information management, network development, upgrade and ordinary maintenance services, and software and trademark licensing and other additional services as the parties may mutually agree from time to time. Without the prior written consent of TAL Beijing, none of the VIEs or their respective subsidiaries or schools may accept services provided by any third party which are covered by the agreements set forth above. TAL Beijing or its designated affiliates owns the exclusive intellectual property rights created as a result of the performance of these agreements. Our Consolidated Affiliated Entities agree to pay annual service fees to TAL Beijing or its designated affiliates and adjust the service fee rates from time to time at TAL Beijing's discretion. The agreements will not expire unless terminated pursuant by a mutual agreement of parties. Each of these agreements entitle TAL Beijing or its designated affiliates to charge our Consolidated Affiliated Entities annual service fees that amount to substantially all of the net income of the Consolidated Affiliated Entities before the service fees.

Call Option Agreement. Pursuant to a call option agreement, dated February 12, 2009, by and among TAL Beijing, Xueersi Education, Xueersi Network and the respective shareholders of Xueersi Education and Xueersi Network, the respective shareholders of Xueersi Education and Xueersi Network unconditionally and irrevocably granted TAL Beijing or its designated party an exclusive option to purchase from the shareholders part or all of the equity interests in Xueersi Education and Xueersi Network, as the case may be, for the minimum amount of consideration permitted by the applicable PRC laws and regulations under the circumstances where TAL Beijing or its designated party is permitted under PRC laws and regulations to own all or part of the equity interests of Xueersi Education and Xueersi Network or where we otherwise deem it necessary or appropriate to exercise the option. TAL Beijing, Beijing Dongfangrenli and the shareholders of Beijing Dongfangrenli have entered into an option agreement, dated December 27, 2011, the terms of which are substantially the same as the call option agreement summarized above. Under each of these agreements, TAL Beijing

has sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the current regulatory restrictions on foreign investment in the educational service business will be removed in the future, the likelihood of which we are not in a position to know or comment on.

Equity Pledge Agreement. Pursuant to an equity pledge agreement, dated February 12, 2009, by and among TAL Beijing, Xueersi Education, Xueersi Network and the respective shareholders of Xueersi Education and Xueersi Network, the respective shareholders of Xueersi Education and Xueersi Network unconditionally and irrevocably pledged all of their equity interests in Xueersi Education and Xueersi Network to TAL Beijing to guarantee performance of the obligations of Xueersi Education and Xueersi Network and their respective subsidiaries and schools under the technology support and service agreements with TAL Beijing. The shareholders of Xueersi Education and Xueersi Network agree that, without the prior written consent of TAL Beijing, they will not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice TAL Beijing's interest. TAL Beijing, Beijing Dongfangrenli and the shareholders of Beijing Dongfangrenli have entered into an equity pledge agreement, dated December 27, 2011, the terms of which are substantially the same as the agreement summarized above. The above pledges of the equity interests in Xueersi Education, Xueersi Network and Beijing Dongfangrenli have been registered with the relevant local branch of the SAIC.

Letter of Undertaking. All of the shareholders of Xueersi Education and Xueersi Network have executed a letter of undertaking to covenant with and undertake to TAL Beijing that, if, as the respective shareholders of Xueersi Education and Xueersi Network, such shareholders receive any dividends, interests, other distributions or remnant assets upon liquidation from Xueersi Education and Xueersi Network, such shareholders shall, to the extent permitted by applicable laws, regulations and legal procedures, remit all such income after payment of any applicable tax and other expenses required by laws and regulations to TAL Beijing without any compensation therefore. All of the shareholders of Beijing Dongfangrenli have made similar undertakings in the option agreement, dated December 27, 2011, described above.

Power of Attorney. Each of the shareholders of our VIEs has executed an irrevocable power of attorney appointing TAL Beijing, or any person designated by TAL Beijing as their attorney-in-fact to vote on their behalf on all matters of our VIEs requiring shareholder approval under PRC laws and regulations and the articles of association of each of our VIEs. The power of attorney remains effective as long as the relevant person remains a shareholder of the VIE.

The articles of association of each of our VIEs states that the major rights of the shareholders in a shareholders' meeting include the power to approve the operating strategy and investment plan, elect the members of board of directors and approve their compensation and review and approve the annual budget and earning distribution plan. Therefore, through the irrevocable power of attorney arrangement, TAL Beijing has the ability to exercise effective control over each of our VIEs through shareholder votes and, through such votes, to also control the composition of the board of directors. In addition, the senior management team of each of our VIEs is the same as that of, or is appointed and controlled by, TAL Beijing. As a result of these contractual rights, we have the power to direct the activities of each of our VIEs that most significantly impact their economic performance.

Spousal consent letter: The spouse of each shareholder of our VIEs has entered into a spousal consent letter to acknowledge that she is aware of, and consents to, the execution by her spouse of the equity pledge agreement, the call option agreement and the power of attorney described above. Each such spouse further agrees that she will not take any actions or raise any claims to interfere with performance by her spouse of the obligations under the above mentioned agreements.

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

- the ownership structures of our Consolidated Affiliated Entities and 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, our Consolidated Affiliated Entities, and the shareholders of our VIEs are valid, binding and enforceable under, and will not result in any violation of, PRC laws or regulations currently in effect.

We have been advised by our PRC 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 counsel. We have been further advised by our PRC counsel that if the PRC government finds that the agreements that establish the structure for operating our PRC education business do not comply with PRC government restrictions on foreign investment in the education business, we could be subject to severe penalties, which could include the PRC government:

- revoking our business and operating licenses;
- requiring us to discontinue or restrict our operations;
- limit our business expansion in China by way of entering into contractual arrangements;
- restricting our right to collect revenues;
- blocking our websites;
- requiring us to restructure our operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions against us that could be harmful to our business.

The imposition of any of these penalties could result in a material adverse effect on our ability to conduct our business. See "Item 3.D.—Key Information—Risk Factors—Risks Related to Our Corporate Structure—If the PRC government determines that the agreements that establish the structure for operating our business in China are not in compliance with applicable PRC laws and regulations, we could be subject to severe penalties" and "Item 3.D.—Key Information—Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could have a material adverse effect on us."

In addition to the series of contractual arrangements among TAL Beijing, Xueersi Education, Xueersi Network and Beijing Dongfangrenli and their respective shareholders, subsidiaries and schools, we have entered into a deed of undertaking on June 24, 2013 and a side letter dated July 29, 2013 with Mr. Bangxin Zhang, our Chairman of the Board of Directors and Chief Executive Officer (collectively, the "Deed"). Pursuant to the Deed, Mr. Zhang has irrevocably covenanted and undertaken to us that:

- as long as Mr. Bangxin Zhang owns shares in our company, whether legally or beneficially, and directly or indirectly (including shares held through Mr. Bangxin Zhang's personal holding company Bright Unison Limited or any other company, trust, nominee or agent, if any), representing more than 50% of the aggregate voting power of the then total issued and outstanding shares of our company,
  - Mr. Bangxin Zhang will not, directly or indirectly, (i) requisition or call any meeting of our shareholders for the purpose of removing or replacing any of our existing directors or

appointing any new director, or (ii) propose any resolution at any of our shareholders meetings to remove or replace any of our existing directors or appoint any new director; and

- should any meeting of our shareholders be called by the board of directors or requisitioned or called by our shareholders for the purpose of removing or replacing any of the directors or appointing any new director, or if any resolution is proposed at any of our shareholder meetings to remove or replace any of the directors or appoint any new director, the maximum number of votes which Mr. Bangxin Zhang will be permitted to exercise shall be equal to the total aggregate number of votes of the then total issued and outstanding shares of our company held by all members of our company, other than shares which are owned, whether legally or beneficially, and directly or indirectly by Mr. Bangxin Zhang, less one vote.
- Mr. Bangxin Zhang will not cast any votes he has as a director or shareholder (if applicable) on any resolutions or matters concerning enforcing, amending or otherwise relating to the Deed being considered or voted upon by our board of directors or our shareholders, as the case may be.

In the opinion of Maples and Calder, our Cayman Islands legal counsel, the deed of undertaking constitutes the legal, valid and binding obligations of Mr. Bangxin Zhang, which cannot be unilaterally revoked by Mr. Bangxin Zhang, and is enforceable in accordance with its terms under existing Cayman Islands laws.

D. Property, Plants and Equipment

Facilities

Our headquarters are located in Beijing, China. As of February 28, 2015, we leased approximately 122,000 square meters in Beijing, consisting of approximately 106,200 square meters of learning center and service center space and approximately 15,800 square meters of office space. As of February 28, 2015, we owned 7,582 square meters of office space in Beijing, which we purchased in July 2011 for a total cash consideration (including related taxes) of approximately $62.5 million, and the renovation of which was completed in January 2013.

In addition to our learning center and service center space and office space leased in Beijing, as of February 28, 2015, we leased an aggregate of approximately 210,800 square meters of learning center and service center space and an aggregate of approximately 17,000 square meters of office space in 18 other cities throughout China.

For more information concerning the usage of our learning centers and service centers, please see "Item 4.B. Information on the Company—Business Overview—Our Network."

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3.D. Key Information—Risk Factors" and elsewhere in this annual report.

A. Operating Results

Overview

Our extensive network of learning centers and service centers has increased from 255 and 237, respectively, in the fiscal year ended February 28, 2013, to 289 and 267, respectively, in the fiscal year ended February 28, 2015. Our student enrollments increased from approximately 816,110 in the fiscal year ended February 28, 2013 to approximately 1,494,430 in the fiscal year ended February 28, 2015, representing a CAGR of 35.3%.

We have experienced significant growth in our business in recent years. Our total net revenues increased from $225.9 million in the fiscal year ended February 28, 2013 to $434.0 million in the fiscal year ended February 28, 2015, representing a CAGR of 38.6%. Our net income increased from $33.4 million in the fiscal year ended February 28, 2013 to $67.1 million in the fiscal year ended February 28, 2015, representing a CAGR of 41.7%.

Factors Affecting Our Results of Operations

We have benefited significantly from the overall economic growth, the increase in household disposable income, the rising household spending on private education and the intense competition for quality education in China, which has caused the K-12 after-school tutoring market in China to grow in recent years. We anticipate that the demand for K-12 after-school tutoring services will continue to grow. However, any adverse changes in the economic conditions in China that adversely affect the K-12 after-school tutoring service market in China may harm our business and results of operations.

Our results of operations are also affected by the education system or policies relating to the after-school tutoring service market in China. Due to PRC legal restrictions on foreign ownership and investment in education businesses in China, we have entered into a series of contractual arrangements among TAL Beijing, on the one hand, and Xueersi Education, Xueersi Network, Beijing Dongfangrenli and their respective shareholders, subsidiaries and schools, on the other hand. We rely on a series of contractual arrangements among TAL Beijing, Xueersi Education, Xueersi Network and Beijing Dongfangrenli and their respective shareholders, subsidiaries and schools to conduct most of our services in China. Substantially all of our personalized premium services in Beijing are offered through Huanqiu Zhikang. We do not have equity interests in Xueersi Education, Xueersi Network and Beijing Dongfangrenli; however, as a result of these contractual arrangements, we are the primary beneficiary of these entities and treat them as our VIEs under U.S. GAAP. In the opinion of Tian Yuan Law Firm, our PRC counsel, (i) the ownership structures of our Consolidated Affiliated Entities and wholly owned subsidiaries in China are in compliance with existing PRC laws and regulations, and (ii) the contractual arrangements among our wholly owned subsidiaries in China, our Consolidated Affiliated Entities and the shareholders of our VIEs are valid, binding and enforceable under, and will not result in any violation of, PRC laws or regulations currently in effect. We have been advised by our PRC counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. See "Item 3.D.—Key Information—Risk Factors—Risks Related to Our Corporate Structure—If the PRC government determines that the agreements that establish the structure for operating our business in China are not in compliance with applicable PRC laws and regulations, we could be subject to severe penalties" and "Item 3.D.—Key Information—Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could have a material adverse effect on us."

While our business is influenced by factors affecting the private education industry in China generally and by conditions in each of the geographic markets covered by our service network, we believe that our results of operations are more directly affected by company-specific factors, including the number of student enrollments, the pricing of our tutoring services and the amount of our costs and expenses.

Number of Student Enrollments

Our revenue growth is primarily driven by the increase in the number of student enrollments, which is directly affected by the number of our learning centers, the number and varieties of our courses and service offerings, including both our center-based and online courses offerings, our student retention rate, our ability to attract new students and the effectiveness of our cross-selling efforts.

In recent years, we have opened new learning centers to further penetrate our existing markets and enter new markets. The number of our learning centers grew from 255 in Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Wuhan, Xi'an, Chengdu, Nanjing, Hangzhou, Taiyuan, Zhengzhou, Chongqing, Suzhou and Shenyang as of February 28, 2013, to 289 in Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Nanjing, Wuhan, Xi'an, Hangzhou, Chengdu, Zhengzhou, Chongqing, Suzhou, Taiyuan, Changsha, Qingdao, Shenyang, Shijiazhuang and Jinan as of February 28, 2015. We plan to open additional learning centers in these above cities and explore opportunities to open learning centers in other targeted geographic markets in China in order to continue to attract new student enrollments.

In addition, in recent years, we have significantly expanded our course offerings to cover new subjects and additional grade levels. In Beijing, we grew from primarily offering tutoring classes in mathematics to becoming a comprehensive after-school tutoring service provider, covering all core subjects in PRC school curricula at each grade level of the K-12 system. We initially offered only small-class tutoring services, and then added personalized premium services in September 2007 and began offering online courses through *www.xueersi.com* in January 2010. Our expansion of courses and service offerings allows us to better attract new students with different needs and provides us greater cross-selling opportunities with respect to our existing students.

Pricing

Our results of operations are also affected by the pricing for our tutoring services. We generally charge students based on the hourly rates of our courses and the total number of hours for all the courses taken by each student. We determine hourly rates for our courses primarily based on the demand for our courses, cost of our services, the geographic markets where the courses are offered, and the fees charged by our competitors for the same or similar courses. During the fiscal years ended February 28, 2013, 2014 and 2015, we increased hourly rates or number of hours per course for a portion of our small class offerings.

Costs and Expenses

Our ability to maintain and increase profitability also depends on our ability to effectively control our costs and expenses. A significant component of our cost of revenues is compensation to our teachers. We offer competitive remunerations to our teachers in order to attract and retain top teaching talent. Fees and performance-linked bonuses to our teachers accounted for approximately 22.7%, 21.2% and 20.8% of our net revenues for the fiscal years ended February 28, 2013, 2014 and 2015, respectively. Another important component of our cost of revenues is rental expenses for our learning and service centers, which accounted for approximately 14.9%, 14.1% and 13.9% of our net revenues for the fiscal years ended February 28, 2013, 2014 and 2015, respectively. For the fiscal years ended February 28, 2013, 2014 and 2015, we incurred share-based compensation expenses representing approximately 3.7%, 2.7% and 4.2%, respectively, of our net revenues, and we expect to continue to incur share-based compensation expenses in the future.

Our cost of revenues as a percentage of our total net revenues was 51.2%, 48.3% and 46.8% for the fiscal years ended February 28, 2013, 2014 and 2015, respectively. The decrease in our cost of revenues as a percentage of our total net revenues from fiscal year 2013 to fiscal year 2014 was largely a result of continuous improvements in our teacher and facility utilization while raising hourly rate of a

portion of our small-class offerings. The decrease in our cost of revenues as a percentage of our total net revenues from fiscal year 2014 to fiscal year 2015 was largely a result of the improvement in teacher and facility utilization, as well as the increase in the hourly rate of small class offerings.

Our operating expenses include two key components, selling and marketing expenses and general and administrative expenses. Our total operating expenses as a percentage of our total net revenues was 35.1%, 33.8% and 37.8% for the fiscal years ended February 28, 2013, 2014 and 2015, respectively. Our selling and marketing expenses and our general and administrative expenses each grew over this time period. Our selling and marketing expenses grew primarily due to an increase in the number of our sales and marketing personnel and their respective salaries to support a greater number of program and service offerings. Our general and administrative expenses grew primarily due to increases in the number of our general and administrative personnel, in particular personnel supporting our online education initiatives and other new programs and service offerings. an increase in the average salaries and benefits provided to our general and administrative staff, an increase in fees paid to our professional advisors and service providers, share-based compensation, and related office expenses. The growth of our selling and marketing expenses and our general administrative expenses has also been a result of the expansion of our learning centers and service centers capacity over the past few years. Going forward, we expect that our total costs and expenses will continue to increase due to the expansion of our services and operations, including our online education initiatives and other new programs and service offerings, as well as costs and ongoing expenses associated with being a public company; however, such increase is likely to be partially offset by our increasing economies of scale and improved operating efficiency.

Key Components of Results of Operations

Net Revenues

In the fiscal years ended February 28, 2013, 2014 and 2015, we generated total net revenues of $225.9 million, $313.9 million and $434.0 million, respectively. We derive substantially all of our revenues from tutoring services, including small classes and personalized premium services. Revenues generated from our online course offerings through *www.xueersi.com* contributed 3.1%, 3.0% and 3.6% of our total net revenues in the fiscal years ended February 28, 2013, 2014 and 2015, respectively. Our revenues are presented net of business tax.

We generally collect course fees in advance, which we initially record as deferred revenues. We recognize course fees as revenues proportionately as the tutoring courses are delivered. We had deferred revenues in the amounts of $102.5 million, $132.4 million and $177.6 million, as of February 28, 2013, 2014 and 2015, respectively.

Generally, for our Xueersi Peiyou small-class courses consisting of more than seven classes per course, we offer tuition refunds for any remaining unattended classes to students who decide to withdraw from a course, provided that the course is less than two-thirds completed at the time of withdrawal. For Mobby small-class courses, if a student withdraws and the course is less than one-third completed at the time of withdrawal, we offer a refund of 60% of the course fees received from the student. If over one-third of the course is completed, no refund will be provided. For personalized premium services, a student can withdraw at any time and receive a refund for the undelivered classes. Refunds are recorded as deductions to deferred revenues. For online courses, we offer refunds to students who decide to withdraw from the subscribed but untaken courses within the course offer period, which generally ranges from five months to 15 months, and a proportional refund based on the percentage of untaken courses.

Cost of Revenues and Operating Expenses

The following table sets forth, for the periods indicated, our cost of revenues and operating expenses, in absolute amounts and as percentages of the total net revenues:

	For the Years Ended February 28,					
	2013		2014		2015	
	$	%	$	%	$	%
	(in thousands of $, except percentages)					
Net revenues	$ 225,931	100.0%	$ 313,895	100.0%	$ 433,970	100.0%
Total cost of revenues[1]	(115,749)	(51.2)	(151,543)	(48.3)%	(203,074)	(46.8)%
Operating expenses:						
Selling and marketing[2]	(27,674)	(12.2)	(35,761)	(11.4)%	(53,882)	(12.4)%
General and administrative[3]	(51,125)	(22.6)	(70,300)	(22.4)%	(110,230)	(25.4)%
Impairment losses on long-term prepayment	(594)	(0.3)	—	—	—	—
Total operating expenses	$ (79,393)	(35.1)%	$(106,061)	(33.8)%	$(164,112)	(37.8)%

(1) Includes share-based compensation expenses of $0.1 million, $47.9 thousand and $47.8 thousand for the fiscal years ended February 28, 2013, 2014 and 2015, respectively.

(2) Includes share-based compensation expenses of $1.8 million, $1.2 million and $2.1 million for the fiscal years ended February 28, 2013, 2014 and 2015, respectively.

(3) Includes share-based compensation expenses of $6.4 million, $7.1 million and $16.3 million for the fiscal years ended February 28, 2013, 2014 and 2015, respectively.

Cost of Revenues

Our cost of revenues primarily consists of teaching fees, performance-linked bonuses and other compensations for our teachers and rental cost for our learning centers and service centers, compensation to personnel providing educational service support, and to a lesser extent, depreciation and amortization of property and equipment used in the provision of educational services, costs of course materials, and other office supplies. We expect our cost of revenues to increase as we further expand our network and operations by opening new learning centers and service centers and hiring additional teachers.

Operating Expenses

Our operating expenses consist primarily of selling and marketing expenses and general and administrative expenses.

Our selling and marketing expenses primarily consist of compensation to our personnel involved in sales and marketing expenses relating to our marketing and branding promotion activities, rental and utilities expenses relating to selling and marketing functions and, to a lesser extent, depreciation and amortization of property and equipment used in our selling and marketing activities. Our selling and marketing expenses as a percentage of net revenues decreased from 12.2% for the fiscal year ended February 28, 2013 to 11.4% for the fiscal year ended February 28, 2014, and increased to 12.4% for the fiscal year ended February 28, 2015. Our selling and marketing expenses remained relatively stable as a percentage of net revenues as we increased the number of and salaries for our sales and marketing personnel to support a greater number of program and service offerings while on the other hand controlling our budget and maintaining economies of scale.

Our general and administrative expenses primarily consist of compensation paid to our management and administrative personnel, costs of third-party professional services, rental and utilities

expenses relating to office and administrative functions, and, to a lesser extent, depreciation and amortization of property and equipment used in our administrative activities. Our general and administrative expenses as a percentage of our total net revenues was stable from 22.6% in the fiscal year ended February 28, 2013 to 22.4% for the fiscal year ended February 28, 2014, and increased to 25.4% for the fiscal year ended February 28, 2015. We expect that our general and administrative expenses will continue to increase in the near term as we hire additional personnel and incur additional expenses in connection with the expansion of our business operations, in particular in connection with our online education initiatives and other new programs and service offerings, enhancing our internal controls, establish our internal management system and providing share-based compensation to our employees, and other expenses associated with our having become a publicly traded company.

Taxation

Cayman Islands

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

Hong Kong

Each of our Hong Kong subsidiaries, namely TAL Hong Kong and Yidu Technology Group Limited, is subject to Hong Kong profits tax on its activities conducted in Hong Kong. No provision for Hong Kong profits tax has been made in our consolidated financial statements, as TAL Hong Kong and Yidu Technology Group Limited have no assessable income for the fiscal years ended February 28, 2013, 2014 and 2015.

PRC

Our subsidiaries in China are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the EIT Law, which became effective on January 1, 2008, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies.

From January 1, 2011, Xueersi Education was eligible for retention of High and New Technology Enterprise status and was therefore entitled to a preferential tax rate of 15% until the end of calendar year 2013. From January 1, 2014, Xueersi Education was again eligible for retention of High and New Technology Enterprise status and is therefore entitled to a preferential tax rate of 15% until the end of calendar year 2016. Our wholly owned subsidiary, TAL Beijing, was qualified as a Newly Established Software Enterprise under the EIT Law and therefore entitled to a two-year exemption from the enterprise income tax from calendar year 2009 to 2010 and a further tax reduction to 50% of the applicable rate from calendar year 2011 to 2013. Moreover, TAL Beijing was qualified as a High and New Technology from January 1, 2014, and is therefore entitled to a preferential tax rate of 15% from calendar year 2014 to 2016. Our wholly owned subsidiary, Yidu Huida, was qualified as a Newly Established Software Enterprise under the EIT Law, and was therefore entitled to a two-year exemption from the enterprise income tax from calendar year 2011 to 2012 and enjoys a further tax reduction to 50% of the applicable rate from calendar year 2013 to 2015. Our wholly owned subsidiary Beijing Xintang Sichuang was also qualified as a Newly Established Software Enterprise under the EIT Law and was therefore entitled to a two-year exemption from the enterprise income tax from calendar year 2013 to 2014 and enjoys a further reduction to a tax rate of 12.5% from calendar year 2015 to 2017.

Preferential tax treatments granted to our Consolidated Affiliated Entities in China by local governmental authorities are subject to review and may be adjusted or revoked at any time. The discontinuation of any preferential tax treatments currently available to us, will cause our effective tax rate to increase, which could have a material adverse effect on our results of operations.

As a Cayman Islands holding company, we may receive dividends from our PRC operating subsidiaries through TAL Hong Kong. The EIT Law and its implementing rules provide that dividends paid by a PRC entity to a non-resident enterprise for income tax purposes is subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with China. According to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion, dividends paid to shareholders residing in Hong Kong are subject to a reduced 5% rate of tax withholding provided the Hong Kong residents' equity interests in the mainland dividend issuer is above 25%. However, the SAT promulgated SAT Circular 601 on October 27, 2009, which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under PRC tax treaties and tax arrangements. According to SAT Circular 601, a beneficial owner generally must engage in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. A conduit company normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. Although we may use our Hong Kong subsidiaries as a platform to expand our business in the future, our Hong Kong subsidiaries currently do not engage in any substantive business activities and thus it is possible that our Hong Kong subsidiaries may not be regarded as "beneficial owners" for the purposes of SAT Circular 601 and the dividends they receive from our PRC subsidiaries would be subject to withholding tax at a rate of 10%. In addition, our Hong Kong subsidiaries may be considered PRC resident enterprises for enterprise income tax purposes if the relevant PRC tax authorities determine that our Hong Kong subsidiaries' "de facto management bodies" are within China, in which case dividends received by them from our PRC subsidiaries would be exempt from PRC withholding tax because such income is exempted under the EIT Law for a PRC resident enterprise recipient. As there remain uncertainties regarding the interpretation and implementation of the EIT Law and its implementation rules, it is uncertain whether, if we are deemed a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would be subject to any PRC withholding tax. For a detailed discussion of PRC tax issues related to resident enterprise status, see "Item 3.D.—Key Information—Risk Factors—Risks Related to Doing Business in China—Under the EIT Law, we may be classified as a PRC "resident enterprise". Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders."

Critical Accounting Policies

We prepare our financial statements in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue, costs, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and other factors that we believe to be relevant under the circumstances. Our management has discussed the development, selection and disclosure of these estimates with our board of directors. Since our financial reporting process inherently relies on the use of estimates and assumptions, actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that could reasonably have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial

statements. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements because they involve the greatest reliance on our management's judgment. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included with this prospectus.

Consolidation of Variable Interest Entities

We, through TAL Beijing, our wholly owned foreign enterprise, have executed a series of contractual agreements with our VIEs, the VIEs' subsidiaries and schools and the VIEs' nominee shareholders. For a description of these contractual arrangements, see "Item 4.C.—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities." These contractual agreements do not provide TAL Beijing with an equity interest, in legal form, in the VIEs, however. As we hold no legal form of equity ownership in the VIEs, we applied the variable interest entity consolidation model as set forth in Accounting Standards Codification 810, Consolidation, ("ASC 810") instead of the voting interest model of consolidation.

By design, the contractual agreements provide TAL Beijing with a right to receive benefits equal to substantially all of the net income of these entities, and thus under ASC 810 the interests held by TAL Beijing under these agreements are considered variable interests. Subsequent to identifying any variable interests, any party holding such variable interests must determine if the entity in which the interest is held is a variable interest entity and subsequently which reporting entity is the primary beneficiary of, and should therefore consolidate, the variable interest entity. Among other reasons, an entity is considered a variable interest entity if the holders of the equity investment at risk in the entity, as a group, lack any one of the following characteristics of a controlling financial interest:

- The power, through voting rights or similar rights, to direct the activities of the entity that most significantly impact the entity's economic performance
- The obligation to absorb the entity's expected losses, or
- The right to receive the entity's expected residual returns

A reporting entity is considered to be the primary beneficiary, and thus the accounting parent, of a variable interest entity if it possesses both: (a) the power to direct the activities that most significantly impact the economic performance of the variable interest entity and (b) the obligation to absorb losses and/or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

As a result of the contractual arrangements, the nominee shareholders of the VIEs lack the characteristics of a controlling financial interest in the VIEs and therefore the VIEs are considered to be variable interest entities under ASC 810. The contractual arrangements, by design, provide TAL Beijing with the power to direct the activities that most significantly impact the economic performance of the VIEs and the right to receive substantially all the benefits of the VIEs, which causes TAL Beijing to be the primary beneficiary of the VIEs, and accordingly TAL Beijing consolidates their operations.

Determining whether TAL Beijing is the primary beneficiary requires a careful evaluation of the facts and circumstances, including whether the contractual agreements are substantive under the applicable legal and financial reporting frameworks, i.e. PRC law and U.S. GAAP. We continually review our corporate governance arrangements to ensure that the contractual agreements are indeed substantive.

We have determined that the contractual agreements are in fact valid and legally enforceable. Such arrangements were entered into in order to comply with the underlying legal and/or regulatory

restrictions that govern the ownership of a direct equity interest in the VIEs. In the opinion of our PRC counsel, Tian Yuan Law Firm, the contracts are legally enforceable under PRC law. See "Item 4.C.—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities."

We have considered the existence of related party relationships, e.g. ownership of an equity interest in TAL Education Group and the VIEs, and the effect that might have on the enforceability of the contractual agreements and in turn whether these contractual agreements are substantive. We believe there are no barriers to exercise our rights under the contracts and therefore they are substantive and appropriately considered in our consolidation analysis in accordance with ASC 810. In assessing the shareholdings of certain individual parties in TAL Education Group and in the VIEs, specifically Mr. Bangxin Zhang, we acknowledge that from November 23, 2011, Mr. Bangxin Zhang, a majority nominee shareholder in the VIEs, also held a majority voting interest in TAL Education Group, which resulted from certain shareholders converting their Class B common shares with ten votes per share to Class A common shares with one vote per share. Therefore, we have reassessed the consolidation of the VIEs.

Although the contractual arrangements between TAL Beijing and the VIEs were designed to provide TAL Beijing with the characteristics of a controlling financial interest regardless of the respective shareholdings of Mr. Bangxin Zhang, during the period between November 23, 2011 and June 24, 2013, Mr. Bangxin Zhang's majority voting interest in us, when combined with his status as a majority nominee shareholder in the VIEs, could have constrained our ability to exercise the rights under the contractual agreements. This is due to the fact that Mr. Bangxin Zhang's majority voting interest in TAL Education Group provided him with the legal ability to control the composition of a majority of the board of directors and therefore may have provided him with the legal ability to affect whether or not we could exercise the rights contained in the contractual agreements. Mr. Bangxin Zhang did not exercise this power at any time during the period in which he held a majority voting interest in TAL Education Group and during such period, in fact, there was no change in the composition of the board of directors or in our day-to-day operations.

On June 24, 2013 and July 29, 2013, Our company and Mr. Bangxin Zhang executed a deed of undertaking dated June 24, 2013 and a side letter dated July 29, 2013, respectively (collectively, the "Deed"). Pursuant to the terms of the Deed, as long as Mr. Bangxin Zhang owns a majority voting interest, whether legally or beneficially, and directly or indirectly, in our company, (1) Mr. Bangxin Zhang cannot requisition or call a meeting of our shareholders or propose a shareholders resolution to appoint or remove a director, (2) if shareholders are asked to appoint or remove a director, the maximum number of votes which Mr. Bangxin Zhang will be permitted to exercise in connection with such shareholder approval is equal to the total aggregate number of votes of the then total issued and outstanding shares of our company held by all members of our company, other than shares which are owned, whether legally or beneficially, and directly or indirectly by Mr. Bangxin Zhang, less one vote and (3) if shareholders or our board of directors are asked to consider or approve any matter related to the Deed, Mr. Bangxin Zhang cannot exercise his voting power.

Upon execution of the Deed, despite his ownership of and as long as he holds a majority voting interest, whether legally or beneficially, and directly or indirectly, in our company, Mr. Bangxin Zhang will (1) not be permitted to requisition or call a meeting of our shareholders or propose a shareholders resolution to appoint or remove a director, (2) in relation to any shareholder approvals to appoint or remove a director, only be permitted to exercise up to the number of votes equal to the total aggregate number of votes of the then total issued and outstanding shares of our company held by all members of our company, other than shares which are owned, whether legally or beneficially, and directly or indirectly by Mr. Bangxin Zhang, less one vote and (3) in relation to our shareholders' or our board of directors' consideration or approval of any matter related to the Deed, Mr. Bangxin Zhang cannot exercise his voting power. The terms of the Deed prevents Mr. Bangxin Zhang from controlling the

rights of our company as it relates to our contractual agreements, and accordingly, our company retains a controlling financial interest in the VIEs and would consolidate them as the VIEs' primary beneficiary.

Please see the consolidated financial statements Note 1 for the presentation of our abbreviated financial information with and without the VIEs, after elimination of intercompany activity.

Revenue recognition

We derive substantially all of our revenues from tutoring services, including small classes (which include Mobby tutoring services), personalized premium services and online education services.

Tuition revenue is generally collected in advance and is initially recorded as deferred revenue. Tuition revenue is then recognized proportionately as the tutoring classes are delivered.

A typical Xueersi Peiyou small-class course consists of 10 or 15 classes during each of the school semesters and seven to 15 classes during each of the summer and winter breaks. Generally, Xueersi Peiyou small-class courses consisting of more than seven classes per course, we offer refunds for any remaining classes to students who decide to withdraw from a course, provided the course is less than two-thirds completed at the time of withdrawal. After two-thirds of a course is delivered, no refund is allowed. For Xueersi Peiyou small-class courses with less than seven classes, no refund will be provided after the commencement of the courses. For Mobby small-class courses, we offer refunds of 60% of courses fees received to students if the course is less than one-third completed at the time of withdrawal. If over one-third of the course is completed, no refund will be provided. For personalized premium services, a student can withdraw at any time and receive a refund for the undelivered classes. We have not experienced significant refunds on recognized revenues in the past.

We offer coupons to attract both existing and prospective students to enroll in our courses. The coupon has a fixed amount and can only be redeemed against a future course. The coupon value, when utilized by an enrolling student, is accounted for as a reduction of revenue when the relevant revenue is recognized in the consolidated statements of operations.

We have a sales incentive plan effective from September 1, 2013 for personal premium services offerings. Under the sales incentive plan, students can get certain number of free classes in the future based on the amounts of tuition fees they deposit and consume. Revenue is recognized proportionately as the tutoring sessions are delivered by applying the related discount rates based on the deposited amounts. If there are any changes in the discount rates due to additional tuition fee payment or tuition fee refund, changes in revenue are recognized using a cumulative catch-up method.

We began to offer online courses through *www.xueersi.com* to students in 2010. Students enroll for online courses through the use of prepaid study cards or payment to online accounts. The proceeds collected from the online course education are initially recorded as deferred revenue. Revenues are recognized on a straight line basis over the subscription period from the date in which the students activate the courses to the date in which the subscribed courses end. A proportional refund, based on the percentage of untaken courses to the total courses offered, is provided to students who decide to withdraw from the subscribed courses within the course offer period, which generally ranges from five months to 15 months.

We sell educational materials to students at our service centers. We also have several online platforms through which we provide online advertising services. Revenues are recognized after a contract is signed, the price is fixed or determinable, educational materials or advertising services are delivered, and collection of the receivables is reasonably assured.

Business combinations

Business combinations are recorded using the acquisition method of accounting. The assets acquired, the liabilities assumed, and any noncontrolling interests of the acquiree at the acquisition date, if any, are measured at their fair values as of the acquisition date. Goodwill is recognized and measured as the excess of the total consideration transferred plus the fair value of any noncontrolling interest of the acquiree, if any, at the acquisition date over the fair values of the identifiable net assets acquired. Common forms of the consideration made in acquisitions include cash and common equity instruments. Consideration transferred in a business acquisition is measured at the fair value as at the date of acquisition.

Where the consideration in an acquisition includes contingent consideration 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.

Goodwill and Intangible Assets

Goodwill represents the cost of an acquired business in excess of the fair value of identifiable tangible and intangible net assets purchased. We generally seek the assistance of independent valuation firms in determining the fair value of the identifiable tangible and intangible net assets of the acquired business. We assign all the assets and liabilities of an acquired business, including goodwill, to reporting units.

There are several methods that can be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, we typically use the income method. This method starts with a forecast of all of the expected future net cash flows associated with a particular intangible asset. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include the amount and timing of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset's economic life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory or economic barriers to entry. Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives.

Goodwill is not amortized, but tested for impairment annually or more frequently if any events or circumstances indicate that it might be impaired.

The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheet as goodwill. In September 2011, the Financial Accounting Standards Board, or FASB, issued an authoritative pronouncement related to testing goodwill for impairment. The guidance permits us to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Absent from any impairment indicators, we perform our annual impairment test on the last day of each fiscal year.

For the year ended February 28, 2015, we performed our annual impairment test using a two-step approach instead of an assessment of qualitative factors for goodwill impairment. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit is greater than its carrying amount, goodwill is not considered impaired and the second step is not required. If the fair value of the reporting unit is less than its carrying amount, the second step of the impairment test measures the amount of the impairment loss, if any, by comparing

the implied fair value of goodwill to its carrying amount. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized equal to that excess. The implied fair value of goodwill is calculated in the same manner that goodwill is calculated in a business combination, whereby the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit, with the excess purchase price over the amounts assigned to assets and liabilities representing the implied fair value of goodwill.

Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being the discounted cash flow method.

The projected cash flow estimate included, among other things, an analysis of projected revenue growth, gross margins, and long-term growth rates. The income approach involves applying appropriate discount rates, based on earnings forecasts, to estimated cash flows. The assumptions used are inherently uncertain and subjective. The discount rates reflect the risks the management perceived as being associated with achieving the forecasts and are based on the estimated cost of capital of our reporting units, which was derived by using the capital asset pricing model, after taking into account systemic risks and non-systematic risks. The capital asset pricing model is a model commonly used by market participants for determining the fair values of assets that adds an assumed risk premium rate of return to an assumed risk-free rate of return.

We evaluate intangible assets with finite useful life impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Estimates of fair value result from a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions at a point in time. The judgments made in determining an estimate of fair value can materially impact our results of operations. The valuations are based on information available as of the impairment review date and are based on expectations and assumptions that have been deemed reasonable by management. Any changes in key assumptions, including unanticipated events and circumstances, may affect the accuracy or validity of such estimates and could potentially result in an impairment charge.

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. This process involves us estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a certain period, we must include an expense within the tax provision in the statement of operations.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. The valuation allowance is based on our estimates of taxable income by jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to establish an additional valuation allowance, which could materially impact our financial position and results of operations.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. We have concluded that there are no significant uncertain tax positions requiring recognition in financial statements for the fiscal years ended February 28, 2013, 2014 and 2015. We did not incur any interest and penalties related to potential underpaid income tax expenses and also do not anticipate any significant increases or decreases in unrecognized tax benefits in the next 12 months. We have 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 applicable tax authorities may require the taxpayer or the withholding agent to make delinquent tax payments within three years if an underpayment of taxes results from the tax authority's act or error. No late payment surcharge will be assessed under such circumstances. The statute of limitation is 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 RMB0.1 million is specifically listed as a "special circumstance"). Under the Implementing Rules of the EIT Law, the statute of limitations for transfer pricing related issues is ten years. Under the PRC Tax Administration and Collection Law, the statute of limitations for transfer pricing related issues is three years, provided that in special circumstances which are not clearly defined the statute of limitations is ten years. There is no statute of limitation in the case of tax evasion.

Our VIE, Xueersi Education, was qualified as a High and New Technology Enterprise under the EIT Law effective January 1, 2008 and therefore was entitled to a preferential tax rate of 15%. In addition, since Xueersi Education is located in a high and new technology industrial zone in Beijing and was qualified as a High and New Technology Enterprise, it was entitled to a three-year exemption from the enterprise income tax from calendar year 2006 to 2008 and a further tax reduction to a rate of 7.5% from calendar year 2009 to 2011. From January 1, 2011, Xueersi Education was eligible for retention of High and New Technology Enterprise status and was therefore entitled to a preferential tax rate of 15% until the end of calendar year 2013. From January 1, 2014, Xueersi Education was again eligible for retention of High and New Technology Enterprise status and was is therefore entitled to a preferential tax rate of 15% from calendar year 2014 to 2016. Our wholly owned subsidiary, TAL Beijing, was qualified as a Newly Established Software Enterprise under the EIT Law and therefore entitled to a two-year exemption from the enterprise income tax from calendar year 2009 to 2010 and a further tax reduction to 50% of the applicable rate from calendar year 2011 to 2013. Moreover, TAL Beijing was qualified as a High and New Technology Enterprise from January 1, 2014, and is therefore entitled to a preferential tax rate of 15% from calendar year 2014 to 2016. Our wholly owned subsidiary, Yidu Huida, was qualified as a Newly Established Software Enterprise under the EIT Law and was entitled to a two-year exemption from the enterprise income tax from calendar year 2011 to 2012 and enjoys a further tax reduction to 50% of the applicable rate from calendar year 2013 to 2015. Our wholly owned subsidiary Beijing Xintang Sichuang was also qualified as a Newly Established Software Enterprise under the EIT Law and was therefore entitled to a two-year exemption from the enterprise income tax form calendar year 2013 to 2014 and enjoys a further reduction to a tax rate of 12.5% from calendar year 2015 to 2017.

Uncertainties exist with respect to how the EIT Law applies to our overall operations, and more specifically, with regard to our tax residency status. The EIT Law includes a provision specifying that legal entities organized outside China will be considered residents for PRC income tax purposes if their "de facto management bodies" are within China. The Implementation Rules define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control

over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside China should be treated as residents under the EIT Law. In addition, we are not aware of any offshore holding companies with a similar corporate structure as our company's ever having been deemed to be PRC "resident enterprises" by the PRC tax authorities. Therefore, we believe that none of TAL Education Group, TAL Hong Kong, Yidu Technology Group or Yidu Technology Group Limited should be treated as a "resident enterprise" for PRC tax purposes. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue. See "Item 3.D.—Key Information—Risk Factors—Risks Related to Doing Business in China—Under the EIT Law, we may be classified as a PRC "resident enterprise". Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders."

Fair Value of Our Common Shares and Share-Based Compensation

We adopted a share incentive plan in June 2010 that permits granting of options to purchase our Class A common shares, restricted shares, restricted share units, share appreciation rights, dividend equivalent rights and other instruments as deemed appropriate by the administrator under the plan. In August 2013, we amended and restated our 2010 Share Incentive Plan. Pursuant to the amended and restated 2010 Share Incentive Plan, the maximum aggregate number of Class A common shares that may be issued pursuant to all awards under our share incentive plan is equal to five percent (5%) of the total issued and outstanding shares as of the date of the amended and restated 2010 Share Incentive Plan. However, the shares reserved may be increased automatically if and whenever the unissued share reserve accounts for less than one percent (1%) of the total then issued and outstanding shares, so that after the increase, the shares unissued and reserved under this plan immediately after each such increase shall equal five percent(5%) of the then issued and outstanding shares. As of May 8, 2015, we had granted 24,111,480 restricted Class A common shares and 450,000 share options to purchase 450,000 Class A common shares, among which, 5,419,500 restricted shares were granted on July 26, 2010 and the remaining were granted after the closing of our initial public offering to some of our directors, executive officers and employees. These restricted shares and share options will vest in accordance with the vesting schedule set out in the respective restricted share agreements with the grantees, which typically ranges from one to 11 years.

We recognize share-based compensation expenses based on the fair value of equity awards on the date of the grant, using a straight-line method over the requisite service periods of the awards, which are generally the vesting periods.

Prior to our initial public offering in October 2010, we did not have quoted market prices for our Class A common shares. Accordingly, during that time we had to make an estimate of the fair value of our Class A common shares for the purposes of determining the fair value of our Class A common shares on the date of grant of share-based compensation awards to our employees. The estimated fair value of our Class A common shares was $4.05 per share as of July 26, 2010. We principally used the market approach. We considered the estimated initial public offering price of $9.00 per ADS (or $4.50 per Class A common share), the middle point of range shown on the front cover page of our preliminary prospectus dated October 6, 2010 and applied discount for lack of marketability, or DLOM, to reflect the fact that at that time there was no ready public market for our shares as we were a closely held private company. The DLOM of 10% applied for valuation of our Class A common shares as of July 26, 2010 was determined with the assistance of an independent appraiser using the Black-Scholes option pricing model. Under the option-pricing method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine DLOM.

For restricted shares granted after our initial public offering, the fair value of our ordinary shares on the grant date is determined by the closing quoted market price.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated, both in absolute amounts and as percentages of our net revenues. 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.

	For the Years Ended February 28,					
	2013		2014		2015	
	$	%	$	%	$	%
	(in thousands of $, except percentages)					
Net revenues	$ 225,931	100.0%	$ 313,895	100.0%	$ 433,970	100.0%
Cost of revenues[1]	(115,749)	(51.2)	(151,543)	(48.3)	(203,074)	(46.8)
Gross profit	110,182	48.8	162,352	51.7	230,896	53.2
Operating expenses						
Selling and marketing[2]	(27,674)	(12.2)	(35,761)	(11.4)	(53,882)	(12.4)
General and administrative[3]	(51,125)	(22.6)	(70,300)	(22.4)	(110,230)	(25.4)
Impairment losses on long-term prepayment	(594)	(0.3)	—	—	—	—
Total operating expenses	(79,393)	(35.1)	(106,061)	(33.8)	(164,112)	(37.8)
Government subsidies	632	0.3	1,105	0.4	464	0.1
Income from operations	31,421	14.0	57,396	18.3	67,248	15.5
Interest income	5,344	2.4	9,438	3.0	16,614	3.8
Interest expense	—	—	—	—	(5,811)	(1.3)
Other income/(expenses)	776	0.2	102	0.0	(2,010)	(0.5)
Gain from sale of a long-term investment	—	—	297	0.1	—	—
Gain from sales of available-for-sale securities	—	—	53	0.0	—	—
Gain on fair value change from long-term investment	—	—	—	—	1,202	0.3
Income before provision for income tax and loss from equity method investments	37,541	16.6	67,286	21.4	77,243	17.8
Provision for income tax	(4,101)	(1.8)	(6,680)	(2.1)	(9,369)	(2.1)
Loss from equity method investments	—	—	—	—	(730)	(0.2)
Net income	$ 33,440	14.8%	$ 60,606	19.3%	$ 67,144	15.5%

(1) Includes share-based compensation expenses of $0.1 million, $47.9 thousand and $47.8 thousand for the fiscal years ended February 28, 2013, 2014 and 2015, respectively.

(2) Includes share-based compensation expenses of $1.8 million, $1.2 million and $2.1 million for the fiscal years ended February 28, 2013, 2014 and 2015, respectively.

(3) Includes share-based compensation expenses of $6.4 million, $7.1 million and $16.3 million for the fiscal years ended February 28, 2013, 2014 and 2015, respectively.

Fiscal Year Ended February 28, 2015 Compared to Fiscal Year Ended February 28, 2014

Net Revenues

Our total net revenues increased by 38.3% from $313.9 million for the fiscal year ended February 28, 2014 to $434.0 million for the fiscal year ended February 28, 2015. This increase was primarily due to the increase in both the number of total student enrollments and the average selling price per enrollment. Average selling price per enrollment remained stable from $292 for the fiscal year ended February 28, 2014 to $290 for the fiscal year ended February 28, 2015, primarily affected by foreign exchange rate fluctuation, while the increases in hourly rate of small class offerings were offset by more enrollment contribution from online courses. The number of total student enrollments grew from approximately 1,073,950 as of February 28, 2014 to approximately 1,494,430 as of February 28, 2015, primarily due to an increase in enrollments in our small class offerings. In addition, revenues from cities other than Beijing and Shanghai grew from $106.9 million, or 34.1% of our total net revenues, for the fiscal year ended February 28, 2014, to $191.5 million, or 44.1% of our total net revenues, for the fiscal year ended February 28, 2015.

Cost of Revenues

Our cost of revenues increased by 34.0% from $151.5 million for the fiscal year ended February 28, 2014 to $203.1 million for the fiscal year ended February 28, 2015. This increase was largely due to the increase in teacher fees and performance-linked bonuses from $66.7 million for the fiscal year ended February 28, 2014 to $90.1 million for the fiscal year ended February 28, 2015, primarily because the number of our full-time teachers increased from 3,364 for the fiscal year ending February 28, 2014 to 4,367 for the fiscal year ended February 28, 2015, and average teacher fees and performance-linked bonuses also increased. The number of contract teachers decreased slightly from 1,282 to 1,158 during the same period. Staff costs, which primarily consist of salaries, benefits and performance-linked bonuses for personnel providing educational service support and base salaries and other compensation for full-time teachers, increased from $21.6 million for the fiscal year ended February 28, 2014 to $26.1 million for the fiscal year ended February 28, 2015. This increase was mainly due to an increase in the number of our staff to expand our network and operations by opening new learning centers and service centers and an increase in the average salaries of our existing personnel who provide educational service support. Rental costs for our facilities increased from $44.0 million for the fiscal year ended February 28, 2014 to $60.4 million for the fiscal year ended February 28, 2015, primarily due to the increase in the leased space of learning centers and service centers from approximately 242,100 square meters as of February 28, 2014 to approximately 317,000 square meters as of February 28, 2015. To a lesser extent, the increase in our cost of revenues was due to increases in the depreciation and amortization costs of our property and equipment, which was primarily a result of the expansion of our learning centers. Cost of revenues for the fiscal year ended February 28, 2015 included $47.8 thousand in share-based compensation expenses, as compared to $47.9 thousand for the fiscal year ended February 28, 2014.

Gross Profit

As a result of the foregoing, our gross profit increased by 42.2% from $162.4 million for the fiscal year ended February 28, 2014 to $230.9 million for the fiscal year ended February 28, 2015. Our gross profit margin increased from 51.7% for the fiscal year ended February 28, 2014 to 53.2% for the fiscal year ended February 28, 2015. The increase in our gross profit margin in the fiscal year ended February 28, 2015 was primarily due to an increase in net revenues for the fiscal year ended February 28, 2015 resulting primarily from an enrollments increase from approximately 1,073,950 as of February 28, 2014 to approximately 1,494,430 as of February 28, 2015, the improvement of our teachers and facility utilization rates and tighter control of other costs.

Operating Expenses

Our operating expenses increased by 54.7% from $106.1 million for the fiscal year ended February 28, 2014 to $164.1 million for the fiscal year ended February 28, 2015. This increase primarily resulted from increases in both our selling and marketing expenses and general and administrative expenses.

Selling and Marketing Expenses. Our selling and marketing expenses increased by 50.7% from $35.8 million for the fiscal year ended February 28, 2014 to $53.9 million for the fiscal year ended February 28, 2015. This increase was primarily due to an increase in salaries and benefits for our selling and marketing personnel from $23.2 million for the fiscal year ended February 28, 2014 to $34.1 million for the fiscal year ended February 28, 2015. We increased the number of our sales and marketing personnel by approximately 520 and also increased salaries for many of our existing sales and marketing personnel during the fiscal year ended February 28, 2015 to support a greater number of program and service offerings and larger learning center network. Advertising expenses for marketing promotion increased from $4.5 million for the fiscal year ended February 28, 2014 to $4.7 million for the fiscal year ended February 28, 2015. Selling and marketing expenses for the fiscal year ended February 28, 2015 also included $2.1 million in share-based compensation expenses, as compared to $1.2 million for the fiscal year ended February 28, 2014.

General and Administrative Expenses. Our general and administrative expenses increased by 56.8% from $70.3 million for the fiscal year ended February 28, 2014 to $110.2 million for the fiscal year ended February 28, 2015. This increase was primarily due to an increase in compensation for our general and administrative personnel from $36.2 million for the fiscal year ended February 28, 2014 to $54.5 million for the fiscal year ended February 28, 2015. This increase was primarily due to an increase in the number of general and administrative staff and average salaries and benefits provided to them, in particular personnel supporting our online education initiatives and other new programs and service offerings, an increase in the headcount of our full-time teachers who are also engaged in content development and teacher training in addition to their class hour commitments, as well as the expansion of our office spaces as we increased the scale of our business. General and administrative expenses for the fiscal year ended February 28, 2015 included $16.3 million in share-based compensation expenses, as compared to $7.1 million for the fiscal year ended February 28, 2014.

Interest Income

We had interest income of $16.6 million for the fiscal year ended February 28, 2015, compared to $9.4 million for the fiscal year ended February 28, 2014. Our interest income in both fiscal years consisted primarily of interest earned on our cash and cash equivalents deposited in commercial banks.

Government Subsidies

We received government subsidies related to government sponsored projects and recorded such government subsidies as a liability when such government subsidies were received and recorded it as other operating income when there was no further performance obligation. We received government subsidies of $0.4 million for the fiscal year ended February 28, 2015, compared to $1.1 million for the fiscal year ended February 28, 2014. We recorded $1.1 million and $0.5 million government subsidies as other operating income for the fiscal years ended February 28, 2014 and 2015, respectively.

Other Income/(Expenses)

We incurred other expenses of $2.0 million for the fiscal year ended February 28, 2015, compared to $0.1 million of other income for the fiscal year ended February 28, 2014. Our other expenses for the fiscal year 2015 was mainly due to foreign exchange losses. As we hold a significant portion of our cash

balance in RMB and report in U.S. dollars, we benefit from exchange gains in times of relative strength of the Renminbi and incur exchange losses in times of relative strength of the U.S. dollar.

Provision for Income Tax

Our provision for income tax increased from $6.7 million for the fiscal year ended February 28, 2014 to $9.4 million for the fiscal year ended February 28, 2015, primarily due to the increase of income before income taxes.

Net Income

As a result of the foregoing, our net income increased by 10.8% from $60.6 million for the fiscal year ended February 28, 2014 to $67.1 million for the fiscal year ended February 28, 2015.

Fiscal Year Ended February 28, 2014 Compared to Fiscal Year Ended February 28, 2013

Net Revenues

Our total net revenues increased by 38.9% from $225.9 million for the fiscal year ended February 28, 2013 to $313.9 million for the fiscal year ended February 28, 2014. This increase was primarily due to the increase in both the number of total student enrollments and the average selling price per enrollment. Average selling price per enrollment increased by 5.6% from $277 for the fiscal year ended February 28, 2013 to $292 for the fiscal year ended February 28, 2014, primarily due to an increase in the hourly rate in a portion of the small classes we offer and foreign exchange rate fluctuations. The number of total student enrollments grew from approximately 816,110 as of February 28, 2013 to approximately 1,073,950 as of February 28, 2014, primarily due to an increase in enrollments in our small class offerings. In addition, revenues from cities other than Beijing and Shanghai grew from $51.1 million, or 22.6% of our total net revenues for the fiscal year ended February 28, 2013, to $106.9 million, or 34.1% of our total net revenues for the fiscal year ended February 28, 2014.

Cost of Revenues

Our cost of revenues increased by 30.9% from $115.7 million for the fiscal year ended February 28, 2013 to $151.5 million for the fiscal year ended February 28, 2014. This increase was largely driven by the increase in teacher fees and performance-linked bonuses from $51.3 million for the fiscal year ended February 28, 2013 to $66.7 million for the fiscal year ended February 28, 2014, primarily due to the increase in the number of our full-time teachers from 2,787 for the fiscal year ending February 28, 2013 to 3,364 for the fiscal year ended February 28, 2014, as well as increases in average teacher fees and performance-linked bonuses. The number of contract teachers increased slightly from 1,263 to 1,282 during the same period. Staff costs, which primarily consist of salaries, benefits and performance-linked bonuses for personnel providing educational service support and base salaries and other compensation for full-time teachers, increased from $17.9 million for the fiscal year ended February 28, 2013 to $21.6 million for the fiscal year ended February 28, 2014. This increase was mainly due to an increase in the number of our staff to expand our network and operations by opening new learning centers and service centers and an increase in the average salaries of our existing personnel who provide educational service support. Rental costs for our facilities increased from $33.6 million for the fiscal year ended February 28, 2013 to $44.0 million for the fiscal year ended February 28, 2014, primarily due to the increase in the leased space of learning centers and service centers from approximately 191,900 square meters as of February 28, 2013 to approximately 242,100 square meters as of February 28, 2014. To a lesser extent, the increase in our cost of revenues was due to increases in the depreciation and amortization costs of our property and equipment, which was primarily a result of the expansion of our learning centers. Cost of revenues for the fiscal year

ended February 28, 2014 included $47.9 thousand in share-based compensation expenses, as compared to $0.1 million for the fiscal year ended February 28, 2013.

Gross Profit

As a result of the foregoing, our gross profit increased by 47.3% from $110.2 million for the fiscal year ended February 28, 2013 to $162.4 million for the fiscal year ended February 28, 2014. Our gross profit margin increased from 48.8% for the fiscal year ended February 28, 2013 to 51.7% for the fiscal year ended February 28, 2014. The increase in our gross profit margin in the fiscal year ended February 28, 2014 was primarily due to an increase in net revenues for the fiscal year ended February 28, 2014 resulting primarily from an enrollments increase from approximately 816,110 as of February 28, 2013 to approximately 1,073,950 as of February 28, 2014, the improvement of our teachers and facility utilization rates and tighter control of other costs.

Operating Expenses

Our operating expenses increased by 33.6% from $79.4 million for the fiscal year ended February 28, 2013 to $106.1 million for the fiscal year ended February 28, 2014. This increase primarily resulted from increases in both our selling and marketing expenses and general and administrative expenses.

Selling and Marketing Expenses. Our selling and marketing expenses increased by 29.2% from $27.7 million for the fiscal year ended February 28, 2013 to $35.8 million for the fiscal year ended February 28, 2014. This increase was primarily due to an increase in salaries and benefits for our selling and marketing personnel from $16.8 million for the fiscal year ended February 28, 2013 to $23.2 million for the fiscal year ended February 28, 2014. We increased the number of our sales and marketing personnel by approximately 240 and also increased salaries for many of our existing sales and marketing personnel during the fiscal year ended February 28, 2014 to support a greater number of program and service offerings and larger learning center network. Advertising expenses for marketing promotion increased from $4.1 million for the fiscal year ended February 28, 2013 to $4.5 million for the fiscal year ended February 28, 2014. Selling and marketing expenses for the fiscal year ended February 28, 2014 also included $1.2 million in share-based compensation expenses, as compared to $1.8 million for the fiscal year ended February 28, 2013.

General and Administrative Expenses. Our general and administrative expenses increased by 37.5% from $51.1 million for the fiscal year ended February 28, 2013 to $70.3 million for the fiscal year ended February 28, 2014. This increase was primarily due to an increase in compensation for our general and administrative personnel from $26.6 million for the fiscal year ended February 28, 2013 to $36.2 million for the fiscal year ended February 28, 2014. This increase was primarily due to an increase in the average salaries and benefits provided to our general and administrative staff, an increase in the headcount of our full-time teachers who are also engaged in content development and teacher training in addition to their class hour commitments, and depreciation expenses for the office space we purchased in Beijing, which commenced operations in the fourth quarter of fiscal year 2013, and other facilities purchased in relation to the new office. General and administrative expenses for the fiscal year ended February 28, 2014 included $7.1 million in share-based compensation expenses, as compared to $6.4 million for the fiscal year ended February 28, 2013.

Impairment Losses on Long-term prepayment. For the fiscal year ended February 28, 2014, we recognized nil of impairment loss on long-term prepayment, as compared to impairment loss on long-term prepayment of $0.6 million for the fiscal year ended February 28, 2013.

Interest Income, Net

We had a net interest income of $9.4 million for the fiscal year ended February 28, 2014, compared to $5.3 million for the fiscal year ended February 28, 2013. Our net interest income in both fiscal years consisted primarily of interest earned on our cash and cash equivalents deposited in commercial banks.

Government Subsidies

We received government subsidies related to government sponsored projects and recorded such government subsidies as a liability when such government subsidies were received and recorded it as other operating income when there was no further performance obligation. We received government subsidies of $1.1 million for the fiscal year ended February 28, 2014, compared to $0.8 million for the fiscal year ended February 28, 2013. We recorded $0.6 million and $1.1 million government subsidies as other operating income for the fiscal years ended February 28, 2013 and February 28, 2014, respectively.

Other Income

Our other income was $0.1 million for the fiscal year ended February 28, 2014, compared to $0.8 million of other income for the fiscal year ended February 28, 2013. Our other income of $0.1 million for the fiscal year 2014 was a net result of $1.3 million of expenses and $1.4 million of income for the fiscal year 2014. The other expenses for the fiscal year 2014 were mainly due to our donations to victims of the Ya'an earthquake, the TAL Charitable Foundation and the Peking University Education Foundation. The income for the fiscal year 2014 was primarily driven by exchange gains. As we hold the vast majority of our cash balance in RMB and report in U.S. dollars, we benefit from exchange gains in times of relative strength of the Renminbi and incur exchange losses in times of relative strength of the U.S. dollar.

Provision for Income Tax

Our provision for income tax increased by 62.9% from $4.1 million for the fiscal year ended February 28, 2013 to $6.7 million for the fiscal year ended February 28, 2014, primarily due to the increase of income before income taxes.

Net Income

As a result of the foregoing, our net income increased by 81.2% from $33.4 million for the fiscal year ended February 28, 2013 to $60.6 million for the fiscal year ended February 28, 2014.

Inflation

According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index in China for February 2013, 2014 and 2015 were increases of 3.2%, 2.0% and 1.4% 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 office space and service center and learning center space we lease. We can provide no assurance that we will not continue to be affected in the future by higher rates of inflation in China, or that we will be able to adjust our tuition rates to mitigate the impact of inflation on our results of operations.

Recently Adopted Accounting Pronouncements

In July 2013, the FASB issued a pronouncement which provides guidance on financial statement presentation of an unrecognized tax benefits when a net operating loss carryforward, a similar tax loss

or a tax credit carryforward exists. The objective of this Accounting Standards Updates, or ASU, is to eliminate discrepancies in practice resulting from a lack of guidance on this topic under the current U.S. GAAP.

The amendments in this ASU state that an unrecognized tax benefit or a portion thereof should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, with the following exception. To the extent a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets.

This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this guidance did not have a significant effect on our consolidated financial statements.

In April 2015, the FASB issued a new pronouncement which changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. The ASU specifies that "debt issuance costs related to a note shall be reported in the balance sheet as a direct deduction from the face amount of that note" and that "amortization of debt issuance costs also shall be reported as interest expense." The ASU's Basis for Conclusions observes that, in practice, debt issuance costs incurred before the associated funding is received (i.e., before the issuance of the debt liability) are deferred on the balance sheet until that debt liability amount is recorded.

The amendments do not affect the current guidance on the recognition and measurement of debt issuance costs. For example, the costs of issuing convertible debt would not change the calculation of the intrinsic value of an embedded conversion option that represents a beneficial conversion feature under ASC 470-20-30-13. Entities thus may still need to track debt issuance costs separately from a debt discount.

For public business entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the amendments is permitted for financial statements that have not been previously issued.

The amendments should be applied on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. These disclosures include the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted, and the effect of the change on the financial statement line items (i.e., debt issuance cost asset and the debt liability). The adoption of this guidance did not have a significant effect our consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued a new pronouncement 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 supersedes 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.

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.

An entity should apply the amendments in this ASU using one of the following two methods:

1. Retrospectively to each prior reporting period presented and the entity may elect any of the following practical expedients:
   - For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.
   - For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.
   - For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.
2. Retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. If an entity elects this transition method it also should provide the additional disclosures in reporting periods that include the date of initial application of:

The amount by which each financial statement line item is affected in the current reporting period by the application of this ASU as compared to the guidance that was in effect before the change. An explanation of the reasons for significant changes.

We are in the process of evaluating the impact of this pronouncement to our consolidated financial statements.

In June 2014, the FASB issued a new pronouncement which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation—

Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved.

The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted.

Entities may apply the amendments in this ASU either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying this ASU as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. In addition, if retrospective transition is adopted, an entity may use hindsight in measuring and recognizing the compensation cost. We do not expect the adoption of this pronouncement will have a significant effect on our consolidated financial position or results of operations.

In August 2014, the FASB issued an authoritative pronouncement related to disclosure of uncertainties about an entity's ability to continue as a going concern. The update provides guidance on management's responsibility to evaluate whether there is substantial doubt about a company's ability to continue as a going concern and requires related footnote disclosures. The amendments are effective for annual periods ending after December 15, 2016, and interim periods thereafter. Early adoption is permitted.

In May 2015, the FASB issued a pronouncement which provides amendments on the disclosure for fair value measured investments in certain entities that calculate net asset value per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments apply to reporting entities that elect to measure the fair value of an investment within the scope of paragraphs 820-10-15-4 through 15-5 using the net asset value per share (or its equivalent) practical expedient in paragraph 820-10-35-59.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Earlier application is permitted. We do not expect the adoption of this pronouncement will have a significant effect on our consolidated financial position or results of operations.

B. Liquidity and Capital Resources

Cash Flows and Working Capital

In recent years, we have financed our operations and the expansion of our business primarily through cash flows from operations, proceeds from our initial public offering in October 2010 and our offering of convertible senior note in May 2014. As of February 28, 2015, we had $470.2 million in cash and cash equivalents, 21.2 million in bank term deposits and no bank borrowings. Our cash and cash equivalents consist of cash on hand and bank deposits that are placed with banks and other financial institutions and which are either unrestricted as to withdrawal or use, or have remaining maturities of three months or less when purchased.

The following table sets forth a summary of our cash and cash equivalents, bank deposits and restricted cash inside and outside China as of February 28, 2015.

	Cash and cash equivalents in RMB	Cash and cash equivalents in U.S. dollars	Total cash and cash equivalents	Term deposits in RMB	Term deposits in U.S. dollars	Total term deposits	Restricted cash in RMB	Restricted cash in U.S. dollars	Total restricted cash
					(in thousands)				
Entities outside China	$130,620	$41,781	$172,401	—	—	—	—	—	—
VIEs in China	161,603	—	161,603	542	—	542	4,379	—	4,379
Non-VIEs in China	134,700	1,453	136,153	20,688	—	20,688	—	—	—
Entities inside China	296,303	1,453	297,756	21,230	—	21,230	4,379	—	4,379
Total	$426,923	$43,234	$470,157	$21,230	—	$21,230	$4,379	—	$4,379

Although we consolidate the results of Xueersi Education and Xueersi Network and their respective subsidiaries and schools as well as the results of Beijing Dongfangrenli, our access to the cash balances or future earnings of Xueersi Education, Xueersi Network and Beijing Dongfangrenli and their respective subsidiaries and schools, as applicable, is only through our contractual arrangements with Xueersi Education, Xueersi Network, Beijing Dongfangrenli and their respective shareholders, subsidiaries and schools. See "Item 4.C.—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities." For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see "—Holding Company Structure."

We believe that our current cash and cash equivalents, term deposits, available-for-sale securities, and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs to support our organic growth, including our cash needs for working capital and capital expenditures, for at least the next 12 months. However, we may need additional cash resources in the future if we experience changed business conditions or other developments or if we find and wish to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions. If we determine that our cash requirements exceed our cash and cash equivalents on hand, we may seek to issue debt or equity securities or obtain a credit facility. Any issuance of equity securities could cause dilution of our shareholders. Any incurrence of indebtedness could increase our debt service obligations and cause us to be subject to restrictive operating and finance covenants. In addition, there can be no assurance that when we need additional cash resources, financing will be available to us on commercially acceptable terms and amount, or at all.

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

	For the Years Ended February 28,		
	2013	2014	2015
	(in thousands of $)		
Net cash provided by operating activities	$ 65,410	$101,558	$ 147,578
Net cash (used) in investing activities	(28,119)	(17,403)	(145,785)
Net cash (used)/provided in financing activities	(41,465)	—	201,838
Effect of foreign exchange rate changes	675	695	(3,405)
Net increase / (decrease) in cash and cash equivalents	(3,499)	84,850	200,226
Cash and cash equivalents at the beginning of the period	188,580	185,081	269,931
Cash and cash equivalents at end of the period	$185,081	$269,931	$ 470,157

Operating Activities

Net cash provided by operating activities amounted to $147.6 million in the fiscal year ended February 28, 2015, as compared to $101.6 million in the fiscal year ended February 28, 2014. Net cash provided by operating activities in the fiscal year ended February 28, 2015 reflected net income of $67.1 million, adjusted by certain non-cash expenses, including share-based compensation expenses of $18.4 million, depreciation of property and equipment of $11.7 million, gain on fair value change of long-term investment of $1.2 million, loss from equity method investment of 0.7 million, and amortization of intangible assets of $0.7 million. Additional major factors affecting operating cash flow in the fiscal year ended February 28, 2015 included an increase in deferred revenues of $45.2 million due to the increased amount of course fees received during the period, an increase in accrued expenses and other current liabilities of $10.3 million, primarily due to an increase in accrued employee salary expenses and welfare benefits; an increase in prepaid expenses and other current assets of $8.3 million, an decrease in income tax receivable of $6.6 million and an increase in rental deposit of $3.7 million.

Net cash provided by operating activities amounted to $101.6 million in the fiscal year ended February 28, 2014, as compared to $65.4 million in the fiscal year ended February 28, 2013. Net cash provided by operating activities in the fiscal year ended February 28, 2014 reflected net income of $60.6 million, adjusted by certain non-cash expenses, including depreciation of property and equipment of $9.5 million, amortization of intangible assets of $0.5 million, share-based compensation expenses of $8.3 million and gain on sales of investment in Century Mingde of $0.3 million. Additional major factors affecting operating cash flow in the fiscal year ended February 28, 2014 included an increase in deferred revenues in the amount of $29.9 million due to the increased amount of course fees received during the period, an increase in accrued expenses and other current liabilities of $8.5 million, primarily due to an increase in accrued employee salary expenses and welfare benefits; an increase in our prepaid expenses and other current assets in the amount of $5.4 million, an increase in our income tax receivable in the amount of $9.8 million and an increase in our income tax payable in the amount of $1.7 million.

Net cash provided by operating activities amounted to $65.4 million in the fiscal year ended February 28, 2013, as compared to $73.4 million in the fiscal year ended February 29, 2012. Net cash provided by operating activities in the fiscal year ended February 28, 2013 reflected net income of $33.4 million, adjusted by certain non-cash expenses, including depreciation of property and equipment of $7.0 million, amortization of intangible assets of $0.3 million, share-based compensation expenses of $8.3 million and impairment loss on long-term prepayment of $0.6 million. Additional major factors affecting operating cash flow in the fiscal year ended February 28, 2013 included an increase in deferred revenues in the amount of $16.9 million due to the increased amount of course fees received during the period, an increase in accrued expenses and other current liabilities of $1.3 million, primarily due to an increase in accrued employee salary expenses and welfare benefits, an increase in our prepaid expenses and other current assets in the amount of $1.7 million, and an increase in our income tax payable in the amount of $2.1 million.

Investing Activities

Net cash used in investing activities amounted to $145.8 million in the fiscal year ended February 28, 2015, as compared to $17.4 million in the fiscal year ended February 28, 2014. Net cash used in investing activities in the fiscal year ended February 28, 2015 primarily related to purchase of property and equipment of $30.7 million (mainly for leasehold improvement of the learning centers and service centers, purchase of computers, office equipment and other equipment), term deposit of $21.2 million, minority equity investment of $18.0 million in Minerva, minority equity investment of $15.0 million in Guokr, loans to third parties of $9.7 million, payment of $6.1 million for an online to offline community service platform, payment of $6.0 million for Muchong.com and other acquisitions, payment of $5.0 million for a third-party technology company, payment of $4.3 million for an online education company, and payment of $27.0 million for other long-term investments.

Net cash used in investing activities amounted to $17.4 million in the fiscal year ended February 28, 2014, as compared to $28.1 million in the fiscal year ended February 28, 2013. Net cash used in investing activities in the fiscal year ended February 28, 2014 primarily related to proceeds of term deposit of $24.1 million, purchase of property and equipment of $10.8 million, which was mainly related to leasehold improvement of the learning centers and service centers, purchase of computers, office equipment and other equipment, proceeds from sales of investment in Century Mingde of $2.7 million, $8.2 million in payment for Kaoyan.com, $23.5 million in payment for BabyTree Inc. and $1.6 million in payment for long-term investments, which was mainly related to minority investments in three private education companies.

Net cash used in investing activities amounted to $28.1 million in the fiscal year ended February 28, 2013, as compared to $59.1 million in the fiscal year ended February 29, 2012. Net cash used in investing activities in the fiscal year ended February 28, 2013 primarily related to term deposit of $13.8 million, purchase of property and equipment of $6.2 million, which mainly related to the renovation of office space we purchased, leasehold improvement of the learning centers and service centers, purchase of computers, office equipment and other equipment, and $5.5 million in payment for long-term investment, which mainly related to minority investments in two private education companies.

Financing Activities

Net cash provided by financing activities amounted to 201.8 million in the fiscal year ended February 28, 2015, as compared to nil in the fiscal year ended February 28, 2014. Net cash provided by financing activities in the fiscal year ended February 28, 2015 was primarily attributable to the proceeds of $224.7 million from the issuance of convertible senior notes, net of issuance costs, and partially offset by the payment of $22.9 million for capped call options.

Net cash used in financing activities amounted to nil in the fiscal year ended February 28, 2014, as compared to net cash used in financing activities in the amount of $41.5 million in the fiscal year ended February 28, 2013.

Net cash used in financing activities amounted to $41.5 million in the fiscal year ended February 28, 2013, as compared to net cash used in financing activities in the amount of $0.5 million in the fiscal year ended February 29, 2012. Net cash used in financing activities in the fiscal year ended February 28, 2013 was attributable to a $39.0 million payment of cash dividend to shareholders in December 2012 and $2.4 million payments for share repurchases in July and August 2012.

Holding Company Structure

Overview

We are a holding company with no material operations of our own. Aside from our personalized premium tutoring services in Beijing conducted by our PRC subsidiaries, Huanqiu Zhikang and

Zhixuesi Beijing, we conduct substantially all of our education business in China through contractual arrangements among TAL Beijing, which is our wholly-owned PRC subsidiary, Xueersi Education, Xueersi Network and Beijing Dongfangrenli, which are our Consolidated Affiliated Entities in China, and the respective shareholders, subsidiaries and schools of each of Xueersi Education, Xueersi Network and Beijing Dongfangrenli. See "Item 4.C.—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities" for a summary of these contractual arrangements. In the fiscal years ended February 28, 2013, 2014 and 2015, our Consolidated Affiliated Entities contributed 82.6%, 86.7% and 90.6%, respectively, of our total net revenues, and Huanqiu Zhikang and Zhixuesi Beijing contributed 17.4%, 13.3% and 9.4%, respectively, of our total net revenues.

Conducting most of our operations through contractual arrangements with our Consolidated Affiliated Entities in China entails a risk that we may lose effective control over our Consolidated Affiliated Entities, which may result in our being unable to consolidate their financial results with our results and may impair our access to their cash flow from operations and thereby reduce our liquidity. See "Item 3.D.—Risk Factors—Risks Related to Our Corporate Structure" for more information, including the risk factors titled "If the PRC government determines that the agreements that establish the structure for operating our business in China are not in compliance with applicable PRC laws and regulations, we could be subject to severe penalties" and "We rely on contractual arrangements with our Consolidated Affiliated Entities for our PRC operations, which may not be as effective in providing operational control as direct ownership."

Dividend Distributions

As a holding company, our ability to pay dividends and other cash distributions to our shareholders depends 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 Consolidated Affiliated Entities, and, to a lesser degree, our PRC subsidiaries' retained earnings. In the fiscal years ended February 28, 2013, 2014 and 2015, TAL Beijing and its designated PRC subsidiaries collectively charged $46.1 million, $74.1 million and $97.6 million in service fees, respectively, to our Consolidated Affiliated Entities. The Consolidated Affiliated Entities collectively paid $37.8 million, $66.5 million and $99.5 million in service fees to TAL Beijing and its designated PRC subsidiaries in the fiscal years ended February 28, 2013, 2014 and 2015, respectively. As of fiscal year end February 28, 2013, 2014 and 2015, the balance of the amount payable for the fees was $13.0 million, $20.6 million and $18.7 million, respectively.

Under PRC law, each of our PRC subsidiaries and Consolidated Affiliated Entities in China 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 the private schools our company owns 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 23 private 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 the remaining 14 private 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 TAL Beijing has with each of Xueersi Education, Xueersi Network and Beijing Dongfangrenli, the earnings and cash of each of Xueersi Education, Xueersi Network and Beijing Dongfangrenli (including dividends received from their respective subsidiaries and schools) are used to pay service fees in RMB to TAL Beijing or its designated affiliates, in the manner and amount set forth in these agreements. After paying the applicable withholding taxes, making appropriations for its statutory reserve requirement and retaining any profits from accumulated profits, the remaining net profits of TAL Beijing and its designated affiliates would be available for distribution to TAL Hong Kong and from TAL Hong Kong to our company. Please see "Item 3.D.—Key Information—Risk Factors—Risks Related to Doing Business in China—Dividends we receive from our operating subsidiaries located in China may be subject to PRC withholding tax." and "Item 5.A.—Operating Results—Taxation—PRC" for detailed discussions on withholding taxes; and see "Item 4.B.—Business Overview—PRC Regulation—Regulations on Dividend Distribution" for a detailed discussion on statutory reserve requirement. As of February 28, 2015, the net assets of our PRC subsidiaries and Consolidated Affiliated Entities which were restricted due to statutory reserve requirements and other applicable laws and regulations, and thus not available for distribution, was in aggregate $39.3 million, and the net assets of our PRC subsidiaries and Consolidated Affiliated Entities which were unrestricted and thus available for distribution was in aggregate $262.0 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.D.—Risk Factors—Risks Related to Doing Business in China—We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could limit our ability to pay dividends to holders of our ADSs and common shares" for more information.

Furthermore, cash transfers from our PRC subsidiaries to our subsidiaries in Hong Kong 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 our Consolidated Affiliated Entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. See "Item 3.D.—Risk Factors—Risks Related to Doing Business in China—Governmental control of currency conversion may affect the value of your investment."

Capital Expenditures

For the fiscal years 2013 to 2015, our primary capital expenditures have been purchase of office space, leasehold improvements, and investment in computers, network equipment, software, facilities and intangible assets. Our capital expenditures were $6.9 million, $10.9 million and $30.7 million for the fiscal years ended February 28, 2013, 2014 and 2015, respectively, representing 3.1%, 3.5% and 7.1% of our total net revenues for such year, respectively. Please see "Item 4.D.—Information on the Company—Property, Plants and Equipment" for more information.

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

Our competitive advantages in the PRC after-school tutoring service market is supported by our up-to-date technology platform, our strong in-house ability in developing curricular and course materials, and a range of our intellectual property rights. In addition, we operate *www.jzb.com* (formerly *www.eduu.com*), a leading online education platform in China. The website serves as a gateway to our online courses, primarily offered through our website *www.xueersi.com*, and other websites dedicated to specific topics. We also offer select educational content through mobile applications. Our online platform facilitates direct and frequent communications with and among our existing and prospective students, which forms an important part of our efforts to provide a supportive learning environment to our students and support our overall sales and marketing activities. For detailed information about our online course offering, see "Item 4.B.—Information on the Company—

Business Overview—Our Tutoring Services—Online Courses." We have a strong in-house team responsible for developing, updating and improving our curricula and course materials, and substantially all of our education content, excluding English course materials, is developed in-house. See "Item 4.B.—Information on the Company—Business Overview—Our Curricula and Course Materials" for detailed information. Our online platform, course contents and our other intellectual property rights are protected by a combination of PRC laws and regulations that protect trademarks, copyrights, domain names, know-how and trade secrets, as well as confidentiality agreements. For more information about our brands and intellectual property rights, see "Item 4.B. Information on the Company—Business Overview—Intellectual Property." For the fiscal years ended February 28, 2013, 2014 and 2015, we did not have significant research and development policies and expenditures.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the fiscal year ended February 28, 2015 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. 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 February 28, 2015:

	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in thousand $)		
Operating lease obligations[1]	$264,943	$60,286	$95,898	$63,688	$45,071
Acquisitions and investments obligations[2]	5,484	5,484	—	—	—
Total	$270,427	$65,770	$95,898	$63,688	$45,071

Notes:

(1) Represents our non-cancelable leases for our offices, learning centers and service centers.

(2) Represents obligations in connection with several investments and acquisitions as of February 28, 2015.

G. Safe Harbor

See "Forward Looking Statements" on page 2 of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

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

Directors and Executive Officers	Age	Position/Title
Bangxin Zhang	34	Chairman of the Board of Directors and Chief Executive Officer
Joseph Kauffman	37	Director
Jane Jie Sun	46	Independent Director
Wei Wang	46	Independent Director
Shanyou Li	43	Independent Director
Rong Luo	33	Chief Financial Officer
Yachao Liu	33	Senior Vice President
Yunfeng Bai	33	Senior Vice President

Bangxin Zhang is one of our founders and has served as our chairman and chief executive officer since our inception. Mr. Zhang has been instrumental to the development and success of our business. Mr. Zhang provides vision, overall management, and strategic decision-making relating to marketing, investment planning, and corporate development. Mr. Zhang received his bachelor's degree in Life Sciences from Sichuan University in 2001, was in the postgraduate program of the Life Science School of Peking University from 2002 to 2007, and received an EMBA degree from China Europe International Business School in 2009.

Joseph Kauffman has served as our director since October 2014, and was our chief financial officer from June 2010 to October 2014. Mr. Kauffman currently also serves as the chief financial officer of Credit Karma, Inc. Prior to joining us in 2010, Mr. Kauffman headed business development and strategic investment at New Oriental Education & Technology Group Inc., where he joined the senior management team before its initial public offering on the New York Stock Exchange in 2006. Between 1999 and 2004, Mr. Kauffman held various corporate development, strategy, and operating roles at The Coca-Cola Company in China. Mr. Kauffman received his bachelor's degree from Williams College in 1999 and an MBA degree from the Harvard Business School in 2006.

Jane Jie Sun has served as our independent director since October 2010. Ms. Sun has extensive experience in SEC reporting, finance and accounting. She has served as the chief operating officer of Ctrip.com International, Ltd, or Ctrip, a NASDAQ-listed company, since May 2012, and as chief financial officer of Ctrip from December 2005 to April 2012. Prior to joining Ctrip, Ms. Sun served as the head of the SEC and External Reporting Division of Applied Materials, Inc., where she worked from 1997 to 2005. Prior to joining Applied Materials, Inc., Ms. Sun worked with KPMG LLP in Silicon Valley, California for five years. Ms. Sun is a member of the American Institute of Certified Public Accountants and a member of the State of California Certified Public Accountants. Ms. Sun received her bachelor's degree from the Business School of the University of Florida with High Honors. She also attended the undergraduate program at Beijing University Law School from 1987 to 1989.

Wei Wang has served as our independent director since June 2011. Mr. Wang, also known by his pen name, Nian Chen, is the founder, chairman and chief executive officer of Vancl Corporation, a leading lifestyle brand and online retailer in China. Before founding Vancl in 2005, Mr. Wang co-founded Uooyoo.com, a mobile phone software company. Prior to his move into mobile phone software, Mr. Wang was involved in online bookselling, co-founding Joyo.com in 2000. Joyo.com was sold to Amazon in 2004, becoming known as Amazon China. Before Joyo.com, Mr. Wang founded the Book Review in 1998 and co-founded the Xishu Book Club, now Xishu Books, a major online book retailer, in 1997. Prior to these entrepreneurial activities, Mr. Wang was a reporter and columnist for

the Beijing Youth Daily newspaper from 1995 to 1997. Mr. Wang studied international trade at the Dalian College of Economics and Management from 1988 to 1990.

Shanyou Li has served as our independent director since October 2014. Mr. Li is currently an adjunct professor of entrepreneurship at China Europe International Business School, or CEIBS. He is also the founder of CEIBS China Entrepreneurial Leadership Camp and serves as its executive director. Prior to joining CEIBS in 2011, Mr. Li founded *www.ku6.com* in 2006 and served as its chief executive officer until 2011. Before starting up his own business, Mr. Li served as a senior vice president and editor-in-chief at Sohu.com Inc. Mr. Li received his bachelor's degree in mathematics from Nan Kai University, and his EMBA degree from CEIBS.

Rong Luo has served as our chief financial officer since November 2014. Prior to joining us, Mr. Luo was the chief financial officer of eLong Inc, a NASDAQ-listed online travel agency company, from 2013 to 2014. Before that, Mr. Luo was finance senior manager (China) for the Lenovo Group. Prior to Lenovo, Mr. Luo held a number of positions in Beijing and Seattle in the finance function of the Microsoft Corporation, including analyst, manager and senior manager. Mr. Luo holds a double major bachelor's degree in economics and information management & systems from Peking University, a master's degree in management science and engineering from Tsinghua University.

Yachao Liu has served as our senior vice president since April 2011 and has been in charge of our strategic investments since November 2014. From February 2013 to October 2014, Dr. Liu was in charge of our online course offerings. From May 2012 to January 2013, Dr. Liu was in charge of our enterprise planning division and information management center in addition to our online course offerings. From April 2011 to April 2012, Dr. Liu was in charge of our teaching and research division, teachers' training school, information management center and network operation center. From January 2008 to April 2011, Dr. Liu was our vice president and was in charge of our online course offerings. From September 2005 to January 2008, Dr. Liu was director of our middle school division. Dr. Liu received his bachelor's degree in Mechanics from Peking University in 2003 and Ph.D. from the Institute of Mechanics of the Chinese Academy of Science in 2008.

Yunfeng Bai has served as our senior vice president since April 2011 and is in charge of our Xueersi Peiyou small-class business throughout China. From June 2008 to April 2011, Mr. Bai served as our vice president, and in this capacity he oversaw our personalized premium services. Mr. Bai founded our high school division in 2005 and was the director of our Beijing operations from June 2006 through May 2008. Mr. Bai received his bachelor's degree in Engineering Automation from Beijing University of Aeronautics and Astronautics in 2003, attended the CEO class of Guanghua Management School of Peking University between 2008 and 2009 and graduated from the EMBA program of China Europe International Business School in 2012.

Employment Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our senior executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon one-month advance written notice. The executive officer may terminate the employment at any time with a one-month advance written notice under certain circumstances.

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. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice and to assign all right, title and interest in them to us, and assist us in obtaining patents, 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 for half a year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our clients, customers or contacts or other persons or entities introduced to the executive officer for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination.

B. Compensation

For the fiscal year ended February 28, 2015, the aggregate cash compensation we paid to our executive officers as a group was approximately $1.3 million. We do not pay our non-executive directors in cash for their services on our board. For the fiscal year ended February 28, 2011, we granted a total of 2,125,000 restricted Class A common shares to our executive officers. For the fiscal year ended February 29, 2012, we granted a total of 208,000 restricted Class A common shares to our non-executive directors, 24,000 of which were subsequently cancelled upon the resignation of one of our non-executive directors during the fiscal year ended February 29, 2012 and we did not grant any restricted Class A common shares to our executive officers. For the fiscal year ended February 28, 2014, we granted a total of 800,000 restricted Class A common shares to our executive directors or our executive officers. For the fiscal year ended February 28, 2015, we granted 899,000 restricted Class A common shares to our executive officers and non-executive directors. For the fiscal year ended February 28, 2015, we recognized a total share-based compensation expense of $3.1 million for our executive officers and non-executive directors. For more information, see "Item 6.B.—Directors, Senior Management and Employees—Compensation—Share Incentive Plan."

Share Incentive Plan

In June 2010, we adopted our 2010 Share Incentive Plan in order to attract and retain the qualified personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. The plan permits the grant of options to purchase our Class A common shares, restricted shares, restricted share units, share appreciation rights, dividend equivalent rights and other instruments as deemed appropriate by the administrator under the plan. In August 2013, we amended and restated the 2010 Share Incentive Plan. Pursuant to the amended and restated 2010 Share Incentive Plan, the maximum aggregate number of Class A common shares that may be issued pursuant to all awards under our share incentive plan is equal to five percent (5%) of the total issued and outstanding shares as of the date when the amended and restated 2010 Share Incentive Plan became effective; provided that, the shares reserved shall be increased automatically if and whenever the unissued shares reserved accounts for less than one percent (1%) of the total then issued and outstanding shares, as a result of which increase the shares unissued and reserved in the Award Pool immediately after each such increase shall equal to five percent (5%) of the then issued and outstanding shares. As of May 8, 2015, we granted 24,111,480 restricted Class A common shares and 450,000 share options to purchase 450,000 Class A common shares under this plan to our employees, consultants and directors.

The following table summarizes, as of May 8, 2015, the share options and restricted shares granted and outstanding under our share incentive plan to our directors and executive officers and to other individuals as a group.

Name	Number of Class A Common Shares Underlying Share Options and Class A Restricted Shares	Exercise Price ($/share)	Date of Grant	Date of Expiration
Joseph Kauffman . .	*(1)	—	July 26, 2010/ October 26, 2014	10 years from the date of the grant
Jane Jie Sun	*(1)	—	April 8, 2011/ June 13, 2011/ October 26, 2014	10 years from the date of the grant
Wei Wang	*(1)	—	June 13, 2011/ October 26, 2014	10 years from the date of the grant
Shanyou Li	*(1)	—	October 26, 2014	10 years from the date of the grant
Rong Luo	*(1)	—	October 26, 2014/ April 26, 2015/	10 years from the date of the grant
	*	$16.095	April 26, 2015	10 years from the date of the grant
Yachao Liu	*(1)	—	July 26, 2010/ October 25, 2013/ March 1, 2014	10 years from the date of the grant
Yunfeng Bai	*(1)	—	July 26 2010/ October 25, 2013/ March 1, 2014	10 years from the date of the grant
Directors and officers as a group	1,729,000	$16.095	—	10 years from the date of the grant
Other individuals as a group	12,598,146	$16.095	—	10 or 11 years from the date of the grant
Total	14,327,146	—	—	—

* Less than 1% of the outstanding common shares.

(1) Restricted shares.

The following paragraphs describe the principal terms of our share incentive plan:

Plan Administration. The plan is administered by our board of directors or our compensation committee. The compensation committee or the full board of directors, as appropriate, determines the provisions and terms and conditions of each award grant except for grants below a certain threshold in which the Board has delegated authority to the Chief Executive Officer of the Company.

Awards and Award Agreement. Pursuant to our amended and restated 2010 Share Incentive Plan, we may grant options, restricted shares, restricted share units, share appreciation rights, dividend equivalent rights or other instruments to our directors, employees or consultants. Awards granted under our plan are evidenced by award agreements that set forth the terms, conditions and limitations for each award, which may include the term of an award, the provisions applicable in the event the participant's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award.

Option Exercise Price. The exercise price of an option is determined by the plan administrator and set forth in the award agreement and may be a fixed or variable price related to the fair market value of the shares, to the extent not prohibited by applicable laws. Subject to certain limits set forth in the

plan, the exercise price may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive. To the extent not prohibited by applicable laws or any exchange rule, a downward adjustment of the exercise prices of options shall be effective without the approval of the shareholders or the approval of the affected participants.

Eligibility. We may grant awards to our employees, directors and consultants or those of any of our related entities, which include our subsidiaries or any entities in which we hold a substantial ownership interest, as determined by our plan administrator. Awards other than incentive share options may be granted to our employees, directors and consultants. Incentive share options may be granted only to employees of our company or a parent or a subsidiary of our company.

Term of the Awards. The term of each award grant is determined by our plan administrator, provided that the term shall not exceed ten years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines, or the award agreement specifies, the vesting schedule. We have the right to repurchase the restricted shares until vested.

Transfer Restrictions. Except as otherwise provided by our plan administrator, an award may not be transferred or otherwise disposed of by a participant other than by will or the laws of descent and distribution. Our plan administrator by express provision in the award or an amendment may permit an award (other than an incentive share option) to be transferred to or exercised by certain persons related to the participant.

Corporate Transactions. Except as may be provided otherwise in an individual award agreement or any other written agreement entered into by a participant and us, in the event of a change-of-control or other corporate transactions, our plan administrator may determine to provide for one or more of the following: (i) each award outstanding under the plan to terminate at a specific time in the future and give each participant the right to exercise the vested portion of the awards during a period of time as determined by our plan administrator; or (ii) termination of any award in exchange for an amount of cash equal to the amount that could have been attained upon the exercise of the award; or (iii) the replacement of such award with other rights or property selected by our plan administrator; or (iv) the assumption of or substitution of such award by our successor, parent or subsidiary, with appropriate adjustments; or (v) payment of an award in cash based on the value of shares on the date of the corporate transaction plus reasonable interest on the award.

Amendment and Termination of the Plan. With the approval of our board, our plan administrator may, at any time and from time to time, amend, modify or terminate the plan, provided, however, that no such amendment shall be made without the approval of the our shareholders to the extent such approval is required by applicable laws, or in the event that such amendment increases the number of shares available under our plan, permits our plan administrator to extend the term of our plan or the exercise period for an option beyond ten years from the date of grant, or results in a material increase in benefits or a change in eligibility requirements, unless we decides to follow home country practice.

C. Board Practices

Composition of Board of Directors

Our board of directors consists of five directors. A director is not required to hold any shares in our company by way of qualification. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company must declare the nature of his interest at a meeting of our directors. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at the board meeting at which such contract or

proposed contract or arrangement is considered. Subject to our memorandum and articles of association, the directors may exercise all the powers of our company to borrow money and to mortgage its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third party.

Code of Business Conduct and Ethics

Our code of business conduct and ethics provides that our directors and officers are expected to avoid any action, position or interest that conflicts with the interests of our company or gives the appearance of a conflict. Directors and officers have an obligation under our code of business conduct and ethics to advance our company's interests when the opportunity to do so arises.

Duties of Directors

Under Cayman Islands law, our directors owe to us fiduciary duties, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors also have a duty to exercise the skill they 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, as amended and restated from time to time. Our company has the right to seek damages if a duty owed by our directors is breached.

Terms of Directors and Executive Officers

Our officers are elected by and serve at the discretion of our board of directors. Our directors are not subject to a term of office and hold office until such time as they are removed from office by an ordinary resolution passed at a shareholder meeting, or in the absence of a shareholder meeting by a unanimous written resolution of our shareholders. In addition, the office of a director will be vacated if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind, (iii) resigns his office by notice in writing to our company, or (iv) without special leave of absence from our board, is absent from three consecutive meetings of our board, and our board resolves that his office be vacated.

Committees of the Board of Directors

Our board of directors has three committees, namely the audit committee, the compensation committee and the nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Ms. Jane Jie Sun, Mr. Shanyou Li and Mr. Wei Wang. Ms. Sun, Mr. Li and Mr. Wang satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Exchange Act. Ms. Sun is the chair of our audit committee. Our board of directors has determined that Ms. Sun is an audit committee financial expert as defined in the instructions to Item 16A of Form 20-F. Each of Mr. Li and Mr. Wang are financially literate. The purpose of the audit committee is to assist our board of directors with its oversight responsibilities regarding: (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence and (iv) the performance of our internal audit function and independent auditor. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;

- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee. Our compensation committee consists of Mr. Shanyou Li, Mr. Wei Wang and Ms. Jane Jie Sun. Mr. Li, Mr. Wang and Ms. Sun satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. Mr. Li is the chair of our compensation committee. 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, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors; and
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Mr. Wei Wang, Mr. Shanyou Li and Ms. Jane Jie Sun. Mr. Wang, Mr. Li and Ms. Sun satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. Mr. Wang is the chair of our nominating and corporate governance committee. 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 by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- 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.

D. Employees

We had 5,808, 6,375 and 8,254 full-time employees as of February 28, 2013, 2014 and 2015, respectively. Of our total number of full-time employees as of February 28, 2015, 3,836 were located in Beijing, 817 were located in Shanghai and 3,601 were located in other places in China.

In addition to full-time employees, from time to time, we also employ contract teachers, contract labor and engage independent consultants to support our teaching and curriculum and course material development activities. We remunerate our employees with basic salaries as well as performance-based bonuses. None of our employees are represented by collective bargaining arrangements. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our common shares (including shares represented by our ADSs), as of May 8, 2015, by:

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

	Shares Beneficially Owned		
	Number[1]	%[2]	% of Voting Power[3]
Directors and Executive Officers:			
Bangxin Zhang[4]	59,550,000	37.3%	74.2%
Joseph Kauffman[5]	*		
Jane Jie Sun[6]	*		
Wei Wang[7]	*		
Shanyou Li[8]	*		
Rong Luo	*		
Yachao Liu[9]	9,001,250	5.6%	11.0%
Yunfeng Bai[10]	3,093,500	1.9%	3.9%
All directors and executive officers as a group	71,644,750	44.8%	89.0%
Principal Shareholders:			
Bright Unison Limited[11]	59,550,000	37.3%	74.2%
UBS Global Asset Management division of UBS Group AG[12]	13,769,064	8.6%	1.7%
Perfect Wisdom International Limited[13]	8,812,500	5.5%	11.0%

* Less than 1% of our total outstanding shares.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant, restricted shares or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

(2) For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of (1) 159,827,876, being the number of common shares issued as of May 8, 2015, and (2) the number of shares such person or group has the right to acquire or receive within 60 days after May 8, 2015.

(3) Percentage of total voting power represents voting power with respect to all of our Class A and Class B common shares, as a single class. As of May 8, 2015, our issued and outstanding share capital consisted of 88,371,876 Class A common shares and 71,456,000 Class B common shares. Each holder of our Class B common shares is entitled to ten votes per Class B common share and each holder of Class A common shares is entitled to one vote per Class A common share held by our shareholders on all matters submitted to them for a vote. Our Class A common shares and Class B common shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B common shares are convertible at any time by the holder into Class A common shares on a 1:1 basis.

(4) Consists of 59,550,000 Class B common shares held by Bright Unison Limited, a British Virgin Islands company. Bangxin Zhang is the sole shareholder and the sole director of Bright Unison Limited. Bangxin Zhang's business address is 12/F, Danling SOHO, 6 Danling Street, Haidian District, Beijing 100080, People's Republic of China.

(5) The business address of Mr. Kauffman is 1000 Mountain Home Rd, Woodside, California 94062..

(6) The business address of Ms. Sun is 99 Fu Quan Road, Shanghai 200335, People's Republic of China.

(7) The business address of Mr. Wang is 47 Kechuang Third Street, Daxing District, Beijing 102600, People's Republic of China.

(8) The business address of Mr. Li is China-European International Business School, Haidian District, Beijing 100193, People's Republic of China.

(9) Consists of 8,812,500 Class B common shares held by Perfect Wisdom International Limited, a British Virgin Islands company. Yachao Liu is the sole shareholder and the sole director of Perfect Wisdom International Limited. Yachao Liu's business address is 12/F, Danling SOHO, 6 Danling Street, Haidian District, Beijing 100080, People's Republic of China.

(10) Consists of 3,093,500 Class B common shares held by Excellent New Limited, a British Virgin Islands company. Yunfeng Bai is the sole shareholder and the sole director of Excellent New Limited. Yunfeng Bai's business address is 12/F, Danling SOHO, 6 Danling Street, Haidian District, Beijing 100080, People's Republic of China.

(11) Bright Unison Limited is a company incorporated in the British Virgin Islands. Bangxin Zhang is the sole shareholder and the sole director of Bright Unison Limited. Its registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(12) Based on Schedule 13G filed with the SEC on February 13, 2015 by UBS Group AG (for the benefit and on behalf of the UBS Global Asset Management division of UBS Group AG), and consists of 13,769,064 Class A common shares held by the UBS Global Asset Management division of UBS Group AG and its subsidiaries and affiliates on behalf of clients. The principal business office of UBS Global AG is Bahnhofstrasse 45, Zuric, Switzerland.

(13) Perfect Wisdom International Limited is a company incorporated in the British Virgin Islands. Yachao Liu is the sole shareholder and the sole director of Perfect Wisdom International Limited. Its registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Our common shares are divided into Class A common shares and Class B common shares. Holders of Class A common shares are entitled to one vote per share, while holders of Class B common shares are entitled to ten votes per share. Holders of our Class B common shares may choose to convert their Class B common shares into the same number of Class A common shares at any time. See

"Item 10.B.—Additional Information—Memorandum and Articles of Association—Common Shares" for a more detailed description of our Class A common shares and Class B common shares.

To our knowledge, as of May 8, 2015, 88,371,876 of our Class A common shares were held by one record holder in the United States, which was JPMorgan Chase Bank, N.A., the depositary of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our Class A common shares in the United States.

For the restricted Class A common shares granted to our directors, officers, employees and consultants, please refer to "Item 6.B.—Directors, Senior Management and Employees—Compensation—Share Incentive Plan."

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

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

B. Related Party Transactions

Transactions with Related Investees

We have made loans to two minority interest investees. Accordingly, we had $159,502 of current loans due from related parties and $319,005 of non-current loans due from related parties as of February 28, 2015.

We receive services from certain minority interest investees. We incurred $37,819 in services fees to related parties for the year ended February 28, 2015. We had $22,077 of current balance due to related parties as of February 28, 2015.

Contractual Arrangements with Our Consolidated Affiliated Entities

Please refer to "Item 4.C.—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities."

Employment Agreement

Please refer to "Item 6.A.—Directors, Senior Management and Employees—Directors and Senior Management—Employment Agreements."

Stock Incentives

Please refer to "Item 6.B.—Directors, Senior Management and Employees—Compensation—Share Incentive Plan."

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 Proceedings

See "Item 4.B.—Information on the Company—Business Overview—Legal Proceedings."

Dividend Policy

In November 2010, we paid a $30 million cash dividend to our shareholders of record as of September 29, 2010, the date we declared this dividend. In December 2012, we paid a $39.0 million cash dividend with $0.25 per share to our shareholders of record at the close of business on December 7, 2012. We expect to source cash for future dividends, if any, from our offshore cash balance, which is more cost-efficient than using onshore cash we hold.

Our board of directors has complete discretion whether to declare dividends. Our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Even if our board of directors decides to declare dividends, their 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.

Holders of our ADSs will be entitled to receive dividends, if any, subject to the terms of the deposit agreement, to the same extent as the holders of our Class A common shares. Cash dividends will be paid to the depositary of our ADSs in U.S. dollars, which will distribute them to the holders of ADSs after fees according to the terms of the deposit agreement. Other distributions, if any, will be paid by the depositary to the holders of ADSs in any means it deems legal, fair and practical.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash needs. To pay dividends to us, our subsidiaries in China shall comply with the current PRC laws and regulations. See "Item 3.D.—Key Information—Risk Factors—Risks Related to Doing Business in China—We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could limit our ability to pay dividends to holders of our ADSs and common shares."

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, each representing two Class A common shares, have been listed on the New York Stock Exchange since October 20, 2010 and trade under the symbol "XRS." The following table

provides the high and low trading prices for our ADSs on the New York Stock Exchange for the periods indicated.

	Trading Price	
	High	Low
	$	$
Annual High and Low		
Fiscal Year Ended February 28, 2011 (from October 20, 2010)	18.34	10.20
Fiscal Year Ended February 29, 2012	14.20	8.41
Fiscal Year Ended February 28, 2013	12.00	6.97
Fiscal Year Ended February 28, 2014	26.58	8.50
Fiscal Year Ended February 28, 2015	37.31	19.32
Quarterly Highs and Lows		
First Quarter of Fiscal Year Ended February 28, 2014	11.39	8.50
Second Quarter of Fiscal Year Ended February 28, 2014	13.34	9.50
Third Quarter of Fiscal Year Ended February 28, 2014	20.44	11.79
Fourth Quarter of Fiscal Year Ended February 28, 2014	26.58	18.00
First Quarter of Fiscal Year Ended February 28, 2015	25.31	19.32
Second Quarter of Fiscal Year Ended February 28, 2015	35.23	22.59
Third Quarter of Fiscal Year Ended February 28, 2015	37.31	30.16
Fourth Quarter of Fiscal Year Ended February 28, 2015	31.73	26.11
Monthly Highs and Lows		
December 2014	31.14	27.12
January 2015	31.73	26.11
February 2015	31.61	28.83
March 2015	33.84	30.20
April 2015	39.26	33.31
May 2015 (through May 27, 2015)	37.39	35.40

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, as amended from time to time, and the Companies Law (2013 Revision) of the Cayman Islands, which is referred to below as the Companies Law, and the common law of the Cayman Islands.

The following are summaries of material provisions of our Fourth Amended and Restated Memorandum and Articles of Association and the Companies Law 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 Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands or at such other place within the Cayman Islands 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, or any other law of the Cayman Islands.

Board of Directors

See "Item 6.C.—Directors, Senior Management and Employees—Board Practices—Composition of Board of Directors."

Common Shares

General. Our common shares are divided into Class A common shares and Class B common shares. Holders of our Class A common shares and Class B common shares have the same rights except for voting and conversion rights. Our authorized share capital is $2,000,000 divided into 500,000,000 Class A common shares, with a par value of $0.001 each, 500,000,000 Class B common shares of $0.001 each and 1,000,000,000 undesignated shares with a par value of $0.001 each. Certificates representing the common shares are issued in registered form. Our shareholders who are nonresidents 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, our articles of association, and the common law of the Cayman Islands. Our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend on its shares out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

Conversion. Each Class B common share is convertible into one Class A common share at any time by the holder thereof. Class A common shares are not convertible into Class B common shares under any circumstances. Upon any transfer of Class B common shares by a holder thereof to any person or entity which is not an affiliate of such holder (as defined in our articles of association), such Class B common shares shall be automatically and immediately converted into an equal number of Class A common shares. In addition, if at any time, any of the persons who held Class B common shares immediately before our initial public offering and their affiliates collectively own less than 5% of the total number of the issued and outstanding Class B common shares, each issued and outstanding Class B common share owned by such Class B holder shall be automatically and immediately converted into one share of Class A common share.

Voting Rights. In respect to matters requiring shareholders' vote, each Class A common share is entitled to one vote, and each Class B common share is entitled to ten votes. Shareholders may attend any shareholders' meeting and vote in person or by proxy, and in the case of a corporation or other non-natural person, by its duly authorized representative or proxy; we currently do not allow shareholders to vote electronically. Voting at any shareholders' meeting is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of our board of directors or one or more shareholders holding at least 10% of the paid up voting share capital, present in person or by proxy.

General Meetings and Shareholder Proposals. As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors. We, however, will hold an annual shareholders' meeting during each fiscal year, as required by the rules of the New York Stock Exchange. To hold a general meeting, at least ten days' notice shall be given specifying the place, the day and the hour of the meeting and the general nature of the business.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association allow our shareholders holding in aggregate at least one-third of our voting shares to requisition an extraordinary general meeting of the shareholders, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders. In addition, extraordinary general meetings may be convened by our board of directors on its own initiative.

A quorum required for a meeting of shareholders consists of at least one shareholder present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, who holds no less than 10% of our voting share capital. Advance notice of at least ten days is required for the convening of our shareholders' annual general meeting and any extraordinary general meeting of our shareholders.

An ordinary resolution to be passed by the shareholders requires a simple majority of votes cast in a general meeting, while a special resolution requires no less than two-thirds of the votes cast. A special resolution is required for important matters such as a change of name. Our shareholders may effect certain changes by ordinary resolution, including appoint, remove, and replace directors, increase the amount of our authorized share capital, consolidate and divide all or any of our share capital into shares of larger amount than our existing shares, and cancel any shares.

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

Our board of directors may, in its sole discretion, decline to register any transfer of any common share which is not fully paid up or on which we have a lien. Our directors may also decline to register any transfer of any share unless (a) the instrument of transfer is lodged with us, accompanied by the certificate for the shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer; (b) the instrument of transfer is in respect of only one class of shares; (c) the instrument of transfer is properly stamped, if required; (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four; (e) the shares conceded are free of any lien in favor of us; or (f) a fee of such maximum sum as 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 of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board or by special resolution. Our company may also repurchase any of our shares provided that the manner of such purchase has been approved by an ordinary resolution of our shareholders, or the manner of purchase is in accordance with the procedures set out in our memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. Whenever the capital of our company is divided into different classes, the rights attached to any such class may, subject to the rights and restrictions for the time being attached to any class, only be materially adversely varied or abrogated either with the written consent of the holders of a majority 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. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied or abrogated by the creation, allotment or issue of further shares ranking in priority to or pari passu with such previously existing shares.

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

C. Material Contracts

For the two years immediately preceding the date of this annual report, we have not entered into any material contracts, other than in the ordinary course of business, those in connection with the issuance of convertible senior notes or those described in "Item 4.C.—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities," "Item 4.D.—Information on the Company—Property, Plants and Equipment" or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

The Cayman Islands currently have no exchange control restrictions. Also see "Item 4.B.—Information on the Company—Business Overview—PRC Regulation—Regulations on Foreign Currency Exchange."

E. Taxation

Cayman Islands Taxation

We are an exempted company incorporated in the Cayman Islands. 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. Payments of dividends by our company will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of dividends to any shareholder of our company. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People's Republic of China Taxation

PRC EIT Law

Under the PRC EIT Law, an enterprise established outside China with "de facto management body" within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a PRC enterprise for enterprise income tax purposes, although the dividends paid to one resident enterprise from another may qualify as "tax-exempt income." The implementing rules of the EIT Law define de facto management as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the SAT 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 China; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in China; and (iv) at least half of the enterprise's directors with voting right or senior management reside in China.

In addition, the SAT issued a bulletin on August 3, 2011, effective as of September 1, 2011, to provide more guidance on the implementation of the above circular. The bulletin clarified certain matters relating to resident status determination, post-determination administration and competent tax authorities. It also specifies that when provided with a copy of a PRC tax resident determination certificate from a resident PRC-controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the PRC-sourced dividends, interest and royalties to the PRC-controlled offshore incorporated enterprise. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

Based on the advice of our PRC counsel, Tian Yuan Law Firm, we do not believe that any of our offshore holding companies meets all of the conditions above. In addition, we are not aware of any

offshore holding companies with a similar corporate structure as ours ever having been deemed to be PRC "resident enterprises" by the PRC tax authorities. Therefore, based on our PRC counsel's advice, we believe that none of our offshore holding companies should be treated as a "resident enterprise" for PRC tax purposes. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue. If the PRC tax authorities determine that any of our offshore holding companies are "resident enterprises," a number of unfavorable PRC tax consequences could follow. First, we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income. Second, although under the EIT Law and its implementing rules, dividend income between qualified resident enterprises is a "tax-exempt income," we cannot guarantee that dividends paid to TAL Education Group from our PRC subsidiaries through our Hong Kong subsidiaries would qualify as "tax-exempt income" and will not be subject to withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as "resident enterprises" for PRC enterprise income tax purposes. Finally, the "resident enterprise" classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC enterprise shareholders and with respect to gains derived by our non-PRC enterprise shareholders from transferring our shares or ADSs, if such income is considered PRC-sourced income by the relevant PRC authorities. This could have the effect of increasing 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.

In addition to the uncertainty in how the "resident enterprise" classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. We are actively monitoring the possibility of "resident enterprise" treatment for the current and future tax years and are evaluating appropriate organizational changes to avoid this treatment, to the extent possible.

Circular on Strengthening the Administration of Enterprise Income Tax for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the SAT on December 10, 2009, where a foreign investor transfers the equity interests of a PRC resident enterprise indirectly via disposing 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: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report this Indirect Transfer to the competent tax authority. The PRC tax authority will examine the true nature of the Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an "abusive arrangement" in order to avoid PRC tax, it may disregard the existence of the overseas holding company and re-characterize the Indirect Transfer and as a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%.

On February 6, 2015, the SAT issued the Announcement of the SAT on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or SAT Bulletin 7, which terminated the aforementioned articles of SAT Circular 698. Pursuant to SAT Bulletin 7, where a non-resident enterprise indirectly transfers properties such as equity in PRC resident enterprises without any justifiable business purposes and aiming to avoid the payment of enterprise income tax, such indirect transfer must be reclassified as a direct transfer of equity in PRC resident enterprise. To assess whether an indirect transfer of PRC taxable properties has reasonable commercial purposes, all arrangements related to the indirect transfer must be considered comprehensively and factors set forth in SAT Bulletin 7 must be comprehensively analyzed in light of the actual circumstances. SAT Bulletin 7 also provides that, where a non-PRC resident enterprise transfers its equity interests in a 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.

There is little practical experience regarding the application of SAT Bulletin 7 because it was newly issued in February 2015. During the effective period of SAT Circular 698, some intermediary holding companies were actually looked through by the PRC tax authorities, and consequently the non-PRC resident investors were deemed to have transferred the PRC subsidiaries and PRC corporate taxes were assessed accordingly. It is possible that we or our non-PRC resident investors may become at risk of being taxed under SAT Bulletin 7 and may be required to expend valuable resources to comply with SAT Bulletin 7 or to establish that we or our non-PRC resident investors should not be taxed under SAT Bulletin 7, which may have an adverse effect on our financial condition and results of operations or such non-PRC resident investors' investment in us.

U.S. Federal Income Tax Considerations

The following is a discussion of the U.S. federal income tax consequences of the ownership and disposition of our ADSs or common shares by a U.S. Holder (as defined below) that will hold our ADSs or common shares as "capital assets" (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). This discussion is based upon existing U.S. federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This discussion does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules that differ significantly from those summarized below (for example, financial institutions, insurance companies, broker-dealers, traders in securities that elect mark-to-market treatment, pension plans, regulated investment companies, real estate investment trusts, cooperatives, and tax-exempt organizations (including private foundations), holders who are not U.S. Holders, holders who own (directly, indirectly, or constructively) 10% or more of our voting stock, investors that will hold their ADSs or common shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for U.S. federal income tax purposes, U.S. expatriates, persons liable for alternative minimum tax, or investors that have a functional currency other than the U.S. dollar). In addition, this discussion does not address any non-U.S., state or local tax considerations, or non-income (such as estate, gift or Medicare) tax considerations. Each U.S. Holder is urged to consult its tax advisor regarding the U.S. federal, state, local, non-U.S. income and other tax considerations of an investment in our ADSs or common shares.

General

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of our ADSs or common shares that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a U.S. person under the Code.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or common shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partners of a partnership holding our ADSs or common shares are urged to consult their tax advisors regarding an investment in our ADSs or common shares.

For U.S. federal income tax purposes, it is generally expected that a U.S. Holder holds ADSs will generally be treated as the beneficial owner of the underlying ordinary shares represented by those ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of ordinary shares for ADSs will generally not be subject to U.S. federal income tax.

PFIC Considerations

A non-U.S. corporation, such as our company, will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, if either (i) at least 75% of its gross income for such year consists of certain types of "passive" income or (ii) at least 50% of the value of its assets (determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rent, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company's goodwill and other unbooked intangibles are taken into account for determining the value of its assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Although the law in this regard is unclear, we treat our VIEs and their respective subsidiaries as being owned by us for U.S. federal income tax purposes, not only because we control their management decisions but also because we are entitled to substantially all of the economic benefits associated with these entities, and, as a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of our VIEs and their respective subsidiaries, as applicable, for U.S. federal income tax purposes, we would likely be treated as a PFIC for the current taxable year and any subsequent taxable year.

Accordingly, assuming that we are the owner of our VIEs and their respective subsidiaries, as applicable, for U.S. federal income tax purposes, we believe that we primarily operate an active after-school tutoring business in China. Based on our current income and assets and projections as to the value of our assets based, in part, on the current and expected market value of our ADSs, we do not expect to be a PFIC for the current taxable year or foreseeable future. While we do not anticipate becoming a PFIC for the current taxable year or the foreseeable future, no assurance can be given in this regard because the determination of whether we will be or become a PFIC is a fact-intensive inquiry made on an annual basis that depends, in part, on the composition of our income and assets. Fluctuations in the market price of our ADSs may cause us to become a PFIC for the current or subsequent taxable years because the value of assets for the purpose of the asset test, including the value of our goodwill and other unbooked intangibles, may be determined by reference to the market price of our ADSs from time to time (which may be volatile). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization. If our market capitalization becomes less than anticipated, we may be classified as a PFIC for the current or future taxable years.

Furthermore, the determination of whether we will be or become a PFIC may also be affected by how, and how quickly, we use our liquid assets. Under circumstances where our revenue from activities that produce passive income significantly increase relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase. If we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or common shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or common shares unless we cease to be a PFIC and the U.S. Holder makes a "deemed sale" election with respect to the ADSs or ordinary shares.

The discussion below under "Dividends" and "Sale or Other Disposition of ADSs or Common Shares" assumes that we will not be classified as a PFIC for U.S. federal income tax purposes. The U.S. federal income tax rules that apply if we are classified as a PFIC for the current taxable year or any subsequent taxable year are generally discussed below under "PFIC Rules." Each U.S. Holder is urged to consult with its tax advisor regarding the U.S. federal income tax consequences of an investment in our ADSs or ordinary shares if we are or become classified as a PFIC.

Dividends

Subject to the PFIC rules discussed below, any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or common shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of common shares, or by the Depositary, in the case of ADSs. 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 treated as a "dividend" for U.S. federal income tax purposes. A non-corporate recipient of dividend income generally will be subject to tax on dividend income from a "qualified foreign corporation" at a reduced U.S. federal tax rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met.

A non-U.S. corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (ii) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Our ADSs are listed on the New York Stock Exchange, which is an established securities market in the United States, and are readily tradable on the New York Stock Exchange. Thus, we believe that dividends we pay on our ADSs will continue to be considered readily tradable on an established securities market in later years, but there can be no assurance that our ADSs will continue to be considered readily tradable on an established securities market in later years. Since we do not expect that our ordinary shares will be listed on established securities markets, it is unclear whether dividends that we pay on our ordinary shares that are not backed by ADSs currently meet the conditions required for the reduced tax rate. However, in the event that we are deemed to be a resident enterprise under the EIT Law, as discussed above under "—People's Republic of China Taxation," we may be eligible for the benefits of the U.S.-PRC income tax treaty (which the U.S. Treasury Department has determined is satisfactory for this purpose) and be treated as a qualified foreign corporation with respect to dividends paid on our ADSs or ordinary shares. Dividends received on our ADSs or common shares will not be eligible for the dividends-received deduction allowed to corporations under the Code. U.S. Holders are urged to consult their tax advisors regarding the availability of the reduced tax rate on dividends in their particular circumstances.

Dividends 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 PRC withholding taxes on dividends paid, if any, on our ADSs or common shares. See "—People's Republic of China Taxation." The U.S. Holder may be eligible 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 is permitted instead to claim a deduction, for U.S. federal income tax purposes, in respect to such withholdings, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the taxpayer's individual

facts and circumstances. Each U.S. Holder is urged to consult its tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Common Shares

Subject to the PFIC rules discussed below, a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or common shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. Holder's adjusted tax basis in such ADSs or common shares. Any capital gain or loss will be long-term if the ADSs or common shares have been held for more than one year and will generally be U.S. source gain or loss for U.S. foreign tax credit purposes. Net long-term capital gains of non-corporate U.S. Holders currently are eligible for reduced rates of taxation. The deductibility of a capital loss may be subject to limitations. In the event that we are deemed to be a "resident enterprise" under the EIT Law and gain from the disposition of the ADSs or common shares is subject to tax in China, such gain may be treated as PRC-source gain for foreign tax credit purposes under the U.S.-PRC income tax treaty. If such gain is not treated as PRC-source gain, however, a U.S. Holder generally will not be able to obtain a U.S. foreign tax credit for any PRC tax withheld or imposed unless such U.S. Holder has other foreign source income in the appropriate category for the applicable tax year. Each U.S. Holder is urged to consult its 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.

PFIC Rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or common shares, unless the U.S. Holder makes a mark-to-market election (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 (i) 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% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs or common shares), and (ii) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of ADSs or common shares. Under the PFIC rules:

- the excess distribution and/or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or common shares;
- the 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 are classified as a PFIC (a "pre-PFIC year") will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. Holder for that year; and
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than 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 for purposes of the rules described above. Each U.S. Holder is urged to consult its tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to our ADSs, but not our common shares, provided that the ADSs are regularly traded. Our ADSs are expected to qualify as being regularly traded, but no

assurances may be given in this regard. If a U.S. Holder makes this election, the U.S. Holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. Holder will not be required to take into account the mark-to-market gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's 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.

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

If a U.S. Holder owns our ADSs or common shares during any taxable year that we are a PFIC, the holder must generally file an annual Internal Revenue Service Form 8261 and provide such other information as may be required by the U.S. Treasury. 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 later considers making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs or common shares. Each U.S. Holder is urged to consult its tax advisor concerning the U.S. federal income tax consequences of holding and disposing ADSs or common shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election and the unavailability of the qualified electing fund election.

Information Reporting

Certain U.S. Holders are required to report information to the Internal Revenue Service relating to an interest in "specified foreign financial assets," including shares issued by a non-U.S. corporation, for any year in which the aggregate value of all specified foreign financial assets exceeds $50,000 (or a higher amount prescribed by the Internal Revenue Service), subject to certain exceptions (including an exception for shares held in custodial accounts maintained with a U.S. financial institution). These rules also impose penalties if a U.S. Holder is required to submit such information to the Internal Revenue Service and fails to do so.

In addition, U.S. Holders may be subject to information reporting to the Internal Revenue Service with respect to dividends on and proceeds from the sale or other disposition of our ADSs or common shares. Each U.S. Holder is advised to consult with its tax advisor regarding the application of the U.S. 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 Securities and Exchange Commission, or SEC, a registration statement on Form F-1 under the Securities Act with respect to our initial public offering of our Class A 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, including the annual filing of a Form 20-F within four months after the end of each fiscal year. Our company's fiscal year ends on February 28/29. 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 JPMorgan Chase Bank, N.A., the depositary 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 depositary 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 depositary from us. We will file our annual report on Form 20-F, including our audited financial statements, with the SEC. Form 20-F can be accessed on the SEC's website as well the investor relations section of our website. Investors may request a hard copy of our annual report, free of charge, by contacting 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 deposit with maturities of more than three months and less than a year, and the interest expense associated with the issuance of $230 million 2.50% convertible senior notes due 2019. The notes bear interest at a rate of 2.50% per year, payable semiannually in arrears on May 15 and November 15 of each year, beginning on November 15, 2014. As of February 28, 2015, we had no other short-term or long-term borrowings. We have not used any derivative financial instruments to manage our interest risk exposure. 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 fluctuate due to changes in market interest rates. On the other hand, our future interest expense may be higher or lower than the market level because the interest rate associated with our convertible senior notes is fixed and may differ from market interest rates in certain future periods,

Foreign Exchange Risk

The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in PRC political and economic conditions and by PRC foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. After June 2010, the Renminbi began to appreciate against the U.S. dollar again, although there have been some periods when it has lost value against the U.S. dollar, as it did for example during 2014. 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.

Appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars and earnings from, and the value of, any U.S. dollar-denominated investments we make in the future. Currently, the vast majority of our offshore cash is in RMB, but we have not hedged our RMB exposures with other foreign currency exposure or any other derivative financial instruments. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs is affected by the foreign exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in RMB, while the ADSs are traded in U.S. dollars.

Moreover, to the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. To the extent that we seek to convert RMB into U.S. dollars, depreciation of the Renminbi against the U.S. dollar would have an adverse effect. Assuming we had converted the U.S. dollar-denominated cash balance of $43.2 million as of February 28, 2015 into RMB at the exchange rate of $1.00 for RMB6.2695 as of February 28, 2015, this cash balance would have been RMB271.1 million. Assuming a 1.0% appreciation of the Renminbi against the U.S. dollar, this cash balance would have decreased to RMB268.3 million as of February 28, 2015.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a share dividend or share split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, $5.00 for each 100 ADSs (or any portion thereof)

issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

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

- a fee of $1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to $0.05 per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of up to $0.05 per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of the depositary's agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- share transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars.

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 charges described above may be amended from time to time by agreement between us and the depositary.

Fees and Other Payments Made by the Depositary to Us

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses and exchange application and listing fees. There are limits on the amount of expenses for which the depositary will reimburse us, and the amount of reimbursement available to us is not entirely related to the amounts of fees the depositary collects from investors. For the fiscal year ended February 28, 2015, we have received $0.6 million after tax reimbursement from the depositary, which was paid to us for expenses incurred in connection with the establishment and maintenance of the ADS program.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Material Modifications to the Rights of Security Holders

See "Item 10. Additional Information" for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following "Use of Proceeds" information relates to the registration statement on Form F-1, as amended (File Number 333-169650) for our initial public offering of 13,800,000 ADSs representing 27,600,000 Class A common shares, which registration statement was declared effective by the SEC on October 19, 2010. Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. International plc, Piper Jaffray & Co. and Oppenheimer & Co. Inc. were the underwriters for our initial public offering. We have received net proceeds (after deducting underwriting discounts and commissions and other expenses related to the offering) of approximately $127.0 million from the offering and sale of 13,800,000 ADSs in October 2010.

For the period from the effective date of the Form F-1 to February 28, 2015, we used $69.0 million in proceeds for dividend distributions, $8.2 million for the acquisition of Kaoyan.com, $0.7 million for the acquisition of Yidu Technology Group, $23.5 million for the investment in BabyTree Inc., $5.0 million for the acquisition of Muchong.com, $18.3 million for the investment in several unrelated private companies, $2.7 million for capital contribution to three newly established subsidiaries, $2.4 million for share repurchase and $3.8 million for various other general corporate purposes. As of February 28, 2015, we had used all the net proceeds we received from our initial public offering in 2010 and the interests generated from these net proceeds.

We intend to use the cash we hold offshore for potential dividend distributions, share repurchases, equity interest acquisitions in other companies, and for other general corporate purposes. We view cash as a fungible resource and are mindful of the financial costs and inefficiencies and the delays which could result from moving cash from offshore to onshore and vice versa, so we view our cash resources available collectively, including cash balances held inside and outside China, and endeavor to source the cash that we need for our various operating, investing and financing activities in a cost-efficient manner. In terms of the risks and uncertainties relating to the disclosed intended use of our IPO proceeds, please see "Item 3.D.—Key Information—Risk Factors—Risks Related to Doing Business in China—PRC laws and regulations may limit the use of the proceeds we received from our initial public offering for our expansion or operations."

Item 15. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this annual report, 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 within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon this evaluation, our management has concluded that, as of February 28, 2015, our existing disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an assessment of the design and operation effectiveness of our internal control over financial reporting as of February 28, 2015. In making this assessment, we used the criteria established within the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management has concluded that, as of February 28, 2015, our internal control over financial reporting was effective.

Our independent registered public accounting firm, Deloitte Touche Tohmatsu Certified Public Accountants LLP, has issued an attestation report on our internal control over financial reporting. That attestation report appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TAL EDUCATION GROUP

We have audited the internal control over financial reporting of TAL Education Group (the "Company"), its subsidiaries, its variable interest entities (the "VIEs") and its VIEs' subsidiaries and schools (collectively, the "Group") as of February 28, 2015, based on the 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 February 28, 2015, 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 as of and for the year ended February 28, 2015 of the Group and our report dated May 28, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People's Republic of China

May 28, 2015

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 16. Reserved

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Ms. Jane Jie Sun, an independent director (under the standards set forth in Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Exchange Act) qualifies as an "audit committee financial expert."

Item 16B. Code of Ethics

Our board has adopted a code of business conduct and ethics that provides that our directors and officers are expected to avoid any action, position or interest that conflicts with the interests of our company or gives the appearance of a conflict. Directors and officers have an obligation under our code of business conduct and ethics to advance our company's interests when the opportunity to do so arises. We have posted a copy of our code of business conduct and ethics on our website at http://en.100tal.com.

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 principal external auditors, for the periods indicated.

	For the Year Ended February 28,	
	2014	2015
Audit fees[1]	1,635,988	1,202,537
Tax fees[2]	50,376	94,586

(1) Audit fees" means the aggregate fees in each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements or services that are normally provided by the auditors in connection with statutory and regulatory filings or engagements.

(2) "Tax fees" represents the aggregate fees for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice, and tax planning.

All audit and non-audit services provided by our independent auditors must be pre-approved by our audit committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On October 24, 2011, our board of directors authorized a share repurchase program, whereby our company may repurchase of up to $50.0 million of our ADSs during the period from October 24, 2011 through October 23, 2012. The share repurchase program was publicly announced on October 25, 2011.

The table below is a summary of the shares repurchased by us in the open market as of February 28, 2015.

Period	Total Number of ADSs Purchased	Average Price Paid Per ADS(1)	Total Number of ADSs Purchased as Part of Publicly Announced Plan	Approximate U.S. Dollar Value of ADSs that May Yet Be Purchased Under the Plan
July 2012	30,125	$7.69	30,125	49,768,384
August 2012	258,844	$8.48	258,844	47,572,369
Total	288,969	$8.40	288,969	—

(1) Each ADS represents two Class A common shares.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from the New York Stock Exchange corporate governance listing standards. For example, neither the Companies Law of the Cayman Islands nor our memorandum and articles of association requires a majority of our directors to be independent and we could include non-independent directors as members of our compensation committee and nominating committee, and our independent directors would not necessarily hold regularly scheduled meetings at which only independent directors are present. In addition, under NYSE listing standards, listed companies are required to hold an annual shareholders' meeting during each fiscal year. Under Cayman law, we are not obliged to hold an annual general meeting of shareholders.

Currently, we do not plan to rely on home country practice with respect to our corporate governance. However, if we choose to follow home country practice in the future, our shareholders may be afforded less protection than they otherwise would under the New York Stock Exchange corporate governance listing standards applicable to U.S. domestic issuers.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

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

Item 18. Financial Statements

The consolidated financial statements of TAL Education Group and its subsidiaries and Consolidated Affiliated Entities are included at the end of this annual report.

Item 19. Exhibits

Exhibit Number	Description of Document
1.1	Fourth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Amendment to Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on October 6, 2010)
2.1	Registrant's Form of Class A common share certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Amendment to Form F-1 Registration Statement (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
2.2	Deposit Agreement, dated October 19, 2010, among the Registrant, the depositary and holders of the American Depositary Receipts (incorporated by reference to Exhibit 2.2 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2011 (file No. 001-34900) filed with the Securities and Exchange Commission on July 25, 2011)
2.3	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.2 filed with the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2011 (file No. 001-34900), filed with the Securities and Exchange Commission on July 25, 2011 and which is incorporated herein by reference)
4.1	2010 Share Incentive Plan (incorporated by reference to Exhibit 10.1 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.2	Form of Indemnification Agreement with the Registrant's directors and officers (incorporated by reference to Exhibit 10.5 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.3	Form of Employment Agreement with the Registrant's officers (incorporated by reference to Exhibit 10.6 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.4	English translation of Exclusive Business Cooperation Agreement, dated June 25, 2010, by and among TAL Education Technology (Beijing) Co., Ltd., Beijing Xueersi Education Technology Co., Ltd., Beijing Xueersi Network Technology Co., Ltd., Bangxin Zhang, Yundong Cao, Yachao Liu, Yunfeng Bai, and other parties thereto (incorporated by reference to Exhibit 10.7 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.5	English translation of Call Option Agreement, dated February 12, 2009, by and among TAL Education Technology (Beijing) Co., Ltd., Beijing Xueersi Education Technology Co., Ltd., Beijing Xueersi Network Technology Co., Ltd., Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 10.8 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)

Exhibit Number	Description of Document
4.6	English translation of Equity Pledge Supplemental Agreement, dated June 25, 2010, by and among TAL Education Technology (Beijing) Co., Ltd., Beijing Xueersi Education Technology Co., Ltd., Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 10.9 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.7	English translation of Equity Pledge Supplemental Agreement, dated June 25, 2010, by and among TAL Education Technology (Beijing) Co., Ltd., Beijing Xueersi Network Technology Ltd., Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 10.10 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.8	English translation of Powers of Attorney, dated August 12, 2009, by Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 10.11 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.9	English translation of Exclusive Service Agreement, dated December 27, 2011, by and among TAL Education Technology (Beijing) Co., Ltd., Beijing Dongfangrenli Science & Commerce Co., Co., Ltd., Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.9 of our annual report on Form 20-F (File No. 001-34900) filed with the Securities and Exchange Commission on June 27, 2012)
4.10	English translation of Option Agreement, dated December 27, 2011, by and among TAL Education Technology (Beijing) Co., Ltd., Beijing Dongfangrenli Science & Commerce Co., Co., Ltd., Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.10 of our annual report on Form 20-F (File No. 001-34900) filed with the Securities and Exchange Commission on June 27, 2012)
4.11	English translation of Equity Pledge Agreement, dated December 27, 2011, by and among TAL Education Technology (Beijing) Co., Ltd., Beijing Dongfangrenli Science & Commence, Co., Ltd., Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.11 of our annual report on Form 20-F (File No. 001-34900) filed with the Securities and Exchange Commission on June 27, 2012)
4.12	English translation of Powers of Attorney, dated December 27, 2011, by Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.12 of our annual report on Form 20-F (File No. 001-34900) filed with the Securities and Exchange Commission on June 27, 2012)
4.13	Amended and Restated Shareholders' Agreement among the Registrant, the Series A preferred holder, Tiger Global Five China Holdings and other parties thereto, dated August 12, 2009 (incorporated by reference to Exhibit 4.4 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2011)
4.14	English translation of Form of Real Property Sale and Purchase Agreement (incorporated by reference to Exhibit 4.10 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2011 (file No. 001-34900) filed with the Securities and Exchange Commission on July 25, 2011)
4.15	Deed of Undertaking executed by and between Bangxin Zhang and TAL Education Group dated June 24, 2013 (incorporated by reference to Exhibit 4.15 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2013 (file No. 001-34900) filed with the Securities and Exchange Commission on June 28, 2013)
4.16	Side letter executed by and between Bangxin Zhang and TAL Education Group dated July 29, 2013

Exhibit Number	Description of Document
4.17*	Indenture dated May 21, 2014 constituting $230 million 2.50% convertible senior notes due 2019
8.1*	List of Subsidiaries and Consolidated Affiliated Entities
11.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Tian Yuan Law Firm
15.2*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP
15.3*	Consent of Maples and Calder
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 its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

TAL EDUCATION GROUP

By: /s/ BANGXIN ZHANG

Name: Bangxin Zhang
Title: Chairman and Chief Executive Officer

Date: May 28, 2015

TAL EDUCATION GROUP

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2013, 2014 AND 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TAL EDUCATION GROUP

We have audited the accompanying consolidated balance sheets of TAL Education Group (the "Company"), its subsidiaries, its variable interest entities (the "VIEs") and its VIEs' subsidiaries and schools (collectively, the "Group") as of February 28, 2014 and 2015 and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the years ended February 28, 2013, 2014 and 2015. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 February 28, 2014 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2013, 2014 and 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of February 28, 2015, 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 May 28, 2015 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
May 28, 2015

TAL EDUCATION GROUP

CONSOLIDATED BALANCE SHEETS

(In U.S. dollars, except share and share related data)

	As of February 28, 2014	As of February 28, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$269,930,571	$470,157,430
Term deposits	—	21,229,763
Restricted cash—current	325,688	606,169
Short-term investment	—	765,611
Amounts due from related parties—current	—	159,502
Inventory	181,759	544,085
Deferred tax assets—current	3,281,063	4,562,034
Income tax receivable	9,824,333	3,222,529
Prepaid expenses and other current assets	16,833,208	38,185,411
Total current assets	300,376,622	539,432,534
Restricted cash—non-current	2,546,878	3,773,302
Property and equipment, net	78,625,191	93,575,648
Deferred tax assets—non-current	555,528	1,708,212
Rental deposit	7,322,438	11,034,812
Intangible assets, net	2,535,593	3,687,255
Goodwill	7,509,824	12,330,326
Amounts due from related parties—non-current	—	319,005
Long-term investments	27,137,239	97,359,075
Long-term prepayments and other non-current assets	989,454	9,194,468
Total assets	$427,598,767	$772,414,637
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable (including accounts payable of the consolidated VIEs without recourse to TAL Education Group of $2,004,659 and $4,115,254 as of February 28, 2014 and 2015, respectively)	$ 2,349,365	$ 4,705,492
Deferred revenue (including deferred revenue of the consolidated VIEs without recourse to TAL Education Group of $102,488,333 and $154,982,001 as of February 28, 2014 and 2015, respectively)	132,401,062	177,639,939
Amounts due to related parties (including amount due to related parties of the consolidated VIEs without recourse to TAL Education Group of $nil and $22,077 as of February 28, 2014 and 2015, respectively)	—	22,077
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to TAL Education Group of $18,920,194 and $30,106,008 as of February 28, 2014 and 2015, respectively)	27,423,992	43,988,602
Income tax payable (including income tax payable of the consolidated VIEs without recourse to TAL Education Group of $3,661,860 and $4,193,507 as of February 28, 2014 and 2015, respectively)	4,519,807	6,136,813
Deferred tax liabilities—current (including deferred tax liabilities—current of the consolidated VIEs without recourse to TAL Education Group of $nil and $nil as of February 28, 2014 and 2015, respectively)	62,100	62,100
Total current liabilities	166,756,326	232,555,023

TAL EDUCATION GROUP

CONSOLIDATED BALANCE SHEETS

(In U.S. dollars, except share and share related data) (Continued)

	As of February 28, 2014	As of February 28, 2015
Deferred tax liabilities—non-current (including deferred tax liabilities—non-current of the consolidated VIEs without recourse to TAL Education Group of $32,344 and $215,764 as of February 28, 2014 and 2015, respectively)	32,344	226,792
Bond payable (including bond payable of the consolidated VIEs without recourse to TAL Education Group of $nil and $nil as of February 28, 2014 and 2015, respectively)	—	226,062,006
Long-term payable (including long-term payable of the consolidated VIEs without recourse to TAL Education Group of $813,696 and $nil as of February 28, 2014 and 2015, respectively)	813,696	—
Total liabilities	167,602,366	458,843,821
Commitments and contingencies (Note 17)		
Equity		
Class A common shares ($0.001 par value; 500,000,000 shares authorized, 78,204,146 shares and 88,371,876 shares issued and outstanding as of February 28, 2014 and 2015, respectively)	78,204	88,372
Class B common shares ($0.001 par value; 500,000,000 shares authorized, 79,531,000 shares and 71,456,000 shares issued and outstanding as of February 28, 2014 and 2015, respectively)	79,531	71,456
Additional paid-in capital	92,664,436	82,479,806
Statutory reserve	15,015,824	18,961,627
Retained earnings	144,311,994	207,522,766
Accumulated other comprehensive income	7,846,412	4,168,548
Total TAL Education Group's Equity	259,996,401	313,292,575
Noncontrolling interest	—	278,241
Total equity	259,996,401	313,570,816
Total liabilities and equity	$427,598,767	$772,414,637

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

TAL EDUCATION GROUP

CONSOLIDATED STATEMENTS OF OPERATIONS
(In U.S. dollars, except share and share related data)

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Net revenues	$ 225,931,095	$ 313,895,205	$ 433,969,569
Cost of revenues	(115,748,650)	(151,543,116)	(203,073,957)
Gross profit	110,182,445	162,352,089	230,895,612
Operating expenses			
Selling and marketing	(27,673,598)	(35,761,166)	(53,881,815)
General and administrative	(51,125,534)	(70,299,742)	(110,230,010)
Impairment loss on long-term prepayment	(594,162)	—	—
Total operating expenses	(79,393,294)	(106,060,908)	(164,111,825)
Government subsidies	632,269	1,104,750	464,327
Income from operations	31,421,420	57,395,931	67,248,114
Interest income	5,343,445	9,438,263	16,613,656
Interest expense	—	—	(5,811,288)
Gain from sale of a long-term investment	—	297,120	—
Other income/(expense)	776,293	101,254	(2,010,109)
Gain from sales of available-for-sale securities (includes $nil, $39,719 and $nil accumulated other comprehensive income reclassifications for unrealized gains on available-for-sale securities for years ended February 28, 2013, 2014 and 2015, respectively)	—	52,958	—
Gain from fair value change of long-term investments	—	—	1,202,000
Income before provision for income tax and loss from equity method investments	37,541,158	67,285,526	77,242,373
Provision for income tax (includes $nil, $13,239 and $nil income tax expenses from reclassification items for years ended February 28, 2013, 2014 and 2015, respectively)	(4,101,092)	(6,679,754)	(9,368,541)
Loss from equity method investments	—	—	(729,811)
Net income	33,440,066	60,605,772	67,144,021
Add: Net loss attributable to noncontrolling interest	—	—	12,554
Net income attributable to TAL Education Group shareholders	$ 33,440,066	$ 60,605,772	$ 67,156,575
Net income per common share			
Basic	$ 0.21	$ 0.39	$ 0.42
Diluted	$ 0.21	$ 0.38	$ 0.41
Weighted average shares used in calculating net income per common share			
Basic	155,607,458	156,726,994	158,381,576
Diluted	156,631,090	159,444,928	163,589,649

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

TAL EDUCATION GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In U.S. dollars, except share and share related data)

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Net income	$33,440,066	$60,605,772	$67,144,021
Other comprehensive income/(loss), net of tax			
Foreign currency translation adjustment	1,614,614	1,315,561	(5,027,486)
Unrealized gains/(loss) on available-for-sale investments:			
Net unrealized gains on available-for-sale investments, net of tax effect of $(8,583), $(6,615) and $nil for years ended February 28, 2013, 2014 and 2015, respectively	25,748	19,844	1,348,600
Less: Transfer to statements of operations of realized gains on available-for-sale investments, net of tax effect of $nil, $13,239 and nil for years ended February 28, 2013, 2014 and 2015, respectively	—	(39,719)	—
Other comprehensive income/(loss)	1,640,362	1,295,686	(3,678,886)
Comprehensive income	35,080,428	61,901,458	63,465,135
Add: Comprehensive loss attributable to noncontrolling interest	—	—	13,576
Comprehensive income attributable to TAL Education Group shareholders	$35,080,428	$61,901,458	$63,478,711

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

TAL EDUCATION GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In U.S. dollars, except share and share related data)

	Class A Common shares		Class B Common shares		Additional paid-in capital	Statutory reserve	Retained Earnings	Accumulated other comprehensive income (loss)	Total TAL Education Group shareholders' equity	Non-controlling interest	Total equity
	Shares	Amount	Shares	Amount							
Balance as of February 29, 2012	45,277,044	$45,277	109,681,000	$109,681	$119,769,989	$10,502,713	$ 54,779,267	$ 4,910,364	$190,117,291	—	$190,117,291
Conversion of Class B common shares to Class A common shares	21,875,000	21,875	(21,875,000)	(21,875)	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	33,440,066	—	33,440,066	—	33,440,066
Provision for statutory reserve	—	—	—	—	—	1,788,628	(1,788,628)	—	—	—	—
Dividends to shareholders ($0.25 per common share)	—	—	—	—	(39,030,038)	—	—	—	(39,030,038)	—	(39,030,038)
Issuance of common shares pursuant to stock plan	1,740,044	1,740	—	—	(573,005)	—	—	—	(571,265)	—	(571,265)
Share-based compensation	—	—	—	—	8,283,900	—	—	—	8,283,900	—	8,283,900
Share repurchase	(577,938)	(578)	—	—	(2,434,459)	—	—	—	(2,435,037)	—	(2,435,037)
Foreign currency translation adjustment	—	—	—	—	—	—	—	1,614,614	1,614,614	—	1,614,614
Net unrealized gains on available-for-sale securities, net of tax effect of $(8,583)	—	—	—	—	—	—	—	25,748	25,748	—	25,748
Balance as of February 28, 2013	68,314,150	$68,314	87,806,000	$ 87,806	$ 86,016,387	$12,291,341	$ 86,430,705	$ 6,550,726	$191,445,279	—	$191,445,279
Conversion of Class B common shares to Class A common shares	8,275,000	8,275	(8,275,000)	(8,275)	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	60,605,772	—	60,605,772	—	60,605,772
Provision for statutory reserve	—	—	—	—	—	2,724,483	(2,724,483)	—	—	—	—
Issuance of common shares pursuant to stock plan	1,614,996	1,615	—	—	(1,697,241)	—	—	—	(1,695,626)	—	(1,695,626)
Share-based compensation	—	—	—	—	8,345,290	—	—	—	8,345,290	—	8,345,290
Foreign currency translation adjustment	—	—	—	—	—	—	—	1,315,561	1,315,561	—	1,315,561
Net unrealized gains on available-for-sale securities, net of tax effect of $(6,615)	—	—	—	—	—	—	—	19,844	19,844	—	19,844
Transfer to statements of operations of realized gains on available for sale securities, net of tax effect of $13,239	—	—	—	—	—	—	—	(39,719)	(39,719)	—	(39,719)
Balance as of February 28, 2014	78,204,146	$78,204	79,531,000	$ 79,531	$ 92,664,436	$15,015,824	$144,311,994	$ 7,846,412	$259,996,401	—	$259,996,401
Conversion of Class B common shares to Class A common shares	8,075,000	8,075	(8,075,000)	(8,075)		—	—	—	—	—	—
Net income	—	—	—	—	—	—	67,156,575	—	67,156,575	(12,554)	67,144,021
Provision for statutory reserve	—	—	—	—	—	3,945,803	(3,945,803)	—	—	—	—
Issuance of common shares pursuant to stock plan	2,092,730	2,093	—	—	(5,740,706)	—	—	—	(5,738,613)	—	(5,738,613)
Share-based compensation	—	—	—	—	18,441,076	—	—	—	18,441,076	—	18,441,076
Foreign currency translation adjustment	—	—	—	—	—	—	—	(5,026,464)	(5,026,464)	(1,022)	(5,027,486)
Cost of Capped Call Transactions	—	—	—	—	(22,885,000)	—	—	—	(22,885,000)	—	(22,885,000)
Net unrealized gains on available-for-sale long-term investments, net of tax effect of $nil	—	—	—	—	—	—	—	1,348,600	1,348,600	—	1,348,600
Addition of noncontrolling interest in connection with business acquisition	—	—	—	—	—	—	—	—	—	291,817	291,817
Balance as of February 28, 2015	88,371,876	$88,372	71,456,000	$ 71,456	$ 82,479,806	$18,961,627	$207,522,766	$ 4,168,548	$313,292,575	$278,241	$313,570,816

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

TAL EDUCATION GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. dollars, except share and share related data)

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Cash flows from operating activities			
Net income	$ 33,440,066	$ 60,605,772	$ 67,144,021
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation of property and equipment	7,023,754	9,549,852	11,728,577
Amortization of intangible assets	343,578	461,482	737,203
Loss on disposal of property and equipment	20,754	28,617	47,148
Share-based compensation	8,283,900	8,345,290	18,441,076
Loss from equity method investments	—	—	729,811
Gain from fair value change of long-term investments	—	—	(1,202,000)
Impairment loss on long-term prepayment	594,162	—	—
Gain from sales of available-for-sale securities	—	(52,958)	—
Gain from sale of a long-term investment	—	(297,120)	—
Changes in operating assets and liabilities			
Inventory	(186,556)	228,408	(362,326)
Prepaid expenses and other current assets	(1,658,720)	(5,382,574)	(8,272,425)
Income tax receivable	—	(9,824,333)	6,601,804
Deferred income taxes	(636,479)	(1,042,182)	(2,340,704)
Rental deposit	(633,468)	(2,143,365)	(3,712,374)
Other non-current assets	—	—	(296,149)
Accounts payable	(1,582,639)	106,728	1,988,729
Deferred revenue	16,919,844	29,887,186	45,172,311
Amount due to related parties	—	—	22,077
Accrued expenses and other current liabilities	1,340,546	8,532,365	10,347,898
Long-term payable	—	813,696	(813,696)
Income tax payable	2,141,003	1,741,502	1,617,006
Net cash provided by operating activities	65,409,745	101,558,366	147,577,987
Cash flows from investing activities			
Restricted cash	(2,040,497)	(602,297)	(1,506,905)
Purchase of term deposits	(46,123,942)	(73,876,136)	(43,384,640)
Proceeds from maturity of term deposits	32,341,342	97,986,852	22,154,877
Loan to third parties	—	(1,301,914)	(10,965,787)
Maturity of loan to third parties	—	—	1,301,914
Loan to related parties	—	—	(478,507)
Purchase of property and equipment	(6,163,284)	(10,835,726)	(30,696,412)

TAL EDUCATION GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. dollars, except share and share related data) (Continued)

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Purchase of short term investment	—	—	(765,611)
Proceeds from deed tax refund related to purchase of building	—	1,252,167	—
Proceeds from disposal of property and equipment	89,775	42,633	91,410
Acquisitions of businesses, net of cash acquired of $nil, $nil and $102,988 for the years ended February 28, 2013, 2014 and 2015, respectively	—	(8,179,342)	(5,974,001)
Purchase of intangible assets	(765,108)	(20,561)	(139,565)
Payments for long-term investments	(5,456,991)	(25,046,693)	(75,421,783)
Proceeds from sales of available-for-sale securities	—	435,275	—
Proceeds from disposal of investments	—	2,742,876	—
Net cash used in investing activities	(28,118,705)	(17,402,866)	(145,785,010)
Cash flows from financing activities			
Dividend to shareholders	(39,030,038)	—	—
Payment for share repurchase	(2,435,037)	—	—
Proceeds from issuance of convertible bond, net of issuance costs of $5,277,058	—	—	224,722,942
Payment for cost of Capped Call Transactions	—	—	(22,885,000)
Net cash (used in)/provided by financing activities	(41,465,075)	—	201,837,942
Effect of exchange rate changes	674,941	694,398	(3,404,060)
Net (decrease)/increase in cash and cash equivalents	(3,499,094)	84,849,898	200,226,859
Cash and cash equivalents at the beginning of year	188,579,767	185,080,673	269,930,571
Cash and cash equivalents at the end of year	185,080,673	269,930,571	470,157,430
Supplement disclosure of cash flow information:			
Interest paid	$ —	$ —	$ 2,779,168
Income tax paid	2,404,796	15,832,017	12,374,975
Non-cash investing and financing activities:			
Payable for purchase of property and equipment	$ 728,516	$ 730,911	$ 1,090,554
Payable for investments and acquisition	120,554	122,054	1,911,031

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

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

TAL Education Group (the "Company" or "TAL") was incorporated in the Cayman Islands on January 10, 2008 to be the holding company for a group of companies engaged in provision of high quality after-school tutoring programs for primary and secondary school students in the People's Republic of China (the "PRC"). At the time of its incorporation and through the VIE arrangements as described below, the ownership interest of the Company was held by Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai (collectively, "the founding shareholders").

The Company, its subsidiaries, its consolidated Variable Interest Entities ("VIEs") and VIEs' subsidiaries and schools are collectively referred to as the "Group".

As of February 28, 2015, details of the Company's subsidiaries, its VIEs and VIEs' subsidiaries and schools are as follows:

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of legal ownership	Principal activities
Subsidiaries:				
TAL Holding Limited ("TAL Hong Kong")[1]	March 11, 2008	Hong Kong	100%	Holding company
Beijing Century TAL Education Technology Co., Ltd. ("TAL Beijing")[2]	May 8, 2008	Beijing	100%	Software sales, and consulting service
Beijing Huanqiu Zhikang Shidai Education Consulting Co., Ltd. ("Huanqiu Zhikang")	September 17, 2009	Beijing	100%	Education and management consulting service
Yidu Huida Education Technology (Beijing) Co., Ltd. ("Yidu Huida")	November 11, 2009	Beijing	100%	Software sales and consulting service
Yidu Technology Group ("Yidu Cayman")	February 2, 2012	Cayman Islands	100%	Holding company
Yidu Technology Group Limited ("Yidu Hong Kong")	April 13, 2012	Hong Kong	100%	Holding company
Beijing Xintang Sichuang Education Technology Co., Ltd. ("Beijing Xintang Sichuang")	August 27, 2012	Beijing	100%	Software and Network development, sales, and consulting service
Zhixuesi Education Consulting (Beijing) Co., Ltd. ("Zhixuesi Beijing")	October 23, 2012	Beijing	100%	Software and Network development, sales, and consulting service
YiduXuedi Network Technology (Beijing) Co., Ltd. ("Yidu Xuedi Beijing")	November 30, 2012	Beijing	100%	Software and Network development, sales, and consulting service
Maxstep Technology Inc. ("Maxstep Cayman")	May 13, 2014	Cayman Islands	100%	Holding company

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of legal ownership	Principal activities
Pengxin TAL Industrial investment (Shanghai) Co., Ltd. ("Pengxin TAL") .	June 26, 2014	Shanghai	100%	Investment management and consulting services
Variable interest entities:				
Beijing Xueersi Education Technology Co., Ltd. ("Xueersi Education")	December 31, 2005	Beijing	N/A*	Sales of educational materials and products
Beijing Xueersi Network Technology Co., Ltd. ("Xueersi Network")	August 23, 2007	Beijing	N/A*	Technology development and Educational consulting service
Beijing Dongfangrenli Science & Commerce Co., Ltd. ("Beijing Dongfangrenli")	September 28, 2011	Beijing	N/A*	Study aboard intermediary service
VIEs' subsidiaries and schools:				
Beijing Haidian District Xueersi Training School ("Beijing Haidian School") . . .	July 3, 2006	Beijing	N/A*	After-school tutoring for primary and secondary school students
Beijing Dongcheng District Xueersi Training School ("Beijing Dongcheng School")	March 21, 2008	Beijing	N/A*	After-school tutoring for primary and secondary school students
Beijing Zhikang Culture Distribution Co., Ltd. ("Zhikang") . . .	June 30, 2008	Beijing	N/A*	After-school tutoring for primary and secondary school students
Wuhan Jianghan District Xueersi English Training School ("Wuhan Jianghan School")	July 1, 2008	Wuhan	N/A*	Language education
Shanghai Changning District Xueersi Training School ("Shanghai Changning School")	August 1, 2008	Shanghai	N/A*	After-school tutoring for primary and secondary school students
Shanghai Minhang District Xueersi Training School ("Shanghai Minhang School")	August 1, 2008	Shanghai	N/A*	Language education
Beijing Xicheng District Xueersi Training School ("Beijing Xicheng School") . . .	April 2, 2009	Beijing	N/A*	After-school tutoring for primary and secondary school students
Shanghai Xueersi Education Information Consulting Co., Ltd. ("Shanghai Education")	July 2, 2009	Shanghai	N/A*	Educational information consulting and educational software development

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of legal ownership	Principal activities
VIEs' subsidiaries and schools:—continued				
Tianjin Xueersi Education Information Consulting Co., Ltd. ("Tianjin Education")	August 14, 2009	Tianjin	N/A*	Educational information consulting service
Guangzhou Xueersi Education Technology Co., Ltd. ("Guangzhou Education")	August 16, 2009	Guangzhou	N/A*	Educational technology research and development
Shenzhen Xueersi Education Technology Co., Ltd. ("Shenzhen Education")	December 22, 2009	Shenzhen	N/A*	Teaching software research and development
Beijing Haidian District Lejiale Training School ("Beijing Lejiale School")	March 22, 2010	Beijing	N/A*	After-school tutoring for primary and secondary school students
Tianjin Hexi District Xueersi Training School ("Hexi Xueersi School")	August 3, 2010	Tianjin	N/A*	After-school tutoring for primary and secondary school students
Hangzhou Xueersi Education Consulting Co., Ltd. ("Hangzhou Education")	December 1, 2010	Hangzhou	N/A*	Educational information consulting and educational software development
Wuhan Jiang'an District Xueersi Training School ("Wuhan Jiang'an School")	December 16, 2010	Wuhan	N/A*	After-school tutoring for primary and secondary school students
Beijing Chaoyang District Xueersi Training School ("Beijing Chaoyang School")	January 17, 2011	Beijing	N/A*	After-school tutoring for primary and secondary school students
Beijing Xueersi Nanjing Education Technology Co., Ltd. ("Nanjing Education")	January 24, 2011	Nanjing	N/A*	Educational information consulting and educational software development
Xi'an Xueersi Network Technology Co., Ltd. ("Xi'an Network")	February 15, 2011	Xi'an	N/A*	Software sales, and consulting service
Chengdu Xueersi Education Consulting Co., Ltd. ("Chengdu Education")	March 18, 2011	Chengdu	N/A*	Educational information consulting and educational software development
Beijing Shijingshan District Xueersi Training School ("Beijing Shijingshan School")	January 4, 2012	Beijing	N/A*	After-school tutoring for primary and secondary school students
TaiyuanYingze District Xueersi Training School ("Taiyuan Yingze School")	February 21, 2012	Taiyuan	N/A*	After-school tutoring for primary and secondary school students

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of legal ownership	Principal activities
VIEs' subsidiaries and schools:—continued				
Suzhou TAL Network Technology Co., Ltd ("Suzhou TAL Network")[3]	February 21, 2012	Suzhou	N/A*	Software sales, and consulting service
Chongqing Shapingba District Xueersi Education Training School ("Chongqing Shapingba School")	February 24, 2012	Chongqing	N/A*	After-school tutoring for primary and secondary school students
Shenyang Xueersi Education Information Consulting Co., Ltd. ("Shenyang Education")	April 12, 2012	Shenyang	N/A*	Educational information consulting service
Zhengzhou Jinshui District Xueersi Shulihua Training Center ("Zhengzhou Jinshui Center")	June 18, 2012	Zhengzhou	N/A*	After-school tutoring for primary and secondary school students
Guangzhou Tianhe District Xueersi Training Center ("Guangzhou Tianhe Center")	July 12, 2012	Guangzhou	N/A*	After-school tutoring for primary and secondary school students
Shenyang Xueersi Education Training School ("Shenyang Training School")	September 6, 2012	Shenyang	N/A*	After-school tutoring for primary and secondary school students
Suzhou Xueersi Culture Training Center ("Suzhou Xueersi Center")[4]	December 14, 2012	Suzhou	N/A*	After-school tutoring for primary and secondary school students
Guangzhou Liwan District Xueersi Training Center ("Guangzhou Liwan Center")	February 25, 2013	Guangzhou	N/A*	After-school tutoring for primary and secondary school students
Nanjing Xintang Sichuang Education Consulting Co., Ltd (Nanjing Xintang Sichuang Education)	March 1, 2013	Nanjing	N/A*	Software and Network development sales, and consulting service
Guangzhou Yuexiu District Xueersi Training Center ("Guangzhou Yuexiu Center")	March 12, 2013	Guangzhou	N/A*	After-school tutoring for primary and secondary school students
Nanjing Xintangsichuang Education Training School ("Nanjing Xintangsichuang School")	April 19, 2013	Nanjing	N/A*	After-school tutoring for primary and secondary school students
Chengdu Jinniu District Xueersi Training School ("Chengdu Jinniu School")	April 22, 2013	Chengdu	N/A*	After-school tutoring for primary and secondary school students

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of legal ownership	Principal activities
VIEs' subsidiaries and schools:—continued				
Taiyuan Xiaodian District Xueersi Training School ("Taiyuan Xiaodian School")	May 2, 2013	Taiyuan	N/A*	After-school tutoring for primary and secondary school students
Wuhan Wuchang District Xueersi Training School ("Wuhan Wuchang School")	June 27, 2013	Wuhan	N/A*	After-school tutoring for primary and secondary school students
Wuhan Jiang'an District Xueersi Education Yongqing Training School ("Wuhan Yongqing School")	August 30, 2013	Wuhan	N/A*	After-school tutoring for primary and secondary school students
Zhengzhou Zhongyuan District Xueersi Training School ("Zhengzhou Zhongyuan School")	October 21, 2013	Zhengzhou	N/A*	After-school tutoring for primary and secondary school students
Shenzhen Xueersi Training Center ("Shenzhen Xueersi Center")	November 12, 2013	Shenzhen	N/A*	After-school tutoring for primary and secondary school students
Hangzhou Xueersi Training School ("Hangzhou Xueersi School")	November 14, 2013	Hangzhou	N/A*	After-school tutoring for primary and secondary school students
Shanghai Putuo District Xueersi Training School ("Shanghai Putuo School")	January 6, 2014	Shanghai	N/A*	After-school tutoring for primary and secondary school students
Beijing Changping District Xueersi Training School ("Beijing Changping School")	January 13, 2014	Beijing	N/A*	After-school tutoring for primary and secondary school students
Qingdao Xueersi Education Information Consulting Co., Ltd. ("Qingdao Education")	April 1, 2014	Qingdao	N/A*	Educational information consulting and educational software development
Chongqing Nan'an Xueersi Training School ("Chongqing Nan'an School")	April 11, 2014	Chongqing	N/A*	After-school tutoring for primary and secondary school students
Beijing Jingshi Shifan Culture Distribution Co., Ltd. ("Jingshi Shifan")	May 28, 2014	Beijing	N/A*	Organize contests and culture communication
Changsha TAL Education Technology Co., Ltd. ("Changsha Education")	August 1, 2014	Changsha	N/A*	Educational information consulting and educational software development

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of legal ownership	Principal activities
VIEs' subsidiaries and schools:—continued				
Jinan Xueersi Education Training School School ("Jinan Xueersi School")	September 2, 2014	Jinan	N/A*	After-school tutoring for primary and secondary school students
Qingdao Xueersi Wenli Training School School ("Qingdao Wenli School")	December 12, 2014	Qingdao	N/A*	After-school tutoring for primary and secondary school students
Shijiazhuang Qiaoxi District Xueersi Culture Training School ("Shijiazhuang Qiaoxi School")	December 18, 2014	Shijiazhuang	N/A*	After-school tutoring for primary and secondary school students

* These entities are controlled by the Company pursuant to the contractual arrangements disclosed below.

(1) Previously known as Xueersi International Education Group. The name change permit was granted by the governmental authority in June 2013.

(2) Previously known as TAL Education Technology (Beijing) Co., Ltd. The name change permit was granted by the governmental authority in August 2013.

(3) Previously known as Suzhou Xueersi Network Technology Co., Ltd. The name change permit was granted by the governmental authority in April 2014.

(4) Previously known as Suzhou Zhikang Culture Training Center. The name change permit was granted by the governmental authority in April 2014.

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 education services outside China. As a Cayman Islands company, the Company is deemed a foreign legal person under the PRC laws.

To comply with the PRC laws and regulations, except for its personalized premium tutoring service in Beijing, which is currently offered substantially through Huanqiu Zhikang and Zhixuesi Beijing, the Company's wholly owned PRC subsidiaries, the Group provides and plans to provide most of its services in the PRC through its VIEs, Xueersi Education, Xueersi Network, Beijing Dongfangrenli and their subsidiaries and schools. The VIEs and their subsidiaries and schools hold various licenses upon which the Company's business depends. A substantial majority of the Company's employees who provide the Company's services are hired by the VIEs and their subsidiaries and schools, and the VIEs and their subsidiaries and schools lease a substantial majority of the properties upon which the Company's services are delivered. The nominee shareholders of the VIEs have received two loans from TAL Beijing for capital contribution. These loans are eliminated on the Group's consolidated balance sheets. The net revenue from the VIEs and their subsidiaries and schools accounted for 90.7% of the

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

Company's total net revenue for the fiscal year ended February 28, 2015. To provide the Company the power to control and the ability to receive the majority of the expected residual returns of the VIEs and their subsidiaries and schools, the Company's wholly owned subsidiary, TAL Beijing, entered into a series of contractual arrangements with Xueersi Education, Xueersi Network and their respective shareholders on February 12, 2009, including exclusive business service agreements, which were superseded by the Exclusive Business Cooperation Agreement entered into on June 25, 2010. In addition, on December 27, 2011, TAL Beijing entered into a series of contractual arrangements with Beijing Dongfangrenli and their respective shareholders. On June 24, 2013 and July 29, 2013, the Company and Mr. Bangxin Zhang entered into a deed of undertaking dated June 24, 2013 and a side letter dated July 29, 2013, respectively.

Through the below contractual arrangements, TAL Beijing has (1) the power to direct the activities of the VIEs and their subsidiaries and schools that most significantly affect their economic performance and (2) the right to receive substantially all the benefits from the VIEs and their subsidiaries and schools. It is therefore considered the primary beneficiary of the VIEs and their subsidiaries and schools, and accordingly, the results of operations, assets and liabilities of the VIEs and their subsidiaries and schools are consolidated in the Group's financial statements.

Series of exclusive technology support and service agreements: Pursuant to Exclusive Business Cooperation Agreement entered into in June 2010, by and among TAL Beijing, Xueersi Education, Xueersi Network, and the shareholders of Xueersi Education and Xueersi Network, TAL Beijing or its designated affiliates have the exclusive right to provide each of Xueersi Education and Xueersi Network and their subsidiaries and schools comprehensive intellectual property licensing and various technical and business support services. Pursuant to the Exclusive Service Agreement entered into by and among TAL Beijing, Beijing Dongfangrenli and its shareholders in December 2011, TAL Beijing and its designated affiliates have the exclusive right to provide Beijing Dongfangrenli and its subsidiaries and schools (if any) comprehensive intellectual property licensing and various technical and business support services. The services under each of these agreements include, but are not limited to, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resource and internal information management, network development, upgrade and ordinary maintenance services, and software and trademark licensing and other additional services as the parties may mutually agree from time to time. TAL Beijing owns the exclusive intellectual property rights developed in the performance of these agreements. As consideration for these services, TAL Beijing and its designated affiliates are entitled to charge the VIEs and VIEs' subsidiaries and schools annual service fees and adjust the service fee rates from time to time at its discretion. The agreements are effective within the operation term of TAL Beijing, the VIEs and VIEs' subsidiaries and schools according to PRC Law, unless earlier terminated by mutual agreement of all parties.

Call option agreement: Pursuant to the call option agreements entered into in February 2009 and December 2011, by and among TAL Beijing, the VIEs and their subsidiaries, the shareholders of the VIEs unconditionally and irrevocably granted TAL Beijing or its designated party an exclusive option to purchase from the VIEs' shareholders, to the extent permitted under PRC law, part of or all the equity interests in the VIEs, as the case may be, for the minimum amount of consideration permitted by the

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

applicable law without any other conditions. TAL Beijing has sole discretion to decide when to exercise the option, whether in part or in full. Unless earlier terminated by mutual agreement of all parties, this agreement shall remain effective until TAL Beijing exercises its purchase right to purchase all the VIEs' equity interests according to this agreement.

Equity pledge agreement: Pursuant to the equity pledge agreements entered into in June 2010 and December 2011, the shareholders of the VIEs unconditionally and irrevocably pledged all of their equity interests, including the right to receive declared dividends and the voting rights, in the VIEs to TAL Beijing to guarantee the VIEs' performance of their obligations under the technology support and service agreements. The shareholders of the VIEs agree that, without prior written consent of TAL Beijing, they will not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice TAL Beijing's interest. These agreements are effective over the same term as the exclusive technology support and service agreements and can only be terminated when all the obligations under the exclusive technology support and service agreements are completely fulfilled.

Letter of Undertaking: All of the shareholders of Xueersi Education and Xueersi Network executed a letter of undertaking in February 2009 to covenant with and undertake to TAL Beijing that, if, as the respective shareholders of Xueersi Education and Xueersi Network, such shareholders receive any dividends, interests, other distributions or remnant assets upon liquidation from Xueersi Education and Xueersi Network, such shareholders shall, to the extent permitted by applicable laws, regulations and legal procedures, remit all such income after payment of any applicable tax and other expenses required by laws and regulations to TAL Beijing without any compensation therefore. All of the shareholders of Beijing Dongfangrenli have made similar undertakings in the option agreement dated December 27, 2011, described above.

Power of attorney: The shareholders of the VIEs have executed an irrevocable power of attorney appointing TAL Beijing, or any person designated by TAL Beijing as their attorney-in-fact to vote on their behalf on all matters of the VIEs requiring shareholder approval under PRC laws and regulations and the articles of association of the VIEs in August 2009 and December 2011. These agreements remain effective during the entire period during which they are shareholders of the VIEs.

The articles of associations of the VIEs state that the major rights of the shareholders in shareholders' meeting include the power to approve the operating strategy and investment plan, elect the members of board of directors and approve their compensation and review and approve annual budget and earning distribution plan. Therefore, through the irrevocable power of attorney arrangement TAL Beijing has the ability to exercise effective control over the VIEs through shareholder votes and through such votes to also control the composition of the board of directors. As a result of these contractual rights, the Company has the power to direct the activities of the VIEs that most significantly impact their economic performance.

Spousal consent letter: The spouse of each of the shareholders of the VIEs entered into a spousal consent letter to acknowledge that she is aware of, and consents to, the execution by her spouse of the equity pledge agreement, the call option agreement and the power of attorney described above. Each

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

spouse further agrees that she will not take any actions or raise any claims to interfere with the performance by her spouse of the obligations under the above mentioned agreements.

Deed of undertaking: On June 24, 2013 and July 29, 2013, the Company and Mr. Bangxin Zhang executed a deed of undertaking dated June 24, 2013 and a side letter dated July 29, 2013, respectively (collectively, the "Deed"). Pursuant to the Deed, Mr. Zhang has irrevocably covenanted and undertaken to the Company that:

- as long as Mr. Bangxin Zhang owns shares in the Company, whether legally or beneficially, and directly or indirectly (including shares held through Mr. Bangxin Zhang's personal holding company Bright Unison Limited or any other company, trust, nominee or agent, if any), representing more than 50% of the aggregate voting power of the then total issued and outstanding shares of the Company,
- Mr. Bangxin Zhang will not, directly or indirectly, (i) requisition or call any meeting of shareholders for the purpose of removing or replacing any of existing directors or appointing any new director, or (ii) propose any resolution at any of shareholders meetings to remove or replace any of existing directors or appoint any new director; and
- should any meeting of shareholders be called by the board of directors or requisitioned or called by shareholders for the purpose of removing or replacing any of the directors or appointing any new director, or if any resolution is proposed at any of shareholder meetings to remove or replace any of the directors or appoint any new director, the maximum number of votes which Mr. Bangxin Zhang will be permitted to exercise shall be equal to the total aggregate number of votes of the then total issued and outstanding shares of the Company held by all members of the Company, other than shares which are owned, whether legally or beneficially, and directly or indirectly by Mr. Bangxin Zhang, less one vote.
- Mr. Bangxin Zhang will not cast any votes he has as a director or shareholder (if applicable) on any resolutions or matters concerning enforcing, amending or otherwise relating to the Deed being considered or voted upon by board of directors or shareholders, as the case may be.

In the opinion of Maples and Calder, the Company's Cayman Islands legal counsel, the deed of undertaking constitutes the legal, valid and binding obligations of Mr. Bangxin Zhang, which cannot be unilaterally revoked by Mr. Bangxin Zhang, and is enforceable in accordance with its terms under existing Cayman Islands laws.

Risks in relation to the VIE structure

The Company believes that TAL Beijing's contractual arrangements with the VIEs and their respective subsidiaries, schools and shareholders are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of any existing PRC laws and regulations, the Group would be subject to fines or potential actions by the relevant PRC regulatory authorities with broad discretions, which could include:

- revoke the Group's business and operating licenses;

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

- require the Group to discontinue or restrict its operations;
- restrict the Group's right to collect revenues;
- block the Group's websites;
- require the Group to restructure the operations in such a way as to compel the Group to establish a new enterprise, re-apply for the necessary licenses or relocate its businesses, staff and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; or
- take other regulatory or enforcement actions against the Group that could be harmful to its business.

The imposition of any of these penalties could result in a material adverse effect on the Company's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Company to lose the rights to direct the activities of the VIEs, and the VIEs' subsidiaries and schools, or the right to receive their economic benefits, the Company would no longer be able to consolidate the VIEs, and the VIEs' subsidiaries and schools. The Company does not believe that any penalties imposed or actions taken by the PRC government would result in the liquidation or dissolution of the Company, TAL Beijing, or the VIEs and their respective subsidiaries and schools.

The four legal owners of Xueersi Education and Xueersi Network are Mr. Bangxin Zhang, Mr. Yachao Liu, Mr. Yunfeng Bai, and Mr. Yundong Cao, and the three legal owners of Beijing Dongfangrenli are Mr. Zhang, Mr. Liu and Mr. Bai. Mr. Zhang, Mr. Liu and Mr. Bai are shareholders and directors or officers of TAL Education Group. Mr. Cao is a beneficial owner of TAL Education Group. Mr. Zhang is a director of TAL Education Group. Mr. Liu is a director of Beijing Dongfangrenli. The interests of Mr. Zhang, Mr. Liu, Mr. Bai and Mr. Cao as beneficial owners of the VIEs may differ from the interests of the Group as a whole, since these parties' respective equity interests in the VIEs may conflict with their respective equity interests in the Group. When conflicts of interest arise, it is possible that any or all of these individuals may not act in the best interests of the Group, and such conflicts may not be resolved in the Group's favor. In addition, these individuals may breach, or cause VIEs, their subsidiaries and schools to breach, or refuse to renew, the existing contractual arrangements the Group has with them and VIEs, their subsidiaries and schools. Other than the aforementioned deed of undertaking the Group entered with Mr. Zhang, the Group currently does not have any arrangements to address potential conflicts of interest between these individuals and the Company. To a large extent, the Group relies on the legal owners of the VIEs to abide by the laws of the Cayman Islands and China, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in the best interests of the company and not to use their positions for personal gains. If the Group cannot resolve any conflict of interest or dispute between it and these individuals, the Group would have to rely on legal proceedings, which could result in disruption of its business and subject it to substantial uncertainty as to the outcome of any such legal proceedings.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

The following consolidated financial statement balances and amounts of the Company's VIEs and their subsidiaries and schools, were included in the accompanying consolidated financial statements after the elimination of intercompany balances and transactions among the Company, its subsidiaries, its VIEs and VIEs' subsidiaries and schools in the Group.

	As of February 28, 2014	As of February 28, 2015
Cash and cash equivalents	$136,914,501	$161,603,461
Term deposits	—	542,308
Prepaid expenses and other current assets	14,728,772	34,612,547
Total current assets	151,643,273	196,758,316
Property and equipment, net	51,978,968	62,763,402
Other non-current assets	11,440,412	43,322,163
Total assets	215,062,653	302,843,881
Deferred revenue	102,488,333	154,982,001
Accrued expenses and other current liabilities	24,586,713	38,436,846
Total current liabilities	127,075,046	193,418,847
Total non-current liabilities	846,040	215,764
Total liabilities	$127,921,086	$193,634,611

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Net revenues	$186,575,902	$272,231,845	$393,401,571
Net income	$ 55,172,212	$ 86,108,986	$121,489,140

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Net cash provided by operating activities	$37,349,571	$53,427,076	$ 85,654,272
Net cash (used in)/provided by investing activities	$(9,039,457)	$ 6,192,159	$(60,089,867)

As of February 28, 2013, 2014 and 2015, the balance of the amount payable by the VIEs and their subsidiaries and schools to TAL Beijing or its designated affiliates related to the service fees was $13.0 million, $20.6 million and $18.7 million, respectively and was eliminated upon consolidation.

There are no consolidated VIEs' assets that are collateral for the VIEs' obligations and can only be used to settle the VIEs' obligation.

The following consolidated financial statement balances and amounts of the Company and its subsidiaries, excluding the Company's VIEs and VIEs' subsidiaries and schools, were included in the

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

accompanying consolidated financial statements after the elimination of inter-company transactions and balances among the Company, its subsidiaries, its VIEs and VIEs' subsidiaries and schools in the Group:

	As of February 28, 2014	As of February 28, 2015
Cash and cash equivalents	$133,016,070	$308,553,969
Term deposits	—	20,687,455
Prepaid expenses and other current assets	15,717,279	13,432,794
Total current assets	148,733,349	342,674,218
Property and equipment, net	26,646,223	30,812,246
Other non-current assets	37,156,542	96,084,292
Total assets	212,536,114	469,570,756
Deferred revenue	29,912,729	22,657,938
Accrued expenses and other current liabilities	9,768,551	16,478,238
Total current liabilities	39,681,280	39,136,176
Total non-current liabilities	—	226,073,034
Total liabilities	$ 39,681,280	$265,209,210

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Net revenues	$ 39,355,193	$ 41,663,360	$ 40,567,998
Net loss	$(21,732,146)	$(25,503,214)	$(54,345,119)

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Net cash provided by operating activities	$ 28,060,174	$ 48,131,290	$ 61,923,715
Net cash used in investing activities	$(19,079,248)	$(23,595,025)	$ (85,695,143)
Net cash (used in)/provided by financing activities	$(41,465,075)	$ —	$201,837,942

Relevant PRC laws and regulations restrict the VIEs from transferring a portion of their net assets, equivalent to the balance of their statutory reserve and their paid in capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 20 for disclosure of restricted net assets.

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 ("U.S. GAAP").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its wholly owned subsidiaries, which are accounted for under the voting interest model, and its VIEs, VIEs' subsidiaries and schools consolidated under the variable interest entity consolidation model. All inter-company transactions and balances have been eliminated upon consolidation.

Consolidation of Variable Interest Entities

The Company through TAL Beijing, a wholly owned foreign enterprise, has executed a series of contractual agreements with its VIEs, the VIEs' subsidiaries and schools and the VIEs' nominee shareholders. For a description of these contractual arrangements, see "Note 1 Organization and Principal Activities—The VIE Arrangements." These contractual agreements do not provide TAL Beijing with an equity interest in legal form in the VIEs. As the Company holds no legal form of equity ownership in the VIEs, the Company applied the variable interest entity consolidation model as set forth in Accounting Standards Codification 810, Consolidation ("ASC 810") instead of the voting interest model of consolidation.

By design, the contractual agreements provide TAL Beijing with a right to receive benefits equal to substantially all of the net income of these entities, and thus under ASC 810 these agreements are considered variable interests. Subsequent to identifying any variable interests, any party holding such variable interests must determine if the entity in which the interest is held is a variable interest entity and subsequently which reporting entity is the primary beneficiary of, and should therefore consolidate, the variable interest entity. Among other reasons, an entity is considered a variable interest entity if the holders of the equity investment at risk in the entity, as a group, lack any one of the following characteristics of a controlling financial interest:

- The power, through voting rights or similar rights, to direct the activities of the entity that most significantly impact the entity's economic performance
- The obligation to absorb the entity's expected losses, or
- The right to receive the entity's expected residual returns

A reporting entity is considered to be the primary beneficiary, and thus the accounting parent, of a variable interest entity if it possesses both: (a) the power to direct the activities that most significantly impact the economic performance of the variable interest entity and (b) the obligation to absorb losses and/or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

As a result of the contractual arrangements, the nominee shareholders of the VIEs lack the characteristics of a controlling financial interest in the VIEs and therefore the VIEs are considered to be variable interest entities under ASC 810. The contractual arrangements, by design, provide TAL

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beijing the power to direct the activities that most significantly impact the economic performance of the VIEs and the right to receive substantially all the benefits of the VIEs, which causes TAL Beijing to be the primary beneficiary of the VIEs, and accordingly TAL Beijing consolidates their operations.

Determining whether TAL Beijing is the primary beneficiary requires a careful evaluation of the facts and circumstances, including whether the contractual agreements are substantive under the applicable legal and financial reporting frameworks, i.e. PRC law and US GAAP. The Company continually reviews its corporate governance arrangements to ensure that the contractual agreements are indeed substantive.

The Company has determined that the contractual agreements are in fact valid and legally enforceable. Such arrangements were entered into in order to comply with the underlying legal and/or regulatory restrictions that govern the ownership of a direct equity interest in the VIEs. In the opinion of the Company's PRC counsel, Tian Yuan Law Firm, the contracts are legally enforceable under PRC law. See "Note 1 Organization and Principal Activities—The VIE Arrangements."

The Company has considered the existence of related party relationships, e.g. ownership of an equity interest in the Company and the VIEs, and the effect that might have on the enforceability of the contractual agreements and in turn whether they are substantive. The Company believes there are no barriers to exercise its rights under the contracts and therefore they are substantive and appropriately considered in the consolidation analysis in accordance with ASC 810. In assessing the shareholdings of certain individual parties in the Company and in the VIEs, specifically Mr. Bangxin Zhang, the Company acknowledges that from November 23, 2011, Mr. Bangxin Zhang, a majority nominee shareholder in the VIEs, also held a majority voting interest in the Company, which resulted from conversion of Class B common shares with ten votes per share to Class A common shares with one vote per share by other shareholders. Therefore, the Company has reassessed the consolidation of its VIEs.

Although the contractual arrangements between TAL Beijing and the VIEs were designed to provide TAL Beijing with the characteristics of a controlling financial interest regardless of the respective shareholdings of Mr. Bangxin Zhang, during the period between November 23, 2011 and June 24, 2013, Mr. Bangxin Zhang's majority voting interest in the Company, when combined with his status as a majority nominee shareholder in the VIEs, could have constrained the ability of the Company to exercise its rights under the contractual agreements. This is due to the fact that Mr. Bangxin Zhang's majority voting interest in the Company provided him with the legal ability to control the composition of a majority of the board of directors and therefore may have provided him with the legal ability to affect whether or not the Company could exercise the rights contained in the contractual agreements. Mr. Bangxin Zhang did not exercise this power at any time during the period in which he held a majority voting interest in the Company and during such period. In fact, there was no change in the composition of the board of directors or in the day-to-day operations of the Company during the period.

On June 24, 2013 and July 29, 2013, the Company and Mr. Bangxin Zhang executed a deed of undertaking dated June 24, 2013 and a side letter dated July 29, 2013, respectively (collectively, the "Deed"). Pursuant to the terms of the Deed, as long as Mr. Bangxin Zhang owns a majority voting interest, whether legally or beneficially, and directly or indirectly, in Company, (1) Mr. Bangxin Zhang

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

cannot requisition or call a meeting of shareholders or propose a shareholders resolution to appoint or remove a director, (2) if shareholders are asked to appoint or remove a director, the maximum number of votes which Mr. Bangxin Zhang will be permitted to exercise in connection with such shareholder approval is equal to the total aggregate number of votes of the then total issued and outstanding shares of the Company held by all members of the Company, other than shares which are owned, whether legally or beneficially, and directly or indirectly by Mr. Bangxin Zhang, less one vote and (3) if shareholders or board of directors are asked to consider or approve any matter related to the Deed, Mr. Bangxin Zhang cannot exercise his voting power.

Upon execution of the Deed, despite his ownership of and as long as he holds a majority voting interest, whether legally or beneficially, and directly or indirectly, in the Company, Mr. Bangxin Zhang will (1) not be permitted to requisition or call a meeting of shareholders or propose a shareholders resolution to appoint or remove a director, (2) in relation to any shareholder approvals to appoint or remove a director, only be permitted to exercise up to the number of votes equal to the total aggregate number of votes of the then total issued and outstanding shares of the Company held by all members of the Company, other than shares which are owned, whether legally or beneficially, and directly or indirectly by Mr. Bangxin Zhang, less one vote and (3) in relation to shareholders' or board of directors' consideration or approval of any matter related to the Deed, Mr. Bangxin Zhang cannot exercise his voting power. The terms of the Deed prevents Mr. Bangxin Zhang from controlling the rights of the Company as it relates to the contractual agreements, and accordingly, the Company retains a controlling financial interest in the VIEs and would consolidate them as the VIEs' primary beneficiary.

Please see Note 1 for the presentation of abbreviated financial information of the VIEs and the Group without the VIEs, after elimination of intercompany balances and transactions.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue, costs, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Significant accounting estimates reflected in the Group's consolidated financial statements include the forfeiture rate for share-based compensation, valuation allowance for deferred tax assets, the useful lives of property and equipment and intangible assets, impairment of available-for-sale securities, intangible assets, long-lived assets, goodwill and long term investments, fair value assessment of long-term investments and consolidation of variable interest entities.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments, which are unrestricted as to withdrawal or use, or have remaining maturities of three months or less when purchased.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Term deposits

Term deposits consist of deposits placed with financial institutions with original maturities of greater than three months and less than one year. If the term deposits are withdrawn before maturity date, the Company will be subject to a significant penalty for early redemption.

Restricted cash

The Group's restricted cash is related to deposits required by PRC government authorities for establishing new schools and subsidiaries.

Available-for-sale securities

Available-for-sale securities are carried at their fair value. Unrealized gains and losses from the changes in fair value are included in accumulated other comprehensive income.

The Group reviews its available-for-sale securities for other-than-temporary impairment in accordance with authoritative guidance based on the specific identification method. The Group considers available quantitative and qualitative evidence in evaluating the potential impairment of its available-for-sale securities. 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 investment. Other-than-temporary impairments below cost are recognized as a loss in the consolidated statements of operations.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives:

Building	35-40 years
Computer, network equipment and software	3 years
Vehicles	4-5 years
Office equipment and furniture	3-5 years
Leasehold improvement	Shorter of the lease term or estimated useful lives

Business combinations

Business combinations are recorded using the acquisition method of accounting. The assets acquired, the liabilities assumed, and any noncontrolling interests of the acquiree at the acquisition date, if any, are measured at their fair values as of the acquisition date. Goodwill is recognized and measured as the excess of the total consideration transferred plus the fair value of any noncontrolling interest of the acquiree, if any, at the acquisition date over the fair values of the identifiable net assets acquired. Common forms of the consideration made in acquisitions include cash and common equity

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

instruments. Consideration transferred in a business acquisition is measured at the fair value as of the date of acquisition.

Where the consideration in an acquisition includes contingent consideration 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 discussed in Note 3, during the year ended February 28, 2015, the Group acquired Muchong.com, Gaokaopai and Jingshi Shifan for cash consideration of $5,000,000, $638,009 and $630,384, respectively.

Acquired intangible assets, net

Acquired intangible assets other than goodwill consist of trade name, domain names, partnership agreement, student base, non-compete agreement, copy rights, education license, customer relationship, concession, user base and technology, and are carried at cost, less accumulated amortization and impairment. Amortization of finite-lived intangible assets is computed using the straight-line method over the estimated useful lives. Student base is amortized using the estimated attrition pattern and graduation rates of the acquired schools. The amortization periods by major intangible asset classes are as follows:

Trade name	10.0 years
Copy rights	3.0-5.0 years
Student base	3.5 years
Partnership agreement	2.6-3.5 years
Domain names	3.0 years
Non-compete agreement	2.0-3.0 years
Education license	0.9-5.0 years
Customer relationship	3.0-5.0 years
Concession	3.0-5.0 years
User base	5.0 years
Technology	5.0 years

Impairment of long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, the Group measures impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the fair value of the assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheets as goodwill. Goodwill is not amortized, but tested for impairment annually or more frequently if event and circumstances indicate that it might be impaired.

In September 2011, the FASB issued an authoritative pronouncement related to testing goodwill for impairment. The guidance permits the Company to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Absent from any impairment indicators, the Group performs its annual impairment test on the last day of each fiscal year.

For the year ended February 28, 2015, the Group did not choose to perform the assessment of qualitative factors for goodwill impairment and performed its annual impairment test using a two-step approach. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit is greater than its carrying amount, goodwill is not considered impaired and the second step is not required. If the fair value of the reporting unit is less than its carrying amount, the second step of the impairment test measures the amount of the impairment loss, if any, by comparing the implied fair value of goodwill to its carrying amount. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized equal to that excess. The implied fair value of goodwill is calculated in the same manner that goodwill is calculated in a business combination, whereby the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit, with the excess purchase price over the amounts assigned to assets and liabilities representing the implied fair value of goodwill.

Long-term investments

The Group's long-term investments consist of cost method investments, equity method investments, available-for-sale investments and fair value option investments.

Cost method investments

For investee companies over which the Group neither has significant influence nor control through investment in common stock or in-substance common stock and which do not have readily determinable fair value, the Group accounts for the investments in cost method, under which the Group carries the investments at cost and recognize as income for 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 other-than-temporary impairment 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group accounts for its investment in Minerva Project, Inc. and several other third-party companies using the cost method. These investments are carried at cost and adjusted for other than-temporary declines in fair value of the investments and distributions of investees' earnings.

Equity method investments

Investee companies over which the Group has the ability to exercise significant influence, but does not have a controlling interest through investment in common stock or in-substance common stocks, 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 investment in limited partnerships, where the Group holds less than a 20% equity or voting interest, the Group may also have significant influence. Under the equity method, the Group initially records its investment at cost and subsequently recognizes the Group's proportionate share of each equity investee's net income or loss after the date of investment into earnings and accordingly adjusts the carrying amount of the investment.

The Group reviews its equity method investments for impairment whenever an event or circumstance indicates that an other-than-temporary impairment has occurred. The Group considers available quantitative and qualitative evidence in evaluating potential impairment of its equity method investments. An impairment charge is recorded when the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary. The Group accounts for its investments in several third-party companies using the equity method.

Long-term available-for-sale investments

For investments in investees' preferred 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 reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income as a component of shareholders' equity. Realized gains and losses and provision for decline in value judged to be other than temporary, if any, are recognized in the consolidated statements of operations.

Fair value option investments

The Group elected the fair value option to account for certain investments whereby the change in fair value is recognized in the consolidated statements of operations.

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 pricing the asset or liability.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1

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

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Fair value of financial instruments is discussed in Note 12.

Revenue recognition

Revenue is recognized when earned and is reported net of business tax.

The primary sources of the Group's revenues are as follows:

(a) Educational programs and services

The educational programs and services primarily consist of after-school group tutoring (including Xueersi Peiyou small class and Mobby courses) and after-school one-on-one tutoring. Tuition revenue is generally collected in advance and is initially recorded as deferred revenue. Tuition revenue is recognized proportionately as the tutoring sessions are delivered. The revenue for educational programs and services for the years ended February 28, 2013, 2014 and 2015 are $218,006,411, $303,842,180 and $415,002,434, respectively.

Generally, for Xueersi Peiyou small class courses consisting of more than seven classes per course, the Group offers refunds for any remaining classes to students who decide to withdraw from a course, provided the course is less than two-thirds completed at the time of withdrawal.

The refund is equal to and limited to the amount related to the undelivered classes. After two-thirds of a Xueersi Peiyou small class course is delivered, no refund will be provided. For Xueersi Peiyou small class courses with less than seven classes, no refund will be provided after the commencement of the courses. For Mobby courses, the Group offers refunds of 60%

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

of courses fees received to students that withdraw from a course, provided the course is less than one-third completed at the time of withdrawal. After one-third of the course is completed, no refund will be provided. For personalized premium services, a student can withdraw at any time and receive a refund equal to and limited to the amount related to the undelivered classes. The refund is recorded as a reduction of the related deferred revenue and has no impact on the recognized revenue. Historically, the Group has not experienced material refunds on the recognized revenue, and as such, no accrual for estimated refunds is deemed necessary.

The Group sends out coupons to attract both existing and prospective students to enroll in its courses. The coupon has fixed dollar amounts and can only be used against future courses. The coupon is accounted for as a reduction of revenue when the relevant revenue is recognized in the consolidated statements of operations.

The Group has a sales incentive plan effective from September 1, 2013 for after-school one-on-one tutoring services. Under the sales incentive plan, students can get certain number of free classes in the future based on the amounts of tuition fees they deposit and consume. Revenue is recognized proportionately as the tutoring sessions are delivered by applying the related discount rates based on the deposited amounts. If there are any changes in the discount rates due to additional tuition fee payment or tuition fee refund, changes in revenue are recognized using a cumulative catch-up method.

(b) Online education services through www.xueersi.com

The online education services provided by the Group through www.xueersi.com to its students include audio-video course content and the revenue for the years ended February 28, 2013, 2014 and 2015 are $6,962,012, $9,289,431 and $15,489,758, respectively.

Students enroll for online courses through www.xueersi.com by the use of prepaid study cards or payment to the Group's on-line accounts. The proceeds collected are initially recorded as deferred revenue. Revenues are recognized on a straight line basis over the subscription period from the date in which the students activate the courses to the date in which the subscribed courses end. Refunds are provided to the students who decide to withdraw from the subscribed courses within the course offer period, which generally ranges from five to fifteen months, and a proportional refund is based on the percentage of untaken courses to the total courses offered. Historically, the Group has not experienced material refunds on the recognized revenue, and as such, no accrual for estimated refunds is deemed necessary.

(c) Sales of educational materials, online advertising services and others

The Group sells educational materials to students at the Group's service centers. Also, the Group has several online platforms through which they provide online advertising services. Revenue is recognized after a contract is signed, the price is fixed or determinable, educational materials or advertising services are delivered and collection of the receivables is reasonably assured. The revenue from sales of educational materials, online advertising services and others for the years ended February 28, 2013, 2014 and 2015 are $962,672, $763,594 and $3,477,377, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based compensation

Share-based payment transactions with employees 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 impact reflected in additional paid-in capital.

The estimate of forfeiture rate will be adjusted over the requisite service period to the extent that actual forfeiture rate differs, or is expected to differ, from such estimates. Changes in estimated forfeiture rate will be recognized through a cumulative catch-up adjustment in the period of change.

Value added tax

Pursuant to the PRC tax laws, in case of any product sales, generally the value added tax ("VAT") rate is 3% of the gross sales for small scale VAT payer and 17% of the gross sales for general VAT payer. TAL Beijing and Xueersi Education are deemed as general VAT payer since January 2010 and August 2010 respectively 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 reflected in the accounts under other taxes payable.

In July 2012, the Ministry of Finance and the State Administration of Taxation jointly issued a circular regarding the pilot collection of VAT in lieu of business tax in certain areas and industries in the PRC. Implementation of such VAT pilot program was phased into Beijing, Jiangsu, Anhui, Fujian, Guangdong, Tianjin, Zhejiang, and Hubei between September and December 2012. The Group's online education services and inter-company technical services which were previously subject to business tax are therefore subject to VAT at the rate of 6% of revenue for general VAT payer and hence Beijing Xintang Sichuang, TAL Beijing, Xueersi Education and Yidu Huida are deemed as general VAT payer at the rate of 6% since the policy was effective as of September 2012. Zhixuesi Beijing, as a newly established company is deemed as general VAT payer at the rate of 6% since August 2013. Tianjin Education is deemed as general VAT payer at the rate of 6% since January 2014. Qingdao Education is deemed a general VAT payer at the rate of 6% since April 2014.

TAL Beijing, Yidu Huida and Beijing Xintang Sichuang sell certain software related products that are qualified as "software products" by PRC tax authorities and pay VAT at 17% first and then receive 14% refund after it is paid. The VAT refund receivables are recorded on accrual basis. Xueersi Education pays VAT at 13% for the book sales that enjoyed a preferential tax rate from August 2010 and enjoys an exemption from February 2014 to July 2017.

Business tax

The Company's PRC subsidiaries, VIEs and VIEs' subsidiaries and schools are subject to business tax and surcharges at a rate of 3.3% to 5.6% on revenues related to certain types of services. The net revenues are presented net of those taxes incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

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

Advertising costs

The Group expenses advertising costs as incurred. Total advertising costs incurred were $2,502,489, $2,779,346 and $3,276,393 for the years ended February 28, 2013, 2014 and 2015, respectively, and have been included in selling and marketing expenses in the consolidated statements of operations.

Government subsidies

The Group reports government subsidies as other income when received from local government authority with no limitation on the use of the subsidies. The Group receives government subsidies related to government sponsored projects and records such government subsidies as a liability when it is received and records it as other income when there is no further performance obligation.

Government subsidies received totaled $793,007, $1,092,286 and $440,210 for the years ended February 28, 2013, 2014 and 2015, respectively. The Group recorded $632,269, $1,104,750 and $464,327 government subsidies as other income for the years ended February 28, 2013, 2014 and 2015, respectively.

Foreign currency translation

The functional and reporting currency of the Company is the United States dollar. The functional currency of the Company's PRC subsidiaries, VIEs and VIEs' subsidiaries and schools in the PRC is Renminbi ("RMB").

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are re-measured into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the year are converted into the functional currencies at the applicable rates of exchange prevailing at the transaction dates. Transaction gains and losses are recognized in the consolidated statements of operations. For the years ended February 28, 2013, 2014 and 2015, the Group recorded exchange gains of $938,116, $1,026,482 and exchange loss of $1,691,122 respectively in other income/expense in the consolidated statements of operations.

For translating the results of the PRC subsidiaries into the functional currency of the Company, assets and liabilities are translated from each subsidiary's functional currency to the reporting currency at the exchange rate on the balance sheet date. Equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the period. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

component of other comprehensive income in the consolidated statements of changes in equity and comprehensive income.

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. Cash and cash equivalents, term deposits and restricted cash of the Group included aggregate amounts of $269,266,326 and $452,532,392 as of February 28, 2014 and 2015, respectively, which were denominated in RMB.

Income taxes

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net of operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws and regulations applicable to the Group as enacted by the relevant tax authorities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on the characteristics of the underlying assets and liabilities.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

Comprehensive income

Comprehensive income includes net income, unrealized gain or loss on available-for-sale investments, and foreign currency translation adjustments. Comprehensive income is reported in the consolidated statements of comprehensive income.

Concentration of credit risk

Financial instruments that potentially expose the Group to significant concentration of credit risk consist primarily of cash and cash equivalents, term deposits and restricted cash. The Group places its cash and cash equivalents, term deposits and restricted cash in financial institutions with high credit ratings.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

The Group's financial instruments consist primarily of cash and cash equivalents, term deposits, restricted cash, short-term investment, amounts due from related parties and amounts due to related parties, accounts payables, income tax payable and bond payable. The carrying amounts of these financial instruments, except for bond payable, approximate their fair values because of their generally short maturities.

Net income per share

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

Recent accounting pronouncements adopted

In July 2013, the FASB issued a pronouncement which provides guidance on financial statement presentation of an unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The FASB's objective in issuing this ASU is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP.

The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets.

This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this guidance did not have a significant effect on the Group's consolidated financial statements.

In April 2015, the FASB issued a new pronouncement which changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. The ASU specifies that "debt issuance costs related to a note shall

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

be reported in the balance sheet as a direct deduction from the face amount of that note" and that "amortization of debt issuance costs also shall be reported as interest expense." The ASU's Basis for Conclusions observes that in practice, debt issuance costs incurred before the associated funding is received (i.e., before the issuance of the debt liability) are deferred on the balance sheet until that debt liability amount is recorded.

The amendments do not affect the current guidance on the recognition and measurement of debt issuance costs. For example, the costs of issuing convertible debt would not change the calculation of the intrinsic value of an embedded conversion option that represents a beneficial conversion feature under ASC 470-20-30-13. Thus, entities may still need to track debt issuance costs separately from a debt discount.

For public business entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the amendments is permitted for financial statements that have not been previously issued.

The amendments should be applied on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. These disclosures include the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted, and the effect of the change on the financial statement line items (i.e., debt issuance cost asset and the debt liability). The adoption of this guidance did not have a significant effect on the Group's consolidated financial statements.

Recent accounting pronouncements not yet adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new pronouncement 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 Accounting Standards Update ("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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

An entity should apply the amendments in this ASU using one of the following two methods:

1. Retrospectively to each prior reporting period presented and the entity may elect any of the following practical expedients:
   - For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.
   - For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.
   - For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.
2. Retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. If an entity elects this transition method it also should provide the additional disclosures in reporting periods that include the date of initial application of:

The amount by which each financial statement line item is affected in the current reporting period by the application of this ASU as compared to the guidance that was in effect before the change. An explanation of the reasons for significant changes.

The Group is in the process of evaluating the impact of this pronouncement to its consolidated financial statements.

In June 2014, the FASB issued a new pronouncement which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation—Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved.

The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted.

Entities may apply the amendments in this ASU either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying this ASU as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. In addition, if retrospective transition is adopted, an entity may use hindsight in measuring and recognizing the compensation cost. 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 August 2014, the FASB issued an authoritative pronouncement related to disclosure of uncertainties about an entity's ability to continue as a going concern. The update provides guidance on management's responsibility to evaluate whether there is substantial doubt about a company's ability to continue as a going concern and requires related footnote disclosures. The amendments are effective for annual periods ending after December 15, 2016, and interim periods thereafter. Early adoption is permitted.

In May 2015, the FASB issued a pronouncement which provides amendments on the disclosure for fair value measured investments in certain entities that calculate net asset value per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments apply to reporting entities that elect to measure the fair value of an investment within the scope of paragraphs 820-10-15-4 through 15-5 using the net asset value per share (or its equivalent) practical expedient in paragraph 820-10-35-59.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. 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 U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

3. BUSINESS ACQUISITION

Business acquisitions in fiscal year 2015:

During the year ended February 28, 2015, the Group made three business acquisitions. Each acquisition has been recorded using the purchase method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The results of these acquired entities' operations have been included in the consolidated financial statements since the date of acquisition. Goodwill primarily represents the expected synergies from combining the acquired business with the business of the Group.

Acquisition of Muchong.com

In December 2014, the Group acquired 100% of equity interest in Muchong.com, a website of academic research, with total consideration of $10,000,000, of which $5,000,000 has been paid in cash as of February 28, 2015. According to the acquisition agreements, the other $5,000,000 of the total consideration is contingent upon the original shareholder's continuing employment with the Group for at least two years after the acquisition. As the contingent consideration arrangement would be automatically forfeited if the original shareholder terminates his employment with the Group, the amount has been accounted for as employment compensation for post-combination services of the original shareholder.

The purchase price was allocated as of December 26, 2014, the date of acquisition as follows:

	US$	Amortization period
Intangible assets		
Trade name	$1,095,000	10 years
User base	193,000	5 years
Goodwill	3,712,000	
Total	$5,000,000	

The purchase price allocation described above was based on a valuation analysis provided by an independent appraiser. The fair value of the purchased intangible assets was measured by using the "income approach-excess earnings" and "relief from royalty" valuation method.

Other acquisitions

The Group acquired 65% of ownership interest in Jingshi Shifan, which is primarily engaged in organizing contests and culture communication, for which the consideration of $630,384 was paid in full as of February 28, 2015. The intangible assets, goodwill and noncontrolling interest acquired from the acquisition were $404,523, $561,425 and $291,817, respectively.

The Group acquired 100% of equity interest in Gaokaopai, a professional website providing university and college enrollment information for high school students, for a total consideration of $638,009 in cash, of which $446,605 was paid as of February 28, 2015 and a contingent consideration of 44,000 nonvested shares was granted to Gaokaopai's original founder in exchange for his continued

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

3. BUSINESS ACQUISITION (Continued)

employment with the Group. The nonvested shares will vest in four equal installments on January 26 of each year from 2016 to 2019, assuming his continued employment for each period. The unvested shares will be automatically forfeit if he terminates his employment prior to the vesting date. The Group accounts for the nonvested shares as share based compensation. The intangible assets and goodwill from this acquisition were $79,751 and $558,258, respectively.

The results of operations for all these acquired entities have been included in the Group's consolidated financial statements from their respective acquisition date. The acquired goodwill is not deductible for tax purposes.

The following summarized unaudited pro forma results of operations for the years ended February 28, 2014 and 2015 assuming that the three acquisitions during the year ended February 28, 2015 occurred as of March 1, 2013. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred as of March 1, 2013, nor is it indicative of future operating results.

	For the year ended February 28,	
	2014	2015
	(Unaudited)	(Unaudited)
Pro forma net revenues	$314,304,931	$434,205,910
Pro forma net income	$ 60,681,648	$ 66,917,495
Pro forma net income per share—basic	$ 0.39	$ 0.42
Pro forma net income per share—diluted	$ 0.38	$ 0.41

Business acquisition in fiscal year 2014:

In February 2014, the Group acquired Kaoyan.com, which is a site designed to improve preparation for the entrance examination for postgraduate degrees, with a total cash consideration of $8,179,342, which was fully paid by February 28, 2014. The acquisition was recorded using the acquisition method of accounting and accordingly the acquired assets were recorded at their fair market value at the acquisition date. Goodwill primarily represents the expected synergies from combining the acquired business with the business of the Group. The purchase price was allocated as of February 18, 2014, the date of acquisition as follows:

	US$	Amortization period
Intangible assets		
Trade name	$ 771,952	10 years
Customer relationship	426,839	3-5 years
Non-compete agreement	32,834	2 years
Goodwill	6,947,717	
Total	$8,179,342	

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3. BUSINESS ACQUISITION (Continued)

The purchase price allocation described above was based on a valuation analysis provided by an independent appraiser. The fair value of the purchased intangible assets was measured by using the "income approach-excess earnings" and "with & without" valuation method.

The following summarized unaudited pro forma results of operations for the years ended February 28, 2013 and 2014 assuming that the acquisition during the year ended February 28, 2014 occurred as of March 1, 2012. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred as of March 1, 2012, nor is it indicative of future operating results.

	For the year ended February 28,	
	2013	2014
	(Unaudited)	(Unaudited)
Pro forma net revenues	$226,674,709	$314,408,118
Pro forma net income	$ 33,195,337	$ 60,460,428
Pro forma net income per share—basic	$ 0.21	$ 0.39
Pro forma net income per share—diluted	$ 0.21	$ 0.38

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As of February 28, 2014	As of February 28, 2015
Prepaid rent	$ 9,053,075	$12,957,179
Prepayments to suppliers[1]	2,999,108	7,042,279
Interest receivable	1,113,313	2,876,719
Loan receivables[2]	1,301,914	10,965,787
Staff advances	682,950	771,046
Deposit with third parties	130,191	845,362
ADR receivable	207,000	207,000
Study cards receivable	73,027	49,766
Receivable from rendered online advertising services	—	930,461
VAT refund receivable	305,633	268,392
Others	966,997	1,271,420
	$16,833,208	$38,185,411

(1) Prepayments to suppliers were primarily for advertising fees, server hosting fees and purchases of property and equipment.

(2) Loan receivables were primarily made up of bridge loans to third-parties with maturity terms less than one year. According to the loan agreements, upon maturity, these loans will be settled through repayment or conversion to equity interests of the borrowers at the Group's discretion. As

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS (Continued)

of February 28, 2015, there are four loans outstanding, of which the largest is a loan of $10,168,275 to a third party online company.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following:

	As of February 28, 2014	As of February 28, 2015
Building	$ 65,000,502	$ 63,707,645
Leasehold improvement	12,913,755	24,788,436
Computer, network equipment and software	17,313,650	28,523,709
Vehicles	901,237	923,040
Office equipment and furniture	2,584,563	4,192,569
Total cost of property and equipment	98,713,707	122,135,399
Less: accumulated depreciation and amortization	(20,088,516)	(28,559,751)
	$ 78,625,191	$ 93,575,648

For the years ended February 28, 2013, 2014 and 2015, depreciation expenses were $7,023,754, $9,549,852 and $11,728,577, respectively.

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

6. INTANGIBLE ASSETS, NET

Intangible assets, net, consisted of the following:

	As of February 28, 2014	As of February 28, 2015
Domain names	$ 2,077,796	$ 2,077,796
Copyrights	1,648,532	1,648,532
Partnership agreement	349,783	349,783
Trade name	1,034,312	2,145,262
Student base	221,082	221,082
Non-compete agreement	49,846	49,846
Education license	4,509	144,074
Customer relationship	426,839	426,839
Concession	—	404,523
Technology	—	63,801
User base	—	193,000
Total cost of intangible assets	5,812,699	7,724,538
Less: accumulated amortization	(3,389,169)	(4,126,372)
Add: foreign exchange difference	112,063	89,089
	$ 2,535,593	$ 3,687,255

Domain names and copyrights were acquired from third parties and the rest of intangible assets were recorded as a result of acquisitions.

The Group recorded amortization expense of $343,578, $461,482 and $737,203 for the years ended February 28, 2013, 2014 and 2015, respectively.

Estimated amortization expenses of the existing intangible assets for the next five years are $861,522, $810,858, $492,685, $412,327 and $268,022, respectively.

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

7. GOODWILL

Changes in the carrying amount of goodwill for the years ended February 28, 2014 and 2015 consisted of the following:

	As of February 28, 2014	As of February 28, 2015
Gross amount:		
Beginning balance	$ 2,079,460	$ 9,034,090
Addition	6,947,717	4,831,683
Exchange difference	6,913	(11,181)
Ending balance	9,034,090	13,854,592
Accumulated impairment loss:		
Beginning balance	$(1,524,266)	$(1,524,266)
Charge for the year	—	—
Ending balance	(1,524,266)	(1,524,266)
Goodwill, net	$ 7,509,824	$12,330,326

The Group did not incur impairment loss on goodwill for the years ended February 28, 2013, 2014 and 2015.

8. LONG-TERM PREPAYMENTS AND OTHER NON-CURRENT ASSETS

Long-term prepayments and other non-current assets consisted of the following:

	As of February 28, 2014	As of February 28, 2015
Long-term prepayments[1]	$989,454	$8,898,319
Other non-current assets	—	296,149
	$989,454	$9,194,468

(1) As of February 28, 2015, the Group made prepayments to acquire minority equity interests in several third-party companies.

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

9. LONG-TERM INVESTMENTS

Long-term investments consisted of the following:

	As of February 28, 2014	As of February 28, 2015
Cost method investments		
Minerva Project, Inc[1].	$ —	$18,000,003
Other cost method investments	—	2,899,991
Equity method investments[2]		
An online community service platform[3]	$ —	$ 6,143,722
Other equity method investments	162,739	5,780,939
Fair value option investments[4]	3,080,000	9,282,000
Available-for-sale investments[4]	23,894,500	55,252,420
Total	$27,137,239	$97,359,075

(1) In October 2014, the Group acquired certain equity interest in Minerva Project, Inc., a Delaware corporation that is committed to providing an exceptional and accessible liberal arts and sciences education for future leaders and innovators across all disciplines. The total consideration was $18,000,003. The Group applied cost method to account for the investment due to lack of ability to exercise significant influence.

(2) As of February 28, 2015, the Group acquired minority equity interest in several third-party private companies through investments in their common stocks or in-substance common stocks. These investments represent equity interests ranging from 20% to 30% in certain equity method investments, majority of which are engaged in online platform or online education. In addition, one investment in a limited partnership with equity interest of 10% was accounted by equity method. The Group used the equity method to account for these investments, because the Group has the ability to exercise significant influence but does not have control over the investees.

(3) In July 2014, the Group acquired 20% of equity interest of an online community service platform through investment in its common stocks and accounted for the investment using equity method.

(4) Please refer to Note 12(a) fair value option investments and available-for-sales investments for details.

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	As of February 28, 2014	As of February 28, 2015
Accrued employee payroll and welfare benefits	$17,445,220	$27,513,863
Accrued employee annual bonus	2,540,148	2,996,505
Other taxes payable	3,701,955	6,313,119
Accrued teaching material costs	345,745	103,166
Payable to employees	19,783	6,348
Government subsidies	148,274	124,057
Enrollment fees collected for sponsors	88,013	282,745
Payable for investments and acquisitions	133,772	1,922,514
Professional service fee payable	715,289	306,865
Interest payable	—	1,693,056
Others	2,285,793	2,726,364
Total	$27,423,992	$43,988,602

11. BOND PAYABLE

On May 21, 2014, the Company issued $230,000,000 in aggregate principal amount of convertible bond due on May 15, 2019 (the "Bond"), unless earlier repurchased, converted or redeemed. The Bond bears interest at a rate of 2.5% per year, payable semiannually in arrears on May 15 and November 15 of each year, beginning on November 15, 2014.

The net proceeds from the Bond, after deducting the issuance costs, were $224,722,942. The Company has accounted for the Bond as a single instrument as a long-term debt, bond payable. The debt issuance costs of $5,277,058 were treated as a reduction of the bond payable and amortized using the effective interest method over the period from issuance date to the earliest redemption date, May 15, 2017.

In connection with the issuance of the bonds, the Company has entered into capped call transactions (each a "Capped Call Transaction") with three initial purchasers or their affiliates by purchasing 8,749,913 options, which is the number of ADS initially issuable upon conversion of the Bonds in full, for $22,885,000. The Capped Call Transactions are expected generally to reduce the potential dilution to the Class A common shares and ADSs upon conversion of the Bond. The strike price of the Capped Call Transactions will initially correspond to the initial conversion price of the Bond and the cap price will initially be $35.39 per ADS and is subject to certain adjustments under the terms of the Capped Call Transactions. The Capped Call Transactions will terminate upon the maturity date of the Bond and will be settled in net ADSs unless the Group elected the cash settlement method. The Group accounted for the capped call transactions as equity transactions and recorded the $22,885,000 purchase price as a deduction of additional paid in capital.

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

11. BOND PAYABLE (Continued)

The main terms of the Bond are summarized as follows:

Conversion

The Bond are convertible into the Company's American Depositary Shares ("ADSs"), at the option of the holders, in integral multiples of $1,000 principal amount, at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date.

The conversion rate equals 38.0431 ADSs per $1,000 principal amount of the Bond, which represents an initial conversion price of $26.29 per ADS.

Redemption

The Company does not have the right to redeem the Bond prior to maturity except for certain circumstances involving changes in the tax laws for the relevant taxing jurisdiction. Holders of the Bond have the right to require the Company to repurchase in cash all or part of their Bond on May 15, 2017 or upon the occurrence of certain fundamental changes at a repurchase price equal to 100% of the principal amount of the Bond to be repurchased, plus any accrued and unpaid interest to, but excluding, the repurchase date.

12. FAIR VALUE

(a) ***Assets and liabilities measured at fair value on a recurring basis***

The Group measured available-for-sale securities and certain long-term investments at fair value on a recurring basis as of February 28, 2014 and 2015.

Short-term investment—available-for-sale securities

In August 2007, the Group made investment in mutual funds named Wan Jia He Xie Financing Fund. The available-for-sale securities have no contractual maturity dates and the Group can sell the investment at any time at the Group's decision. In November 2013, the Group sold the Fund back to the fund company.

The available-for-sale securities measured and recorded at fair value for which there are quoted prices in active markets on a recurring basis were as follows:

Balance as of February 29, 2012	$ 361,803
Changes in fair value	34,331
Foreign exchange difference	3,821
Balance as of February 28, 2013	$ 399,955
Changes in fair value	26,459
Foreign exchange difference	8,861
Disposal	(435,275)
Balance as of February 28, 2014	$ —

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

12. FAIR VALUE (Continued)

Long-term investments-fair value option

The Group accounted for its investments in two third-party companies using the fair value option which is how management assesses the return on these investments. Changes in fair value are reflected in the consolidated statement of operations.

	As of February 28, 2014	As of February 28, 2015
Fair value option investments		
Long-term investment in a third-party online platform[1]	3,080,000	3,193,000
Long-term investment in a third-party technology company[2]	—	6,089,000
	$3,080,000	$9,282,000

(1) In February 2013, the Group acquired 16.85% equity interest in a third-party online education platform, a private company incorporated in the Cayman Islands, by purchasing 2,200,000 Series A preferred shares for a total cash consideration of $3,080,000.

(2) In August 2014, the Group acquired 4.76% equity interest in a third-party technology company, a private company incorporated in the Cayman Islands, by purchasing 89,286 Series B preferred shares for a total cash consideration of $5,000,000.

At the end of each reporting period, the Group measures the fair value of these investments using income approach in discounted cash flow method. The discounted cash flow analysis requires the use of significant unobservable inputs (level 3 inputs), including projected revenue, operating expenses, capital expenditures and a discount rate calculated based on the weighted average cost of capital. The Group recognized changes in fair value of the investments of $1,202,000 in the consolidated statements of operation in the fiscal year ended February 28, 2015.

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

12. FAIR VALUE (Continued)

For the years ended February 28, 2014 and 2015, the changes in the carrying amounts of long-term investments measured using the fair value option on a recurring basis were as follows:

Balance as of February 29, 2012	$ —
Purchase	5,456,991
Foreign exchange difference	34,082
Balance as of February 28, 2013	$ 5,491,073
Changes in fair value	297,120
Disposal	(2,742,876)
Foreign exchange difference	34,683
Balance as of February 28, 2014	$ 3,080,000
Purchase	5,000,000
Changes in fair value	1,202,000
Balance as of February 28, 2015	$ 9,282,000

Long-term investments—available-for-sales securities

The Group accounted for below investments as debt securities and classified as available-for-sales investments, which were measured subsequently at fair value in the balance sheet and unrealized holding gains and losses shall be reported in other comprehensive income.

	As of February 28, 2014	As of February 28, 2015
Available-for-sales securities investments		
Long-term investment in BabyTree Inc.[3]	$23,475,000	$24,309,000
Long-term investment in Guokr Corporation Limited[4]	—	15,471,000
Long-term investment in an online education company[5]	—	4,284,233
Long-term investments in other third-party companies[6]	419,500	11,188,187
	$23,894,500	$55,252,420

(3) In January 2014, the Group acquired certain equity interest in BabyTree Inc. by purchasing its Series E redeemable preferred shares with a total cash consideration of $23,475,000. BabyTree Inc. was incorporated in Cayman Island and is an operator of a leading online resource and community platform for prospective and new parents. There was a $834,000 change in fair value of the investment in the fiscal year 2015.

(4) In October 2014, the Group acquired certain equity interest in Guokr Corporation Limited by purchasing its Series C redeemable preferred shares with a total cash consideration of $15,000,000. Guokr Corporation Limited was incorporated in the

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

12. FAIR VALUE (Continued)

Cayman Island and is an open, diverse interest community of science and technology that provides interesting science and technology content. There was a $471,000 change in fair value of the investment in fiscal year 2015.

(5) In January 2015, the Group acquired certain equity interest in an online education company, who primarily engages in providing examination services. The equity interest was acquired through the Group's purchase of its Series B redeemable preferred shares. As the transaction date was close to the fiscal year end, the initial purchase price is considered the fair value of this investment as of February 28, 2015.

(6) In the fiscal year ended February 28, 2015, the Group also acquired minority equity interest in several other third-party private companies, the majority of which are engaged in online platform or online education services. The Group holds 2.8% to 20% equity interests of these companies through purchasing their redeemable preferred shares. The Group accounted for the investments as available-for-sale investments. There was a $43,600 change in fair value of these investments in fiscal year 2015.

The long-term investments accounted for as available-for-sale securities on a recurring basis are as follows:

	US$
Balance as of February 28, 2013	$ —
Purchase	23,894,500
Balance as of February 28, 2014	$23,894,500
Purchase	30,009,320
Changes in fair value	1,348,600
Balance as of February 28, 2015	$55,252,420

As of February 28, 2014 and 2015, information about inputs for the fair value measurements of the Group's assets that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

		Fair Value Measurement at Reporting Date Using		
Description	February 28, 2014	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term investments				
Fair value option investments	$ 3,080,000	—	—	$ 3,080,000
Available-for-sale investments	$23,894,500	—	—	$23,894,500
Total	$26,974,500	—	—	$26,974,500

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

12. FAIR VALUE (Continued)

Description	February 28, 2015	Fair Value Measurement at Reporting Date Using: Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term investments				
Fair value option investments	$ 9,282,000	—	—	$ 9,282,000
Available-for-sale investments	$55,252,420	—	—	$55,252,420
Total	$64,534,420	—	—	$64,534,420

(b) ***Assets and liabilities measured at fair value on a nonrecurring basis***

The Group measures the 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 fair value was determined using models with significant unobservable inputs (Level 3 inputs), primarily the management projection of discounted future cash flow and the discount rate.

Bond payable is measured at fair value on a nonrecurring basis. As of February 28, 2015, the fair value of bond payable is $298,425,000 which is determined based on the quoted price in active market (Level 1).

13. INCOME TAXES

Cayman Islands

The Company is a tax-exempted company incorporated in the Cayman Islands.

Hong Kong

TAL Hong Kong and Yidu Hong Kong were established in Hong Kong and are subject to Hong Kong Profits Tax on its activities conducted in Hong Kong. It is subject to Hong Kong profit tax at 16.5%. No provision for Hong Kong Profits tax has been made in the consolidated financial statements as it has no assessable income for the years ended February 28, 2013, 2014 and 2015.

PRC

Effective from January 1, 2008, a new Enterprise Income Tax Law, or (“the New EIT Law”), combined the previous income tax laws for foreign invested and domestic invested enterprises in the PRC by the adoption a unified tax rate of 25% for most enterprises with the following exceptions.

Certain qualified high and new technology enterprises that meet the definition of “high and new technology enterprise strongly supported by the state” (“HNTE”) could benefit from a preferential tax rate of 15%. Xueersi Education qualified as a HNTE and is subject to an enterprise income tax (“EIT”) rate of 15% from calendar year 2012 to 2016. It is expected to be subject to an EIT rate of 15% as long as it maintains its status as a HNTE.

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13. INCOME TAXES (Continued)

TAL Beijing was qualified as a "Newly Established Software Enterprise" and therefore it was entitled to a two-year exemption from EIT from calendar years 2009 through 2010 and a further reduction to 12.5% from calendar years 2011 through 2013. Later on, TAL Beijing qualified as a HNTE and is accordingly entitled to a preferential tax rate of 15% from calendar year 2014 to 2016 and is expected to be subject to an EIT rate of 15% as long as it maintains its status as an HNTE.

Yidu Huida was qualified as "Newly Established Software Enterprise" and therefore it was entitled to a two-year exemption from EIT from calendar years 2011 through 2012 and a further reduction to 12.5% from calendar years 2013 through 2015.

Beijing Xintang Sichuang was also qualified as "Newly Established Software Enterprise" and therefore it was entitled to a two-year exemption from EIT from calendar years 2013 through 2014 and a further reduction to 12.5% from calendar years 2015 through 2017.

Provision (credit) for income tax consisted of the following:

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Current			
—PRC income tax expenses	$4,708,274	$ 7,863,965	$11,827,735
Deferred			
—PRC income tax expenses	(607,182)	(1,184,211)	(2,459,194)
Total	$4,101,092	$ 6,679,754	$ 9,368,541

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

13. INCOME TAXES (Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Group's deferred tax assets and liabilities were as follows:

	As of February 28, 2014	As of February 28, 2015
Current deferred tax assets:		
Accrued payroll	$ 3,294,481	$4,630,334
Accrued expenses	244,109	—
Less: valuation allowance	(257,527)	(68,300)
Current deferred tax assets, net	3,281,063	4,562,034
Non-current deferred tax assets:		
Property and equipment	50,236	223,178
Intangible assets	303,779	—
Accrued expenses	203,424	—
Prepaid expense	—	357,776
Tax losses carry-forward deferred tax assets	1,102,903	1,497,279
Less: valuation allowance	(1,104,814)	(370,021)
Non-current deferred tax assets, net	555,528	1,708,212
Current deferred tax liabilities:		
Accrued ADR income	62,100	62,100
Current deferred tax liabilities	62,100	62,100
Non-current deferred tax liabilities:		
Intangible assets	32,344	108,565
Property and equipment	—	118,227
Non-current deferred tax liabilities	$ 32,344	$ 226,792

As of February 28, 2015, tax loss carry-forward amounted to $5,989,116 and would expire by the end of calendar year 2020. The Company operates its business through its subsidiaries, its VIEs and their subsidiaries and schools. The Group does not file combined or consolidated tax returns, therefore, losses from individual subsidiaries or the VIEs and their subsidiaries and schools may not be used to offset other subsidiaries' or VIEs' earnings within the Group. Valuation allowance is considered on each individual subsidiary and VIE basis. A valuation allowance of $438,321 had been established as of February 28, 2015, in respect of certain deferred tax assets as it is considered more likely than not that the relevant deferred tax assets will not be realized in the foreseeable future.

Under U.S. GAAP, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting amounts over tax basis amounts, including those differences attributable to a more than 50% interest in a domestic subsidiary. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

13. INCOME TAXES (Continued)

investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Company has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interest in VIEs because it believes such excess earnings can be distributed in a manner that would not be subject to income tax.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Group has concluded that there are no significant uncertain tax positions requiring recognition in financial statements for the years ended February 28, 2013, 2014 and 2015. 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 12 months. The Group has no material unrecognized tax benefits which would favorably affect the effective income tax rate in future years.

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 RMB 0.1 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 is subject to examination by the PRC tax authorities based on the above.

Reconciliation between the provision for income taxes computed by applying the PRC EIT rates of 25% in fiscal year 2013, 2014 and 2015 to income before income taxes and the actual provision for income tax was as follows:

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Net income before provision for income tax	$37,541,158	$ 67,285,526	$ 77,242,373
PRC statutory income tax rate	25%	25%	25%
Income tax at statutory income tax rate	9,385,290	16,821,382	19,310,593
Effect of non-deductible expenses	357,334	190,816	(239,953)
Effect of income tax exemptions and preferential tax rates	(7,070,722)	(13,042,518)	(14,267,821)
Effect of income tax rate difference in other jurisdictions	1,704,671	1,932,953	5,489,742
Change in valuation allowance	(275,481)	777,121	(924,020)
Provision for income tax	$ 4,101,092	$ 6,679,754	$ 9,368,541

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

13. INCOME TAXES (Continued)

If Xueersi Education, Yidu Huida, TAL Beijing and Beijing Xintang Sichuang were not in a tax holiday period for the years ended February 28, 2013, 2014 and 2015, the increase in income tax expenses and net income per share amounts would be as follows:

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Increase in income tax expenses	$7,070,722	$13,042,518	$14,267,821
Net income per common share—basic	$ 0.17	$ 0.30	$ 0.33
Net income per common share—diluted	$ 0.17	$ 0.30	$ 0.32

New EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for Chinese Income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the New EIT 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, etc, occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed a resident enterprise, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25% with the statute subject to the determination by PRC tax authorities.

If the Company were to be non-resident for PRC tax purpose, 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 subsidiaries, the withholding tax would be 10%.

The Chinese tax authorities clarified that distributions made out of earnings prior to but distributed after January 1, 2008 will not be subject to withholding tax. The aggregate undistributed earnings of the Company's subsidiaries, VIEs and VIEs' subsidiaries and schools located in the PRC that are available for distribution are $185,789,857 and $262,036,574 as of February 28, 2014 and 2015, respectively. Upon distribution of such earnings, the Company will be subject to PRC taxes, the amount of which is impractical to estimate. The Company did not record any withholding tax on any of the aforementioned undistributed earnings because it intends to permanently reinvest all earnings in China and the aforementioned subsidiaries do not intend to declare dividends to the Company.

14. COMMON SHARES

The Company presently has two classes of common shares, namely, Class A and Class B common shares, following the issuance of Class A common shares upon the IPO in October 2010.

Holders of Class A common shares and Class B common shares have the same rights except for voting and conversion rights. In respect of matters requiring shareholders' vote, each Class A common share is entitled to one vote, and each Class B common share is entitled to ten votes. Each Class B

14. COMMON SHARES (Continued)

common share is convertible into one Class A common share at any time by the holder thereof. Class A common shares are not convertible into Class B common shares under any circumstances.

In January 2008, the Company issued 1,000 Class B common shares at par value of $0.001.

In January 2009, the Company issued 119,999,000 Class B additional common shares proportionally to the existing founding shareholders at par value. This issuance is considered as an issuance with nominal consideration and has been therefore treated in a manner akin to a stock split and the computations of basic and diluted net income per share were adjusted retroactively for all periods presented. The Class B common shares subscription receivable was fully paid by the founding shareholders in June 2010.

In October 2010, the Company issued 13,800,000 ADSs (representing 27,600,000 Class A common shares in the IPO). The net proceeds from IPO are $127.0 million. At the same time, 5,000,000 Series A convertible redeemable preferred shares were automatically converted into 5,000,000 Class B common shares.

During the year ended February 28, 2013, 21,875,000 Class B common shares were converted into 21,875,000 Class A common shares and 577,938 Class A common shares were cancelled upon the completion of the share repurchase.

During the year ended February 28, 2013, 1,740,044 of non-vested shares granted to employees were vested and converted into 870,022 ADSs (representing 1,740,044 Class A common shares).

During the year ended February 28, 2014, 8,275,000 Class B common shares were converted into 8,275,000 Class A common shares.

During the year ended February 28, 2014, 1,614,996 of non-vested shares granted to employees were vested and converted into 807,498 ADSs (representing 1,614,996 Class A common shares).

During the year ended February 28, 2015, 2,092,730 of non-vested shares granted to employees were vested and converted into 1,046,365 ADSs (representing 2,092,730 Class A common shares).

During the year ended February 28, 2015, 8,075,000 Class B common shares were converted into 8,075,000 Class A common shares.

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

15. NET INCOME PER SHARE

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Net income attributable to TAL Education Group shareholders	$ 33,440,066	$ 60,605,772	$ 67,156,575
Shares (denominator):			
Weighted average shares outstanding			
Basic	155,607,458	156,726,994	158,381,576
Dilutive effect of non-vested shares award	1,023,632	2,717,934	5,208,073
Diluted[(i)]	156,631,090	159,444,928	163,589,649
Net income per common share attributable to TAL Education Group shareholders—basic[(ii)]	$ 0.21	$ 0.39	$ 0.42
Net income per common share attributable to TAL Education Group shareholders—diluted	$ 0.21	$ 0.38	$ 0.41

(i) For the years ended February 28, 2013, 2014 and 2015, 6,479,600, 918,100 and 1,976,750, nonvested shares were excluded from the calculation, respectively, as their effect was anti-dilutive.

(ii) The Company's common shares are divided into Class A and Class B common shares. Holders of Class A and Class B common shares have the same dividend rights. Therefore, the Company does not present earnings per share for each separate class.

16. RELATED PARTY TRANSACTIONS

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

Balances:

	As of February 28, 2014	As of February 28, 2015
Amounts due from related parties—current[(i)]	—	$159,502
Amounts due from related parties—non-current[(i)]	—	$319,005
Amounts due to related parties—current[(ii)]	—	$ 22,077

Transactions:

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Services fees[(iii)]	—	—	$37,819

(i) The amounts due from related parties represent loans to two equity method investees.

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

16. RELATED PARTY TRANSACTIONS (Continued)

(ii) The amounts due to related parties are in connection with services provided by an equity method investee.

(iii) The amounts of services fees mainly represent amount in connection with services provided by two equity method investees.

17. COMMITMENTS AND CONTINGENCIES

Lease commitment

The Group leases certain office premises under non-cancellable leases, the term of which are fifteen years or less and are renewable upon negotiation. Rental expenses under operating leases for the years ended February 28, 2013, 2014 and 2015 were $32,846,710, $41,668,122 and $58,047,539, respectively.

Future minimum payments under non-cancellable operating leases as of February 28, 2015 were as follows:

Fiscal year ending	
February 2016	$ 60,286,173
February 2017	51,011,851
February 2018	44,885,710
February 2019	37,426,994
February 2020	26,260,513
Thereafter	45,070,936
Total	$264,942,177

Contingencies

As of February 28, 2015, the Group is in the process of preparing filings and applying for permits for certain learning centers. Since the contingent liability related to not meeting the filing requirements cannot be reasonably estimated, the Group does not record any liabilities.

18. SEGMENT INFORMATION

The Group is mainly engaged in after-school tutoring in the PRC. The Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer who reviews results of operations by geographic location (i.e. city rather than learning centers), each location constituting a subsidiary of the Group, when making decisions about allocating resources and assessing performance of the Group. Consequently, the Group has determined that each location represents an operating segment. However, under the aggregation criteria set forth in the U.S. GAAP with respect to segment reporting, the Group operates in only one reportable segment as all of its operating segments have similar economic characteristics and provide the same tutoring services.

19. MAINLAND CHINA CONTRIBUTION PLAN

Full time employees of the Group in the PRC participate in a government-mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The PRC labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. Total provisions for such employee benefits were $13,672,411, $18,536,606 and $25,733,719 for the years ended February 28, 2013, 2014 and 2015, respectively.

20. STATUTORY RESERVES AND RESTRICTED NET ASSETS

As stipulated by the relevant PRC laws and regulations, PRC entities are required to make appropriations from net income as determined in accordance with the PRC GAAP to non-distributable statutory reserve, which includes a statutory surplus reserve and a statutory welfare reserve (the "reserve fund"), and a development fund. The PRC laws and regulations require that annual appropriations of 10% of after-tax income should be set aside prior to payments of dividends as statutory surplus reserve until the balance reaches 50% of the PRC entity registered capital.

In private school sector, the PRC laws and regulations require that certain amount should be set aside as development fund prior to payments of dividends. In the case of private school that requires reasonable returns, this amount should 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 should be no less than 25% of annual increase in the net assets of the school, if any.

The statutory reserve may be applied against prior year losses, if any, and may be used for general business expansion and production or increase in registered capital of the entities. For the years ended February 28, 2014 and 2015, the Group made apportions of $457,798 and $763,429 to the statutory surplus reserve, respectively, and $2,266,685 and $3,182,374 to the development fund, respectively.

As a result of these PRC laws and regulations and the requirement that distribution by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Group. Amounts restricted include paid-in capital and the statutory reserve of the Company's PRC subsidiaries, the VIEs and VIEs' subsidiaries and schools. As of February 28, 2014 and 2015, paid-in capital of such entities was $16,262,212 and $20,369,685, respectively, and statutory reserve was $15,015,824 and $18,961,627, respectively. The total of restricted net assets as of February 28, 2014 and 2015 was therefore $31,278,036 and $39,331,312, respectively.

21. SHARE-BASED COMPENSATION

In June 2010, the Company adopted the 2010 Share Incentive Plan. The plans permit the grant of options to purchase the Class A common shares, share appreciation rights, restricted shares, restricted share units, dividend equivalent rights and other instruments as deemed appropriate by the administrator under the plans. In August 2013, the Company amended and restated the 2010 Share Incentive Plan. Pursuant to the amended and restated 2010 Share Incentive Plan, the maximum aggregate number of Class A common shares that may be issued pursuant to all awards under the share incentive plan is equal to five percent (5%) of the total issued and outstanding shares as of the

21. SHARE-BASED COMPENSATION (Continued)

date of the amended and restated 2010 Share Incentive Plan. However, the shares reserved may be increased automatically if and whenever the unissued share reserve accounts for less than one percent (1%) of the total then issued and outstanding shares, so that after the increase, the shares unissued and reserved under this plan immediately after each such increase shall equal five percent (5%) of the then issued and outstanding shares.

On July 26, 2010, before its initial public offering, the Company granted 5,419,500 nonvested shares under this share incentive plan to executive officers and employees. The estimated fair value of the ordinary share on the grant date was $4.05 per share which was determined based on a valuation performed by American Appraisal China Limited. The market approach was used and the Company considered the estimated initial public offering price and applied a discount for the lack of marketability to reflect the fact that there was no ready public market for common shares before its IPO. These nonvested shares vest as follows: (1) 100% of 945,100 nonvested shares vest on the first anniversary of the date of grant, (2) 831,400 nonvested shares vest in two equal batches on each of the next two anniversaries of the date of grant, and (3) 3,643,000 nonvested shares vest in four equal batches on each of the next four anniversaries of the date of grant.

On April 8, 2011, the Company granted 409,300 nonvested shares to employees and independent directors. These nonvested shares vests as follows: (1) 337,300 nonvested shares vest proportionally over the period beginning July 2011 through January 2015, and (2) 72,000 nonvested shares vest in three equal batches on October 19 of each year for three years subsequent to the date of grant.

On June 13, 2011, the Company granted 136,000 nonvested shares to the independent directors. These nonvested shares vests as follows: (1) 120,000 nonvested shares vest in three equal batches on each of the next three anniversaries of the date of grant, and (2) 16,000 will vest in two equal batches on each of the next two anniversaries of the date of grant.

On July 26, 2011, the Company granted 40,800 nonvested shares to employees. For each of the next succeeding four anniversaries of the date of grant, 12,000, 10,200, 10,200 and 8,400 nonvested shares vest, respectively.

On March 1, 2012, the Company granted 6,845,800 nonvested shares to employees. These nonvested shares vest as follows: (1) for the first 6,821,800 nonvested shares, 512,800, 777,600, 777,600, 777,600, 777,600, 777,600, 579,600, 579,600, 537,800, 496,000 and 228,000 vests on January 26 of each year from 2013 to 2023, and (2) for the remaining 24,000 nonvested shares, 12,000, 6,000 and 6,000 vest on July 26 of each year from 2012 to 2014, respectively.

On October 19, 2012, the Company's Board of Directors approved to amend the vesting date of certain awards from January 26, 2013 to November 26, 2012 with all other terms and conditions set forth in the original award agreement remaining the same.

On March 1, 2013, the Company granted 564,000 nonvested shares to employees. These nonvested shares vest as follows: (1) 560,000 vests in ten equal batches on January 26 of each year from 2014 to 2023, (2) 4,000 vests on January 26, 2014.

21. SHARE-BASED COMPENSATION (Continued)

On October 25, 2013, the Company granted 808,000 nonvested shares to two executive officers and one employee. These nonvested shares vest in ten equal bacthes on January 26 of each year from 2014 to 2023.

On November 15, 2013, the Company granted 219,800 nonvested shares to employees. These nonvested shares vest as follows: (1) 110,000 vests in ten equal batches on January 26 of each year from 2014 to 2023, (2) 66,600 vests in six equal batches on January 26 of each year from 2014 to 2019, (3) 27,200 vests in four equal batches on January 26 of each year from 2014 to 2017, and (4) 16,000 vests in four equal batches on January 26 of each year from 2015 to 2018.

On March 1, 2014, the Company granted 5,538,400 nonvested shares to directors and employees. These nonvested shares vest as follows: (1) 5,484,000 vests in ten equal batches on January 26 of each year from 2015 to 2024, (2) 43,200 vests in six equal batches on January 26 from 2015 to 2020 and (3) 11,200 vests in four equal batches on January 26 of each year from 2015 to 2018.

On April 26, 2014, the Company granted 464,800 nonvested shares to employees. These nonvested shares vest as follows: (1) 420,000 vests in six equal batches on January 26 of each year from 2015 to 2020 and (2) 44,800 vests in four equal batches on January 26 from 2015 to 2018.

On July 26, 2014, the Company granted 120,800 nonvested shares to employees. These nonvested shares vest as follows: (1) 48,000 vests in six equal batches on January 26 from 2015 to 2020, (2) 21,600 vests in six equal batches on July 26 from 2015 to 2020, (3) 51,200 vests in four equal batches on July 26 from 2015 to 2018.

On October 26, 2014, the Company granted 1,644,060 nonvested shares to independent directors and employees. These nonvested shares vest as follows: (1) 32,400 vests on October 26, 2014, (2) 78,000 vests in three equal batches on October 26 from 2015 to 2017, (3) 65,504 vests on January 26 of 2015, (4) 52,200 vests in three equal batches on January 26 from 2016 to 2018, (5) 1,196 vests on January 26 of 2019, (6) 212,240, 206,360, 206,360, 180,360, 177,594, 177,160, 82,000, 82,000, 48,686 and 42,000 vests on July 26 of each year from 2015 to 2024.

On January 26, 2015, the Company granted 440,194 nonvested shares to employees. The nonvested shares vest as follows: (1) 7,290, 8,040, 9,040, 7,040, 1,040 and 1,040 vests on July 26 of each year from 2015 to 2020, (2) 65,428, 59,834, 59,834, 58,900, 52,218, 45,854, 34,854 and 29,782 vests on January 26 of each year from 2016 to 2023.

The total compensation expense is recognized on a straight-line basis over the respective vesting periods. The Group recorded a related compensation expense of $8,283,900, $8,345,290 and $18,441,076 for the years ended February 28, 2013, 2014 and 2015, respectively.

(IN U.S. DOLLARS, EXCEPT SHARE AND SHARE RELATED DATA)

21. SHARE-BASED COMPENSATION (Continued)

Table below shows the summary of share based compensation:

	For the year ended February 28, 2013	For the year ended February 28, 2014	For the year ended February 28, 2015
Cost of revenues	$ 105,756	$ 47,894	$ 47,808
Selling and marketing	1,814,748	1,161,593	2,072,742
General and administrative	6,363,396	7,135,803	16,320,526
Total	$8,283,900	$8,345,290	$18,441,076

The activities of non-vested shares granted under the 2010 Share Incentive Plan are summarized as follows:

	Number of nonvested shares	Weighted average grant date fair value
Outstanding as of February 29, 2012	3,402,610	4.23
Granted	6,845,800	5.56
Forfeited	663,500	5.26
Vested	1,873,398	4.55
Outstanding as of February 28, 2013	7,711,512	5.24
Granted	1,591,800	7.67
Forfeited	276,836	5.48
Vested	1,784,364	5.08
Outstanding as of February 28, 2014	7,242,112	5.80
Granted	8,208,254	12.95
Forfeited	381,300	8.74
Vested	2,482,416	7.25
Outstanding as of February 28, 2015	12,586,650	10.09

As of February 28, 2015, the unrecognized compensation expense related to the non-vested share awards amounted to $123,934,618, which will be recognized over a weighted-average period of 4.3 years. The total fair value of non-vested shares that vested during the years ended February 28, 2013, 2014 and 2015 was $8,523,961, $9,064,569 and $17,997,516, respectively.

22. DISTRIBUTION TO SHAREHOLDERS

On October 19, 2012, the Company declared to pay a cash dividend of $0.25 per share to the Company's common shareholders recorded at the close of business on December 7, 2012. $39,030,038 dividend was paid on December 27, 2012 pursuant to the declaration.

22. DISTRIBUTION TO SHAREHOLDERS (Continued)

Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the Company's memorandum and articles of association, the payment of dividends and distributions out of the additional paid-in capital account. The amount was paid in full as a reduction of additional paid-in capital.

23. SUBSEQUENT EVENTS

On April 26, 2015, the Company granted 1,460,026 non-vested shares to employees with vesting periods ranging from approximate 4 years to 10 years. The fair value per non-vested share granted was $18.12, which approximated the market price of the Company's ADS on the New York Stock Exchange as of the grant date.

On April 26, 2015, the Company granted 450,000 share options to employees with vesting period of 6 years and contractual term of 10 years. The exercise price per stock option granted was $16.095.

Exhibit 4.17

TAL EDUCATION GROUP

AND

CITICORP INTERNATIONAL LIMITED,

as Trustee

INDENTURE

Dated as of May 21, 2014

2.50% Convertible Senior Notes due 2019

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INDENTURE dated as of May 21, 2014 between TAL EDUCATION GROUP, a Cayman Islands exempted limited liability company, as issuer (the "**Company**," as more fully set forth in Section 1.01) and CITICORP INTERNATIONAL LIMITED, a banking corporation organized under the laws of Hong Kong, as trustee (the "**Trustee**," as more fully set forth in Section 1.01).

WITNESSETH:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issuance of its 2.50% Convertible Senior Notes due 2019 (the "**Notes**"), initially in an aggregate principal amount not to exceed US$230,000,000, and in order to provide the terms and conditions upon which the Notes are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Form of Note, the certificate of authentication to be borne by each Note, the Form of Notice of Conversion, the Form of Fundamental Change Repurchase Right Notice, the Form of 2017 Repurchase Notice and the Form of Assignment to be borne by the Notes are to be substantially in the forms hereinafter provided; and

WHEREAS, all acts and things necessary to make the Notes, when executed by the Company and authenticated and delivered by the Trustee or a duly authorized authenticating agent, as in this Indenture provided, the valid, binding and legal obligations of the Company, and this Indenture a valid agreement according to its terms, have been done and performed, and the execution of this Indenture and the issue hereunder of the Notes have in all respects been duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Notes are, and are to be, authenticated, issued and delivered, and in consideration of the premises and of the purchase and acceptance of the Notes by the Holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective Holders from time to time of the Notes (except as otherwise provided below), as follows:

ARTICLE 1
DEFINITIONS

Section 1.01 *Definitions*. The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. The words "**herein**," "**hereof**," "**hereunder**," and words of similar effect refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

"**2017 Repurchase Date**" shall have the meaning specified in Section 15.01(a).

"**2017 Repurchase Notice**" shall have the meaning specified in Section 15.01(d).

"**2017 Repurchase Price**" shall have the meaning specified in Section 15.01(a).

"**Additional ADSs**" shall have the meaning specified in Section 14.03(a).

"**Additional Amounts**" shall have the meaning specified in Section 4.07(a).

"**Additional Interest**" means all amounts, if any, payable pursuant to Section 4.06(e), Section 4.06(f) and Section 6.03, as applicable.

"**Adjustment Effective Date**" means, with respect to any share split or share combination in respect of Class A Common Shares, the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, reflecting such share split or share combination.

"**ADR**" means an American Depositary Receipt, evidencing one or more ADSs, issued pursuant to the Deposit Agreement.

"**ADS**" means an American Depositary Share, issued pursuant to the Deposit Agreement, each representing two Class A Common Shares of the Company as of the date of this Indenture and deposited with the ADS Custodian.

"**ADS Custodian**" means JPMorgan Chase Bank, N.A., with respect to the ADSs issued pursuant to the Deposit Agreement, or any successor entity thereto.

"**ADS Depositary**" means JPMorgan Chase Bank, N.A., as depositary for the ADSs.

"**ADS Price**" shall have the meaning specified in Section 14.03(c).

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**," when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Agent Members**" shall have the meaning specified in Section 2.05(c).

"**Applicable Procedures**" means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

"**Authentication Order**" shall have the meaning specified in Section 2.04.

"**Averaging Period**" shall have the meaning specified in Section 14.04(e).

"**Board of Directors**" means the board of directors of the Company or a committee of such board duly authorized to act for it hereunder.

"**Board Resolution**" means a copy of a resolution certified by a director, the Secretary or Assistant Secretary of the Company to have been duly adopted by the Board of Directors, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"**Business Day**" means, with respect to any Note, any day other than a Saturday, a Sunday or a day on which banking institutions in the Cayman Islands or the State of New York are authorized or required by law or executive order to close or be closed.

"**Capital Stock**" means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

"**Change in Law**" shall have the meaning specified in clause (e) of the definition of "**Fundamental Change**".

"**Change in Tax Law**" shall have the meaning specified in Section 16.02.

"**Class A Common Shares**" means Class A common shares of the Company, par value US$0.001 per share, at the date of this Indenture, subject to Section 14.07.

"**Class B Common Shares**" means Class B common shares of the Company, par value US$0.001 per share.

"**Clause A Distribution**" shall have the meaning specified in Section 14.04(c).

"**Clause B Distribution**" shall have the meaning specified in Section 14.04(c).

"**Clause C Distribution**" shall have the meaning specified in Section 14.04(c).

"**Clearstream**" means Clearstream Banking, *société anonyme* (or any successor securities clearing agency).

"**close of business**" means 5:00 p.m. (New York City time).

"**Code**" shall have the meaning specified in Section 4.07(a).

"**Commission**" means the U.S. Securities and Exchange Commission.

"**Common Equity**" of any Person means ordinary share capital (including ADSs) of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"**Company**" shall have the meaning specified in the first paragraph of this Indenture, and subject to the provisions of Article 11, shall include its successors and assigns.

"**Company Group**" shall have the meaning specified in clause (e) of the definition of "Fundamental Change".

"**Company Order**" means a written order of the Company, signed by two Officers, and to delivered to the Trustee.

"**Continuing Entity**" shall have the meaning specified in Section 11.01(a).

"**Conversion Agent**" shall have the meaning specified in Section 4.02.

"**Conversion Date**" shall have the meaning specified in Section 14.02(c).

"**Conversion Obligation**" shall have the meaning specified in Section 14.01.

"**Conversion Rate**" shall have the meaning specified in Section 14.01.

"**Corporate Trust Office**" means the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office at the date hereof is located at 50th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong, Attention: Agency and Trust, Fax No. +852-2323-0279, with a copy to: 39th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong, Attention: Agency and Trust, Fax No. +852-2323-0279, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor trustee (or such other address as such successor trustee may designate from time to time by notice to the Holders and the Company).

"**Custodian**" means Citibank. N.A., as custodian for The Depository Trust Company with respect to the Global Notes, or any successor entity thereto.

"**Default**" means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

"**Defaulted Amounts**" means any amounts on any Note (including, without limitation, the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) that are payable but are not punctually paid or duly provided for.

"**Deposit Agreement**" means the deposit agreement dated October 19, 2010, among the Company, the ADS Depositary, and the holders from time to time of the ADSs issued thereunder, and as supplemented by a restricted deposit agreement, dated as of the date hereof or, if further amended or supplemented as provided therein, as so amended or supplemented.

"**Depositary**" means, with respect to each Global Note, the Person specified in Section 2.05(c) as the Depositary with respect to such Notes, until a successor shall have been appointed and become such pursuant to the applicable provisions of this Indenture, and thereafter, "Depositary" shall mean or include such successor.

"**Distribution Compliance Period**" shall have the meaning specified in Section 14.04(c).

"**Distributed Property**" shall have the meaning specified in Section 14.04(c).

"**Effective Date**" shall have the meaning specified in Section 14.03(c).

"**Euroclear**" means Euroclear Bank S.A./N.V.

"**Event of Default**" shall have the meaning specified in Section 6.01.

"**Ex-Dividend Date**" means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, without the right to receive the corresponding issuance, dividend or distribution in question, from the Company or, if

applicable, from the seller of the ADSs on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Existing Principal Shareholder**" means Mr. Bangxin Zhang, together with Bright Unison Limited and other respective "**person**" or "**group**" subject to aggregation of the Company's Common Equity with Mr. Bangxin Zhang under Section 13(d) of the Exchange Act.

"**Expiration Date**" shall have the meaning specified in Section 14.04(e).

"**Expiring Rights**" shall have the meaning specified in Section 14.04.

"**FATCA**" shall have the meaning specified in Section 4.07.

"**Form of 2017 Repurchase Notice**" shall mean the "**Form of 2017 Repurchase Notice**" attached as Attachment 3 to the Form of Note attached hereto as Exhibit A.

"**Form of Assignment**" shall mean the "**Form of Assignment**" attached as Attachment 4 to the Form of Note attached hereto as Exhibit A.

"**Form of Fundamental Change Repurchase Right Notice**" shall mean the "**Form of Fundamental Change Repurchase Right Notice**" attached as Attachment 2 to the Form of Note attached hereto as Exhibit A.

"**Form of Notice of Conversion**" shall mean the "**Form of Notice of Conversion**" attached as Attachment 1 to the Form of Note attached hereto as Exhibit A.

"**Fundamental Change**" shall be deemed to have occurred at any time after the Notes are originally issued if any of the following occurs:

(a) (i) a "**person**" or "**group**" within the meaning of Section 13(d) of the Exchange Act, other than the Company, its Subsidiaries, the employee benefit plans of the Company and its Subsidiaries and the Existing Principal Shareholder, files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person has become the direct or indirect "**beneficial owner**," as defined in Rule 13d-3 under the Exchange Act, of the Company's Common Equity representing more than 50% of the voting power of the Company's Common Equity entitled to vote generally in the election of the Board of Directors; or (ii) the Existing Principal Shareholder has become the direct or indirect "**beneficial owners**," as defined in Rule 13d-3 under the Exchange Act, of Class A Common Shares (including Class A Common Shares held in the form of ADSs) (excluding, for the avoidance of doubt, any Class A Common Shares that any such party does not actually own but instead "**beneficially owns**", as defined in Rule 13d-3 under the Exchange Act, solely as a result of "**beneficially owning**", as defined in Rule 13d-3 under the Exchange Act, the Class B Common Shares) representing more than 65.0% of the number of outstanding Class A Common Shares;

(b) consummation of (i) any recapitalization, reclassification or change of the Class A Common Shares or ADSs (other than changes resulting from a

subdivision or combination and changes to the number of Class A Common Shares represented by each ADS) as a result of which the Class A Common Shares or ADSs would be converted into, or exchanged for, shares, other securities, other property or assets, (ii) any share exchange, consolidation or merger involving the Company pursuant to which the Class A Common Shares or ADSs will be converted into cash, securities or other property, or (C) any sale, conveyance, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any Person other than one of the Company's Subsidiaries; *provided, however*, that a transaction described in clause (ii) in which the holders of all classes of the Company's Common Equity immediately prior to such transaction (each such holder, a "**Pre-Transaction Holder**") own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee immediately after such event shall not be a Fundamental Change pursuant to this clause (b), so long as the proportion of the respective ownership of each Pre-Transaction Holder remains substantially the same relative to all other Pre-Transaction Holders;

(c) the Company is liquidated or dissolved or the shareholders of the Company approve any plan or proposal for liquidation or dissolution of the Company;

(d) if the ADSs (or other securities into which the Notes are convertible) are not listed for trading on any of The New York Stock Exchange, The NASDAQ Global Market or The NASDAQ Global Select Market (or any of their respective successors); or

(e) when (i) there is any change in or amendment to the laws, regulations and rules of the People's Republic of China (including any political subdivision or regulatory authority thereof or therein) or the official interpretation or official application thereof (any such event, a "**Change in Law**") that results in (x) the Company, its Subsidiaries and its consolidated affiliated entities (collectively, the "**Company Group**") (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law) as of the last date of the period described in the Company's consolidated financial statements for the most recent fiscal quarter and (y) the Company's being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law) in the same manner as reflected in the Company's consolidated financial statements for the most recent fiscal quarter and (ii) the Company has not furnished to the Trustee, prior to the date that is six months after the date of the Change in Law, an opinion from an independent financial advisor or an independent legal counsel stating either (x) that the Company is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law), taken as a whole, as reflected in the Company's consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganisation plan of the Company Group) or (y) that such Change in Law would not materially adversely affect the Company's ability to make principal and interest payments on the Notes when due or to convert the Notes in accordance herewith;

provided, however, that a Fundamental Change pursuant to clause (a) or clause (b) shall not be deemed to occur, in each case, if at least 90% of the consideration received or to be received by the holders of the ADSs (excluding cash payments for fractional ADSs and cash payments made pursuant to dissenters' appraisal rights and cash dividends) in connection with such event consists of Common Equity interests, depositary receipts or other certificates representing Common Equity interests traded on any of The New York Stock Exchange, The NASDAQ Global Market or The NASDAQ Global Select Market (or any of their respective successors) (or that will be so traded immediately following the completion of the merger or consolidation or such other transaction) and, as a result of such transaction the Notes become convertible into such Common Equity interests, depositary receipts or other certificates representing Common Equity interests pursuant to Section 14.07.

"**Fundamental Change Repurchase Date**" shall have the meaning specified in Section 15.02(a).

"**Fundamental Change Repurchase Price**" shall have the meaning specified in Section 15.02(a).

"**Fundamental Change Repurchase Right Notice**" shall have the meaning specified in Section 15.02(b).

"**Global Note**" shall have the meaning specified in Section 2.05(b).

"**Holder**," as applied to any Note, or other similar terms (but excluding the term "**beneficial holder**"), shall mean any person in whose name at the time a particular Note is registered on the Note Register.

"**Indenture**" means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

"**Initial Purchasers**" means Deutsche Bank Securities Inc., J.P. Morgan Securities LLC and Morgan Stanley & Co. International plc.

"**Interest Payment Date**" means each May 15 and November 15 of each year, beginning on November 15, 2014.

"**Last Reported Sale Price**" of the ADSs on any Trading Day means the closing sale price per ADS (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. securities exchange on which the ADSs are listed. If the ADSs are not listed for trading on a U.S. national or regional securities exchange on the relevant date, the "**Last Reported Sale Price**" shall be the last quoted bid price for the ADSs in the over-the-counter market on the relevant date as reported by The OTC Markets Group Inc. or a similar organization. If the ADSs are not so quoted, the "**Last Reported Sale Price**" shall be the average of the mid-point of the last bid and ask prices for the ADSs on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose, which may include the Initial Purchasers.

"**Make-Whole Fundamental Change**" means any transaction or event that consitutues a "**Fundamental Change**" under clause (a), (b) or (d) of the definition thereof (in

the case of any Fundamental Change described in clause (b) of the definition thereof, determined without regard to the proviso in such definition, but subject to the proviso immediately following clause (e) of the definition thereof).

"**Market Disruption Event**" means, if the ADSs are listed for trading on The New York Stock Exchange or listed on another U.S. national or regional securities exchange, the occurrence or existence during the one-half hour period ending on the scheduled close of trading on any Scheduled Trading Day of any material suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the securities exchange or otherwise) in the ADSs or in any options, contracts or futures contracts relating to the ADSs.

"**Maturity Date**" means May 15, 2019.

"**Merger Event**" shall have the meaning specified in Section 14.07(a).

"**Note**" **or** "**Notes**" shall have the meaning specified in the first paragraph of the recitals of this Indenture.

"**Note Register**" shall have the meaning specified in Section 2.05(a).

"**Note Registrar**" shall have the meaning specified in Section 2.05(a).

"**Notes Fungibility Date**" means the date, if any, following the Resale Restriction Termination Date or the expiration of the Distribution Compliance Period on which all of the Rule 144A Notes and all of the Regulation S Notes, respectively, are no longer Restricted Securities, do not bear the restrictive legend required by Section 2.05(c) or Section 2.05(d), respectively, are fungible for U.S. securities law purposes and are assigned an identical, unrestricted CUSIP number.

"**Notice of Conversion**" shall have the meaning specified in Section 14.02(b).

"**Notice of Tax Redemption**" shall have the meaning specified in Section 16.02.

"**Notice of Tax Redemption Election**" shall have the meaning specified in Section 16.02.

"**Offering Memorandum**" means the preliminary offering memorandum dated May 14, 2014, as supplemented by the pricing term sheet dated May 15, 2014, relating to the offering and sale of the Notes.

"**Officer**" means, with respect to the Company, the Chief Executive Officer, the President, the Chief Financial Officer, the Chief Accounting Officer, the Treasurer, the Secretary, a Senior Vice President or a director.

"**Officers' Certificate**," when used with respect to the Company, means a certificate that is delivered to the Trustee and that is signed by two Officers of the Company. Each such certificate shall include the statements provided for in Section 17.06 if and to the extent required by the provisions of Section 17.06. One of the Officers giving an Officers' Certificate pursuant to Section 4.09 shall be the principal executive, financial or accounting officer of the Company.

"**open of business**" means 9:00 a.m. (New York City time).

"**Opinion of Counsel**" means an opinion in writing signed by outside legal counsel, which opinion shall be acceptable to the Trustee, that is delivered to the Trustee. Each such opinion shall include the statements provided for in Section 17.06 if and to the extent required by the provisions of Section 17.06.

"**outstanding**," when used with reference to Notes, shall, subject to the provisions of Section 8.04, mean, as of any particular time, all Notes authenticated and delivered by the Trustee under this Indenture, except:

(a) Notes theretofore canceled by the Trustee or accepted by the Trustee for cancellation;

(b) Notes, or portions thereof, that have become due and payable and in respect of which monies in the necessary amount shall have been deposited in trust with the Trustee or with any Paying Agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent);

(c) Notes that have been paid pursuant to Section 2.07 or Notes in lieu of which, or in substitution for which, other Notes shall have been authenticated and delivered pursuant to the terms of Section 2.07 unless proof satisfactory to the Trustee is presented that any such Notes are held by protected purchasers in due course;

(d) Notes converted pursuant to Article 14 and required to be cancelled pursuant to Section 2.09;

(e) Notes repurchased by the Company pursuant to the penultimate sentence of Section 2.11 or pursuant to Article 15 and required to be cancelled pursuant to Section 2.09; and

(f) Notes redeemed pursuant to Article 16 and required to be cancelled pursuant to Section 2.09.

"**Paying Agent**" shall have the meaning specified in Section 4.02.

"**Person**" means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

"**Physical Notes**" means permanent certificated Notes in registered form issued in minimum denominations of US$1,000 principal amount and integral multiples of US$1,000 thereof.

"**Pre-Transaction Holder**" shall have the meaning specified in clause (b) of the definition of "Fundamental Change."

"**Predecessor Note**" of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 2.07 in lieu of or in

exchange for a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note that it replaces.

"**Purchase Agreement**" means that certain Purchase Agreement, dated as of May 15, 2014, among the Company and the Initial Purchasers.

"**Qualified Institutional Buyer**" shall have the meaning specified in Rule 144A under the Securities Act.

"**Record Date**" means, with respect to any issuance, dividend or distribution to holders of Class A Common Shares or ADSs, as applicable, or other transaction or event in which the holders of the Class A Common Shares (directly or in the form of ADSs) (or other applicable security) have the right to receive any cash, securities or other property or in which the Class A Common Shares (directly or in the form of ADSs) (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of shareholders or holders of ADSs, as applicable, entitled to receive such cash, securities or other property, as the case may be (whether such date is fixed by the Board of Directors or the ADS Depositary, by statute, by contract or otherwise).

"**Redemption Reference Date**" means, for any conversion in connection with the Company's election to redeem the Notes in respect of a Change in Tax Law, the date 30 calendar days prior to the applicable Tax Redemption Date.

"**Redemption Reference Price**" means, for any conversion in connection with the Company's election to redeem the Notes in respect of a Change in Tax Law, the average of the Last Reported Sale Prices of the ADSs over the ten consecutive Trading Day period ending on, and including, the applicable Redemption Reference Date.

"**Reference Property**" shall have the meaning specified in Section 14.07(a).

"**Regular Record Date**," with respect to any Interest Payment Date, shall mean the May 1 or November 1 (whether or not such day is a Business Day) immediately preceding the relevant Interest Payment Date.

"**Regulation S**" means Regulation S as promulgated under the Securities Act.

"**Regulation S Notes**" means the Notes initially offered and sold outside the United States pursuant to Regulation S.

"**Regulation S Global Notes**" shall have the meaning specified in Section 2.05(b).

"**Relevant Taxing Jurisdiction**" shall have the meaning specified in Section 4.07(a).

"**Resale Restriction Termination Date**" shall have the meaning specified in Section 2.05(c).

"**Responsible Officer**" means, when used with respect to the Trustee, any officer within the Corporate Trust Office of the Trustee, including any director, vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust

matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"**Restricted Global Notes**" means Global Notes that are Restricted Securities.

"**Restricted Physical Notes**" means Physical Notes that are Restricted Securities.

"**Restricted Securities**" shall have the meaning specified in Section 2.05(c).

"**Rule 144A**" means Rule 144A as promulgated under the Securities Act.

"**Rule 144A Notes**" means the notes initially offered and sold pursuant to Rule 144A.

"**Rule 144A Global Notes**" shall have the meaning specified in Section 2.05(b).

"**Scheduled Trading Day**" means a day that is scheduled to be a Trading Day on the primary United States national or regional securities exchange or market on which the ADSs are listed or admitted for trading. If the ADSs are not so listed or admitted for trading, "**Scheduled Trading Day**" means a "**Trading Business Day**".

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Securities Act Legend**" means a legend required to be borne by a security pursuant to Section 2.05(c) or Section 2.05 (d) hereof.

"**Significant Subsidiary**" means any Subsidiary of the Company that is, or any group of Subsidiaries of the Company that, if they were one entity, would be, a "**significant subsidiary**" within the meaning of Rule 1-02(w) of Regulation S-X promulgated under the Exchange Act promulgated by the Commission.

"**Spin-Off**" shall have the meaning specified in Section 14.04(c).

"**Subsidiary**" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person; (ii) such Person and one or more Subsidiaries of such Person; or (iii) one or more Subsidiaries of such Person.

"**Tax Redemption**" shall have the meaning specified in Section 16.02.

"**Tax Redemption Date**" means, when used with respect to any Note to be redeemed pursuant to a Tax Redemption, the date fixed for such Tax Redemption pursuant to this Indenture.

"**Tax Redemption Price**" Shall have the meaning specified in Section 16.02.

"**Trading Day**" means a Scheduled Trading Day on which (i) trading in the ADSs generally occurs on The New York Stock Exchange or, if the ADSs are not then listed on The New York Stock Exchange, on the principal other United States national or regional

securities exchange on which the ADSs are then listed or, if the ADSs are not then listed on a United States national or regional securities exchange, on the principal other market on which the ADSs are then traded and (ii) there is no Market Disruption Event; *provided* that, if the ADSs are not so listed or traded, "**Trading Day**" means a "**Trading Business Day**".

"**Trading Business Day**" means, with respect to any Note, any day other than a Saturday, a Sunday or a day on which the Federal Reserve Bank of New York is authorized or required by law or executive order to close or be closed.

"**transfer**" shall have the meaning specified in Section 2.05(c).

"**Trigger Event**" shall have the meaning specified in Section 14.04(c).

"**Trust Indenture Act**" means the Trust Indenture Act of 1939, as amended, as it was in force at the date of execution of this Indenture; *provided, however*, that, in the event the Trust Indenture Act of 1939 is amended after the date hereof, the term "**Trust Indenture Act**" shall mean, to the extent required by such amendment, the Trust Indenture Act of 1939, as so amended.

"**Trustee**" means the Person named as the "**Trustee**" in the first paragraph of this Indenture until a successor trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "**Trustee**" shall mean or include each Person who is then a Trustee hereunder.

"**unit of Reference Property**" shall have the meaning specified in Section 14.07(a).

"**Unrestricted Global Notes**" means Global Notes that are not Restricted Securities.

"**Unrestricted Physical Notes**" means Physical Notes that are not Restricted Securities.

"**Valuation Period**" shall have the meaning specified in Section 14.04(c).

Section 1.02 *References to Interest*. Unless the context otherwise requires, any reference to interest on, or in respect of, any Note in this Indenture shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of Section 4.06(e), Section 4.06(f) and Section 6.03. Unless the context otherwise requires, any express mention of Additional Interest in any provision hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express mention is not made.

Section 1.03 *New York Office of Trustee, Conversion Agent, Note Registrar, Paying Agent and Transfer Agent*. For purposes of Physical Notes under this Indenture, unless an alternative address is subsequently designated after the date hereof in accordance with the terms of this Indenture, the corporate trust office of the Trustee, and the office of the Conversion Agent, Note Registrar, Paying Agent and transfer agent in the Borough of Manhattan, The City of New York, shall initially be located at Citibank, N.A., 14th Floor, 388 Greenwich Street, New York, New York 10013, United States, Attention: Agency & Trust.

ARTICLE 2
ISSUE, DESCRIPTION, EXECUTION, REGISTRATION AND EXCHANGE OF NOTES

Section 2.01 *Designation and Amount.* The Notes shall be designated as the "**2.50% Convertible Senior Notes due 2019**." The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is initially limited to US$230,000,000, subject to Section 2.11 and except for Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of other Notes pursuant to Section 2.05, Section 2.06, Section 2.07, Section 10.04, Section 14.02 and Section 15.04.

Section 2.02 *Form of Notes.* The Notes and the Trustee's certificate of authentication to be borne by such Notes shall be substantially in the respective forms set forth in Exhibit A, the terms and provisions of which shall constitute, and are hereby expressly incorporated in and made a part of this Indenture. To the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Any Global Note may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Custodian or the Depositary, or as may be required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange or automated quotation system upon which the Notes may be listed or traded or designated for issuance or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Notes are subject.

Any of the Notes may have such letters, numbers or other marks of identification and such notations, legends or endorsements as the Officers executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, or to conform to usage or to indicate any special limitations or restrictions to which any particular Notes are subject.

Each Global Note shall represent such principal amount of the outstanding Notes as shall be specified therein and shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be increased or reduced to reflect redemptions, repurchases, cancellations, conversions, transfers or exchanges permitted hereby. Any endorsement of the Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in such manner and upon instructions given by the Holder of such Notes in accordance with this Indenture. Payment of principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) of, and accrued and unpaid interest on, the Global Note shall be made to the Holder of such Note on the date of payment, unless a record date or other means of determining Holders eligible to receive payment is provided for herein.

Each Note shall bear a legend in substantially the following form (unless otherwise agreed by the Company in writing, with notice thereof to the Trustee):

NO AFFILIATE (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT ("RULE 144")) OF TAL EDUCATION GROUP OR ANY PERSON THAT IS NOT AN AFFILIATE OF TAL EDUCATION GROUP, BUT WAS AN AFFILIATE (WITHIN THE MEANING OF RULE 144) OF TAL EDUCATION GROUP DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THE NOTES EVIDENCED HEREBY, THE AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION THEREOF OR THE CLASS A COMMON SHARES OF TAL EDUCATION GROUP REPRESENTED BY SUCH AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION OF THESE NOTES OR A BENEFICIAL INTEREST THEREIN.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS NOTE, THE COMPANY MAY, TO THE EXTENT PERMITTED BY LAW, AND DIRECTLY OR INDIRECTLY (REGARDLESS OF WHETHER SUCH NOTES ARE SURRENDERED TO THE COMPANY), REPURCHASE NOTES IN THE OPEN MARKET OR OTHERWISE, WHETHER BY THE COMPANY OR ITS SUBSIDIARIES OR THROUGH A PRIVATE OR PUBLIC TENDER OR EXCHANGE OFFER OR THROUGH COUNTERPARTIES TO PRIVATE AGREEMENTS, INCLUDING BY CASH-SETTLED SWAPS OR OTHER DERIVATIVES, SO LONG AS SUCH NOTES SO REPURCHASED (OTHER THAN NOTES REPURCHASED PURSUANT TO CASH-SETTLED SWAPS OR OTHER DERIVATIVES) ARE SURRENDERED TO THE TRUSTEE FOR CANCELLATION IN ACCORDANCE WITH THE INDENTURE.

Section 2.03 *Date and Denomination of Notes; Payments of Interest and Defaulted Amounts*. (a) The Notes shall be issued in minimum denominations of US$1,000 principal amount and integral multiples of US$1,000 thereof and shall be in registered form, without coupons. Each Note shall be dated the date of its authentication and shall bear interest from the date specified on the face of the form of Note attached as Exhibit A hereto. Accrued interest on the Notes shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(b) The Person in whose name any Note (or its Predecessor Note) is registered on the Note Register at the close of business on any Regular Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date. Interest shall be payable at the office or agency of the Company maintained by the Company for such purposes in the Borough of Manhattan, The City of New York, which shall initially be the corporate trust office of the Trustee in the Borough of Manhattan, The City of New York, or such address as the Trustee may designate from time to time by notice to the Holders and the Company. The Company shall pay interest (i) on any Physical Notes (A) to Holders holding Physical Notes having an aggregate principal amount of US$1,000,000 or less, by check mailed to the Holders of such Notes at their address as it appears in the Note Register and (B) to Holders holding Physical Notes having an aggregate principal amount of more than US$1,000,000, either by check mailed to the Holders of such Notes or, upon application by any such Holder to the Note Registrar not later than the relevant Regular Record Date, by wire transfer in immediately available funds to such Holder's account within the United States, which application shall remain in effect until the Holder notifies, in writing, the Note Registrar to the contrary or (ii) on any Global Note by wire transfer of immediately available funds to the account of the Depositary or its nominee.

(c) Any Defaulted Amounts shall forthwith cease to be payable to the Holder on the relevant payment date but shall accrue interest per annum at the rate borne by the Notes, plus one percent, subject to the enforceability thereof under applicable law, from, and including, such relevant payment date, and such Defaulted Amounts together with such interest thereon shall be paid by the Company, at its election in each case, as provided in clause (i) or (ii) below:

(i) The Company may elect to make payment of any Defaulted Amounts to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a special record date for the payment of such Defaulted Amounts, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of the Defaulted Amounts proposed to be paid on each Note and the date of the proposed payment (which shall be not less than 25 days after the receipt by the Trustee of such notice, unless the Trustee shall consent to an earlier date), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount to be paid in respect of such Defaulted Amounts or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Amounts as in this clause provided. Thereupon the Company shall fix a special record date for the payment of such Defaulted Amounts which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment, and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Company shall promptly notify the Trustee of such special record date and the Trustee, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Amounts and the special record date therefor to be mailed, first-class postage prepaid, to each Holder at its address as it appears in the Note Register, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Amounts and the special record date therefor having been so mailed, such Defaulted Amounts shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such special record date and shall no longer be payable pursuant to the following clause (ii) of this Section 2.03(c).

(ii) The Company may make payment of any Defaulted Amounts in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, and upon such notice as may be required by such exchange or automated quotation system, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

(d) If the Company maintains an additional paying agent in a European Union member state, the Company shall ensure that it maintains such paying agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive (so long as there is such a member state).

Section 2.04 *Execution, Authentication and Delivery of Notes.* The

Notes shall be signed in the name and on behalf of the Company by an Officer of the Company.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a written order of the Company signed by one Officer and delivered to the Trustee (the "**Authentication Order**") for the authentication and delivery of such Notes, an Officers' Certificate and an Opinion of Counsel, such Officers' Certificate and Opinion of Counsel to cover such matters, in addition to those required by Section 17.06, as the Trustee shall reasonably request, and the Trustee in accordance with such Authentication Order shall authenticate and deliver such Notes, without any further action by the Company hereunder.

Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth on the form of Note attached as Exhibit A hereto, executed manually or by facsimile by an authorized officer of the Trustee (or an authenticating agent appointed by the Trustee as provided by Section 17.11), shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee (or such an authenticating agent) upon any Note executed by the Company shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

In case any Officer of the Company who shall have signed any of the Notes shall cease to be such Officer before the Notes so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Notes nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Notes had not ceased to be such Officer of the Company; and any Note may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Note, shall be the Officers of the Company, although at the date of the execution of this Indenture any such Person was not such an Officer.

Section 2.05 *Exchange and Registration of Transfer of Notes; Restrictions on Transfer; Depositary.* (a) The Company shall cause to be kept at the office of the Note Registrar at 480 Washington Boulevard, 30th Floor, Jersey City, NJ 07310, United States of America a register (the register maintained in such office or in any other office or agency of the Company designated pursuant to Section 4.02, the "**Note Register**") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. Such register shall be in written form or in any form capable of being converted into written form within a reasonable period of time. Citibank, N.A. is hereby initially appointed the "**Note Registrar**" for the purpose of registering Notes and transfers of Notes as herein provided. The Company may appoint one or more co-Note Registrars in accordance with Section 4.02. The Company shall maintain an office or agency in the Borough of Manhattan, the City of New York, which shall initially be the office of the Note Registrar in New York, New York, where Physical Notes may be accepted for registration or transfers.

Prior to the Notes Fungibility Date, upon surrender for registration of transfer of any Rule 144A Note or Regulation S Note, as the case may be, to the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Rule 144A Notes or Regulation S Notes, as the case may be, of any authorized denominations and

of a like aggregate principal amount and bearing such restrictive legends as may be required by this Indenture. Following the Notes Fungibility Date, upon surrender for registration of transfer of any Note to the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denominations and of a like aggregate principal amount and not bearing the restrictive legends required by this Section 2.05(c).

Subject to Section 2.06, Notes may be exchanged for other Notes of any authorized denominations and of a like aggregate principal amount, upon surrender of the Notes to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Notes that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding.

All Notes presented or surrendered for registration of transfer or for exchange, repurchase, redemption or conversion shall (if so required by the Company, the Trustee, the Note Registrar or any co-Note Registrar) be duly endorsed, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and duly executed, by the Holder thereof or its attorney-in-fact duly authorized in writing.

No service charge shall be imposed by the Company, the Trustee, the Note Registrar or any co-Note Registrar for any exchange or registration of transfer of Notes, but the Company or the Trustee may require a Holder to pay a sum sufficient to cover any documentary, stamp or similar issue or transfer tax or similar governmental charge required by law or that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such exchange or transfer being different from the name of the Holder of the old Notes surrendered for such exchange or transfer.

None of the Company, the Trustee, the Note Registrar or any co-Note Registrar shall be required to exchange or register a transfer of (i) any Notes surrendered for conversion or, if a portion of any Note is surrendered for conversion, such portion thereof surrendered for conversion or (ii) any Notes, or a portion of any Note, surrendered for repurchase (and not withdrawn) in accordance with Article 15.

All Notes issued upon any registration of transfer or exchange of Notes in accordance with this Indenture shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture as the Notes surrendered upon such registration of transfer or exchange.

(b) So long as the Notes are eligible for book-entry settlement with the Depositary, unless otherwise required by law, subject to the fourth paragraph from the end of Section 2.05(c), all Notes shall be represented by one or more Notes in global form (each, a "**Global Note**") registered in the name of the Depositary or the nominee of the Depositary. Notes offered and sold to Qualified Institutional Buyers in reliance on Rule 144A shall be issued initially in the form of one or more permanent Global Notes (the "**Rule 144A Global Notes**"). Notes offered and sold in offshore transactions to non-U.S. persons in reliance on Regulation S shall be issued initially in the form of one or more Global Notes (the "**Regulation S Global Notes**"). Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes may be represented by one or more of the same Global Notes.

The aggregate principal amount of the Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depositary or its nominee, pursuant to transfers and exchanges in Section 2.05(c). The transfer and exchange of beneficial interests in a Global Note that does not involve the issuance of a Physical Note shall be effected through the Depositary (but not the Trustee or the Custodian) in accordance with this Indenture (including the restrictions on transfer set forth in this Section 2.05 and procedures set forth in Section 2.06) and the procedures of the Depositary therefor.

(c) Every Note that bears or is required under this Section 2.05(c) to bear the legend set forth in this Section 2.05 (c) (together with any ADSs (including any Class A Common Shares represented thereby) issued upon conversion of the Notes and required to bear the legend set forth in Section 2.05(d), collectively, the "**Restricted Securities**") shall be subject to the restrictions on transfer set forth in this Section 2.05(c) (including the legend set forth below), unless such restrictions on transfer shall be eliminated or otherwise waived by written consent of the Company, and the Holder of each such Restricted Security, by such Holder's acceptance thereof, agrees to be bound by all such restrictions on transfer. As used in this Section 2.05(c) and Section 2.05(d), the term "**transfer**" encompasses any sale, pledge, transfer or other disposition whatsoever of any Restricted Security.

Until the date (the "**Resale Restriction Termination Date**") that is the later of (1) the date that is one year after the last date of original issuance of the Notes, or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereto, and (2) such later date, if any, as may be required by applicable law, any certificate evidencing a Rule 144A Note (and all securities issued in exchange therefor or substitution thereof, other than ADSs (including any Class A Common Shares represented thereby), if any, issued upon conversion thereof which shall bear the legend set forth in Section 2.05(d), if applicable) shall bear a legend (the "**Securities Act Legend**") substantially to the following effect (unless such Notes have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or sold pursuant to an exemption from registration provided by Rule 144 or any other available exemption from the registration requirements of the Securities Act, or unless otherwise agreed by the Company and the Holder):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS A NON-U.S. PERSON LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT), AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, AND

(2) AGREES FOR THE BENEFIT OF TAL EDUCATION GROUP (THE "COMPANY") THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY, OR THE CLASS A COMMON SHARES REPRESENTED THEREBY, OR ANY BENEFICIAL INTEREST HEREIN OR THEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF;

(B) THROUGH OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT;

(C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS SECURITY OR SUCH AMERICAN DEPOSITARY SHARES AND CLASS A COMMON SHARES;

(D) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS SECURITY EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

No transfer of any Note prior to the Resale Restriction Termination Date will be registered by the Note Registrar unless the applicable box on the Form of Certificate of Transfer has been checked and any transfers shall follow the procedures set forth in Section

2.06.

Any Note (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of such Note for exchange to the Note Registrar in accordance with the provisions of this Section 2.05, be exchanged for a new Note or Notes, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall be entitled to instruct the Custodian in writing to so surrender any Global Note as to which such restrictions on transfer shall have expired in accordance with their terms for exchange, and, upon such instruction, the Custodian shall so surrender such Global Note for exchange; and any new Global Note so exchanged therefor shall not bear the Securities Act Legend specified in this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall promptly notify the Trustee upon the occurrence of the Resale Restriction Termination Date and promptly after a registration statement, if any, with respect to the Notes or any ADSs (including any Class A Common Shares represented thereby) issued upon conversion of the Notes has been declared effective under the Securities Act.

The Depositary shall be a clearing agency registered under the Exchange Act. The Company initially appoints The Depository Trust Company to act as Depositary with respect to each Global Note. Initially, each Global Note shall be issued to the Depositary, registered in the name of Cede & Co., as the nominee of the Depositary, and deposited with the Trustee as custodian for Cede & Co. Beneficial interests in the Regulation S Global Notes may be held by any member of, or participants in, the Depositary, including Euroclear and Clearstream (collectively, the "**Agent Members**"). Agent Members shall have no rights under this Indenture with respect to any Global Notes held on their behalf by the Depositary, or the Trustee as its custodian, or under the Global Notes, and the Depositary may be treated by the Company, the Trustee and any agent of either of them as the absolute owner of such Global Notes for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall (i) prevent the Company, the Trustee or any agent of either of them, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or (ii) impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder of any Global Notes.

Holders of Global Notes will be entitled to receive Physical Notes if (i) the Depositary (or any other clearing system as shall have been designated by the Company and approved by the Trustee on behalf of which the Notes evidenced by the Rule 144A Global Note or the Regulations S Global Note may be held) notifies the Company that it is no longer willing or able to discharge properly its responsibilities as Depositary with respect to the Global Notes or ceases to be a "**Clearing Agency**" registered under the Exchange Act or is at any time no longer eligible to act as such and the Company is unable to locate a qualified successor within 60 days of receiving notice of such ineligibility on the part of the Depositary Trust Company (or, as the case may be, such other clearing system), (ii) there shall have occurred and be continuing an Event of Default, or (iii) instructions have been given for the transfer of an interest in the Notes evidenced by the Rule 144A Global Note to a Person who would otherwise take delivery thereof in the form of an interest in the Note evidenced by the Regulation S Global Note where the Regulation S Global Note has been exchanged for Physical Notes or vice versa, the Company shall execute, and the Trustee, upon receipt of an Officers' Certificate and a Company Order for the authentication and delivery of Notes, shall authenticate and deliver (x) in the case of clause (ii) or (iii), a Physical Note to such

beneficial owner in a principal amount equal to the principal amount of such Note corresponding to such beneficial owner's beneficial interest and (y) in the case of clause (i), Physical Notes to each beneficial owner of the related Global Notes (or a portion thereof) in an aggregate principal amount equal to the aggregate principal amount of such Global Notes in exchange for such Global Notes, and upon delivery of the Global Notes to the Trustee such Global Notes shall be canceled.

In the case of Physical Notes, Holders of a Physical Note may transfer such Note by surrendering it to the Note Registrar. In the event of a partial transfer or a partial redemption of a holding of Physical Notes represented by one Physical Note, a Physical Note will be issued to the transferee in respect of the part transferred and a new Physical Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the Holder, as applicable; *provided* that no Physical Note in a denomination less than US$1,000 will be issued. The Company shall bear the cost of preparing, printing, packaging and delivering the Physical Notes.

Physical Notes delivered in exchange for any Global Note or beneficial interest in Global Notes pursuant to this Section 2.05 (c) shall be registered in such names and in such authorized denominations requested by or on behalf of the Depositary (in accordance with its customary procedures) and will bear the applicable legends specified in this Section 2.05, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. Upon execution and authentication, the Trustee shall deliver such Physical Notes to the Persons in whose names such Physical Notes are so registered. Physical Notes may be transferred and exchanged only after the transferor first delivers to the Trustee a written certification (in the form provided in this Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Physical Notes.

Neither the Company, the Trustee nor any agent of the Company or the Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Note or maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(d) Until the expiration of 40 days after the last original issue date of the Notes (the "**Distribution Compliance Period**"), any certificate evidencing such Regulation S Note (and all securities issued in exchange therefor or substitution thereof, other than ADSs (including any Class A Common Shares represented thereby), if any, issued upon conversion thereof which shall bear the legend set forth in Section 2.05(f), shall bear a legend (the "**Securities Act Legend**") in substantially the following form (unless the Company determines that such Securities Act Legend is not required to comply with applicable law):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THIS SECURITY AND THE LATEST CLOSING DATE (THE "DISTRIBUTION COMPLIANCE PERIOD"), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S.

PERSON EXCEPT

(1) TO TAL EDUCATION GROUP (THE "COMPANY") OR ANY SUBSIDIARY THEREOF;

(2) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT;

(3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS SECURITY OR SUCH AMERICAN DEPOSITARY SHARES AND CLASS A COMMON SHARES;

(4) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR

(5) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (5) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS SECURITY EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Any such ADSs as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of the certificates representing such ADSs for exchange in accordance with the procedures of the transfer agent for the ADSs, be exchanged for a new certificate or certificates for a like aggregate number of ADSs, which shall not bear the restrictive legend required by this Section 2.05(d).

(e) Until the Resale Restriction Termination Date, any certificate representing ADSs (including the Class A Common Shares represented thereby) issued upon conversion of a Rule 144A Note shall bear a legend in substantially the following form (unless the Note or such ADSs (including the Class A Common Shares represented thereby) has been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or such ADS or the Class A Common Shares

represented thereby have been issued upon conversion of Notes that have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company with written notice thereof to the Trustee and any Transfer Agent for the ADSs):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES EVIDENCED HEREBY AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS (A) A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) A NON-U.S. PERSON LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF TAL EDUCATION GROUP (THE "COMPANY"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR THE CLASS A COMMON SHARES REPRESENTED HEREBY, OR ANY BENEFICIAL INTEREST THEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE OF THE SERIES OF NOTES UPON THE CONVERSION OF WHICH THIS SECURITY WAS ISSUED OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF;

(B) THROUGH OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT;

(C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS SECURITY OR SUCH CLASS A COMMON SHARES;

(D) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY AND THE DEPOSITARY RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

(f) Until the expiration of the Distribution Compliance Period, any certificate representing ADSs (including the Class A Common Shares represented thereby) issued upon conversion of a Regulation S Note shall bear a legend in substantially the following form (or unless otherwise agreed by the Company with written notice thereof to the Trustee and any Transfer Agent for the ADSs):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES EVIDENCED HEREBY AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES UPON THE CONVERSION OF WHICH THIS SECURITY WAS ISSUED AND THE LATEST CLOSING DATE OF SUCH NOTES (THE "DISTRIBUTION COMPLIANCE PERIOD"), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT

(1) TO TAL EDUCATION GROUP (THE "COMPANY") OR ANY SUBSIDIARY THEREOF;

(2) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT;

(3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS SECURITY OR SUCH CLASS A COMMON SHARES;

(4) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR

(5) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (5) ABOVE, THE COMPANY AND THE DEPOSITARY RESERVE THE

RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS SECURITY EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

(g) Any ADSs as to which such restrictions on transfer described in Section 2.05 shall have expired in accordance with their terms may, upon surrender of the certificates representing such ADSs for exchange in accordance with the procedures of the Transfer Agent for the ADSs, be exchanged for a new certificate or certificates for a like aggregate number of ADSs, which shall not bear the restrictive legend required by Section 2.05(e) and Section 2.05(f).

(h) Upon the occurrence of the Notes Fungibility Date, the Company shall promptly provide the Trustee, Conversion Agent, Note Registrar, Paying Agent and Transfer Agent notice of the Notes Fungibility Date.

(i) The Company (i) shall not resell and (ii) shall not permit any of its "**affiliate**" (as defined under Rule 144 under the Securities Act) or Person that has been an "**affiliate**" of the Company during the three immediately preceding months to purchase, otherwise acquire or own, in each case, any Notes or any beneficial interest therein, except in compliance with Section 2.11.

Section 2.06 *Transfer and Exchange.*

(a) *Transfer and Exchange of Global Notes*. A Global Note may not be transferred as a whole or in part except (i) by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary and (ii) for transfers of portions of a Global Note in certificated form made upon request of a member of, or a participant in, the Depositary (for itself or on behalf of a beneficial owner) by written notice given to the Trustee by or on behalf of the Depositary in accordance with customary procedures of the Depositary and in compliance with Section 2.05(c).

(b) *Transfer and Exchange of Beneficial Interests in the Global Notes*. The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes will be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(1) *Transfer of Beneficial Interests in the Same Global Note*. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the applicable Securities Act Legend. No written orders or instructions shall be required to be delivered to the Note Registrar to effect the transfers described in this Section 2.06(b)(1).

(2) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(1) above, the transferor of such beneficial interest must deliver to the Note Registrar either:

(A) both:

(i) a written order from an Agent Member given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Agent Member account to be credited with such increase; or

(B) both:

(i) a written order from an Agent Member given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Physical Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depositary to the Note Registrar containing information regarding the Person in whose name such Physical Note shall be registered to effect the transfer or exchange referred to in (1) above.

Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(e).

(3) *Transfer of Beneficial Interests to Another Restricted Global Note.* A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(2) above and the Note Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the Rule 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(c) *Transfer or Exchange of Beneficial Interests for Physical Notes*.

(1) *Beneficial Interests in Restricted Global Notes to Restricted Physical Notes.* If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Physical Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Physical Note, then, upon receipt by the Note Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Physical Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2) thereof;

(B) if such beneficial interest is being transferred to a Qualified Institutional Buyer in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(F) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(e) hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Physical Note in the appropriate principal amount. Any Physical Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Note Registrar through instructions from the Depositary and the Agent Member. The Trustee shall deliver such Physical Notes to the Persons in whose names such Notes are so registered. Any Physical Note issued in

exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(1) shall bear the applicable Securities Act Legend and shall be subject to all restrictions on transfer contained therein.

(2) *Beneficial Interests in Restricted Global Notes to Unrestricted Physical Notes.* A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Physical Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Physical Note only if the Note Registrar receives the following:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Physical Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(B) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Physical Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, if the Note Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Note Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and the applicable Securities Act Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Physical Notes.* If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Physical Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Physical Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(2) hereof, the Trustee will cause the aggregate principal amount of the applicable Unrestricted Global Note to be reduced accordingly pursuant to Section 2.06(e), and the Company will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Physical Note in the appropriate principal amount. Any Physical Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(3) will be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest requests through instructions to the Note Registrar from or through the Depositary and the Agent Member. The Trustee will deliver such Physical Notes to the Persons in whose names such Notes are so registered. Any Physical Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(3) will not bear a Securities Act Legend.

(d) *Transfer and Exchange of Physical Notes for Physical Notes.* Upon request by a Holder of Physical Notes and such Holder's compliance with the provisions of this Section 2.06(d), the Note Registrar will register the transfer or exchange of Physical Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Note Registrar the Physical Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide

any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(d).

(1) *Restricted Physical Notes to Restricted Physical Notes.* Any Restricted Physical Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Physical Note if the Note Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(2) *Restricted Physical Notes to Unrestricted Physical Notes.* Any Restricted Physical Note may be exchanged by the Holder thereof for an Unrestricted Physical Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Physical Note if the Note Registrar receives the following:

(A) if the Holder of such Restricted Physical Notes proposes to exchange such Notes for an Unrestricted Physical Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(B) if the Holder of such Restricted Physical Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Physical Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, if the Note Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Note Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the applicable Securities Act Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Unrestricted Physical Notes to Unrestricted Physical Notes.* A Holder of Unrestricted Physical Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Physical Note. Upon receipt of a request to register such a transfer, the Note Registrar shall register the Unrestricted Physical Notes pursuant to the instructions from the Holder thereof.

(e) *Cancellation and/or Adjustment of Global Notes.* At such time as all beneficial interests in a particular Global Note have been exchanged for Physical Notes or a

particular Global Note has been converted, canceled, redeemed, repurchased or transferred in whole and not in part, each such Global Note will be returned to or retained and canceled by the Trustee in accordance with Section 2.09. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Physical Notes, the principal amount of Notes represented by such Global Note will be reduced accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note will be increased accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

Section 2.07 *Mutilated, Destroyed, Lost or Stolen Notes.* In case any Note shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon its written request the Trustee or an authenticating agent appointed by the Trustee shall authenticate and deliver, a new Note, bearing a registration number not contemporaneously outstanding, in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substituted Note shall furnish to the Company, to the Trustee and, if applicable, to such authenticating agent such security or indemnity as may be required by them to save each of them harmless from any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company, to the Trustee and, if applicable, to such authenticating agent evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

The Trustee or such authenticating agent may authenticate any such substituted Note and deliver the same upon the receipt of such security or indemnity as the Trustee, the Company and, if applicable, such authenticating agent may require. Upon the issuance of any substitute Note, the Company or the Trustee may require the payment by the Holder of a sum sufficient to cover any documentary, stamp or similar issue or transfer tax, assessment or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. In case any Note that has matured or is about to mature or has been surrendered for required repurchase, is about to be converted in accordance with Article 14 or is about to be redeemed in accordance with Article 16 shall become mutilated or be destroyed, lost or stolen, the Company may, in its sole discretion, instead of issuing a substitute Note, pay or authorize the payment of or convert or authorize the conversion of the same (without surrender thereof except in the case of a mutilated Note), as the case may be, if the applicant for such payment or conversion shall furnish to the Company, to the Trustee and, if applicable, to such authenticating agent such security or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, evidence satisfactory to the Company, the Trustee and, if applicable, any Paying Agent or Conversion Agent evidence of their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

Every substitute Note issued pursuant to the provisions of this Section 2.07 by virtue of the fact that any Note is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be found at

any time, and shall be entitled to all the benefits of (but shall be subject to all the limitations set forth in) this Indenture equally and proportionately with any and all other Notes duly issued hereunder. To the extent permitted by law, all Notes shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment or conversion or repurchase or redemption of mutilated, destroyed, lost or stolen Notes and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment or redemption or conversion of negotiable instruments or other securities without their surrender.

Section 2.08 *Temporary Notes.* Pending the preparation of Physical Notes, the Company may execute and the Trustee or an authenticating agent appointed by the Trustee shall, upon written request of the Company, authenticate and deliver temporary Notes (printed or lithographed). Temporary Notes shall be issuable in any authorized denomination, and substantially in the form of the Physical Notes but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Company. Every such temporary Note shall be executed by the Company and authenticated by the Trustee or such authenticating agent upon the same conditions and in substantially the same manner, and with the same effect, as the Physical Notes. Without unreasonable delay, the Company shall execute and deliver to the Trustee or such authenticating agent Physical Notes (other than any Global Note) and thereupon any or all temporary Notes (other than any Global Note) may be surrendered in exchange therefor, at each office or agency maintained by the Company pursuant to Section 4.02 and the Trustee or such authenticating agent shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of Physical Notes. Such exchange shall be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Physical Notes authenticated and delivered hereunder.

Section 2.09 *Cancellation of Notes Paid, Converted, Etc.* The Company shall cause all Notes surrendered for the purpose of payment, repurchase, redemption, registration of transfer or exchange or conversion, if surrendered to any Person other than the Trustee (including any of the Company's Agents, Subsidiaries or Affiliates), to be surrendered to the Trustee for cancellation. All Notes delivered to the Trustee shall be canceled promptly by it, and no Notes shall be authenticated in exchange thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall dispose of canceled Notes in accordance with its customary procedures and, after such disposition, shall deliver a certificate of such disposition to the Company, at the Company's written request in a Company Order. If the Company shall acquire any of the Notes, such acquisition shall not operate as a redemption, repurchase or satisfaction of the indebtedness represented by such Notes unless and until the same are delivered to the Trustee for cancellation.

Section 2.10 *CUSIP and ISIN Numbers.* The Company in issuing the Notes may use "**CUSIP**" or "**ISIN**" numbers (if then generally in use), and, if so, the Trustee shall use CUSIP or ISIN numbers in all notices issued to Holders as a convenience to such Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or on such notice and that reliance may be placed only on the other identification numbers printed on the Notes. The Company shall promptly notify the Trustee in writing of any change in the CUSIP or ISIN numbers. Prior to the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall

have different "CUSIP" numbers. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have the same "CUSIP" number.

Section 2.11 *Additional Notes; Repurchases.* The Company may, without the consent of the Holders and notwithstanding Section 2.01, reopen this Indenture and issue additional Notes hereunder with the same terms and with the same CUSIP number (or, if prior to the Fungibility Date, the same CUSIP numbers as the Rule 144A Notes or the Regulation S Notes, as applicable) as the Notes initially issued hereunder (except for any differences in the issue price and interest accrued, if any) in an unlimited aggregate principal amount; *provided* that if any such additional Notes are not fungible with the Notes initially issued hereunder for U.S. federal securities laws or income tax purposes, such additional Notes shall have a separate CUSIP number from both the Rule 144A Notes and the Regulation S Notes. Prior to the issuance of any such additional Notes, the Company shall deliver to the Trustee a Company Order, an Officers' Certificate and an Opinion of Counsel, such Officers' Certificate and Opinion of Counsel to cover such matters, in addition to those required by Section 17.06, as the Trustee shall reasonably request. In addition, the Company may, to the extent permitted by law, and directly or indirectly (regardless of whether such Notes are surrendered to the Company), repurchase Notes in the open market or otherwise, whether by the Company or its Subsidiaries or through a private or public tender or exchange offer or through counterparties to private agreements, including by cash-settled swaps or other derivatives. The Company shall cause any Notes so repurchased (other than Notes repurchased pursuant to cash-settled swaps or other derivatives) to be surrendered to the Trustee for cancellation in accordance with Section 2.09.

The Notes and any such Additional Notes shall rank equally and ratably and shall be treated as a single series for all purposes under this Indenture. No Additional Notes may be issued if any Event of Default has occurred and is continuing with respect to the Notes.

ARTICLE 3
SATISFACTION AND DISCHARGE

Section 3.01 *Satisfaction and Discharge.* This Indenture shall upon request of the Company contained in an Officers' Certificate cease to be of further effect, and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when (a) (i) all Notes theretofore authenticated and delivered (other than (x) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.07 and (y) Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 4.04(d)) have been delivered to the Trustee for cancellation; or (ii) the Company has deposited with the Trustee or delivered to Holders, as applicable, after the Notes have become due and payable, whether at the Maturity Date, the Tax Redemption Date, the Repurchase Date, any Fundamental Change Repurchase Date, upon Tax Redemption or conversion or otherwise, cash or (in the case of conversion) ADSs, if sufficient to pay all of the outstanding Notes or satisfy the Company's Conversion Obligation, as the case may be, and pay all other sums due and payable under this Indenture by the Company; and (b) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.06

shall survive.

ARTICLE 4
PARTICULAR COVENANTS OF THE COMPANY

Section 4.01 *Payment of Principal and Interest.* The Company covenants and agrees that it will cause to be paid the principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) of, and accrued and unpaid interest on, each of the Notes at the places, at the respective times and in the manner provided herein and in the Notes.

The Company shall procure that on or before 11:00 a.m. (New York City time) on the Business Day prior to each Interest Payment Date the bank through which such payment is to be made will send to the Paying Agent confirmation that it has received from the Company an irrevocable instruction to make the relevant payment (by facsimile transmission or SWIFT).

Section 4.02 *Maintenance of Office or Agency.* The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment, repurchase or redemption ("**Paying Agent**") or for conversion ("**Conversion Agent**") and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office or the corporate trust office of the Trustee in the Borough of Manhattan, The City of New York.

The Company may also from time to time designate as co-Note Registrars one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided* that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. The terms "**Paying Agent**" and "**Conversion Agent**" include any such additional or other offices or agencies, as applicable.

The Company hereby initially designates (i) Citibank, N.A., as the Paying Agent, the Conversion Agent and the transfer agent and (ii) the Corporate Trust Office and the corporate trust office of the Trustee in the Borough of Manhattan, The City of New York as an office or agency of the Company for purposes of this Section 4.02.

Section 4.03 *Appointments to Fill Vacancies in Trustee's Office*. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.09, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 4.04 *Provisions as to Paying Agent.* (a) If the Company

shall appoint a Paying Agent other than the Trustee, the Company will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 4.04:

(i) that it will hold all sums held by it as such agent for the payment of the principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) of, and accrued and unpaid interest on, the Notes in trust for the benefit of the Holders of the Notes;

(ii) that it will give the Trustee prompt notice of any failure by the Company to make any payment of the principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) of, and accrued and unpaid interest on, the Notes when the same shall be due and payable; and

(iii) that at any time during the continuance of an Event of Default, upon request of the Trustee, it will forthwith pay to the Trustee all sums so held in trust.

The Company shall, no later than 10:00 a.m., New York City time, on the Business Day prior to the due date of the principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) of, or accrued and unpaid interest on, the Notes, deposit with the Paying Agent a sum sufficient to pay such principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) or accrued and unpaid interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of any failure to take such action. Any deposit by the Company with the Paying Agent shall be made by wire transfer in immediately available funds.

To the extent the Paying Agent will act as the Company's withholding agent with respect to any payment of principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) of, or accrued and unpaid interest on, the Notes, the Company shall, no later than 10:00 a.m., New York City time, on the Business Day immediately preceding the due date of such payment, furnish the Paying Agent with an Officers' Certificate instructing the Trustee as to any circumstances in which such payment shall be subject to deduction or withholding as described in Section 4.07 and the rate of any such deduction or withholding. The Company shall also specify in the Officers' Certificate the amount required to be so withheld and the Additional Amounts, if any. For the avoidance of doubt, the Company shall deposit such Additional Amounts, if any, with the Paying Agent in accordance with the preceding paragraph.

The Paying Agent shall not be bound to make payments under this Section 4.04 until funds in such amount required for such payments have been received from the Company.

(b) If the Company shall act as its own Paying Agent, it will, no later than 10:00 a.m., New York City time, on each due date of the principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) of, and accrued and unpaid interest on, the Notes, set aside, segregate and hold in trust for the benefit of the Holders of the Notes a sum sufficient

to pay such principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) and accrued and unpaid interest so becoming due and will promptly notify the Trustee in writing of any failure to take such action and of any failure by the Company to make any payment of the principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) of, or accrued and unpaid interest on, the Notes when the same shall become due and payable.

(c) Anything in this Section 4.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay, cause to be paid or deliver to the Trustee all sums or amounts held in trust by the Company or any Paying Agent hereunder as required by this Section 4.04, such sums or amounts to be held by the Trustee upon the trusts herein contained and upon such payment or delivery by the Company or any Paying Agent to the Trustee, the Company or such Paying Agent shall be released from all further liability but only with respect to such sums or amounts.

(d) Any money and ADSs deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) of, accrued and unpaid interest on and the consideration due upon conversion of any Note (or, in the case of ADSs, in satisfaction of the Conversion Obligation) and remaining unclaimed for two years after such principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable), interest or consideration due upon conversion has become due and payable shall be paid, or delivered, or the case may be, to the Company on request of the Company contained in an Officers' Certificate, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee with respect to such trust money and ADSs, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however,* that the Trustee, before being required to make any such repayment or delivery, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money and ADSs remain unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money and ADSs then remaining will be repaid or delivered to the Company.

Section 4.05 *Existence.* Subject to Article 11, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

Section 4.06 *Rule 144A Information Requirement and Annual Reports.* (a) At any time the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company shall, so long as any of the Notes or the ADSs delivered upon conversion thereof shall, at such time, constitute "**restricted securities**" within the meaning of Rule 144(a)(3) under the Securities Act, promptly provide to the Trustee and shall, upon written request, provide to any Holder, beneficial owner or prospective purchaser of such Notes or such ADSs the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of such Notes or such ADSs pursuant to Rule 144A

under the Securities Act. The Company shall take such further action as any Holder or beneficial owner of such Notes or such ADSs may reasonably request from time to time to enable such Holder or beneficial owner to sell such Notes or such ADSs in accordance with Rule 144A under the Securities Act, as such rule may be amended from time to time.

(b) The Company shall file with the Trustee within 15 days after the same are required to be filed with the Commission, copies of any documents or reports that the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act (giving effect to any grace period provided by Rule 12b-25 under the Exchange Act). Any such document or report that the Company files with the Commission via the Commission's EDGAR system shall be deemed to be filed with the Trustee for purposes of this Section 4.06(b) as of the time such documents are filed with the Commission via the EDGAR system.

(c) The Company shall: (a) as soon as practicable, provide to the Trustee three copies in English of all notices, statements and other documents issued to holders of its Common Equity or its creditors (when such notifications, statements and other documents (or summary thereof) are required to be provided to all of such creditor(s) as a whole); provided that the Company may fulfill the requirement to furnish such notices, statements and other documents to the Trustee by making such notices, statements and other documents timely available on its website; and (b) maintain proper accounting records and permit Trustee access thereto and provide the Trustee audited accounts in the English language. The Trustee shall hold documents provided under this Section 4.06 (c) for the sole purposes of facilitating Holders' inspection and review thereof; the Trustee shall not be required to review or draw any conclusions and/or consequence therefrom.

(d) Delivery of the reports and documents described in subsections (b) and (c) above to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely on an Officers' Certificate).

(e) If, at any time during the six-month period beginning on, and including, the date that is six months after the last date of original issuance of the Notes, the Company fails to timely file any document or report that it is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, as applicable (after giving effect to all applicable grace periods thereunder and other than reports on Form 6-K), or the Notes are not otherwise freely tradable by Holders other than the Company's Affiliates or Persons who were the Company's Affiliates during the three immediately preceding months (as a result of restrictions pursuant to U.S. securities law or the terms of this Indenture or the Notes), the Company shall pay Additional Interest on the Notes. Such Additional Interest shall accrue on the Notes at the rate of 0.50% per annum of the principal amount of the Notes outstanding for each day during such period for which the Company's failure to file has occurred and is continuing or for which the restrictions on transfer are applicable (ending on the date that is one year from the last original issuance date of the Notes). As used in this Section 4.06(e), documents or reports that the Company is required to "**file**" with the Commission pursuant to Section 13 or 15(d) of the Exchange Act does not include documents or reports that the Company furnishes to the Commission pursuant to Section 13 or 15 (d) of the Exchange Act.

(f) If, and for so long as, the restrictive legend on the Notes specified in Section 2.05(c) has not been removed, the Notes are assigned a restricted CUSIP number or the Notes are not otherwise freely tradable by Holders other than the Company's Affiliates or Persons who were the Company's Affiliates during the three immediately preceding months (without restrictions pursuant to U.S. securities law or the terms of this Indenture or the Notes) as of the 365th day after the last date of original issuance of the Notes, the Company shall pay Additional Interest on the Notes. Such Additional Interest will accrue on the Notes at the rate of 0.50% per annum of the principal amount of Notes outstanding until the restrictive legend on the Notes has been removed in accordance with Section 2.05(c), the Notes are assigned an unrestricted CUSIP number and the Notes are freely tradable by Holders other than the Company's Affiliates or Persons who were the Company's Affiliates during the three immediately preceding months (without restrictions pursuant to U.S. securities law or the terms of this Indenture or the Notes).

(g) Additional Interest will be payable in arrears on each Interest Payment Date following accrual in the same manner as regular interest on the Notes.

(h) The Additional Interest that is payable in accordance with Section 4.06(e) or Section 4.06(f) shall be in addition to, and not in lieu of, any Additional Interest that may be payable as a result of the Company's election pursuant to Section 6.03.

(i) If Additional Interest is payable by the Company pursuant to Section 4.06(e) or Section 4.06(f), the Company shall deliver to the Trustee an Officers' Certificate to that effect stating (i) the amount of such Additional Interest that is payable and (ii) the date on which such Additional Interest is payable. Unless and until a Responsible Officer of the Trustee receives at the Corporate Trust Office such a certificate, the Trustee may assume without inquiry that no such Additional Interest is payable. If the Company has paid Additional Interest directly to the Persons entitled to it, the Company shall deliver to the Trustee an Officers' Certificate setting forth the particulars of such payment.

(j) Nowithstanding the other provision of this Indenture, in no event will the rate of Additional Interest payable in accordance with Section 4.06(e) or Section 4.06(f) when taken together with Additional Interest payable under Section 6.03 exceed a total rate of 0.50% per annum.

(k) Nowithstanding the other provision of this Indenture but subject to Section 4.06(j), additional Interest will not accrue with respect to any failure to remove restrictive legends on the Notes specified in Section 2.05(c) or if the Notes are not freely tradable by Holders other than the Company's Affiliates or Persons who were the Company's Affiliates during the three immediately preceding months (without restrictions pursuant to U.S. securities law or the terms of this Indenture or the Notes), in each case as required under this Section 4.06, on any date on which (i) the Company has filed a shelf registration statement for the resale of the Notes, the ADSs issuable upon conversion of the Notes and the Class A Common Shares represented thereby; (ii) such shelf registration statement is effective and usable by Holders identified therein as selling security Holders for the resale of the notes, the ADSs issuable upon conversion of the Notes and the Class A Common Shares represented thereby; (iii) the Holders may register the resale of their Notes, ADSs issuable upon conversion of the Notes and the Class A Common Shares represented thereby under such shelf registration statement on terms customary for the resale of convertible securities, or securities issued upon conversion thereof, offered in reliance on Rule 144A; and (iv) the

Notes, ADSs or Class A Common Shares, as applicable, sold pursuant to such shelf registration statement become freely tradable as a result of such sale.

Section 4.07 *Payment of Additional Amounts*. (a) All payments and deliveries made by the Company under or with respect to this Indenture and the Notes, including, but not limited to, payments of principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable), payments of interest, including any Additional Interest and payments of cash or deliveries of ADSs (together with payments of cash for any fractional ADSs, if applicable) upon conversion, shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company is, or is deemed to be, organized, engaged in business or otherwise resident for tax purposes, or from or through which payment is made or deemed to be made on the Company behalf (including the jurisdiction of the Paying Agent) or any political subdivision or taxing authority thereof or therein (each, as applicable, a "**Relevant Taxing Jurisdiction**"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company or any successor to the Company shall pay to each Holder such additional amounts ("**Additional Amounts**") as may be necessary to ensure that the net amount received by the beneficial owner after such withholding or deduction (and after deducting any taxes on the Additional Amounts) shall equal the amounts that would have been received by such beneficial owner had no such withholding or deduction been required; *provided* that no Additional Amounts shall be payable:

(i) for or on account of:

(A) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(1) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Taxing Jurisdiction, other than merely holding such Note or the receipt of payments or ADSs or the enforcement of rights thereunder, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(2) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of (including the Fundamental Change Repurchase Price, if applicable, and the 2017 Repurchase Price, if applicable), premium, if any, and interest on, such Note, including any Additional Interest on, or delivery of ADSs with respect thereto, such Note became due and payable pursuant to the terms thereof or was made or duly provided for; or

(3) the failure of the Holder or beneficial owner to comply with a timely request from the Company, addressed to the Holder or

beneficial owner, as the case may be, to provide certification, information, documents or other evidence concerning such Holder's or beneficial owner's nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, or to make any declaration or satisfy any other reporting requirement relating to such matters, if and to the extent that due and timely compliance with such request is required by statute, regulation or administrative practice of the Relevant Taxing Jurisdiction to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner and such Holder or beneficial owner is legally able to comply;

(B) any estate, inheritance, gift, sale, transfer, excise, personal property or similar tax, assessment or other governmental charge;

(C) any tax, duty, assessment or other governmental charge that is payable otherwise than by withholding from payments under or with respect to the Notes;

(D) any withholding or deduction that is imposed or levied on a payment to an individual pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

(E) any withholding or deduction required by sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended ("**FATCA**"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted to implement FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA or any law enacted by such other jurisdiction to give effect to such agreement, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(F) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (A), (B), (C), (D) or (E); or

(ii) with respect to any payment of the principal of (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable), premium, if any, and interest, including any Additional Interest, on, or delivery of ADSs with respect to, such Note to a Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of that payment or delivery to the extent that such payment or delivery would be required to be included in the income under the laws of the Relevant Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

The Trustee and the Paying Agent shall also be entitled to make any withholding or deduction pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof.

The Company shall make any required withholding or deduction and remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. Upon reasonable request, the Company shall provide certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such taxes, or if such tax receipts are not available, certified copies or other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and shall be made available at the offices of the Paying Agent.

In the event that the Company is obligated to pay Additional Amounts under or with respect to any payment on, or delivery of ADSs with respect to the Notes, at least 30 days prior to the date of such payment or delivery, the Company shall deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts on the relevant payment or delivery date (unless such obligation to pay Additional Amounts arises less than 30 days prior to the relevant payment or delivery date, in which case the Company shall deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Company shall pay and indemnify each Holder and beneficial owner for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, issuance, delivery, registration, enforcement or initial resale by the Initial Purchasers under the Purchase Agreement of, or payments under, the Notes, this Indenture, or any other document or instrument in relation thereto (other than in each case those taxes excluded by subsections (i)(A), (B), (D), (E) and (F) and (ii) of this Section 4.07 and in connection with a transfer of Notes).

(b) Any reference in this Indenture or the Notes in any context to the payment of cash or delivery of ADSs (together with payments of cash for any fractional ADSs, if applicable) upon conversion of the Notes or the payment of principal of (including the Fundamental Change Repurchase Price, if applicable, and the 2017 Repurchase Price, if applicable and the Tax Redemption Price, if applicable), and any premium or interest, including any Additional Interest, on, any Note or any amount payable with respect to such Note, such mention shall be deemed to include payment of Additional Amounts provided for in this Indenture to the extent that, in such context, Additional Amounts are, were or would be payable with respect to that amount under the obligations referred to in this Section 4.07.

(c) The foregoing obligations shall survive any termination, defeasance or discharge of this Indenture, any transfer or conversion of the Notes by a Holder or beneficial owner, and will apply *mutatis mutandis* to any successor to the Company.

Section 4.08 *Stay, Extension and Usury Laws.* The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law that would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.09 *Compliance Certificate; Statements as to Defaults.* The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on February 28, 2015) an Officers' Certificate stating that a review has been conducted of the Company's activities under this Indenture and whether the Company has fulfilled its obligations hereunder, and whether the authorized Officers thereof have knowledge of any Default or potential Event of Default by the Company that occurred during the previous year and, if so, specifying each such Default or potential Event of Default and the nature thereof.

In addition, the Company shall deliver to the Trustee, within 30 days after the occurrence of any Event of Default or, written notice of any events that would constitute a Default, the status of those events and what action the Company is taking or propose to take in respect thereof.

Section 4.10 *Further Instruments and Acts.* Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

ARTICLE 5
LISTS OF HOLDERS AND REPORTS BY THE COMPANY AND THE TRUSTEE

Section 5.01 *Lists of Holders.* The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee, semi-annually, not more than 15 days after each May 1 and November 1 in each year beginning with November 1, 2014, and at such other times as the Trustee may request in writing, within 30 days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to be provided by it hereunder), a list in such form as the Trustee may reasonably require of the names and addresses of the Holders as of a date not more than 15 days (or such other date as the Trustee may reasonably request in order to so provide any such notices) prior to the time such information is furnished, except that no such list need be furnished so long as the Trustee is acting as Note Registrar.

Section 5.02 *Preservation and Disclosure of Lists.* The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Holders contained in the most recent list furnished to it as provided in Section 5.01 or maintained by the Trustee in its capacity as Note Registrar, if so acting. The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

ARTICLE 6
DEFAULTS AND REMEDIES

Section 6.01 *Events of Default.* The following events shall be "**Events of Default**" with respect to the Notes:

(a) default for 30 days in payment of any interest (including any Additional Interest) when due and payable on the Notes;

(b) default in payment of principal amount of the Notes when due and payable on the Maturity Date, upon required repurchase following a Fundamental Change, upon redemption, upon required repurchase on the 2017 Repurchase Date, upon declaration of acceleration or otherwise;

(c) default in the Company's obligations to satisfy its Conversion Obligation upon exercise of a Holder's conversion right and such failure continues for a period of five Business Days;

(d) failure by the Company to comply with its obligations under Article 11;

(e) a default in the Company's notice obligations under Sections 14.03, 15.01, 15.02 or 16.02, in each case, such failure continues for a period of five Business Days;

(f) default by the Company or any of its Significant Subsidiaries in the payment of principal, interest or premium when due under any other instruments of indebtedness having an aggregate outstanding principal amount of US$15 million (or its equivalent in any other currency or currencies) or more in the aggregate of the Company and/or any such Subsidiary, whether such indebtedness now exists or shall hereafter be created, which default results (i) in such indebtedness becoming or being declared due and payable or (ii) from a failure to pay the principal of any such indebtedness when due and payable at its stated maturity but after any applicable grace period, upon redemption, upon required purchase, upon declaration of acceleration or otherwise; *provided* that any such Event of Default shall be deemed cured and not continuing upon payment of such indebtedness or rescission of such declaration of acceleration;

(g) default in the Company's performance of any other covenants or agreements contained in this Indenture or the Notes for 60 days after written notice to the Company from the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding;

(h) failure by the Company or any of its Significant Subsidiaries to pay final judgments aggregating in excess of US$15 million (excluding any amounts covered by insurance), which final judgments remain unpaid, undischarged or unstayed for a period of more than 30 days;

(i) the Company or any Significant Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or any such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Significant Subsidiary or all or substantially all of its property, or shall consent to any such relief or to

the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(j) an involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary seeking liquidation, reorganization or other relief with respect to the Company or such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Significant Subsidiary or all or substantially all of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 30 consecutive days.

The Company will notify the Trustee immediately upon the occurrence of an Event of Default and the Trustee shall not be deemed to have knowledge of an Event of Default unless and until it receives written notification of such Event of Default from the Company describing the circumstances of such, and identifying circumstances constituting such Event of Default.

Section 6.02 *Acceleration; Rescission and Annulment.* If an Event of Default occurs and is continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), then, and in each and every such case other than an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company, the Trustee (in its absolute discretion) by notice to the Company, or the Holders of at least 25% of the aggregate principal amount of the Notes then outstanding determined in accordance with Section 8.04, by notice to the Company and the Trustee, may, and the Trustee at the request of such Holders accompanied by security and/or indemnity satisfactory to it shall, declare 100% of the principal of and accrued and unpaid interest, including any Additional Interest, on all the Notes to be due and payable. Upon such a declaration of acceleration, all principal and accrued and unpaid interest, including any Additional Interest, on the Notes will be due and payable immediately. However, upon an Event of Default as described in Section 6.01(i) or Section 6.01(j) involving the Company, the aggregate principal amount and accrued and unpaid interest, including any Additional Interest, will be due and payable immediately without any further action required by the Trustee or Holders of the Notes.

The immediately preceding paragraph, however, is subject to the conditions that if, at any time after the principal of the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay installments of accrued and unpaid interest upon all Notes and the principal of any and all Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of accrued and unpaid interest to the extent that payment of such interest is enforceable under applicable law, and on such principal at the rate per annum borne by the Notes at such time, plus one percent) and amounts due to the Trustee pursuant to Section 7.06, and if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) any and all existing Events of Default under this Indenture, other than the nonpayment of the principal of and accrued and unpaid interest, if any, on Notes that shall have become due solely by such acceleration, shall have been cured or waived pursuant to Section 6.09, then and in every such case (except as provided in the

immediately succeeding sentence) the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may waive all Defaults or Events of Default with respect to the Notes and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon. Notwithstanding the above or anything to the contrary herein, no such waiver or rescission and annulment shall extend to or shall affect any Default or Event of Default resulting from (i) the nonpayment of the principal of, or accrued and unpaid interest on, including Additional Interest, if any, any Notes, the Redemption Price on the Redemption Date, or the Repurchase Price on the Repurchase Date or Fundamental Change Repurchase Price, (ii) a failure to pay or deliver, as the case may be, the consideration due upon conversion of the Notes in accordance with this Indenture or (iii) in respect of any provision under this Indenture that cannot be modified or amended without the consent of the Holders of each outstanding Note affected.

Section 6.03 *Additional Interest.* Notwithstanding anything in this Indenture or in the Notes to the contrary, to the extent the Company elects, the sole remedy for Events of Default relating to the Company's failure to comply with its reporting obligations as set forth in Section 4.06(b) shall, for the first 180 days after the occurrence of such an Event of Default (which will be the 60th day after written notice is provided to the Company in accordance with an Event of Default pursuant to Section 6.01 (g)), consist exclusively of the right to receive Additional Interest on the Notes at an annual rate equal to (a) 0.25% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the date on which such an Event of Default first occurs and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 90th day immediately following, and including, the date on which such Event of Default first occurred; and (b) if such Event of Default has not been cured or validly waived prior to the 91st day immediately following, and including, the date on which such Event of Default first occurred, 0.50% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the 91st day immediately following, and including, the date on which such an Event of Default first occurred and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 180th day immediately following, and including, the date on which such Event of Default first occurred. If the Company so elects, such Additional Interest will be payable on all outstanding Notes from, and including, the date on which such Event of Default first occurs (which will be the 60th day after written notice is provided to the Company in accordance with an Event of Default pursuant to Section 6.01(g)) to, but excluding, the 181st day thereafter (or such earlier date on which the Event of Default relating to a failure to comply with such requirements has been cured or waived or ceases to exist). On the 181st day following the Event of Default relating to the reporting obligations under this Indenture, if such Event of Default has not been cured or waived prior to such 181st day, the Notes shall be subject to acceleration as provided in Section 6.02. This Section 6.03 shall not affect the rights of Holders of Notes in the event of the occurrence of any other Event of Default, and are separate and distinct from, and in addition to, the obligation to pay Additional Interest in the circumstances described in Section 4.06(e) or Section 4.06(f). To the extent the Company elects to pay Additional Interest, it will be payable in arrears on each Interest Payment Date following accrual in the same manner as regular interest on the Notes. If the Company does not elect to pay Additional Interest

following an Event of Default in accordance with this Section 6.03, the Notes shall be subject to acceleration as provided in Section 6.02.

In order to elect to pay Additional Interest on the Notes as the sole remedy during the first 180 days after the occurrence of an Event of Default relating to the failure to comply with the reporting obligations in this Indenture in accordance with the immediately preceding paragraph, the Company must notify all Holders of Notes and the Trustee and Paying Agent of such election on or before the close of business on the date on which such Event of Default first occurs (which will be the 60th day after written notice is provided to the Company in accordance with an Event of Default pursuant to Section 6.01(g)). If the Company fails to timely give such notice, the Notes shall be immediately subject to acceleration as provided in Section 6.02. In no event will the rate of any Additional Interest payable under the immediately preceding paragraph, when taken together with that of Additional Interest payable as described under Section 4.06 exceed a total rate of 0.50% per annum.

Section 6.04 *Payments of Notes on Default; Suit Therefor.* If an Event of Default described in clause (a) or (b) of Section 6.01 shall have occurred, the Company shall, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holders of the Notes, the whole amount then due and payable on the Notes for principal and interest, if any, with interest on any overdue principal and interest, if any, at the rate per annum borne by the Notes at such time, plus one percent, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 7.06. If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

In the event there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Notes under Title 11 of the United States Code, or any other applicable law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Company or such other obligor, the property of the Company or such other obligor, or in the event of any other judicial proceedings relative to the Company or such other obligor upon the Notes, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 6.04, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and accrued and unpaid interest, if any, in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents and to take such other actions as it may deem necessary or advisable in order to have the claims of the Trustee (including any claim for the properly incurred compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceedings relative to the Company or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of any amounts due to the Trustee under Section 7.06; and any receiver, assignee or trustee in bankruptcy or

reorganization, liquidator, custodian or similar official is hereby authorized by each of the Holders to make such payments to the Trustee, as administrative expenses, and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for properly incurred compensation, expenses, advances and disbursements, including agents and counsel fees, and including any other amounts due to the Trustee under Section 7.06, incurred by it up to the date of such distribution. To the extent that such payment of properly incurred compensation, expenses, advances and disbursements out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, monies, securities and other property that the Holders of the Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting such Holder or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the properly incurred compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes.

In any proceedings brought by the Trustee (and in any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Notes, and it shall not be necessary to make any Holders of the Notes parties to any such proceedings.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of any waiver pursuant to Section 6.09 or any rescission and annulment pursuant to Section 6.02 or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Holders, and the Trustee shall, subject to any determination in such proceeding, be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Holders, and the Trustee shall continue as though no such proceeding had been instituted.

Section 6.05 *Application of Monies Collected by Trustee*. Any monies collected by the Trustee pursuant to this Article 6 with respect to the Notes shall be applied in the following order, at the date or dates fixed by the Trustee for the distribution of such monies, upon presentation of the several Notes, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First, to the payment of all amounts due the Trustee under Section 7.06 and due to the Paying Agents, Conversion Agents and Note Registrar, including all fees, indemnity costs and expenses pursuant to the Registrar, Paying, Transfer and Conversion Agency Appointment Letter dated May 21, 2014;

Second, in case the principal of the outstanding Notes shall not have become due and be unpaid, to the payment of interest on, and any cash due upon conversion of, the Notes in default in the order of the date due of the payments of such interest and cash due upon conversion, as the case may be, with interest (to the extent that such interest has been collected by the Trustee) upon such overdue payments at the rate per annum borne by the Notes at such time, such payments to be made ratably to the Persons entitled thereto;

Third, in case the principal of the outstanding Notes shall have become due, by declaration or otherwise, and be unpaid to the payment of the whole amount (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, the Tax Redemption Price and any cash in lieu of fractional ADSs due upon conversion, if applicable) then owing and unpaid upon the Notes for principal and interest, if any, with interest on the overdue principal and, to the extent that such interest has been collected by the Trustee, upon overdue installments of interest at the rate per annum borne by the Notes at such time, plus one percent, and in case such monies shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, the Tax Redemption Price, if applicable and payments of cash for any fractional ADSs due upon conversion) and interest without preference or priority of principal over interest, or of interest over principal or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably to the aggregate of such principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, the Tax Redemption Price, if applicable and payments of cash for any fractional ADSs due upon conversion) and accrued and unpaid interest; and

Fourth, to the payment of the remainder, if any, to the Company.

Section 6.06 *Proceedings by Holders.* Subject to Article 7 of this Indenture, if an Event of Default occurs and is continuing, the Trustee shall be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to it against any loss, liability, tax, cost or expense. Except to enforce the right to receive payment of principal (including, if applicable, the Tax Redemption Price on the Tax Redemption Date, the 2017 Repurchase Price on the 2017 Repurchase Date or Fundamental Change Repurchase Price) or accrued and unpaid interest, if any, or the right to receive payment or delivery of the consideration due upon conversion, no Holder of any Note shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture, or for the appointment of a receiver, trustee, liquidator, custodian or other similar official, or for any other remedy hereunder, unless:

(a) such Holder previously shall have given to the Trustee written notice that an Event of Default is continuing, as herein provided;

(b) Holders of at least 25% of the aggregate principal amount of the Notes then outstanding shall have made written request upon the Trustee to pursue the remedy;

(c) such Holders shall have offered the Trustee such security or indemnity satisfactory to it against any loss, liability, tax, cost or expense to be incurred therein or thereby;

(d) the Trustee has not complied with such written request within 60 days after the receipt of the request and the offer of security or indemnity; and

(e) no direction that is inconsistent with such written request shall have been given to the Trustee by the Holders of a majority in aggregate principal amount of the Notes then outstanding within such 60-day period pursuant to Section 6.09, it being understood and intended, and being expressly covenanted by the taker and Holder of every Note with every other taker and Holder and the Trustee that no one or more Holders shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder, or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders (except as otherwise provided herein). For the protection and enforcement of this Section 6.06, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of this Indenture and any provision of any Note, the right of any Holder to receive payment or delivery, as the case may be, of (x) the principal including the Fundamental Change Repurchase Price, if applicable, and the 2017 Repurchase Price, if applicable and the Tax Redemption Price, if applicable of, (y) accrued and unpaid interest, if any, on, and (z) the consideration due upon conversion of, such Note, on or after the respective due dates expressed or provided for in such Note or in this Indenture, or to institute suit for the enforcement of any such payment or delivery, as the case may be, on or after such respective dates against the Company shall not be impaired or affected without the consent of such Holder.

Section 6.07 *Proceedings by Trustee.* In case of an Event of Default the Trustee may in its absolute discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as are necessary to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 6.08 *Remedies Cumulative and Continuing.* Except as provided in the last paragraph of Section 2.07, all powers and remedies given by this Article 6 to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any other powers and remedies available to the Trustee or the Holders of the Notes, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder of any of the Notes to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Default or Event of Default or any acquiescence therein; and, subject to the provisions of Section 6.06, every power and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 6.09 *Direction of Proceedings and Waiver of Defaults by Majority of Holders.* The Holders of a majority of the aggregate principal amount of the Notes then outstanding determined in accordance with Section 8.04 shall have the right to

direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee with respect to Notes; *provided, however*, that the Trustee may refuse to follow any direction that (i) conflicts with law or with this Indenture, or (ii) that the Trustee determines unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under this Indenture, the Trustee shall be entitled to indemnification satisfactory to the Trustee against all loses, liabilities, taxes, costs and expenses caused by taking or not taking such action and the obligations of the Company under this Section 6.09 to indemnify the Trustee shall survive the satisfaction and discharge of the Notes, the termination of this Indenture and the resignation or removal of the Trustee. If an Event of Default has occurred and is continuing, the Trustee shall be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Holders of a majority of the aggregate principal amount of the Notes then outstanding determined in accordance with Section 8.04 may waive all past Defaults or Event of Default (except with respect to (i) nonpayment of principal of, or interest on, including Additional Interest, if any, any Note or in the payment of amounts due upon required purchase in connection with a Fundamental Change, on the 2017 Repurchase Date or upon redemption; (ii) the Company's failure to comply with its obligation to convert the Notes in accordance with this Indenture upon exercise of a Holder's conversion right; or (iii) any provision under this Indenture that cannot be modified or amended without the consent of the Holders of each outstanding Note affected) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the uncured nonpayment of the principal of and interest on the Notes or failure to deliver amounts due upon conversion that have become due solely by such declaration of acceleration, have been cured or waived. Upon any such waiver the Company, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other Default or a Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 6.09, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.10 *Notice of Defaults.* The Trustee shall, within 90 days after the occurrence and continuance of a Default of which it is notified in writing, mail to all Holders as the names and addresses of such Holders appear upon the Note Register, notice of all Defaults of which it is notified in writing, unless such Defaults shall have been cured or waived before the giving of such notice.

Section 6.11 *Undertaking to Pay Costs.* All parties to this Indenture agree, and each Holder of any Note by its acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided* that the provisions of this Section 6.11 (to the extent permitted by law) shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of

Holders, holding in the aggregate more than 10% in principal amount of the Notes at the time outstanding determined in accordance with Section 8.04, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or accrued and unpaid interest, if any, on any Note (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) on or after the due date expressed or provided for in such Note or to any suit for the enforcement of the right to convert any Note in accordance with the provisions of Article 14.

ARTICLE 7
CONCERNING THE TRUSTEE

Section 7.01 *Duties and Responsibilities of Trustee.* The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred that has not been cured or waived the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs and shall be entitled to require all agents (including the Paying Agent, Conversion Agent and Transfer Agent) to act under its direction following a potential Event of Default or an Event of Default; *provided* that, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory in its sole discretion to it against any loss, liability, tax, cost or expense that might be incurred by it in compliance with such request or direction. The Trustee shall be held harmless and have no liability for actions taken at the direction of the requisite Holders.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own gross negligence, bad faith or wilful misconduct, except that:

(a) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of gross negligence, bad faith and willful misconduct on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions that by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of any mathematical calculations or other facts stated therein);

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless it shall be proved that the Trustee was fraudulent, grossly negligent or engaged in wilful misconduct in ascertaining the pertinent facts;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority of the aggregate principal amount of the Notes at the time outstanding determined as provided in Section 8.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(d) whether or not therein provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Section;

(e) the Trustee shall not be liable in respect of any payment (as to the correctness of amount, entitlement to receive or any other matters relating to payment) or notice effected by the Company or any Paying Agent or any records maintained by any co-Note Registrar with respect to the Notes;

(f) if any party fails to deliver a notice relating to an event the fact of which, pursuant to this Indenture, requires notice to be sent to the Trustee, the Trustee may conclusively rely on its failure to receive such notice as reason to act as if no such event occurred;

(g) in the absence of a written agreement executed by the Company and the Trustee and written investment direction from the Company pursuant thereto, all cash received by the Trustee shall be placed in a non-interest bearing trust account, and in no event shall the Trustee be liable for interest thereon, or the selection of investments or for investment losses incurred thereon or for losses incurred as a result of the liquidation of any such investment prior to its maturity date or the failure of the party directing such investments prior to its maturity date or the failure of the party directing such investment to provide timely written investment direction, and the Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of such written investment direction from the Company; and

(h) in the event that the Trustee or an affiliate is also acting as Custodian, Note Registrar, Paying Agent, Conversion Agent or transfer agent hereunder, the rights and protections afforded to the Trustee pursuant to this Article 7 (including indemnity) shall also be afforded to such Custodian, Note Registrar, Paying Agent, Conversion Agent or transfer agent.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 7.02 *Reliance on Documents, Opinions, Etc.* Except as otherwise provided in Section 7.01:

(a) the Trustee shall be entitled to assume without enquiry, that the Company has performed in accordance with all provisions in this Indenture unless notified to the contrary;

(b) the Trustee may conclusively rely and shall be fully protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, Note, coupon or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties;

(c) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(d) the Trustee may consult with counsel and require an Opinion of Counsel and any advice of such counsel or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(e) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its absolute discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the expense of the Company and shall incur no liability of any kind by reason of such inquiry or investigation;

(f) the Trustee may execute any of the trusts or powers hereunder or perform or delegate any duties hereunder either directly or by or through agents, custodians, nominees or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, custodian, nominee or attorney appointed by it with due care hereunder; and

(g) the permissive rights of the Trustee enumerated herein shall not be construed as duties.

In no event shall the Trustee be liable for any special, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. The Trustee shall not be charged with knowledge of any Default or Event of Default (other than a Default in the payment of principal of (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable), or accrued and unpaid interest on, any of the Notes) unless a Responsible Officer of the Trustee has received written notice thereof in the manner provided in this Indenture, which notice references the Notes and the Indenture.

Section 7.03 *No Responsibility for Recitals, Etc.* The recitals contained herein and in the Notes (except in the Trustee's certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or

sufficiency of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of any Notes or the proceeds of any Notes authenticated and delivered by the Trustee in conformity with the provisions of this Indenture.

Section 7.04 *Individual Rights or the Trustee, Paying Agents, Conversion Agents or Note Registrar.* The Trustee, any Paying Agent, any Conversion Agent or Note Registrar, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise engage in other transactions with the Company including normal banking and trustee relationships, *provided*, however, that if the Trustee, Paying Agent, Conversion Agent or Note Registrar becomes aware that it has acquired any conflicting interest, it must eliminate such conflict or resign. Nothing herein shall obligate the Trustee, the Conversion Agent, the Notes Registrar or the Paying Agent to account for any profits earned from any business or transactional relationship. The Trustee may have interest in or may be providing or may in the future provide financial or other services to other parties. The Conversion Agent, Paying Agent and the Notes Registrar may do the same with like rights.

Section 7.05 *Monies and ADSs to Be Held in Trust.* All monies and ADSs received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Money and ADSs held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money or ADSs received by it hereunder except as may be agreed from time to time by the Company and the Trustee.

Section 7.06 *Compensation and Expenses of Trustee, Payment Agents, Conversion Agents and Note Registrar.* The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, properly incurred compensation for all services rendered by it hereunder in any capacity (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) as mutually agreed to in writing between and executed by the Trustee and the Company, and the Company will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances properly incurred or made by the Trustee in accordance with any of the provisions of this Indenture in any capacity thereunder (including the properly incurred compensation and the expenses and disbursements of its agents and counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as shall have been caused by its gross negligence, willful misconduct or bad faith. Any payment by the Company to the Trustee shall be made by wire transfer in immediately available funds. The Company also covenants to indemnify the Trustee (which for purposes of this Section 7.06 shall be deemed to include its directors, officers, employees and agents) in any capacity under this Indenture and any other document or transaction entered into in connection herewith and its agents and any authenticating agent for, and to hold them harmless against, any loss, claim (provided that the Company need not pay for settlement of any such claim made without its consent, which consent shall not be unreasonably withheld), damage, liability or expense incurred without gross negligence, willful misconduct or bad faith on the part of the Trustee, its officers, directors, agents or employees, or such agent or authenticating agent, as the case may be, and arising out of or in connection with the acceptance or administration of this trust or in any other capacity hereunder, including the costs and expenses of defending themselves against any claim of liability in the premises. The obligations of the Company under this Section 7.06 to compensate or indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall be

secured by a senior claim to which the Notes are hereby made subordinate on all money or property held or collected by the Trustee, except, subject to the effect of Section 6.05, funds held in trust herewith for the benefit of the Holders of particular Notes. The Trustee's right to receive payment of any amounts due under this Section 7.06 shall not be subordinate to any other liability or indebtedness of the Company. The obligation of the Company under this Section 7.06 shall survive the satisfaction and discharge of this Indenture and the earlier resignation or removal or the Trustee. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. The indemnification provided in this Section 7.06 shall extend to the officers, directors, agents and employees of the Trustee.

Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee and its agents and any authenticating agent incur expenses or render services after an Event of Default specified in Section 6.01(i) or Section 6.01(j) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws.

Section 7.07 *Officers' Certificate as Evidence.* Except as otherwise provided in Section 7.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of gross negligence, willful misconduct, recklessness and bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate and/or an Opinion of Counsel delivered to the Trustee, and such Officers' Certificate and/or Opinion of Counsel, in the absence of gross negligence, willful misconduct, recklessness and bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

Section 7.08 *Eligibility of Trustee.* There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least US$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 7.09 *Resignation or Removal of Trustee.* (a) The Trustee may at any time resign by giving written notice of such resignation to the Company and by mailing notice thereof to the Holders at their addresses as they shall appear on the Note Register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 60 days after the mailing of such notice of resignation to the Holders, the resigning Trustee may, upon ten Business Days' notice to the Company and the Holders, petition any court of competent jurisdiction for the appointment of a successor trustee, or any Holder who has been a bona fide holder of a Note or Notes for at least six months may, subject to the provisions of Section 6.11, on behalf of himself and all others

similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.08 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(ii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in either case, the Company may by a Board Resolution remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 6.11, any Holder who has been a bona fide holder of a Note or Notes for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Notes at the time outstanding, as determined in accordance with Section 8.04, may at any time remove the Trustee and nominate a successor trustee that shall be deemed appointed as successor trustee unless within ten days after notice to the Company of such nomination the Company objects thereto, in which case the Trustee so removed or any Holder, upon the terms and conditions and otherwise as in Section 7.09(a) provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 7.09 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 7.10.

Section 7.10 *Acceptance by Successor Trustee.* Any successor trustee appointed as provided in Section 7.09 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due to it pursuant to the provisions of Section 7.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a senior claim to which the Notes are hereby made subordinate on all money or

property held or collected by such trustee as such, except for funds held in trust for the benefit of Holders of particular Notes, to secure any amounts then due it pursuant to the provisions of Section 7.06.

No successor trustee shall accept appointment as provided in this Section 7.10 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 7.08.

Upon acceptance of appointment by a successor trustee as provided in this Section 7.10, each of the Company and the successor trustee, at the written direction and at the expense of the Company shall mail or cause to be mailed notice of the succession of such trustee hereunder to the Holders at their addresses as they shall appear on the Note Register. If the Company fails to mail such notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

Section 7.11 *Succession by Merger, Etc.* Any corporation or other entity into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or other entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee (including the administration of this Indenture), shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto; *provided* that, in the case of any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee such corporation or other entity shall be eligible under the provisions of Section 7.08.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee or authenticating agent appointed by such predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee or an authenticating agent appointed by such successor trustee may authenticate such Notes either in the name of any predecessor trustee hereunder or in the name of the successor trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have; *provided, however*, that the right to adopt the certificate of authentication of any predecessor trustee or to authenticate Notes in the name of any predecessor trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 7.12 *Trustee's Application for Instructions from the Company.* Any application by the Trustee for written instructions from the Company (other than with regard to any action proposed to be taken or omitted to be taken by the Trustee that affects the rights of the Holders of the Notes under this Indenture) may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the date any officer that the Company has indicated to the Trustee should receive such application actually receives such application, unless any such officer shall have consented in

writing to any earlier date), unless, prior to taking any such action (or the effective date in the case of any omission), the Trustee shall have received written instructions in accordance with this Indenture in response to such application specifying the action to be taken or omitted.

ARTICLE 8
CONCERNING THE HOLDERS

Section 8.01 *Action by Holders.* Whenever in this Indenture it is provided that the Holders of a specified percentage of the aggregate principal amount of the Notes may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Holders in person or by agent or proxy appointed in writing, or (b) by the record of the Holders voting in favor thereof at any meeting of Holders duly called and held in accordance with the provisions of Article 9, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders, or (d) pursuant to Applicable Procedures of the Depositary. Whenever the Company or the Trustee solicits the taking of any action by the Holders of the Notes, the Company or the Trustee may fix, but shall not be required to, in advance of such solicitation, a date as the record date for determining Holders entitled to take such action. The record date if one is selected shall be not more than fifteen days prior to the date of commencement of solicitation of such action.

Section 8.02 *Proof of Execution by Holders.* Subject to the provisions of Section 7.01, Section 7.02 and Section 9.05, proof of the execution of any instrument by a Holder or its agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or the Depositary or in such manner as shall be satisfactory to the Trustee. The holding of Notes shall be proved by the Note Register or by a certificate of the Note Registrar. The record of any Holders' meeting shall be proved in the manner provided in Section 9.06.

Section 8.03 *Who Are Deemed Absolute Owners.* The Company, the Trustee, any authenticating agent, any Paying Agent, any Conversion Agent and any Note Registrar may deem the Person in whose name a Note shall be registered upon the Note Register to be, and may treat it as, the absolute owner of such Note (whether or not such Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by any Person other than the Company or any Note Registrar) for the purpose of receiving payment of or on account of the principal of and (subject to Section 2.03) accrued and unpaid interest on such Note, for conversion of such Note and for all other purposes; and neither the Company nor the Trustee nor any Paying Agent nor any Conversion Agent nor any Note Registrar shall be affected by any notice to the contrary. All such payments or deliveries so made to any Holder for the time being, or upon its order, shall be valid, and, to the extent of the sums or ADSs so paid or delivered, effectual to satisfy and discharge the liability for monies payable or ADSs deliverable upon any such Note. Notwithstanding anything to the contrary in this Indenture or the Notes following an Event of Default, any Holder of a beneficial interest in a Global Note may directly enforce against the Company, without the consent, solicitation, proxy, authorization or any other action of the Depositary or any other Person, such Holder's right to exchange such beneficial interest for a Physical Note in accordance with the provisions of this Indenture.

Section 8.04 *Company-Owned Notes Disregarded.* In determining

whether the Holders of the requisite aggregate principal amount of Notes have concurred in any direction, consent, waiver or other action under this Indenture, Notes that are owned by the Company or by any Affiliate of the Company shall be disregarded and deemed not to be outstanding for the purpose of any such determination; *provided* that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent, waiver or other action only Notes that a Responsible Officer knows are so owned shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as outstanding for the purposes of this Section 8.04 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to so act with respect to such Notes and that the pledgee is not the Company or an Affiliate of the Company. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Notes, if any, known by the Company to be owned or held by or for the account of any of the above described Persons; and, subject to Section 7.01, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Notes not listed therein are outstanding for the purpose of any such determination.

Section 8.05 *Revocation of Consents; Future Holders Bound.* At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the Holders of the percentage of the aggregate principal amount of the Notes specified in this Indenture in connection with such action, any Holder of a Note that is shown by the evidence to be included in the Notes the Holders of which have consented to such action may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Note. Except as aforesaid, any such action taken by the Holder of any Note shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note and of any Notes issued in exchange or substitution therefor or upon registration of transfer thereof, irrespective of whether any notation in regard thereto is made upon such Note or any Note issued in exchange or substitution therefor or upon registration of transfer thereof.

ARTICLE 9
HOLDERS' MEETINGS

Section 9.01 *Purpose of Meetings.* A meeting of Holders may be called at any time and from time to time pursuant to the provisions of this Article 9 for any of the following purposes:

(a) to give any notice to the Company or to the Trustee or to give any directions to the Trustee permitted under this Indenture, or to consent to the waiving of any Default or Event of Default hereunder and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article 6;

(b) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article 7;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 10.02; or

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Notes under any other provision of this Indenture or under applicable law.

Section 9.02 *Call of Meetings by Trustee.* The Trustee may at any time call a meeting of Holders to take any action specified in Section 9.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting and the establishment of any record date pursuant to Section 8.01, shall be mailed to Holders of such Notes at their addresses as they shall appear on the Note Register. Such notice shall also be mailed to the Company. Such notices shall be mailed not less than twenty nor more than ninety days prior to the date fixed for the meeting.

Any meeting of Holders shall be valid without notice if the Holders of all Notes then outstanding are present in person or by proxy or if notice is waived before or after the meeting by the Holders of all Notes then outstanding, and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

Section 9.03 *Call of Meetings by Company or Holders.* In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% of the aggregate principal amount of the Notes then outstanding, shall have requested the Trustee to call a meeting of Holders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or such Holders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 9.01, by mailing notice thereof as provided in Section 9.02.

Section 9.04 *Qualifications for Voting.* To be entitled to vote at any meeting of Holders a Person shall (a) be a Holder of one or more Notes on the record date pertaining to such meeting or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more Notes on the record date pertaining to such meeting. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 9.05 *Regulations.* Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders, in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 9.03, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Notes represented at the meeting and entitled to vote at the meeting.

Subject to the provisions of Section 8.04, at any meeting of Holders each Holder or proxyholder shall be entitled to one vote for each US$1,000 principal amount of Notes held or represented by him; *provided, however*, that no vote shall be cast or counted at any meeting in respect of any Note challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Notes held by it or instruments in writing as aforesaid duly designating it as the proxy to vote on behalf of other Holders. Any meeting of Holders duly called pursuant to the provisions of Section 9.02 or Section 9.03 may be adjourned from time to time by the Holders of a majority of the aggregate principal amount of Notes represented at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Section 9.06 *Voting.* The vote upon any resolution submitted to any meeting of Holders shall be by written ballot on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the outstanding aggregate principal amount of the Notes held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 9.02. The record shall show the aggregate principal amount of the Notes voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.07 *No Delay of Rights by Meeting.* Nothing contained in this Article 9 shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Notes.

ARTICLE 10
SUPPLEMENTAL INDENTURES

Section 10.01 *Supplemental Indentures Without Consent of Holders*. Without the consent of any Holder, the Company and the Trustee, at the Company's expense, may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) (i) cure any ambiguity, manifest error or defect or (ii) cure any omission or inconsistency in this Indenture;

(b) to provide for the assumption by a Continuing Entity of the obligations of the Company under this Indenture pursuant to Article 11;

(c) to add guarantees with respect to the Notes;

(d) to provide for a successor trustee in accordance with the terms of this Indenture or to otherwise comply with any requirement of this Indenture;

(e) to provide for the conversion of the Notes into Reference Property, to the extent that the Company (acting reasonably and in good faith) deems such amendment necessary or advisable in connection with the conversion of the Notes into Reference Property;

(f) to increase the Conversion Rate;

(g) to secure the Notes;

(h) to add to the covenants for the benefit of the Holders or surrender any right or power conferred upon the Company;

(i) to provide for the conversion of Notes in accordance with the terms of this Indenture; or

(j) to make any change that does not adversely affect the rights of any Holder in any material respect; provided, however, that any amendment to conform the provisions of this Indenture or the Notes to the "**Description of the Notes**" section in the Offering Memorandum, will be deemed not to be adverse to any Holder.

Upon the written request of the Company, the Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to, but may in its absolute discretion, enter into any supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 10.01 may be executed by the Company and the Trustee without the consent of the Holders of any of the Notes at the time outstanding, notwithstanding any of the provisions of Section 10.02.

Section 10.02 *Supplemental Indentures with Consent of Holders*. With the consent (evidenced as provided in Article 8) of the Holders of at least a majority of the aggregate principal amount of the Notes then outstanding (determined in accordance with Article 8 and including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), the Company and the Trustee, at the Company's expense, may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or any supplemental indenture or of modifying in any manner the rights of the Holders and, subject to certain exceptions, any past default or compliance with any provisions may be waived with the consent of the Holders of a majority of the aggregate principal amount of the Notes then outstanding, including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes. However, without the consent of each Holder of an outstanding Note affected, no such supplemental indenture shall:

(a) reduce the amount of Notes whose Holders must consent to an amendment of this Indenture;

(b) reduce the rate, or extend the stated time for payment, of interest, including any Additional Interest, on any Note;

(c) reduce the principal, or extend the Maturity Date, of any Note;

(d) make any change that adversely affects the conversion rights of any Notes;

(e) reduce the Fundamental Change Repurchase Price, the 2017 Repurchase Price or the Tax Redemption Price of any Note or amend or modify in any manner adverse to the Holders the Company's obligation to make such payments or provide notice thereof, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;

(f) change the place or currency of payment of principal or interest or any Additional Interest in respect of any Note;

(g) impair the right of any Holder to receive payment of principal of and interest, including any Additional Interest, on such Holder's Notes on or after the due dates therefor, or to institute suit for the enforcement of any payment on or with respect to such Holder's Notes;

(h) adversely affect the ranking of the Notes as the Company's senior unsecured indebtedness;

(i) change the obligation of the Company to pay Additional Amounts on any Note; or

(j) make any change in this Article 10 or in the waiver provisions in Section 6.02 or Section 6.09 which requires each Holder's consent.

Upon the written request of the Company, and upon the filing with the Trustee of evidence of the consent of Holders as aforesaid and subject to Section 10.05, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its absolute discretion, but shall not be obligated to, enter into such supplemental indenture.

Holders do not need under this Section 10.02 to approve the particular form of any proposed supplemental indenture. It shall be sufficient if such Holders approve the substance thereof. After any supplemental indenture becomes effective under Section 10.01 or this Section 10.02, the Company shall issue a notice to the Holders briefly describing such supplemental indenture. However, the failure to give such notice to all the Holders, or any defect in the notice, will not impair or affect the validity of the supplemental indenture. The Trustee is entitled to obtain and rely upon any Opinion of Counsel with respect to such supplemental indenture.

Section 10.03 *Effect of Supplemental Indentures.* Upon the execution of any supplemental indenture pursuant to the provisions of this Article 10, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of

the terms and conditions of this Indenture for any and all purposes.

Section 10.04 *Notation on Notes.* Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article 10 may, at the Company's expense, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may, at the Company's expense, be prepared and executed by the Company, authenticated by the Trustee (or an authenticating agent duly appointed by the Trustee pursuant to Section 17.11) and delivered in exchange for the Notes then outstanding, upon surrender of such Notes then outstanding.

Section 10.05 *Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee.* In addition to the documents required by Section 17.06, the Trustee shall receive an Officers' Certificate and an Opinion of Counsel each stating as conclusive evidence that, any supplemental indenture executed pursuant hereto complies with the requirements of this Article 10 and is permitted or authorized by this Indenture.

ARTICLE 11
CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 11.01 *Company May Consolidate, Etc. on Certain Terms*. Subject to the provisions of Section 11.02, the Company shall not consolidate with or merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to, another Person, unless:

(a) the resulting, surviving, transferee or successor Person (the "**Continuing Entity**"), if not the Company, shall be a corporation organized and existing under the laws of the Cayman Islands, the British Virgin Islands, Bermuda or Hong Kong, and the Continuing Entity (if not the Company) shall expressly assume, by supplemental indenture all of the obligations of the Company under the Notes and this Indenture (including, for the avoidance of doubt, the obligation to pay Additional Amounts pursuant to Section 4.07(a));

(b) immediately after giving effect to such transaction, no Default has occurred and is continuing under this Indenture; and

(c) if, upon the occurrence of any such consolidation, merger, sale, conveyance, transfer, lease or other disposal, the Notes would become convertible into or exchangeable for, pursuant to the terms of this Indenture, securities issued by an issuer other than the Continuing Entity, such other issuer shall fully and unconditionally guarantee on a senior basis the Continuing Entity's obligations under the Notes.

For purposes of this Section 11.01, the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of one or more Subsidiaries of the Company to another Person, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Company to another Person.

Section 11.02 *Successor Corporation to Be Substituted.* In case of any

such consolidation, merger, sale, conveyance, transfer or lease and upon the assumption by the Continuing Entity, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and accrued and unpaid interest on all of the Notes (including, for the avoidance of doubt, any Additional Amounts), the due and punctual delivery or payment, as the case may be, of any consideration due upon conversion of the Notes (including, for the avoidance of doubt, any Additional Amounts) and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company, such Continuing Entity (if not the Company) shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the party of the first part, except in the case of a lease of all or substantially all of the Company's properties and assets. If the predecessor is still in existence after the transaction, it will be released from its obligations and covenants under this Indenture and the Notes, except in the case of a lease of all or substantially all of the properties and assets of the Company. Such Continuing Entity thereupon may cause to be signed, and may issue either in its own name or in the name of the Company any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such Continuing Entity instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver, or cause to be authenticated and delivered, any Notes that previously shall have been signed and delivered by the Officers of the Company to the Trustee for authentication, and any Notes that such Continuing Entity thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Notes so issued shall in all respects have the same legal rank and benefit under this Indenture as the Notes theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Notes had been issued at the date of the execution hereof. In the event of any such consolidation, merger, sale, conveyance or transfer (but not in the case of a lease), upon compliance with this Article 11 the Person named as the "**Company**" in the first paragraph of this Indenture (or any successor that shall thereafter have become such in the manner prescribed in this Article 11) may be dissolved, wound up and liquidated at any time thereafter and, except in the case of a lease, such Person shall be released from its liabilities as obligor and maker of the Notes and from its obligations under this Indenture and the Notes.

In case of any such consolidation, merger, sale, conveyance, transfer or lease, such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

Section 11.03 *Opinion of Counsel to Be Given to Trustee.* No consolidation, merger, sale, conveyance, transfer or lease shall be effective unless the Trustee shall receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, conveyance, transfer or lease and any such assumption and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with the provisions of this Article 11.

ARTICLE 12
IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 12.01 *Indenture and Notes Solely Corporate Obligations.* No recourse for the payment of the principal of or accrued and unpaid interest on any Note, nor for any claim based thereon or otherwise in respect thereof, and no recourse under or upon

any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture or in any Note, nor because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, Officer or director or Subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Notes.

ARTICLE 13
INTENTIONALLY OMITTED

ARTICLE 14
CONVERSION OF NOTES

Section 14.01 *Conversion Privilege.* Subject to and upon compliance with the provisions of this Article 14, each Holder of a Note shall have the right, at such Holder's option, at any time prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, to convert all of any portion of their Notes at an initial conversion rate of 38.0431 ADSs per $1,000 principal amount of Notes (equivalent to an initial conversion price of approximately $26.29 per ADS) (subject to adjustment as provided in Section 14.04, the "**Conversion Rate**" and subject to the settlement provisions of Section 14.02, the "**Conversion Obligation**").

Section 14.02 *Conversion Procedure; Settlement Upon Conversion.*

(a) Upon conversion of any Note, the Company shall (i) deliver to the converting Holder a number of ADSs equal to the product of (x) the aggregate principal amount of Notes to be converted, divided by $1,000 and (y) the applicable Conversion Rate and (ii) make a cash payment to the converting Holder in lieu of any fractional ADS in accordance with subsection (k) of this Section 14.02 based on the Last Reported Sale Price of the ADSs on the relevant Conversion Date (or, if such Conversion Date is not on a Trading Day, the immediately preceding Trading Day).

(b) Subject to Section 14.02(e), before any Holder of a Note shall be entitled to convert a Note as set forth above, such Holder shall (i) in the case of a Global Note, comply with the Applicable Procedures for converting a beneficial interest in a Global Note and, if required, pay funds equal to interest payable on the corresponding Interest Payment Date to which the Holder is not entitled as set forth in Section 14.02(i) and, if required, pay all taxes or duties, if any, and provide an original signed notice of conversion with a medallion guaranty stamp on the back of the Note (a "**Notice of Conversion**") and other appropriate clearing agency message and effect book-entry transfer or deliver the Notes, together with necessary endorsements and (ii) in the case of Physical Notes (1) complete and manually sign the Notice of Conversion, or a facsimile of the Notice of Conversion; (2) deliver the original Notice of Conversion with a medallion guaranty stamp, which is irrevocable, and the Note to the Conversion Agent and state in writing therein the principal amount of Notes to be converted and the name or names (with addresses) in which such Holder wishes the certificate or certificates for any ADSs to be delivered upon settlement of the Conversion Obligation to be registered; (3) if required by the Conversion Agent, furnish appropriate endorsements and transfer documents; (4) if required, pay all transfer or similar taxes; and (5) if required, pay funds equal to interest payable on the next Interest Payment Date to which

the Holder is not entitled as set forth in Section 14.02(i). The Trustee (and, if different, the Conversion Agent), shall notify the Company of any conversion pursuant to this Article 14 on the Conversion Date for such conversion. If a Holder has already delivered a Fundamental Change Repurchase Right Notice or a 2017 Repurchase Notice, the Holder may not surrender that Note for conversion until the Holder has withdrawn the related repurchase notice in accordance with this Indenture. If the Company has designated a Tax Redemption Date, a Holder that complies with the requirements for conversion described in this Article 14 shall be deemed to have delivered a notice of its election to not have its Notes so redeemed.

If more than one Note shall be surrendered for conversion at one time by the same Holder, the Conversion Obligation with respect to such Notes shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof to the extent permitted thereby) so surrendered.

(c) A Note shall be deemed to have been converted immediately prior to the close of business on the date (the "**Conversion Date**") that the Holder has complied with the requirements set forth in subsection (b) above *provided* that such procedures must be complied with on or prior to 2:00 pm (New York time) on a Business Day in order for the conversion to be processed on the same day. The Company shall issue or cause to be issued, and deliver to such Holder, or such Holder's nominee or nominees, certificates or a book-entry transfer through the Depositary for the full number of ADSs to which such Holder shall be entitled in satisfaction of the Conversion Obligation.

(d) In case any Note shall be surrendered for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver to or upon the written order of the Holder of the Note so surrendered a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note, without payment of any service charge by the converting Holder but, if required by the Company or Trustee, with payment of a sum sufficient to cover any documentary, stamp or similar issue or transfer tax or similar governmental charge required by law or that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such conversion being different from the name of the Holder of the old Notes surrendered for such conversion ; *provided, however*, that if a Holder converts Notes and receives ADSs that constitute Restricted Securities, the Holder shall be required to pay the Depositary's fees associated with the removal of any restrictive legends required by Section 2.05 from any ADS issuable upon conversion and any assignment of an unrestricted CUSIP number to any ADS issuable upon conversion. The Depositary's fees for which such Holder would be responsible for as of the date of the Preliminary Offering Memorandum is 10 cents per ADS.

(e) If a Holder submits a Note for conversion, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of the ADSs upon conversion, unless the tax is due because the Holder requests such ADSs to be issued in a name other than the Holder's name, in which case the Holder shall pay that tax. The ADS Depositary may refuse to deliver the certificates representing the ADSs being issued in a name other than the Holder's name until the Trustee or Paying Agent, as the case may be, receives a sum sufficient to pay any tax that is due by such Holder in accordance with the immediately preceding sentence. The Company will pay the applicable fees and expenses of the Depository for the issuance of all ADSs deliverable upon conversion.

(f) The Company shall, and shall procure that the ADS Depositary shall, at all times maintain, for the benefit of the Holders, a number of ADSs available for distribution under a registration statement on Form F-6 equal to at least the maximum number of ADSs potentially required to satisfy conversion of the Notes from time to time as Notes are presented for conversion (with such maximum number of ADSs determined with the maximum number of additional ADSs added to the conversion rate).

(g) Except as provided in Section 14.04, no adjustment shall be made for dividends on any ADSs issued upon the conversion of any Note as provided in this Article 14.

(h) Upon the conversion of an interest in a Global Note, the Trustee, or the Custodian at the direction of the Trustee, shall make a notation on such Global Note as to the reduction in the principal amount represented thereby. The Company shall notify the Trustee in writing of any conversion of Notes effected through any Conversion Agent other than the Trustee.

(i) Upon conversion, a Holder shall not receive any separate cash payment for accrued and unpaid interest, if any, except as set forth below. The Company's delivery to Holders of the ADSs, together with any cash payment for any fractional ADS, into which a Note is convertible, shall be deemed to satisfy in full the Company's obligation to pay the principal amount of the Note and accrued and unpaid interest, if any, on the Note to, but not including, the Conversion Date. As a result, accrued and unpaid interest, if any, on the Note to, but not including, the Conversion Date shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. Notwithstanding the foregoing, if the Notes are converted after the close of business on any Regular Record Date and prior to the open of business on the immediately following Interest Payment Date, Holders of the Notes at the close of business on such Regular Record Date will receive the interest payable on such Notes on the corresponding Interest Payment Date notwithstanding the conversion. Notes surrendered for conversion during the period from the close of business on any Regular Record Date to the open of business on the immediately following Interest Payment Date must be accompanied by funds equal to the amount of interest payable on the Notes so converted; provided that no such payment shall be made (1) for Notes converted following the Regular Record Date immediately preceding the Maturity Date; (2) if the Company has specified a Fundamental Change Repurchase Date that is after a Regular Record Date and on or prior to the Business Day immediately following the corresponding Interest Payment Date; (3) if the 2017 Repurchase Date is after a Regular Record Date and on or prior to the Business Day immediately following the corresponding Interest Payment Date; (4) if the Company has specified a Tax Redemption Date that is after a Regular Record Date and on or prior to the Business Day immediately following the corresponding Interest Payment Date; or (5) to the extent of any Defaulted Amounts, if any Defaulted Amounts exist, including any overdue interest, at the time of conversion with respect to such Note. For the avoidance of doubt, all Holders of record on the Regular Record Date immediately preceding the Maturity Date, the 2017 Repurchase Date, any Fundamental Change Repurchase Date and any Tax Redemption Date described in this Section 14.02 shall receive the full payment of interest, if any, due on the Maturity Date or other applicable Interest Payment Date regardless of whether the Notes have been converted following such Regular Record Date.

(j) The Person in whose name the certificate for any ADSs delivered upon conversion is registered shall become the Holder of record of such ADSs as of the close of

business on the relevant Conversion Date. Upon a conversion of Notes, such Person shall no longer be a Holder of such Notes surrendered for conversion.

(k) The Company shall not deliver any fractional ADSs upon conversion of the Notes and shall instead pay cash in lieu of any fractional ADS issuable upon conversion based on the Last Reported Sale Price of the ADSs on the relevant Conversion Date or, if such Conversion Date is not on a Trading Day, the immediately preceding Trading Day.

Section 14.03 *Increased Conversion Rate Applicable to Certain Notes Surrendered in Connection with Make-Whole Fundamental Changes or Tax Redemption.* (a) If (i) a Make-Whole Fundamental Change occurs prior to the Maturity Date or (ii) the Company delivers a Tax Redemption Notice and in each case, a Holder elects to convert its Notes in connection with such Make-Whole Fundamental Change or such Tax Redemption, as the case may be, the Company shall, under the circumstances described below, increase the Conversion Rate for the Notes so surrendered for conversion by a number of additional ADSs (the "**Additional ADSs**"), as described below. A conversion of Notes shall be deemed for these purposes to be "**in connection with**" such Make-Whole Fundamental Change if the relevant Notice of Conversion is received by the Conversion Agent from, and including, the Effective Date of the Make-Whole Fundamental Change to, and including, the close of business on the Business Day immediately prior to the related Fundamental Change Repurchase Date (or, in the case of a Make-Whole Fundamental Change that would have been a Fundamental Change but for the *proviso* in clause (b) of the definition thereof, the 35th Business Day immediately following the Effective Date of such Make-Whole Fundamental Change). A conversion of Notes shall be deemed for these purposes to be "in connection with" a Tax Redemption if the relevant Notice of Conversion is received by the Conversion Agent from, and including, the date the Company delivers a Tax Redemption Notice to, and including, the Business Day immediately prior to the related Tax Redemption Date (or if the Company fails to pay the Tax Redemption Price (such later date on which the Company pays the Tax Redemption Price)).

(b) Upon surrender of Notes for conversion in connection with a Make-Whole Fundamental Change, the Company shall deliver ADSs, including the Additional ADSs, in accordance with Section 14.02; *provided, however*, that, if the consideration for the ADSs in any Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change the Reference Property following such Make-Whole Fundamental Change is comprised entirely of cash, for any conversion of Notes following the Effective Date of such Make-Whole Fundamental Change, the Conversion Obligation shall be calculated based solely on the ADS Price for the transaction and shall be deemed to be an amount of cash per US$1,000 principal amount of converted Notes equal to the Conversion Rate (including any adjustment as described in this Section 14.03), *multiplied by* such ADS Price. The Company shall notify the Holders of Notes, the Trustee, the Conversion Agent and the Paying Agent of the Effective Date of any Make-Whole Fundamental Change and issue a press release announcing such Effective Date no later than five Business Days after such Effective Date.

(c) The number of Additional ADSs, if any, by which the Conversion Rate shall be increased shall be determined by reference to the table below, based on (i) the date on which the Make-Whole Fundamental Change occurs or becomes effective or, in the case of a Tax Redemption, the Redemption Reference Date (in each case, the "**Effective Date**") and (ii) the price paid (or deemed to be paid) per ADS in the Make-Whole Fundamental Change or, in the case of a Tax Redemption, the average of the Last Reported Sale Prices of the

ADSs over the ten consecutive Trading Day period ending on, and including, the applicable Redemption Reference Date (in each case, the "**ADS Price**"). If the holders of ADSs receive only cash in a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the ADS Price shall be the cash amount paid per ADS. Otherwise, the ADS Price shall be the average of the Last Reported Sale Prices of the ADSs over the 10 Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date of the Make-Whole Fundamental Change. The Board of Directors shall make appropriate adjustments to the ADS Price, in its good faith determination, to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date of the event occurs, during such ten consecutive Trading-Day period.

(d) The ADS Prices set forth in the column headings of the table below shall be adjusted as of any date on which the Conversion Rate of the Notes is otherwise required to be adjusted. The adjusted ADS Prices shall equal the ADS Prices applicable immediately prior to such adjustment, *multiplied by* a fraction, the numerator of which is the Conversion Rate immediately prior to such adjustment giving rise to the ADS Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional ADSs set forth in the table below shall be adjusted in the same manner and at the same time as the Conversion Rate as set forth in Section 14.04.

(e) The following table sets forth the number of Additional ADSs by which the Conversion Rate shall be increased for a Make-Whole Fundamental Change having the ADS Price and Effective Date set forth below:

	ADS Price											
Effective Date	**$20.22**	**$22.00**	**$24.00**	**$26.29**	**$28.00**	**$30.00**	**$35.00**	**$40.00**	**$45.00**	**$55.00**	**$65.00**	**$80.00**
May 21, 2014	11.4128	9.6496	7.8641	6.2978	5.3700	4.4891	2.9443	1.9856	1.3628	0.6539	0.3026	0.0642
May 15, 2015	11.4128	9.7268	7.8026	6.1396	5.1691	4.2602	2.7048	1.7722	1.1850	0.5402	0.2341	0.0369
May 15, 2016	11.4128	9.6061	7.5111	5.7503	4.7499	3.8346	2.3264	1.4650	0.9437	0.3975	0.1534	0.0099
May 15, 2017	11.4128	8.5942	6.6388	4.9860	4.0462	3.1901	1.8068	1.0557	0.6304	0.2265	0.0669	0.0000
May 15, 2018	11.4128	8.1084	5.8343	3.9910	2.9978	2.1460	0.9376	0.4217	0.1982	0.0451	0.0002	0.0000
May 15, 2019	11.4128	7.4114	3.6236	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact ADS Prices and Effective Dates may not be set forth in the table above, in which case:

(i) if the ADS Price is between two ADS Prices in the table above or the Effective Date is between two Effective Dates in the table, the number of Additional ADSs shall be determined by a straight-line interpolation between the number of Additional ADSs set forth for the higher and lower ADS Prices and the earlier and later Effective Dates based on a 365-day year, as applicable;

(ii) if the ADS Price is greater than US$80.00 per share (subject to adjustment in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to subsection (d) above), no Additional ADSs shall be added to the Conversion Rate; and

(iii) if the ADS Price is less than US$20.22 per share (subject to adjustment

in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to subsection (d) above), no Additional ADSs shall be added to the Conversion Rate.

Notwithstanding the foregoing, in no event shall the Conversion Rate, as increased pursuant to this Section 14.03 by the number of Additional ADSs exceed 49.4559 ADSs per US$1,000 principal amount of Notes, subject to adjustment in the same manner as the Conversion Rate pursuant to Section 14.04.

(f) Nothing in this Section 14.03 shall prevent an adjustment to the Conversion Rate pursuant to Section 14.04 in respect of a Make-Whole Fundamental Change.

Section 14.04 *Adjustment of Conversion Rate.* If the number of Class A Common Shares represented by the ADSs is changed for any reason other than one or more of the events described in this Section 14.04, the Company shall make an appropriate adjustment to the Conversion Rate such that the number of Class A Common Shares represented by the ADSs deliverable upon conversion of any Notes is not affected by such change.

Notwithstanding the adjustment provisions described in this Section 14.04, if the Company distributes to all or substantially all holders of the Class A Common Shares any cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company (but excluding Expiring Rights) and, in lieu of a corresponding distribution to holders of the ADSs, the ADSs shall instead represent, in addition to Class A Common Shares, such cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company, then an adjustment to the Conversion Rate described in this Section 14.04 shall not be made unless and until a corresponding distribution (if any) is made to holders of the ADSs, and in which case such adjustment to the Conversion Rate shall be based on the distribution made to the holders of the ADSs and not on the distribution made to the holders of the Class A Common Shares. However, in the event that the Company issues or distributes to all or substantially all holders of the Class A Common Shares any Expiring Rights, notwithstanding the immediately preceding sentence, the Company shall adjust the Conversion Rate pursuant to Section 14.04(b) (in the case of Expiring Rights entitling holders of the Class A Common Shares for a period of not more than 60 calendar days after the announcement date of such issuance to subscribe for or purchase Class A Common Shares or ADSs) or Section 14.04(c) (in the case of all other Expiring Rights). "**Expiring Rights**" means any rights, options or warrants to purchase Class A Common Shares or ADSs that expire on or prior to the Maturity Date.

For the avoidance of doubt, if any event described in this Section 14.04(a) to Section 14.04(e) (inclusive) results in a change to the number of Class A Common Shares represented by the ADSs, then such a change shall be deemed to satisfy the Company's obligation to adjust the Conversion Rate on account of such event to the extent, but only to the extent, to which such change to the number of Class A Common Shares represented by the ADSs reflects the adjustment to the Conversion Rate that would otherwise have been required on account of such event.

Subject to the foregoing, the Conversion Rate shall be adjusted from time to time by the Company if any of the following events occurs, except that the Company shall not make any adjustments to the Conversion Rate if Holders of the Notes participate (other than in the

case of a share split or share combination), at the same time and upon the same terms as holders of the ADSs and solely as a result of holding the Notes, in any of the transactions described in this Section 14.04, without having to convert their Notes, as if they held a number of ADSs equal to the Conversion Rate in effect immediately prior to the effective time for such adjustment, multiplied by the principal amount (expressed in thousands) of Notes held by such Holder.

(a) If the Company exclusively issues Class A Common Shares as a dividend or distribution on all or substantially all of its Class A Common Shares, or if the Company effects a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution, or immediately prior to the open of business on the Adjustment Effective Date of such share split or combination, as applicable;

CR_1 = the Conversion Rate in effect immediately after the close of business on such Record Date or the open of business on such Adjustment Effective Date;

OS_0 = the number of Class A Common Shares outstanding immediately prior to the close of business on such Record Date or immediately prior to the open of business on such Adjustment Effective Date; and

OS_1 = the number of Class A Common Shares outstanding immediately after giving effect to such dividend, distribution, share split or share combination, as the case may be.

Any adjustment made under this Section 14.04(a) shall become effective immediately after the close of business on the Record Date for such dividend or distribution, or immediately after the open of business on the Adjustment Effective Date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this Section 14.04(a) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared or announced.

(b) If the Company issues to all or substantially all Holders of Class A Common Shares or ADSs any rights, options or warrants entitling them for a period of not more than 60 calendar days after the date of such issuance to subscribe for or purchase Class A Common Shares, at a price per Class A Common Share less than the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares represented by one ADS on each such Trading Day), or to subscribe for or purchase the ADSs, at a price per ADS less than the average of the Last Reported Sale Prices of the ADS, in each case, over the 10 consecutive Trading Day period ending on, and including, the

Trading Day immediately preceding the date of announcement of such issuance, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such issuance;

CR_1 = the Conversion Rate in effect immediately after the close of business on such Record Date;

OS_0 = the number of Class A Common Shares outstanding immediately prior to the close of business on such Record Date;

X = the total number of Class A Common Shares issuable (or represented by ADSs issuable) pursuant to such rights, options or warrants; and

Y = the number of Class A Common Shares equal to the aggregate price payable to exercise such rights, options or warrants, *divided by* the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS) over the 10 consecutive Trading-Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance.

Any increase made under this Section 14.04(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the Record Date for such issuance. To the extent that the Class A Common Shares or ADSs, as the case may be, are not delivered after the expiration of such rights, options or warrants, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of Class A Common Shares or ADSs, as the case may be, actually delivered. If such rights, options or warrants are not so issued, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect if such Record Date for such issuance had not occurred.

For purposes of this Section 14.04(b), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase Class A Common Shares at a price per Class A Common Shares less than such average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares represented by one ADS on each such Trading Day) or to subscribe for or purchase ADSs at a price per ADS less than such average of the Last Reported Sales Prices of ADSs, in such case, over the 10 consecutive Trading-Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, and in determining the aggregate offering price of such Class A Common Shares or ADSs, as the case may be, there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be reasonably determined by the Board of Directors or a committee thereof in

good faith.

(c) If the Company distributes shares of its Capital Stock, evidences of its indebtedness, other assets or property or rights, options or warrants to acquire its Capital Stock or other securities, to all or substantially all holders of the Class A Common Shares or ADSs, excluding (i) dividends, distributions, rights, options or warrants as to which an adjustment has been effected pursuant to Section 14.04(a) or Section 14.04(b), (ii) dividends or distributions paid exclusively in cash as to which an adjustment has been effected pursuant to Section 14.04(d), and (iii) Spin-Offs (as defined below) as to which the provisions set forth below in this Section 14.04(c) shall apply (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire Capital Stock or other securities of the Company, the "**Distributed Property**"), then the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such distribution;

CR_1 = the Conversion Rate in effect immediately after the close of business on such Record Date;

SP_0 = the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS on each such Trading Day) over the 10 consecutive Trading-Day period ending on, and including, the Trading Day immediately preceding the Ex- Dividend Date for such distribution; and

FMV = the fair market value (as reasonably determined by the Board of Directors or a committee thereof in good faith) of the Distributed Property with respect to each outstanding Class A Common Share or with respect to each Class A Common Share represented by the outstanding ADSs, as applicable, on the Ex-Dividend Date for such distribution.

Any increase made under the portion of this Section 14.04(c) above shall become effective immediately after the close of business on the Record Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the "**FMV**" (as defined above) of any distribution for purposes of this Section 14.04(c) by reference to the actual or when-issued trading market for any securities, in doing so it shall consider the prices in such market over the same period used in computing the Last Reported Sale Prices of the ADSs over the 10 consecutive Trading-Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution.

Notwithstanding the foregoing, if "**FMV**" (as defined above) is equal to or greater than "**SP_0**" (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, in respect of each US$1,000 principal amount thereof, at the same time and upon the same terms as holders of the ADSs receive the Distributed Property, the amount of Distributed Property such Holder would have received if such Holder owned a number of ADSs equal to the Conversion Rate in effect on the Record Date for the distribution.

With respect to an adjustment pursuant to this Section 14.04(c) where there has been a payment of a dividend or other distribution on the Class A Common Shares of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Company, where such Capital Stock or similar equity interest is listed or quoted (or will be listed or quoted upon the consummation of such dividend or other distribution) on a U.S. national securities exchange or a reasonably comparable non-U.S. equivalent (a "**Spin-Off**"), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such Spin-Off;

CR_1 = the Conversion Rate in effect immediately after the open of business on the Ex-Dividend Date for such Spin-Off;

FMV_0= the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of the Class A Common Shares applicable to one Class A Common Share (determined for purposes of the definition of Last Reported Sale Price as set forth in Section 1.01 as if such Capital Stock or similar equity interest were ADSs) for each Trading Day during the first 10 consecutive Trading-Day period beginning on, and including, the Effective Date of the Spin-Off (the "**Valuation Period**"); and

MP_0 = the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS on each such Trading Day) over the Valuation Period.

The increase to the Conversion Rate under the preceding paragraph shall be determined on the last Trading Day of the Valuation Period but will be given effect immediately after the open of business on the Ex-Dividend Date for the Spin-Off; *provided* that, in respect of any conversion during the Valuation Period, references in the portion of this Section 14.04(c) related to Spin-Offs to 10 Trading Days shall be deemed replaced with the greater of (i) such lesser number of Trading Days as have elapsed from, but excluding, the Ex-Dividend Date of such Spin-Off to, and including, the Conversion Date and (ii) one Trading Day, in determining the applicable Conversion Rate.

For purposes of this Section 14.04(c) (and subject in all respect to Section 14.11), rights, options or warrants distributed by the Company to all holders of its Class A Common

Shares entitling them to subscribe for or purchase shares of the Company's Capital Stock, including Class A Common Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events ("**Trigger Event**"): (i) are deemed to be transferred with such Class A Common Shares; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of Class A Common Shares, shall be deemed not to have been distributed for purposes of this Section 14.04(c) (and no adjustment to the Conversion Rate under this Section 14.04(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 14.04(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 14.04(c) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Conversion Rate shall be readjusted as if such rights, options or warrants had not been issued and (y) the Conversion Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per Common Share redemption or purchase price received by a holder or holders of Class A Common Shares with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Class A Common Shares as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 14.04(a), Section 14.04(b) and this Section 14.04(c), any dividend or distribution to which this Section 14.04(c) is applicable that also includes one or both of:

(A) a dividend or distribution of Class A Common Shares to which Section 14.04(a) is applicable (the "**Clause A Distribution**"); or

(B) a dividend or distribution of rights, options or warrants to which Section 14.04(b) is applicable (the "**Clause B Distribution**"),

then (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 14.04(c) is applicable (the "**Clause C Distribution**") and any adjustment to the Conversion Rate required by this Section 14.04(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any adjustment to the Conversion Rate required by Section 14.04(a) and Section 14.04(b) with respect thereto shall then be made,

except that, if determined by the Company (I) the "**Record Date**" of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Record Date of the Clause C Distribution and (II) any Class A Common Shares included in the Clause A Distribution or Clause B Distribution shall be deemed not to be "outstanding immediately prior to the close of business on such Record Date or immediately after the open of business on such Adjustment Effective Date, as applicable" within the meaning of Section 14.04(a) or "outstanding immediately prior to the close of business on such Record Date" within the meaning of Section 14.04 (b).

(d) If any cash dividend or distribution is made to all or substantially all holders of the Class A Common Shares, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution;

CR_1 = the Conversion Rate in effect immediately after the close of business on the Record Date for such dividend or distribution;

SP_0 = the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares represented by one ADS on such Trading Day) on the Trading Day immediately preceding the Ex- Dividend Date for such dividend or distribution; and

C = the amount in cash per Class A Common Share the Company distributes to holders of its Class A Common Shares or ADSs, as applicable.

Any increase made under this Section 14.04(d) shall become effective immediately after the close of business on the Record Date for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be decreased, effective as of the date the Board of Directors determines not to make or pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if "**C**" (as defined above) is equal to or greater than "**SP_0**" (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, for each US$1,000 principal amount of Notes, at the same time and upon the same terms as holders of ADSs, the amount of cash that such Holder would have received if such Holder owned a number of ADSs equal to the Conversion Rate on the Record Date for such cash dividend or distribution.

(e) If the Company or any of its Subsidiaries makes a payment in respect of a tender or exchange offer for the Class A Common Shares or ADSs, if the cash and value of any other consideration included in the payment per Class A Common Share or ADS exceeds the average of the Last Reported Sale Prices of the ADSs (*divided by*, in the case of Class A

Common Shares, the number of Class A Common Shares then represented by one ADS on such Trading Day) over the 10 consecutive Trading-Day period beginning on, and including, the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (the "**Expiration Date**"), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

Where,

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Expiration Date;

CR_1 = the Conversion Rate in effect immediately after the close of business on the Expiration Date;

AC = the aggregate value of all cash and any other consideration (as reasonably determined by the Board of Directors or a committee thereof in good faith) paid or payable for Class A Common Shares or ADSs purchased in such tender or exchange offer;

OS_0 = the number of Class A Common Shares outstanding immediately prior to the close of business on the Expiration Date (prior to giving effect to the purchase of all Class A Common Shares or ADSs accepted for purchase or exchange in such tender or exchange offer);

OS_1 = the number of Class A Common Shares outstanding immediately after the close of business on the Expiration Date (after giving effect to the purchase of all Class A Common Shares or ADSs accepted for purchase or exchange in such tender or exchange offer); and

SP_1 = the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS on each such Trading Day) over the 10 consecutive Trading-Day period commencing on, and including, the Trading Day next succeeding the Expiration Date (the "**Averaging Period**").

The adjustment to the Conversion Rate under this Section 14.04(e) shall be determined at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the Expiration Date but will be given effect immediately after the close of business on the Expiration Date; *provided* that, in respect of any conversion within the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the Expiration Date, references in this Section 14.04(e) with respect to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the Expiration Date of such tender or exchange offer to, and including, the Conversion Date in determining the Conversion Rate.

Without duplication of any of the foregoing adjustments, in the event of:

(1) any subdivision or split of the outstanding ADSs,

(2) any distribution of Additional ADSs to Holders of ADSs, or

(3) any combination of the outstanding ADSs into a smaller number of ADSs,

the Conversion Rate shall be adjusted as of the open of business on the Effective Date for any such subdivision or combination, or as of the open of business on the Ex-Dividend date for any such distribution, as the case may be, to be equal to the number of ADSs that a Holder of a number of ADSs equal to the Conversion Rate immediately prior to the Effective Date of any such subdivision or combination or the Ex-Dividend Date for such distribution, as the case may be, would hold immediately following such subdivision, distribution or combination.

(f) Except as stated herein, the Company shall not adjust the Conversion Rate for the issuance of Class A Common Shares or ADSs, any securities convertible into or exchangeable for Class A Common Shares or ADSs, or the right to purchase Class A Common Shares or ADSs or such convertible or exchangeable securities.

(g) In addition to those adjustments required by clauses (a), (b), (c), (d) and (e) of this Section 14.04, and to the extent permitted by law and subject to the applicable rules of The New York Stock Exchange or any other securities exchange on which any of the securities of the Company are then listed, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company's best interest. In addition, the Company may (but is not required to) increase the Conversion Rate to avoid or diminish income tax to holders of Class A Common Shares or ADSs or rights to purchase Class A Common Shares or ADSs in connection with a dividend or distribution of Class A Common Shares or ADSs (or rights to acquire Class A Common Shares or ADSs) or similar event. Whenever the Conversion Rate is increased pursuant to either of the preceding two sentences, the Company shall mail to the Holder of each Note at its last address appearing on the Note Register a notice of the increase at least 15 days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(h) Notwithstanding anything to the contrary in this Article 14, the Conversion Rate shall not be adjusted:

(i) upon the issuance of any Class A Common Shares or ADSs pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in Class A Common Shares or ADSs under any plan;

(ii) upon the issuance of any Class A Common Shares or ADSs or options or rights to purchase those Class A Common Shares or ADSs pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of the Company's Subsidiaries or the Company's consolidated affiliated entities;

(iii) upon the issuance of any Class A Common Shares or ADSs pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not

described in clause (ii) of this subsection and outstanding as of the date the Notes were first issued;

(iv) upon the issuance of any Class A Common Shares or ADSs not described in clauses (i), (ii) or (iii) above that is not a transaction of the type described in Section 14.04, regardless of the price at which such Class A Common Shares or ADSs are issued;

(v) upon the repurchase of any Class A Common Shares or ADSs pursuant to an open-market share repurchase program or other buy-back transaction that is not a tender offer or exchange offer of the type described in Section 14.04, including structured or derivative transactions;

(vi) a change solely in the par value of the Class A Common Shares; or

(vii) for accrued and unpaid interest, if any.

(i) Adjustments to the applicable Conversion Rate shall be calculated to the nearest 1/10,000th of an ADS. Notwithstanding anything to the contrary herein, the Company shall not be required to adjust the Conversion Rate unless such adjustment would require an increase or decrease of at least one percent; *provided, however*, that any such minor adjustments that are not required to be made shall be carried forward and taken into account in any subsequent adjustment, and *provided, further*, that any such adjustment of less than one percent that has not been made shall be made (i) on the effective date for any Make-Whole Fundamental Change, (ii) on any Conversion Date and (iii) on any Redemption Reference Date. In addition, the Company shall not account for such deferrals when determining what number of the ADSs a Holder would have held on a given day had it converted its Notes.

(j) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly notify the Trustee, the Conversion Agent and the Paying Agent of such adjustment to the Conversion Rate and file with the Trustee, the Conversion Agent and the Paying Agent an Officers' Certificate setting forth the Conversion Rate after such adjustment and a brief statement of the facts requiring such adjustment, and the Trustee, the Conversion Agent and the Paying Agent may conclusively rely on the accuracy of such adjustment to the Conversion Rate provided by the Company in such Officers' Certificate. Unless and until a Responsible Officer of the Trustee shall have received such Officers' Certificate, neither the Trustee, the Conversion Agent nor the Paying Agent shall be deemed to have knowledge of any such adjustment of the Conversion Rate and may assume without inquiry that the last Conversion Rate of which it has been notified by the Company is still in effect. Promptly after providing such notice and delivery of such Officers' Certificate to the Trustee, the Conversion Agent and the Paying Agent, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall mail within 5 Business Days of the date on which such adjustment of the Conversion Rate is made to each Holder at its last address appearing on the Note Register of this Indenture, provided that such notice shall not be required with regards to the adjustments to the Conversion Rate pursuant to Section 14.04(g). Failure by the Company to deliver such notice shall not affect the legality or validity of any such Conversion Rate adjustment.

(k) For purposes of this Section 14.04, the number of Class A Common Shares or ADSs at any time outstanding shall not include Class A Common Shares or ADSs held in the treasury of the Company so long as the Company does not pay any dividend or make any distribution on Class A Common Shares or ADSs held in the treasury of the Company, but shall include Class A Common Shares or ADSs issuable in respect of scrip certificates issued in lieu of fractions of Class A Common Shares or ADSs.

(l) Notwithstanding the foregoing, if (1) an adjustment to the Conversion Rate in respect of any dividend or distribution described in this Section 14.04 does not become effective prior to the Conversion Date for any Notes such that the relevant converting Holder receives, upon conversion, a number ADSs that does not reflect such adjustment to the Conversion Rate, and (2) the Record Date in respect of the ADSs due upon conversion for such dividend or distribution has occurred prior to the relevant Conversion Date, then, notwithstanding anything to contrary herein, the Company shall pay or deliver to the relevant converting Holder, at the same time and upon the same terms as holders of the ADSs, the dividend or distribution that such converting Holder would have received had it held, on such Record Date, a number of ADSs equal to the Conversion Rate, multiplied by the principal amount (expressed in thousands) of Notes converted by such Holder.

Section 14.05 *Adjustments of Prices.* Whenever any provision of this Indenture requires the Company to calculate the Last Reported Sale Prices or any functions thereof over a span of multiple days (including during the 10 Trading Day period used to determine the ADS Price for purposes of a Make-Whole Fundamental Change or the Redemption Reference Price for purposes of a conversion in connection with the Company's election to redeem the notes in respect of a Change in Tax Law), the Company shall make appropriate adjustments to each to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date, Effective Date or Expiration Date of the event occurs, at any time during the period when such Last Reported Sale Prices or ADS Prices are to be calculated.

Section 14.06 *Class A Common Shares to Be Fully Paid.* The Company shall provide, free from preemptive rights, out of its authorized but unissued Class A Common Shares or Class A Common Shares held in treasury, a sufficient number of Class A Common Shares that corresponds to the number of ADSs due upon conversion of the Notes from time to time as such Notes are presented for conversion (assuming that at the time of computation of such number of Class A Common Shares, all such Notes would be converted by a single Holder).

Section 14.07 *Effect of Recapitalizations, Reclassifications and Changes of the Class A Common Shares.*

(a) In the event of:

(i) any recapitalization, reclassification or change of the Class A Common Shares (other than changes resulting from a subdivision or combination or change in par value);

(ii) any consolidation, merger or combination involving the Company;

(iii) any sale, lease or other transfer to another third party of the consolidated assets of the Company and its Subsidiaries substantially as an entirety; or

(iv) any statutory share exchange,

in each case, as a result of which the ADSs would be converted into, or exchanged for, stock, other securities or other property or assets (including cash or any combination thereof) (any such event, a "**Merger Event**"), then, the Company or the Continuing Entity, as the case may be, and any other issuer of securities that will be included in the Reference Property (other than, for the avoidance of doubt, the Depositary for a depositary receipts program representing any such securities), shall execute with the Trustee a supplemental indenture providing that, at and after the effective time of such Merger Event, the right to convert each US$1,000 principal amount of Notes into a number of ADSs equal to the applicable Conversion Rate shall be changed into a right to convert such principal amount of Notes based on the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of ADSs equal to the Conversion Rate immediately prior to such Merger Event would have owned or been entitled to receive (the "**Reference Property**," with each "**unit of Reference Property**" meaning the kind and amount of Reference Property that a holder of one ADS is entitled to receive in such Merger Event) upon such Merger Event, *provided, however*, that at and after the effective time of the Merger Event (i) any ADSs otherwise deliverable upon conversion of the Notes in accordance with Section 14.02 shall instead be deliverable units of Reference Property; and (ii) the Last Reported Sale Prices shall be calculated based on the value of a unit of Reference Property.

If the Merger Event causes the ADSs to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), then (i) the composition of a unit of the Reference Property shall be deemed to be (A) the weighted average per ADS of the types and amounts of consideration received by the holders of the ADSs that affirmatively make such an election or (B) if no holders of ADSs affirmatively make such an election, the types and amounts of consideration actually received by the holders of the ADSs, and (ii) the unit of Reference Property for purposes of the immediately preceding paragraph shall refer to the consideration referred to in clause (i) attributable to one ADS. The Company shall notify Holders of such weighted average as soon as practicable after such determination is made.

Such supplemental indenture described in the second immediately preceding paragraph shall provide for adjustments that shall be as nearly equivalent as is possible to the adjustments provided for in this Article 14 (it being understood that no such adjustments shall be required with respect to any portion of the Reference Property that does not consist of shares of Common Equity (however evidenced) or depositary receipts in respect thereof). If, in the case of any Merger Event, the Reference Property includes shares of stock, securities or other property or assets (including cash or any combination thereof) of a Person other than the successor or purchasing corporation, as the case may be (other than, for the avoidance of doubt, the Depositary for a depositary receipts program representing any such securities), in such Merger Event, then such supplemental indenture shall also be executed by such other Person and provided that nothing in this Indenture shall prevent the Company from causing such supplemental indenture to contain additional provisions to protect the interests of the Holders of the Notes as the Board of Directors shall reasonably consider necessary by reason of the foregoing, including to the extent required by the Board of Directors and practicable the provisions providing for the purchase rights set forth in Article 15.

(b) In the event the Company shall execute a supplemental indenture pursuant to subsection (a) of this Section 14.07, the Company shall promptly file with the Trustee, the

Conversion Agent and the Paying Agent an Officers' Certificate briefly stating the reasons therefore, the kind or amount of cash, securities or property or asset that will comprise the Reference Property after any such Merger Event, any adjustment to be made with respect thereto and that all conditions precedent have been complied with. The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder, at its address appearing on the Note Register provided for in this Indenture, within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

(c) The Company shall not become a party to any Merger Event unless its terms are consistent with this Section 14.07. None of the foregoing provisions shall affect the right of a holder of Notes to convert its Notes into ADSs as set forth in Section 14.01 and Section 14.02 prior to the effective date of such Merger Event.

(d) The above provisions of this Section shall similarly apply to successive Merger Events.

Section 14.08 *Certain Covenants.* (a) The Company covenants that all ADSs issued upon conversion of Notes and all Class A Common Shares represented by such ADSs will be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

(b) The Company covenants that, if any ADSs to be provided for the purpose of conversion of Notes hereunder or any Class A Common Shares represented by such ADSs require registration with or approval of any governmental authority under any federal or state law before such ADSs may be validly issued upon conversion, the Company will, to the extent then permitted by the rules and interpretations of the Commission, secure such registration or approval, as the case may be.

(c) The Company further covenants that, if at any time the ADSs shall be listed on any securities exchange or automated quotation system, the Company will list and keep listed, so long as the ADSs shall be so listed on such exchange or automated quotation system, any ADSs issuable upon conversion of the Notes.

Section 14.09 *Responsibility of Trustee.* The Trustee, the Conversion Agent, the Paying Agent and any other Conversion Agent other than Citibank, N.A. shall not at any time be under any duty or responsibility to any Holder to perform calculations or to determine the Conversion Rate (or any adjustment thereto) or whether any facts exist that may require any adjustment (including any increase) of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. None of the Trustee, the Paying Agent nor the Conversion Agent shall be accountable with respect to the validity or value (or the kind or amount) of any ADSs, or of any securities or other property, that may at any time be issued or delivered upon the conversion of any Note; and the Trustee, the Paying Agent and the Conversion Agent make no representations with respect thereto in this Indenture. None of the Trustee, the Paying Agent nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any ADSs, or the Class A Common Shares represented thereby, or share certificates or other securities or property or cash upon the surrender of any Note for the purpose of conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Indenture. Without limiting the generality of the foregoing, none

of the Trustee, the Paying Agent nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 14.07 relating either to the kind or amount of ADSs or securities or property (including cash) receivable by Holders upon the conversion of their Notes after any event referred to in such Section 14.07 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.01, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) and Opinion of Counsel with respect thereto. None of the Trustee, the Paying Agent nor any Conversion Agent has any duty to determine how or when any adjustment described in Section 14.04 should be made. None of the Trustee, the Paying Agent nor any Conversion Agent shall be responsible for the failure of the Company to comply with this Indenture.

Section 14.10 *Notice to Holders Prior to Certain Actions.* In case of any:

(a) action by the Company or one of its Subsidiaries that would require an adjustment in the Conversion Rate pursuant to Section 14.04 or Section 14.11;

(b) Merger Event; or

(c) voluntary or involuntary dissolution, liquidation or winding-up of the Company or any of its Subsidiaries;

then, in each case (unless notice of such event is otherwise required pursuant to another provision of this Indenture), the Company shall cause to be filed with the Trustee and the Conversion Agent (if other than the Trustee) and to be mailed to each Holder at its address appearing on the Note Register, as promptly as possible but in any event at least 20 days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record is to be taken for the purpose of such action by the Company or one of its Subsidiaries or, if a record is not to be taken, the date as of which the holders of Class A Common Shares or ADSs, as the case may be, of record are to be determined for the purposes of such action by the Company or one of its Subsidiaries, or (ii) the date on which such Merger Event, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Class A Common Shares or ADSs, as the case may be, of record shall be entitled to exchange their Class A Common Shares or ADSs, as the case may be, for securities or other property deliverable upon such Merger Event, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such action by the Company or one of its Subsidiaries, Merger Event, dissolution, liquidation or winding-up.

Section 14.11 *Stockholder Rights Plans*. To the extent that the Company has a rights plan applicable to the ADSs in effect upon conversion of the Notes, on the applicable Conversion Date, the Holder of the Notes shall receive, in addition to any ADSs received in connection with such Conversion Date, the rights under the rights plan, unless prior to such Conversion Date, the rights have separated from the ADSs, in which case, and only in such case, the Conversion Rate shall be adjusted at the time of separation as if the Company distributed to all Holders of Class A Common Shares, Distributed Property as described in Section 14.04 (c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

Section 14.12 *Termination of Depositary Receipt Program.* If the Class A Common Shares cease to be represented by American Depositary Receipts issued under a depositary receipt program sponsored by the Company, all references in this Indenture to the ADSs related to the terms of the Notes shall be deemed to have been replaced by a reference to the number of Class A Common Shares represented by the ADSs on the last day on which the ADSs represented the Class A Common Shares (as adjusted, pursuant to the provisions set forth in this Section 14.12, for any other property the ADSs represented), as if the Class A Common Shares and the other property had been distributed to holders of the ADSs on that day.

ARTICLE 15
REPURCHASE OF NOTES AT OPTION OF HOLDERS

Section 15.01 *Repurchase at Option of Holders.* (a) On May 15, 2017 (the "**2017 Repurchase Date**"), the Holder of Notes shall have the right, at the Holder's option, to require the Company to repurchase all of their Notes, or any portion of the principal amount thereof that is equal to $1,000 principal amount or an integral multiple of $1,000 in excess thereof, at a price (the "**2017 Repurchase Price**") equal to 100% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, including any Additional Interest, to, but not including, the 2017 Repurchase Date, *provided* that, such 2017 Repurchase Date falls after a Regular Record Date and on or prior to the corresponding Interest Payment Date, in which case the Company shall pay the full amount of accrued and unpaid interest payable on such Interest Payment Date to the Holder of record as of the close of business on the corresponding Regular Record Date. Any Notes repurchased by the Company shall be paid for in cash.

(b) In connection with the repurchase of Notes on the 2017 Repurchase Date, the Company shall notify the Trustee, the Paying Agent and the Holders of Notes, not less than 20 Business Days prior to the 2017 Repurchase Date, of their right to require the Company to repurchase their Notes, the 2017 Repurchase Price, the last date on which a Holder may exercise the repurchase right, the name and address of the Paying Agent and the repurchase procedures that Holders must follow to require the Company to repurchase their Notes. At the Company's request, the Trustee shall give such Company Notice in the Company's name and at the Company's expense; *provided, however*, that, in all cases, the text of such Company Notice shall be prepared by the Company.

(c) Simultaneously with providing such notice, the Company shall publish a notice containing the foregoing information in a newspaper of general circulation in The City of New York or publish such information on the Company's website or through such other public medium as the Company may use at that time.

(d) To exercise this repurchase right, the Holder must deliver, on or before the Business Day immediately preceding the 2017 Repurchase Date, the Notes to be repurchased. If the Notes are held in global form, such delivery (and the related 2017 Repurchase Notice) must comply with all Applicable Procedures. Physical Notes must be duly endorsed for transfer, together with a written repurchase notice in the form entitled "**Form of 2017 Repurchase Notice**" on the reverse side of the Notes (the "**2017 Repurchase Notice**") duly completed, to the Paying Agent. Each 2017 Repurchase Notice shall state:

(1) if Physical Notes have been issued, the certificate numbers of the Notes to be delivered for repurchase;

(2) the portion of the principal amount of the Notes to be repurchased, which must be US$1,000 principal amount or an integral multiple of $1,000 in excess thereof; and

(3) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the 2017 Repurchase Notice contemplated by this Section 15.01 shall have the right to withdraw, in whole or in part, such 2017 Repurchase Notice at any time prior to the close of business on the duly completed Business Day immediately preceding the 2017 Repurchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 15.03.

The Paying Agent shall promptly notify the Company of the receipt by it of any 2017 Repurchase Notice or written notice of withdrawal thereof.

No 2017 Repurchase Notice with respect to any Notes may be delivered by a Holder thereof if such Holder has also delivered a Fundamental Change Repurchase Right Notice and not validly withdrawn such Fundamental Change Repurchase Right Notice in accordance with Section 15.03.

(e) Notwithstanding the foregoing, no Notes may be repurchased by the Company at the option of the Holders on the Repurchase Date if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such Repurchase Date (except in the case of an acceleration resulting from a Default by the Company in the payment of the 2017 Repurchase Price with respect to such Notes). The Paying Agent will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a Default by the Company in the payment of the 2017 Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depositary shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the 2017 Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 15.02 *Repurchase at Option of Holders Upon a Fundamental Change.* (a) If a Fundamental Change occurs at any time, each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes, or any portion thereof that is equal to US$1,000 or an integral multiple of US$1,000, on the date (the "**Fundamental Change Repurchase Date**") specified by the Company that is not less than 20 calendar days or more than 35 calendar days following the date of the Fundamental Change Company Notice at a repurchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon, including any Additional Interests to, but not including, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"), unless the Fundamental Change Repurchase Date falls after a Regular Record Date and on or prior to the Interest Payment Date to which such Regular Record Date relates to the Holder of record as of the close of business on the corresponding Regular Record Date and the Fundamental Change Repurchase Price shall be equal to 100% of the principal amount of Notes to be repurchased pursuant to this Article 15. Any Notes repurchased by the Company shall be paid for in cash.

(b) To exercise the Fundamental Change Repurchase Right, the Holder must deliver, on or before the Business Day immediately preceding the Fundamental Change Repurchase Date, the Notes to be repurchased. If the Notes are Global Notes, such delivery (and the related Fundamental Change Repurchase Right Notice) must comply with all Applicable Procedures. If the Notes are Physical Notes, such Notes must be duly endorsed for transfer, together with a written repurchase notice in the form entitled "Form of Fundamental Change Repurchase Right Notice" on the reverse side of the Notes (the "**Fundamental Change Repurchase Right Notice**") duly completed, to the Paying Agent. Each Fundamental Change Repurchase Right Notice shall state:

(i) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;

(ii) the portion of the principal amount of Notes to be repurchased, which must be US$1,000 principal amount or an integral multiple of $1,000 in excess thereof; and

(iii) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Fundamental Change Repurchase Right Notice contemplated by this Section 15.02 shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Right Notice at any time prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date by delivery of a duly completed written notice of withdrawal to the Paying Agent in accordance with Section 15.03.

The Paying Agent shall promptly notify the Company of the receipt by it of any Fundamental Change Repurchase Right Notice or written notice of withdrawal thereof.

No Fundamental Change Repurchase Notice with respect to any Notes may be delivered and no Note may be surrendered by a Holder for repurchase thereof if such Holder has also surrendered a 2017 Repurchase Notice in accordance with Section 15.01 and not validly withdrawn such 2017 Repurchase Notice in accordance with Section 15.03.

(c) On or before the 20th Business Day after the date on which the Fundamental Change occurs or becomes effective, the Company shall notify all Holders of the Notes and the Trustee and Paying Agent of the occurrence of the Fundamental Change and of the resulting repurchase right, if any. Such notice shall be by first class mail or, in the case of Global Notes, in accordance with the Applicable Procedures of the Depositary and state, among other things:

(i) the events causing the Fundamental Change and whether the Fundamental Change is also a Make-Whole Fundamental Change;

(ii) the date of the Fundamental Change;

(iii) the last date on which a Holder may exercise the repurchase right pursuant to this Article 15;

(iv) the Fundamental Change Repurchase Price;

(v) the Fundamental Change Repurchase Date;

(vi) the name and address of the Paying Agent and the Conversion Agent;

(vii) the applicable Conversion Rate and any adjustments to the applicable Conversion Rate, including any Additional ADSs;

(viii) that the Notes with respect to which a Fundamental Change Repurchase Right Notice has been delivered by a Holder may be converted only if the Holder withdraws the Fundamental Change Repurchase Right Notice in accordance with the terms of this Indenture; and

(ix) the procedures that Holders must follow to require the Company to repurchase their Notes.

(d) Simultaneously with providing such notice, the Company shall publish a notice containing this information in a newspaper of general circulation in The City of New York or publish the information on the Company's website or through such other public medium as the Company may use at that time.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.02.

At the Company's request, the Trustee shall give such notice in the Company's name and at the Company's expense; *provided, however*, that, in all cases, the text of such Company Notice shall be prepared by the Company.

(e) Notwithstanding the foregoing, no Notes may be repurchased by the Company on any date at the option of the Holders upon a Fundamental Change if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date. The Paying Agent will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes, or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depositary shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Fundamental Change Repurchase Right Notice with respect thereto shall be deemed to have been withdrawn.

Section 15.03 *Withdrawal of 2017 Repurchase Notice or Fundamental Change Repurchase Right Notice.* (a) Holders of the Notes may withdraw any Fundamental Change Repurchase Right Notice or the 2017 Repurchase Notice in whole or in part by a duly completed written notice of withdrawal delivered to the Paying Agent prior to the close of business on the Business Day prior to the Fundamental Change Repurchase Date or the 2017 Repurchase Date, as applicable. The notice of withdrawal shall state:

(i) the principal amount of the withdrawn Notes;

(ii) if Physical Notes have been issued, the certificate numbers of the withdrawn Notes, or if not certificated, the notice must comply with Applicable Procedures; and

(iii) the principal amount, if any, of such Note that remains subject to the

Fundamental Change Repurchase Right Notice or the 2017 Repurchase Date, as applicable.

Section 15.04 *Deposit of 2017 Repurchase Price or Fundamental Change Repurchase Price.* (a) The Company will deposit with the Trustee by wire transfer in immediately available funds (or other Paying Agent appointed by the Company, or if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 4.04) on or prior to 10:00 a.m., New York City time, on the Business Day immediately preceding the 2017 Repurchase Date or Fundamental Change Repurchase Date, as the case may be, an amount of money sufficient to repurchase all of the Notes to be repurchased at the appropriate 2017 Repurchase Price or Fundamental Change Repurchase Price. Any deposit by the Company with the Paying Agent shall be made by wire transfer in immediately available funds. Subject to receipt of funds and/or Notes by the Trustee (or other Paying Agent appointed by the Company), payment for Notes surrendered for repurchase (and not withdrawn in accordance with Article 15) will be made on the later of (i) the 2017 Repurchase Date or Fundamental Change Repurchase Date, as the case may be, with respect to such Note (provided that the Holder has satisfied the conditions in Section 15.01 or Section 15.02, as the case may be) and (ii) the time of book-entry transfer or the delivery of such Note to the Trustee (or other Paying Agent appointed by the Company) by the Holder thereof in the manner required by Section 15.01 or Section 15.02, as applicable, by mailing checks for the amount payable to the Holders of such Notes entitled thereto as they shall appear in the Note Register; provided, however, that payments to the Depositary shall be made by wire transfer of immediately available funds to the account of the Depositary or its nominee. The Trustee shall, promptly after such payment and upon written demand by the Company, return to the Company any funds in excess of the 2017 Repurchase Price or Fundamental Change Repurchase Price, as the case may be.

(b) If by 10:00 a.m. New York City time, on the Business Day immediately preceding the 2017 Repurchase Date or Fundamental Change Repurchase Date, as the case may be, the Trustee (or other Paying Agent appointed by the Company) holds money sufficient to make payment on all the Notes or portions thereof that are to be repurchased on such 2017 Repurchase Date or Fundamental Change Repurchase Date, as the case may be, then on such 2017 Repurchase Date or Fundamental Change Repurchase Date, as the case may be,

(i) the Notes will cease to be outstanding and interest (including Additional Interest), if any, will cease to accrue, whether or not book-entry transfer of the Notes is made or whether or not the Note is delivered to the Paying Agent; and

(ii) all other rights of the Holder will terminate other than the right to receive the Fundamental Change Repurchase Price or the 2017 Repurchase Price, as applicable, and previously accrued and unpaid interest (including any Additional Interest), if any, upon delivery or transfer of the Notes.

(c) Upon surrender of a Note that is to be repurchased in part pursuant to Section 15.01 or Section 15.02, the Company shall execute and the Trustee shall authenticate and deliver to the Holder a new Note in an authorized denomination equal in principal amount to the unrepurchased portion of the Note surrendered.

Section 15.05 *Covenant to Comply with Applicable Laws Upon Repurchase of Notes.* In connection with any repurchase of Notes on the Repurchase Date or

in connection with any repurchase offer pursuant to a Fundamental Change Repurchase Right Notice, the Company will:

(a) comply with the applicable provisions of Rule 13e-4, Rule 14e-1, if any, and any other tender offer rules under the Exchange Act that may then be applicable; and

(b) otherwise comply with all applicable federal and state securities laws,

in each case, so as to permit the rights and obligations under this Article 15 to be exercised in the time and in the manner specified in this Article 15.

ARTICLE 16
REDEMPTION

Section 16.01 *[Reserved]*

Section 16.02 *Redemption for Taxation Reasons*

The Company may, at its option, redeem the Notes, in whole but not in part, at a price (the "**Tax Redemption Price**") payable in cash and equal to (i) 100% of the principal amount of the Notes being redeemed, *plus* (ii) accrued and unpaid interest, if any, to, but excluding, the Tax Redemption Date, including for the avoidance of doubt any Additional Amounts with respect to such Tax Redemption Price, if the Company has, or on the next Interest Payment Date would, become obligated to pay to the Holders Additional Amounts (that are more than a *de minimis* amount) as a result of (1) any change or amendment on or after the date of the Offering Memorandum (or, in the case of a jurisdiction that becomes a Relevant Taxing Jurisdiction after such date, after such later date) in the laws or any rules or regulations of a Relevant Taxing Jurisdiction; or (2) any change on or after the date of the Offering Memorandum (or, in the case of a jurisdiction that becomes a Relevant Taxing Jurisdiction after such date, after such later date) in an interpretation, administration or application of such laws, rules or regulations by any legislative body, court, governmental agency, taxing authority or regulatory or administrative authority of such Relevant Taxing Jurisdiction (including the enactment of any legislation and the announcement or publication of any judicial decision or regulatory or administrative interpretation or determination) (each, a "**Change in Tax Law**" and such redemption, a "**Tax Redemption**"); *provided*, that the Company may only elect a Tax Redemption if (x) the Company cannot avoid these obligations by taking commercially reasonable measures available to it; (y) the Company delivers to the Trustee an Opinion of Counsel of recognized standing in the Relevant Taxing Jurisdiction and an Officer's Certificate attesting to such Change in Tax Law and obligation to pay Additional Amounts; and (z) the obligation to pay Additional Amounts is still in effect on the Tax Redemption Date (or, if the Company fails to pay the Tax Redemption Price on the Tax Redemption Date, such later date on which the Company pays the Tax Redemption Price); *provided* further that, if the Tax Redemption Date occurs after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the Company shall pay the full amount of accrued and unpaid interest, if any, due on such Interest Payment Date to the Holder of record of the Notes on the Regular Record Date corresponding to such Interest Payment Date, and, to the extent of such payment, the Tax Redemption Price will not include the amounts described in clause (ii) above.

At least 30 days but not more than 60 days prior to a Tax Redemption Date in connection with a Tax Redemption, the Company shall provide a notice of redemption to

each Holder of Notes to be redeemed (a "**Notice of Tax Redemption**"); provided that, as long as the Notes are held through the Depositary, such notice may be made by electronic transmission to the Depositary, as Holder.

The Notice of Tax Redemption shall specify the Notes to be redeemed and shall state:

(a) the Tax Redemption Date;

(b) the Tax Redemption Price;

(c) the name and address of the Paying Agent;

(d) that Holders have the right to elect not to have their Notes redeemed by delivery to the Paying Agent a Notice of Tax Redemption Election;

(e) that Holders who wish to elect not to have their Notes redeemed or to withdraw such an election must satisfy the requirements set forth herein and in the Indenture;

(f) that, at and after the Tax Redemption Date, Holders who elect not to have their Notes redeemed will not receive any Additional Amounts on any payments with respect to such Notes solely as a result of the Change in Tax Law that resulted in the obligation to pay such Additional Amounts (whether upon exchange, required repurchase in connection with a Fundamental Change, maturity or otherwise, and whether in each Class A Common Shares, Reference Property or otherwise) after the Tax Redemption Date (or, if the Company fails to pay the Tax Redemption Price, such later date on which the Company pays the Tax Redemption Price), and all future payments with respect to such Notes will be subject to the deduction or withholding of such Relevant Taxing Jurisdiction taxes required by law to be deducted or withheld as a result of such Change in Tax Law, provided that, notwithstanding the foregoing, if a Holder electing not to have its Notes redeemed converts its Notes in connection with such Tax Redemption, the Company shall be obligated to pay such Additional Amounts, if any, with respect to such conversion;

(g) that Notes offered to be redeemed must be surrendered to the Paying Agent for cancellation to collect the Tax Redemption Price;

(h) that, unless the Company defaults in making payment of such Tax Redemption Price, interest will cease to accrue with respect to redeemed Notes on and after the Tax Redemption Date; and

(i) the CUSIP number of the Notes.

Simultaneously with providing such Notice of Tax Redemption, the Company shall publish a notice containing this information in a newspaper of general circulation in the City of New York or publish the information on the Company's website or through such other public medium as the Company may use at that time. The Tax Redemption Date must be a Business Day.

At the Company's written request delivered at least 3 days prior to the date such Notice of Tax Redemption is to be given (unless a shorter period shall be acceptable to the Trustee), the Trustee shall give Notice of Tax Redemption, as prepared by the Company, to each Holder of Notes to be redeemed in the Company's name and at the Company's expense.

Upon receiving a Notice of Tax Redemption, each Holder shall have the right to elect to not have its Notes redeemed, in which case the Company will not be obligated to pay any Additional Amounts on any payment with respect to such Notes solely as a result of the Change in Tax Law that resulted in the obligation to pay such Additional Amounts (whether upon conversion, required repurchase in connection with a Fundamental Change or the 2017 Repurchase Date, maturity or otherwise, and whether in ADSs, Reference Property or otherwise) after the Tax Redemption Date (or, if the Company fails to pay the Tax Redemption Price on the Tax Redemption Date, such later date on which the Company pays the Tax Redemption Price), and all future payments with respect to the Notes will be subject to the deduction or withholding of such Relevant Taxing Jurisdiction and taxes required by law to be deducted or withheld as a result of such Change in Tax Law; *provided*, that notwithstanding the foregoing, if a Holder electing not to have its Notes redeemed converts its Notes in connection with such Holder's election to redeem the Notes in respect of such Change in Tax Law as described under this Article 16, the Company shall be obligated to pay Additional Amounts, if any, with respect to such conversion.

A Holder electing to not have its Notes redeemed must deliver to the Paying Agent a written notice of such election (the "**Notice of Tax Redemption Election**") substantially in the form of Exhibit D hereto, or any other form of written notice substantially similar to the Notice of Tax Redemption Election, in each case, duly completed and signed, so as to be received by the Paying Agent prior to the close of business on the Business Day immediately preceding the Tax Redemption Date; *provided* that, a Holder that complies with the requirements for conversion described under Section 14.02 shall be deemed to have delivered a notice of its election to not have its Notes so redeemed. A Holder may withdraw any Notice of Tax Redemption Election (other than such a deemed Notice of Tax Redemption Election) by delivering to the Paying Agent a written notice of withdrawal prior to the close of business on the Business Day immediately preceding the Tax Redemption Date (or, if the Company fails to pay the Tax Redemption Price on the Tax Redemption Date, such later date on which the Company pays the Tax Redemption Price). If no such election is made or deemed to have been made, the Holder will have its Notes redeemed without any further action.

No Notes may be redeemed if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date.

Section 16.03 *Effect of Notice of Tax Redemption*

The Notice of Tax Redemption having been given as provided in Section 16.02 hereof, the Notes to be redeemed shall, on the Tax Redemption Date, become due and payable at the Tax Redemption Price therein specified, and from and after such date (unless the Company shall Default in the payment of the Tax Redemption Price and any interest) such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with such notice, such Note shall be paid by the Company at the Tax Redemption Price.

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Tax Redemption Date.

Section 16.04 *Deposit and Payment of Tax Redemption Price*

Not later than 10:00 a.m. New York time on the Business Day prior to any Tax Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent an

amount of money in immediately available funds sufficient to pay the Tax Redemption Price and interest in respect of all the Notes to be redeemed on that Tax Redemption Date from the last Interest Payment Date to but not including the Tax Redemption Date, other than any Notes called for redemption on that date which have been converted prior to the date of such deposit, and accrued and unpaid interest on such Notes. The Trustee and Paying Agent shall then cause such funds to be paid to the Holders of the Notes being redeemed in accordance with this Article 16.

If any Note delivered for redemption shall not be so redeemed by payment to the Holders thereof on the Tax Redemption Date, the principal amount of such Note shall, until it is redeemed, bear interest on the Tax Redemption Date to but not including the actual date of redemption at the applicable interest rate, and each such Note shall remain convertible into ADSs pursuant to Article 14 until such Note shall have been so redeemed.

If any Note called for redemption is converted, any money deposited with the Trustee or with a Paying Agent or so segregated and held in trust for the redemption of such Note shall be paid to the Company upon request by the Company or, if then held by the Company, shall be discharged from such trust.

ARTICLE 17 MISCELLANEOUS PROVISIONS

Section 17.01 *Provisions Binding on Company's Successors.* All the covenants, stipulations, promises and agreements of the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 17.02 *Official Acts by Successor Corporation.* Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or Officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation or other entity that shall at the time be the lawful sole successor of the Company.

Section 17.03 *Addresses for Notices, Etc.* Any notice or demand that by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders on the Company shall be deemed to have been sufficiently given or made, for all purposes if given or served in writing, in the English language, signed and transmitted by facsimile or by being deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee) to TAL Education Group, 18th Floor Heshengjiaye Plaza, No.32 Zhongguancun Street, Haidian District, Beijing, China, Facsimile No. +86 10 5292 6669 ext. 8102, Attention Joseph Kauffman, CFO (email: joe@100tal.com), Jessie Zhang, Treasurer (email: zhangdi@100tal.com), and Conrad Yang, Board Secretary (email: yangqiang@100tal.com). Any notice, direction, request or demand hereunder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or served by facsimile or by being deposited postage prepaid by registered or certified mail in a post office letter box addressed to the Corporate Trust Office.

The Trustee, by notice to the Company, may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Holder shall be mailed to it by first class mail, postage prepaid, at its address as it appears on the Note Register or transmitted in

accordance with the Depositary's Applicable Procedures, and shall be sufficiently given to it if so mailed or otherwise transmitted within the time prescribed In the case of a Global Note, a notice shall be sufficiently given if transmitted by the Trustee to the Depositary for dispatch to Holders.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 17.04 *Governing Law.* THIS INDENTURE AND EACH NOTE, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS INDENTURE AND EACH NOTE, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 17.05 *Submission to Jurisdiction; Service of Process.* Each of the parties hereto hereby submits to the non-exclusive jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York in any suit or proceeding arising out of or relating to this Indenture or the Notes or any transaction contemplated hereby or thereby. Each of the parties hereto irrevocably and unconditionally waives any objection to the laying of venue of any suit or proceeding arising out of or relating to this Indenture or the Notes or any transaction contemplated hereby or thereby in federal and state courts in the Borough of Manhattan in the City of New York and irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such suit or proceeding in any such court has been brought in an inconvenient forum. The Company irrevocably appoints Law Debenture Corporate Services Inc. as its authorized agent in the Borough of Manhattan in the City of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to the Company by the person serving the same to TAL Education Group, 18th Floor Heshengjiaye Plaza, No.32 Zhongguancun Street, Haidian District, Beijing, China, Facsimile No. +86 10 5292 6669 ext. 8102, Attention Joseph Kauffman, CFO (email: joe@100tal.com), Jessie Zhang, Treasurer (email: zhangdi@100tal.com), and Conrad Yang, Board Secretary (email: yangqiang@100tal.com), shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company further agrees to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of six years from the date of this Indenture. If for any reason such agent shall cease to be such agent for service of process, the Company shall forthwith appoint a new agent of recognized standing for service of process in the State of New York and deliver to the Trustee a copy of the new agent's acceptance of that appointment within 30 days. Nothing herein shall affect the right of the Trustee, any agent or any Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company in any other court of competent jurisdiction.

Section 17.06 *Evidence of Compliance with Conditions Precedent; Certificates and Opinions of Counsel to Trustee.* Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture,

including Section 2.04, the Company shall, if requested by the Trustee, furnish to the Trustee an Officers' Certificate and/or an Opinion of Counsel, as the case may be, stating that such action is permitted by the terms of this Indenture.

Each Officers' Certificate and Opinion of Counsel provided for, by or on behalf of the Company in this Indenture and delivered to the Trustee with respect to compliance with this Indenture (other than the Officers' Certificates provided for in Section 4.09) shall include (a) a statement that the Person making such certificate is familiar with the requested action and this Indenture; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statement contained in such certificate is based; (c) a statement that, in the judgment of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed judgment as to whether or not such action is permitted by this Indenture; and (d) a statement as to whether or not, in the judgment of such Person, such action is permitted by this Indenture.

Notwithstanding anything to the contrary in this Section 17.06, if any provision in this Indenture specifically provides that the Trustee shall or may receive an Opinion of Counsel in connection with any action to be taken by the Trustee or the Company hereunder, the Trustee shall be entitled to, or entitled to request, such Opinion of Counsel.

Section 17.07 *Legal Holidays.* In any case where any Interest Payment Date, Fundamental Change Repurchase Date, Conversion Date, Repurchase Date, Tax Redemption Date or Maturity Date is not a Business Day, then any action to be taken on such date need not be taken on such date, but may be taken on the next succeeding Business Day with the same force and effect as if taken on such date, and no interest shall accrue in respect of the delay.

Section 17.08 *No Security Interest Created.* Nothing in this Indenture or in the Notes, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction.

Section 17.09 *Benefits of Indenture.* Nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the parties hereto, any Paying Agent, any Conversion Agent, any authenticating agent, any Note Registrar and their successors hereunder or the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 17.10 *Table of Contents, Headings, Etc.* The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 17.11 *Authenticating Agent.*

The Trustee may appoint an authenticating agent that shall be authorized to act on its behalf and subject to its direction in the authentication and delivery of Notes in connection with the original issuance thereof and transfers and exchanges of Notes hereunder, including under Section 2.04, Section 2.05, Section 2.06, Section 2.07, Section 2.08, Section 10.04 and Section 15.04 as fully to all intents and purposes as though the authenticating agent had been expressly authorized by this Indenture and those Sections to

authenticate and deliver Notes. For all purposes of this Indenture, the authentication and delivery of Notes by the authenticating agent shall be deemed to be authentication and delivery of such Notes "**by the Trustee**" and a certificate of authentication executed on behalf of the Trustee by an authenticating agent shall be deemed to satisfy any requirement hereunder or in the Notes for the Trustee's certificate of authentication. Such authenticating agent shall at all times be a Person eligible to serve as trustee hereunder pursuant to Section 7.08.

Any corporation or other entity into which any authenticating agent may be merged or converted or with which it may be consolidated, or any corporation or other entity resulting from any merger, consolidation or conversion to which any authenticating agent shall be a party, or any corporation or other entity succeeding to the corporate trust business of any authenticating agent, shall be the successor of the authenticating agent hereunder, if such successor corporation or other entity is otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the parties hereto or the authenticating agent or such successor corporation or other entity.

Any authenticating agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any authenticating agent by giving written notice of termination to such authenticating agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any authenticating agent shall cease to be eligible under this Section, the Trustee may appoint a successor authenticating agent (which may be the Trustee), shall give written notice of such appointment to the Company and shall mail notice of such appointment to all Holders as the names and addresses of such Holders appear on the Note Register.

The Company agrees to pay to the authenticating agent from time to time reasonable compensation for its services although the Company may terminate the authenticating agent, if it determines such agent's fees to be unreasonable.

The provisions of Section 7.02, Section 7.03, Section 7.04, Section 8.03 and this Section 17.11 shall be applicable to any authenticating agent.

If an authenticating agent is appointed pursuant to this Section, the Notes may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

,

as Authenticating Agent, certifies that this is one of the Notes described in the within-named Indenture.

By: _____

Authorized Officer

Section 17.12 *Execution in Counterparts.*

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. The exchange of copies of this Indenture and of signature pages by facsimile or PDF

transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 17.13 *Severability.* In the event any provision of this Indenture or in the Notes shall be invalid, illegal or unenforceable, then (to the extent permitted by law) the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired.

Section 17.14 *Waiver of Jury Trial.* EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTION CONTEMPLATED HEREBY.

Section 17.15 *Force Majeure.* In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 17.16 *Calculations.* Except as otherwise provided herein, the Company shall be responsible for making all calculations called for under the Notes or in connection with a conversion. These calculations include, but are not limited to, determinations of the Last Reported Sale Prices of the ADSs, accrued interest, including any Additional Interest, payable on the Notes and the Conversion Rate of the Notes. The Company shall make all these calculations in good faith and, absent manifest error, the Company's calculations shall be final and binding on Holders of Notes, and none of the Trustee, the Paying Agent or the Conversion Agent shall undertake any calculation duties, including with respect to the Conversion Rate and number of ADSs to be delivered upon conversion. None of the Trustee, the Paying Agent or the Conversion Agent shall have any duty to monitor the accuracy of any of the calculations made by the Company which shall be conclusive and binding on the Holders, absent manifest error. The Company shall provide a schedule of its calculations to each of the Trustee and the Conversion Agent, and each of the Trustee and Conversion Agent has no duty to verify such calculations and is entitled to rely conclusively upon the accuracy of the Company's calculations without independent verification. The Trustee will forward the Company's calculations to any Holder of Notes upon the request of that Holder.

Section 17.17 *Information Sharing.* The Trustee will treat information relating to Company as confidential, but (unless consent is prohibited by law) the Company consents to the transfer and disclosure by the Trustee of any information relating to the Company to and between branches, subsidiaries, representative offices, affiliates and agents of the Trustee and third parties selected by it, wherever situated, for confidential use (including in connection with the provision of any service and for data processing, statistical and risk analysis purposes) solely in connection with its appointment as a Trustee and the

exercise of its rights, powers and discretions and the performance of its duties and compliance with its obligations under this Indenture and in connection with the Notes. The Trustee and any branch, subsidiary, representative office, affiliate, agent or third party may transfer and disclose any such information as required by any law, court regulator or legal process or regulator or examining authority (whether governmental or otherwise) including any auditor of a party (and may use and its performance will be subject to the rules of) any communications, clearing or payment intermediary bank or other system.

Section 17.01 *Waiver of Conflicts.* Should the Trustee become a creditor of the Company, rights of the Trustee to obtain payment of claims in certain cases or to realize on certain property received by the Trustee in respect of any such claims, as security or otherwise, will be limited. The Trustee is permitted to engage in other transactions with the Company and its Affiliates and profit therefrom without being obliged to account for such profits. The Company hereby irrevocably waives, in favor of the Trustee, any conflict of interest which may arise by virtue of the Trustee acting in various capacities under this Indenture or for other customers of the Trustee. The Company acknowledges that the Trustee and its affiliates may have interests in, or may be providing or may in the future provide financial or other services to other parties with interests which the Company may regard as conflicting with its interests and may possess information (whether or not material to the Company) other than as a result of the Trustee acting as Trustee hereunder, that the Trustee may not be entitled to share with the Company. Consistent with its long-standing policy to hold in confidence the affairs of its customers, the Trustee will not disclose confidential information obtained from the Company without its consent to any of the Trustee's other customers nor will it use on the Company's behalf any confidential information obtained from any other customer. Without prejudice to the foregoing, the Company agrees that the Trustee may deal (whether for its own or its customers' account) in, or advise on, securities of any party and that such dealing or giving of advice, will not constitute a conflict of interest for the purposes of this Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

TAL EDUCATION GROUP
By: /s/ Joseph Kauffman
Name: Joseph D Kauffman
Title: Chief Financial Officer

CITICORP INTERNATIONAL LIMITED,
as Trustee
By: /s/ Edward Chin
Name: Edward Chin
Title: Vice President

EXHIBIT A

[FORM OF FACE OF NOTE]

[INCLUDE FOLLOWING LEGEND IF A GLOBAL NOTE]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO TAL EDUCATION GROUP (THE "COMPANY") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[INCLUDE FOLLOWING LEGEND IF A RULE 144A RESTRICTED SECURITY]

[THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS A NON-U.S. PERSON LOCATED OUTSIDE THE UNITED STATES (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT), AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, AND

(2) AGREES FOR THE BENEFIT OF TAL EDUCATION GROUP (THE "COMPANY") THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY, OR THE CLASS A COMMON SHARES REPRESENTED THEREBY, OR ANY BENEFICIAL INTEREST HEREIN OR THEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF;

(B) THROUGH OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT;

(C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS SECURITY OR SUCH AMERICAN DEPOSITARY SHARES AND CLASS A COMMON SHARES;

(D) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS SECURITY EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

NO AFFILIATE (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT ("RULE 144")) OF THE COMPANY OR ANY PERSON THAT IS NOT AN AFFILIATE OF THE COMPANY, BUT WAS AN AFFILIATE (WITHIN THE MEANING OF RULE 144) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THE NOTES EVIDENCED HEREBY, THE AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION THEREOF OR THE CLASS A COMMON SHARES OF TAL EDUCATION GROUP REPRESENTED BY SUCH AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION OF THESE NOTES OR A BENEFICIAL INTEREST THEREIN.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS NOTE, THE COMPANY MAY, TO THE EXTENT PERMITTED BY LAW, AND DIRECTLY OR INDIRECTLY (REGARDLESS OF WHETHER SUCH NOTES ARE SURRENDERED TO THE COMPANY), REPURCHASE NOTES IN THE OPEN MARKET OR OTHERWISE, WHETHER BY THE COMPANY OR ITS SUBSIDIARIES OR THROUGH A PRIVATE

OR PUBLIC TENDER OR EXCHANGE OFFER OR THROUGH COUNTERPARTIES TO PRIVATE AGREEMENTS, INCLUDING BY CASH-SETTLED SWAPS OR OTHER DERIVATIVES, SO LONG AS SUCH NOTES SO REPURCHASED (OTHER THAN NOTES REPURCHASED PURSUANT TO CASH-SETTLED SWAPS OR OTHER DERIVATIVES) ARE SURRENDERED TO THE TRUSTEE FOR CANCELLATION IN ACCORDANCE WITH THE INDENTURE.]

[INCLUDE FOLLOWING LEGEND IF A REGULATION S RESTRICTED SECURITY]

[THIS SECURITY, THE AMERICAN DEPOSITARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THIS SECURITY AND THE LATEST CLOSING DATE (THE "DISTRIBUTION COMPLIANCE PERIOD"), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT

(1) TO TAL EDUCATION GROUP (THE "COMPANY") OR ANY SUBSIDIARY THEREOF;

(2) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT;

(3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OF THE COMPANY THAT COVERS THE RESALE OF THIS SECURITY OR SUCH AMERICAN DEPOSITARY SHARES AND CLASS A COMMON SHARES;

(4) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR

(5) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (5) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES

ACT.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS SECURITY EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

NO AFFILIATE (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT ("RULE 144")) OF THE COMPANY OR ANY PERSON THAT IS NOT AN AFFILIATE OF THE COMPANY, BUT WAS AN AFFILIATE (WITHIN THE MEANING OF RULE 144) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THE NOTES EVIDENCED HEREBY, THE AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION THEREOF OR THE CLASS A COMMON SHARES OF TAL EDUCATION GROUP REPRESENTED BY SUCH AMERICAN DEPOSITARY SHARES ISSUED UPON CONVERSION OF THESE NOTES OR A BENEFICIAL INTEREST THEREIN.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS NOTE, THE COMPANY MAY, TO THE EXTENT PERMITTED BY LAW, AND DIRECTLY OR INDIRECTLY (REGARDLESS OF WHETHER SUCH NOTES ARE SURRENDERED TO THE COMPANY), REPURCHASE NOTES IN THE OPEN MARKET OR OTHERWISE, WHETHER BY THE COMPANY OR ITS SUBSIDIARIES OR THROUGH A PRIVATE OR PUBLIC TENDER OR EXCHANGE OFFER OR THROUGH COUNTERPARTIES TO PRIVATE AGREEMENTS, INCLUDING BY CASH-SETTLED SWAPS OR OTHER DERIVATIVES, SO LONG AS SUCH NOTES SO REPURCHASED (OTHER THAN NOTES REPURCHASED PURSUANT TO CASH-SETTLED SWAPS OR OTHER DERIVATIVES) ARE SURRENDERED TO THE TRUSTEE FOR CANCELLATION IN ACCORDANCE WITH THE INDENTURE.]

TAL EDUCATION GROUP

2.50% Convertible Senior Note due 2019

No. Initially US$
CUSIP No.
ISIN No.

TAL Education Group, an exempted limited liability company duly organized and validly existing under the laws of the Cayman Islands (the "**Company**," which term includes any successor company or corporation or other entity under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to CEDE & CO., or registered assigns, the principal sum as set forth in the "**Schedule of Exchanges of Notes**" attached hereto, which amount, taken together with the principal amounts of all other outstanding Notes, shall not, unless permitted by the Indenture, exceed US$230,000,000 in aggregate at any time, in accordance with the rules and procedures of the Depositary, on May 15, 2019, and interest thereon as set forth below.

This Note shall bear interest at the rate of 2.50% per year from May 15, 2014, or from the most recent date to which interest had been paid or provided for to, but excluding, the next scheduled Interest Payment Date until May 15, 2019. Interest is payable semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2014, to Holders of record at the close of business on the preceding May 1 and November 1 (whether or not such day is a Business Day), respectively. Additional Interest will be payable as set forth in Section 4.06(e), Section 4.06(f) and Section 6.03 of the within-mentioned Indenture, and any reference to interest on, or in respect of, any Note therein shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of such Section 4.06(e), Section 4.06(f) or Section 6.03 and any express mention of the payment of Additional Interest in any provision therein shall not be construed as excluding Additional Interest in those provisions thereof where such express mention is not made.

Any Defaulted Amounts shall accrue interest per annum at the rate borne by the Notes, *plus* one percent, subject to the enforceability thereof under applicable law, from, and including, the relevant payment date to, but excluding, the date on which such Defaulted Amounts shall have been paid by the Company, at its election, in accordance with Section 2.03(c) of the Indenture.

The Company shall pay the principal of and interest on this Note, so long as such Note is a Global Note, in immediately available funds to the Depositary or its nominee, as the case may be, as the registered Holder of such Note. As provided in and subject to the provisions of the Indenture, the Company shall pay the principal of any Notes (other than Notes that are Global Notes) at the office or agency designated by the Company for that purpose. The Company has initially designated Citibank, N.A., as its Paying Agent and Note Registrar in respect of the Notes. Notes may be presented for payment, conversion or for registration of transfer or exchange at the corporate trust office of the Trustee in the Borough of Manhattan, The City of New York.

Reference is made to the further provisions of this Note set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Note the right to convert this Note into ADSs on the terms and subject to the limitations set forth in the

Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note, and any claim, controversy or dispute arising under or related to this Note, shall be construed in accordance with and governed by the laws of the State of New York.

In the case of any conflict between this Note and the Indenture, the provisions of the Indenture shall control and govern.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee or a duly authorized authenticating agent under the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed

TAL EDUCATION GROUP

By: /s/ Joseph Kauffman
Name: Joseph D Kauffman
Title: Chief Financial Officer

Dated: 21st May 2014

TRUSTEE'S CERTIFICATE OF AUTHENTICATION
CITICORP INTERNATIONAL LIMITED
as Trustee, certifies that this is one of the Notes described in the within-named Indenture.

By: /s/ Edward Chin
Authorized Officer

[FORM OF REVERSE OF NOTE]

TAL EDUCATION GROUP

2.50% Convertible Senior Note due 2019

This Note is one of a duly authorized issue of Notes of the Company, designated as its 2.50% Convertible Senior Notes due 2019 (the "**Notes**"), limited to the aggregate principal amount of US$230,000,000 all issued under and pursuant to an Indenture dated as of May 21, 2014 (the "**Indenture**"), between the Company and Citicorp International Limited (the "**Trustee**"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Notes. Additional Notes may be issued in an unlimited aggregate principal amount, subject to certain conditions specified in the Indenture. The Rule 144A Notes and the Regulation S Notes initially have separate CUSIP numbers and will initially not be fungible.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of, and interest on, all Notes may be declared, by either the Trustee or Holders of at least 25% in aggregate principal amount of Notes then outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions and certain exceptions set forth in the Indenture.

Subject to the terms and conditions of the Indenture, the Company will make all payments and deliveries in respect of the Tax Redemption Price, the 2017 Repurchase Price, the Fundamental Change Repurchase Price and the principal amount on the Maturity Date, as the case may be, to the Holder who surrenders a Note to a Paying Agent to collect such payments in respect of the Note. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

Subject to the terms, exceptions and conditions of the Indenture, in the event any withholding or deduction of taxes, duties, assessments or governmental charges is imposed or levied by a Relevant Taxing Jurisdiction in connection with any payments by the Company or any successor to the Company under or with respect to the Indenture and the Notes, including, but not limited to, payments of principal, payments of interest and deliveries of ADSs (together with payments of cash for any fractional ADSs) upon conversion, Additional Amounts will be paid to ensure that the net amount received by the beneficial owner after any applicable withholding or deduction (and after deducting any taxes on the Additional Amounts) will equal the amount that would have been received by such beneficial owner had no such withholding or deduction been required. References to principal, interest or deliveries of ADSs (together with payments of cash for any fractional ADSs) in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable.

The Indenture contains provisions permitting the Company and the Trustee in certain circumstances, without the consent of the Holders of the Notes, and in certain other circumstances, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures modifying the terms of the Indenture and the Notes as described therein. It is also provided in the Indenture that, subject to certain exceptions, the Holders of a majority in aggregate principal amount of the Notes at the time outstanding may

on behalf of the Holders of all of the Notes waive any past Default or Event of Default under the Indenture and its consequences.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal (including the Fundamental Change Repurchase Price, if applicable, the 2017 Repurchase Price, if applicable, and the Tax Redemption Price, if applicable) of and accrued and unpaid interest on this Note at the place, at the respective times, at the rate and in the lawful money herein prescribed.

The Notes are issuable in registered form without coupons in minimum denominations of US$1,000 principal amount and integral multiples of US$1,000 thereof. At the office or agency of the Company referred to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations, without payment of any service charge but, if required by the Company or Trustee, with payment of a sum sufficient to cover any documentary, stamp or similar issue or transfer taxes, if any, that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such exchange of Notes being different from the name of the Holder of the old Notes surrendered for such exchange.

The Notes are not subject to redemption through the operation of any sinking fund.

The Notes may also be redeemed, in whole but not in part, at the Company's option, at a price payable in cash and equal to 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest, including Additional Interest, if any, to, but excluding, the Tax Redemption Date, if, as a result of any change or amendment occurring on or after May 15, 2014 in the laws or any rules or regulations of a Relevant Taxing Jurisdiction or any change or amendment on or after May 15, 2014 in an interpretation, administration or application of such laws, rules or regulations by any legislative body, court, governmental agency, taxing authority or regulatory or administrative authority of such Relevant Taxing Jurisdiction; *provided*, that the Company may only redeem the Notes if the Company cannot avoid these obligations by taking commercially reasonable measures available to it; the Company delivers to the Trustee an Opinion of Counsel of recognized standing in the Relevant Taxing Jurisdiction and an Officer's Certificate attesting to such Change in Tax Law and obligation to pay Additional Amounts; and the obligation to pay Additional Amounts is still in effect on the Tax Redemption date (or, if the Company fails to pay the Tax Redemption Price on the Tax Redemption Date, such later date on which the Company pays the Tax Redemption Price).

The Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of US$1,000 or integral multiples thereof) on the 2017 Repurchase Date at a price equal to the 2017 Repurchase Price.

Upon the occurrence of a Fundamental Change, the Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of US$1,000 or integral multiples thereof) on the Fundamental Change Repurchase Date at a price equal to the Fundamental Change Repurchase Price.

Subject to the provisions of the Indenture, the Holder hereof has the right, at its option, prior to 2:00 P.M. (New York Time) on a Business Day immediately preceding the Maturity Date, to convert any Notes or portion thereof that is US$1,000 or an integral multiple thereof, into ADSs at the Conversion Rate specified in the Indenture, as adjusted from time to time as provided in the Indenture.

Terms used in this Note and defined in the Indenture are used herein as therein defined.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM = as tenants in common

UNIF GIFT MIN ACT = Uniform Gifts to Minors Act

CUST = Custodian

TEN ENT = as tenants by the entireties

JT TEN = joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

SCHEDULE A

SCHEDULE OF EXCHANGES OF NOTES*

TAL EDUCATION GROUP

2.50% Convertible Senior Notes due 2019

The initial principal amount of this Global Note is DOLLARS (US$). The following increases or decreases in this Global Note have been made:

Date of exchange	Amount of decrease in principal amount of this Global Note	Amount of increase in principal amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee or Custodian

* To be included for Global Notes only.

ATTACHMENT 1

[FORM OF NOTICE OF CONVERSION]

To: TAL EDUCATION GROUP

JPMORGAN CHASE BANK, N.A., as depositary for the ADSs

CITIBANK, N.A., as Conversion Agent
Located at: 480 Washington Boulevard,
30th Floor, Jersey City, NJ 07310,
United States of America

The undersigned registered owner of this Note hereby exercises the option to convert this Note, or the portion hereof (that is US$1,000 principal amount or an integral multiple thereof) below designated, into ADSs in accordance with the terms of the Indenture referred to in this Note, and directs that any cash payable and any ADSs issuable and deliverable upon such conversion, together with any cash payable for any fractional ADSs, and any Notes representing any unconverted principal amount hereof, be issued and delivered to the registered Holder hereof unless a different name has been indicated below. If any ADSs or any portion of this Note not converted are to be issued in the name of a Person other than the undersigned, the undersigned will pay all documentary, stamp or similar issue or transfer taxes, if any, in accordance with Section 14.02(d) and Section 14.02(e) of the Indenture. Any amount required to be paid to the undersigned on account of interest accompanies this Note. Terms used in this Note and defined in the Indenture are used herein as therein defined.

The undersigned hereby certifies that it (or if it is acting for the account of one or more persons, that each such person) is not, and has not been, during the three months immediately preceding the date hereof, an affiliate of the Company (within the meaning of Rule 144 under the Securities Act of 1933, as amended).

[The undersigned further certifies:

1. The undersigned acknowledges (and if the undersigned is acting for the account of another person, that person has confirmed that it acknowledges) that the Restricted Securities received upon conversion of this Note represented thereby have not been and are not expected to be registered under the Securities Act of 1933, as amended (the "**Act**").

2. The undersigned certifies that the undersigned, and any account for which it is acting, (a) is a qualified institutional buyer (as defined in Rule 144A under the Act) or (b) is a non-U.S. person located outside the United States (within the meaning of Regulation S under the Securities Act), and the undersigned is (or such account or accounts are) the sole beneficial owner(s) of the Restricted Securities to be received upon conversion of the Notes.

3. The undersigned certifies that the undersigned is not (and if the undersigned is acting for the account of another person, that person has confirmed that it is not) an affiliate (within the meaning of Rule 144 under the Act) of the Company and the undersigned acknowledges that the undersigned (and any such other account) may not continue to hold or retain any interest in Restricted Securities received upon conversion of this Note if the undersigned (or such other account) becomes an affiliate of the Company.

4. The undersigned agrees (and if the undersigned is acting for the account of another person, that person has confirmed that it agrees) that, unless and until the undersigned (or such other account) is notified by the Depositary that the restrictive legend on such Restricted Security has been removed from such security, the undersigned (and such other account) will not offer, sell, pledge or otherwise transfer the Restricted Security (or securities represented by such Restricted Security) except in accordance with the restrictions set forth in that legend and any applicable securities laws of any state of the United States.](1)

Dated: _____ _____

Signature(s)

_____

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if ADSs are to be issued, or Notes are to be delivered, other than to and in the name of the registered holder.

(1) Include bracketed language in Conversion Notice if the Note being converted is a Restricted Security.

Fill in for registration of ADSs if to be issued, and Notes if to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code)
Please print name and address

Principal amount to be converted (if less than all): US$,000

Principal amount not being converted (if less than all of the principal amount is being converted): US$,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

Social Security or Other Taxpayer Identification Number

ATTACHMENT 2

[FORM OF FUNDAMENTAL CHANGE REPURCHASE RIGHT NOTICE]

To: TAL EDUCATION GROUP

CITIBANK, N.A., as Paying Agent

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from TAL Education Group (the "**Company**") as to the occurrence of a Fundamental Change with respect to the Company and specifying the Fundamental Change Repurchase Date and requests and instructs the Company to pay to the registered holder hereof in accordance with Section 15.02 of the Indenture referred to in this Note (1) the entire principal amount of this Note, or the portion thereof (that is US$1,000 principal amount or an integral multiple thereof) below designated, and (2) if such Fundamental Change Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest, if any, thereon to, but excluding, such Fundamental Change Repurchase Date. Terms used in this Note and defined in the Indenture are used herein as therein defined.

In the case of Physical Notes, the certificate numbers of the Notes to be repurchased are as set forth below:

Certificate Number(s): _____

Dated: _____

_____
Signature(s)

_____
Social Security or Other Taxpayer Identification Number

Principal amount to be repaid (if less than all): US$,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

ATTACHMENT 3

[FORM OF 2017 REPURCHASE NOTICE]

To: TAL EDUCATION GROUP

CITIBANK, N.A., as Paying Agent

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from TAL Education Group (the "**Company**") regarding the right of Holders to elect to require the Company to repurchase the entire principal amount of this Note, or the portion thereof (that is US$1,000 principal amount or an integral multiple thereof) below designated, in accordance with Section 15.01 of the Indenture referred to in this Note, at the 2017 Repurchase Price to the registered Holder hereof. Terms used in this Note and defined in the Indenture are used herein as therein defined.

In the case of Physical Notes, the certificate numbers of the Notes to be purchased are as set forth below:

Certificate Number(s): _____

Dated: _____

_____
Signature(s)

_____
Social Security or Other Taxpayer Identification Number

Principal amount to be repaid (if less than all): US$,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

ATTACHMENT 4

[FORM OF ASSIGNMENT]

To: TAL EDUCATION GROUP

CITIBANK, N.A., as Note Registrar

Re: 2.50% Convertible Senior Notes due 2019

For value received hereby sell(s), assign(s) and transfer(s) unto (Please insert social security or Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

Dated: _____

_____

_____
Signature(s)

_____
Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if Notes are to be delivered, other than to and in the name of the registered holder.

NOTICE: The signature on the assignment must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

EXHIBIT B

[FORM OF CERTIFICATE OF TRANSFER]

To: TAL EDUCATION GROUP

CITIBANK, N.A., as Note Registrar

Re: [•]% Convertible Senior Notes due 2019

Reference is hereby made to the Indenture, dated as of May 21, 2014 (the "**Indenture**"), between TAL Education Group, as issuer (the "**Company**"), and Citicorp International Limited, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

, (the "**Transferor**") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of US$ in such Note[s] or interests (the "**Transfer**"), to (the "**Transferee**"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. ☐ **Check if Transferee will take delivery of a beneficial interest in the Rule 144A Global Note or a Restricted Physical Note pursuant to Rule 144A**. The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**"), and, accordingly, the Transferor hereby further certifies that the beneficial interest in the Rule 144A Global Note or Physical Note is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest in the Rule 144A Global Note or Physical Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "**qualified institutional buyer**" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A, and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest in the Rule 144A Global Note or Physical Note will be subject to the restrictions on transfer enumerated in the Securities Act Legend printed on the Rule 144A Global Note and/or the Restricted Physical Note and in the Indenture and the Securities Act.

2. ☐ **Check if Transferee will take delivery of a beneficial interest in the Regulation S Global Note or a Restricted Physical Note pursuant to Regulation S under the Securities Act**. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore

securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest in the Regulation S Global Note or Physical Note will be subject to the restrictions on Transfer enumerated in the Securities Act Legend printed on the Regulation S Global Note and/or the Restricted Physical Note and in the Indenture and the Securities Act.

3. ☐ **Check and complete if Transferee will take delivery of a beneficial interest in the Global Note or a Restricted Physical Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S**. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Physical Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) ☐ such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

OR

(b) ☐ such Transfer is being effected to the Company or a subsidiary thereof;

OR

(c) ☐ such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act.

4. ☐ **Check and complete if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Physical Note**.

(a) ☐ **Check if Transfer is pursuant to Rule 144**. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Securities Act Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Physical Note will no longer be subject to the restrictions on transfer enumerated in the Securities Act Legend printed on the Restricted Global Notes or on the Restricted Physical Notes and in the Indenture.

(b) ☐ **Check if Transfer is Pursuant to Regulation S**. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in

compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Securities Act Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Physical Note will no longer be subject to the restrictions on transfer enumerated in the Securities Act Legend printed on the Restricted Global Notes, or on the Restricted Physical Notes and in the Indenture.

(c) ☐ **Check if Transfer is Pursuant to Other Exemption**. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Securities Act Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Physical Note will no longer be subject to the restrictions on transfer enumerated in the Securities Act Legend printed on the Restricted Global Notes or Restricted Physical Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (A) OR (B)]

(a) ☐ a beneficial interest in the:

(i) ☐ Rule 144A Global Note (CUSIP ; ISIN), or

(ii) ☐ Regulation S Global Note (CUSIP ; ISIN), or

(b) ☐ a Restricted Physical Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) ☐ a beneficial interest in the:

(i) ☐ Rule 144A Global Note (CUSIP ; ISIN), or

(ii) ☐ Regulation S Global Note (CUSIP ; ISIN), or

(iii) ☐ Unrestricted Global Note (CUSIP ; ISIN); or

(b) ☐ a Restricted Physical Note; or

(c) ☐ an Unrestricted Physical Note,

in accordance with the terms of the Indenture.

EXHIBIT C

[FORM OF CERTIFICATE OF EXCHANGE]

To: TAL EDUCATION GROUP

CITIBANK, N.A., as Note Registrar

Re: [•]% Convertible Senior Notes due 2019

(CUSIP ; ISIN)

Reference is hereby made to the Indenture, dated as of May 21, 2014 (the "**Indenture**"), between TAL Education Group, as issuer (the "**Company**") and Citicorp International Limited, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

, (the "**Owner**") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $ in such Note[s] or interests (the "**Exchange**"). In connection with the Exchange, the Owner hereby certifies that:

1. **Exchange of Restricted Physical Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Physical Notes or Beneficial Interests in an Unrestricted Global Note**

(a) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the Securities Act of 1933, as amended (the "**Securities Act**"), (iii) the restrictions on transfer contained in the Indenture and the Securities Act Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Physical Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Physical Note, the Owner hereby certifies (i) the Physical Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Securities Act Legend are not required in order to maintain compliance with the Securities Act and (iv) the Physical Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) ☐ **Check if Exchange is from Restricted Physical Note to Unrestricted Physical Note**. In connection with the Owner's Exchange of a Restricted Physical Note for an Unrestricted Physical Note, the Owner hereby certifies (i) the Unrestricted Physical Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Physical Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Securities Act Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Physical Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Exchange of Restricted Physical Notes or Beneficial Interests in Restricted Global Notes for Restricted Physical Notes or Beneficial Interests in Restricted Global Notes**

☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Physical Note.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Physical Note with an equal principal amount, the Owner hereby certifies that the Restricted Physical Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Physical Note issued will continue to be subject to the restrictions on transfer enumerated in the Securities Act Legend printed on the Restricted Physical Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____

EXHIBIT D

[FORM OF NOTICE OF TAX REDEMPTION ELECTION]

To: CITIBANK, N.A.,

The undersigned registered owner of this Note hereby elects to not have this Note, or the portion hereof (that is $[•] principal amount or an integral multiple of $1,000 in excess thereof) below designated, be subject to a Tax Redemption, and any Notes representing any principal amount hereof not subject to such Tax Redemption, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If any portion of this Note not subject to such Tax Redemption is to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

The undersigned hereby certifies that it (or if it is acting for the account of one or more persons, that each such person) is not, and has not been, during the ninety days immediately preceding the date hereof, an "**affiliate**" of the Company (within the meaning of Rule 144 under the Securities Act of 1933, as amended).

Dated: _____ _____

Signature(s)

_____

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if Class A Common Shares are to be issued, or Notes to be delivered, other than to and in the name of the registered holder.

Fill in for registration of Notes to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code) Please print name and address

Principal amount not subject to Tax Redemption (if less than all):
$,000

NOTICE: The above signature(s) of the holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

Social Security or Other Taxpayer Identification Number

Exhibit 8.1

List of the Registrant's Subsidiaries and Consolidated Affiliated Entities

Name	Jurisdiction of Incorporation
Subsidiaries:	
Beijing Century TAL Education Technology Co., Ltd.(formerly known as "TAL Education Technology (Beijing) Co., Ltd.")	PRC
Beijing Huanqiu Zhikang Shidai Education Consulting Co., Ltd.	PRC
Beijing Xintang Sichuang Education Technology Co., Ltd.	PRC
Maxstep Technology Inc.	Cayman Islands
Pengxin TAL Industrial Investment (Shanghai) Co., Ltd.	PRC
TAL Holding Limited	Hong Kong
Yidu Huida Education Technology (Beijing) Co., Ltd.	PRC
Yidu Technology Group	Cayman Islands
Yidu Technology Group Limited	Hong Kong
Yidu Xuedi Network Technology (Beijing) Co., Ltd.	PRC
Zhixuesi Education Consulting (Beijing) Co., Ltd.	PRC
Variable Interest Entities:	
Beijing Dongfangrenli Science & Commerce Co., Ltd.	PRC
Beijing Xueersi Education Technology Co., Ltd.	PRC
Beijing Xueersi Network Technology Co., Ltd.	PRC
Subsidiaries and Schools of Variable Interest Entities:	
Beijing Changping District Xueersi Training School	PRC
Beijing Chaoyang District Xueersi Training School	PRC
Beijing Dongcheng District Xueersi Training School	PRC
Beijing Haidian District Lejiale Training School	PRC
Beijing Haidian District Xueersi Training School	PRC
Beijing Jingshi Shifan Culture Distribution Co., Ltd	PRC
Beijing Shijingshan District Xueersi Training School	PRC
Beijing Xicheng District Xueersi Training School	PRC
Beijing Xueersi Nanjing Education Technology Co., Ltd.	PRC
Beijing Zhikang Culture Distribution Co., Ltd.	PRC
Changsha TAL Education Technology Co., Ltd.	PRC
Changsha Yuhua Distric Xueersi Creative Education Training School	PRC
Chengdu Jinniu District Xueersi Training School	PRC
Chengdu Xueersi Education Consulting Co., Ltd.	PRC
Chongqing Nan'an Xueersi Training School	PRC
Chongqing Shapingba District Xueersi Education Training School	PRC
Guangzhou Liwan District Xueersi Training Center	PRC
Guangzhou Tianhe District Xueersi Training Center	PRC
Guangzhou Xueersi Education Technology Co., Ltd.	PRC
Guangzhou Yuexiu District Xueersi Training School	PRC
Hangzhou Xueersi Education Consulting Co., Ltd.	PRC
Hangzhou Xueersi Training School.	PRC
Jinan Xueersi Education Training School	PRC
Nanjing Xintang Sichuang Education Consulting Co., Ltd.	PRC
Nanjing Xintang Sichuang Education Training School	PRC
Qingdao Xueersi Education Information Consulting Co., Ltd.	PRC

Qingdao Xueersi Wenli Training School	PRC
Shanghai Changning District Xueersi Training School	PRC
Shanghai Jiading Xueersi Training School	PRC
Shanghai Minhang District Xueersi Training School	PRC
Shanghai Xueersi Education Information Consulting Co., Ltd.	PRC
Shanghai Putuo District Xueersi Training School	PRC
Shenyang Xueersi Education Information Consulting Co., Ltd.	PRC
Shenyang Xueersi Education Training School	PRC
Shenzhen Xueersi Education Technology Co., Ltd.	PRC
Shenzhen Xueersi Training Center.	PRC
Shijiazhuang Qiaoxi District Xueersi Culture Training School	PRC
Suzhou TAL Network Technology Co., Ltd (formerly known as “Suzhou Xueersi Network Technology Co., Ltd.”)	PRC
Suzhou Xueersi Culture Training Center (formerly known as “Suzhou Zhikang Culture Training Center”)	PRC
Taiyuan Xiaodian District Xueersi Training School	PRC
Taiyuan Yingze District Xueersi Training School	PRC
Tianjin Hexi District Xueersi Training School	PRC
Tianjin Xueersi Education Information Consulting Co., Ltd.	PRC
Wuhan Jianghan District Xueersi English Training School	PRC
Wuhan Jiang’an District Xueersi Training School	PRC
Wuhan Jiang’an District Xueersi Education Yongqing Training School	PRC
Wuhan Wuchang District Xueersi Training School	PRC
Xi’an Beilin District Xueersi Education Training Center	PRC
Xi’an Xueersi Network Technology Co., Ltd.	PRC
Zhengzhou Gaoxin District Xueersi Training School	PRC
Zhengzhou Jinshui District Xueersi Shulihua Training Center	PRC
Zhengzhou Zhongyuan District Xueersi Training School	PRC

Exhibit 12.1

Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Bangxin Zhang, certify that:

1. I have reviewed this annual report on Form 20-F of TAL Education Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 28, 2015

By: /s/ Bangxin Zhang
Name: Bangxin Zhang
Title: Chairman and Chief Executive Officer

Exhibit 12.2

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Rong Luo, certify that:

1. I have reviewed this annual report on Form 20-F of TAL Education Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 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 the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent 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: May 28, 2015

By: /s/ Rong Luo
Name: Rong Luo
Title: Chief Financial Officer

Exhibit 13.1

Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of TAL Education Group (the "Company") on Form 20-F for the year ended February 28, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bangxin, Zhang, 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: May 28, 2015

By: /s/ Bangxin Zhang
Name: Bangxin Zhang
Title: Chairman and Chief Executive Officer

Exhibit 13.2

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of TAL Education Group (the "Company") on Form 20-F for the year ended February 28, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rong Luo, 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: May 28, 2015

By: /s/ Rong Luo
Name: Rong Luo
Title: Chief Financial Officer

Exhibit 15.1

[Letterhead of Tian Yuan Law Firm]

TIAN YUAN LAW FIRM

10/F, CPIC Plaza, 28 Fengsheng Lane, Xicheng District

Beijing 100032, P. R. China

Tel: (8610) 5776-3888; Fax: (8610)5776-3777

Date: May 28, 2015
TAL Education Group
12/F Danling SOHO
6 Danling Street, Haidian District
Beijing 100080
People's Republic of China

Ladies and Gentlemen:

We hereby consent to the reference to our firm in "Item 3.D—Key Information—Risk Factors—Risks Related to Doing Business in China," "Item 4.B—Business Overview—PRC Regulation," "Item 4.C—Information on the Company—Organizational Structure," "Item 5.A—Operating and Financial Review and Prospects—Operating Results" and "Item 10.E—Additional Information—Taxation" in the annual report on Form 20-F for the fiscal year ended February 28, 2015, which will be filed by TAL Education Group on May 28, 2015 with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and further consent to the incorporation by reference into the Registration Statement No. 333-172178 on Form S-8. We also consent to the filing with the Securities and Exchange Commission of this consent letter as an exhibit to the annual report on Form 20-F for the fiscal year ended February 28, 2015. 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
Tian Yuan Law Firm

Exhibit 15.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-172178 on Form S-8 of our reports dated May 28, 2015, relating to the consolidated financial statements of TAL Education Group, its subsidiaries, its variable interest entities (the "VIEs") and its VIEs' subsidiaries and schools (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 TAL Education Group for the year ended February 28, 2015.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
May 28, 2015

Exhibit 15.3

[Letter Head of Maples and Calder]

TAL Education Group
12/F Danling SOHO
No. 6 Danling Street, Haidian District
Beijing 100080
People's Republic of China

20 May 2015

Dear Sirs

TAL Education Group

We consent to the reference to our firm under the heading "Item 4.C—Information on the Company—Organizational Structure" in the annual report on Form 20-F for the fiscal year ended February 28, 2015, which will be filed by TAL Education Group in May 2015 with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and further consent to the incorporation by reference of our opinions under this heading into the Company's Registration Statement No. 333-172178 on Form S-8. We also consent to the filing with the Securities and Exchange Commission of this consent letter as an exhibit to the annual report on Form 20-F for the fiscal year ended February 28, 2015.

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.

Yours faithfully

/s/Maples and Calder
Maples and Calder