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

FORM 20-F

☐ **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, 2021.

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)

15/F, Danling SOHO
6 Danling Street, Haidian District
Beijing 100080
People's Republic of China

(Address of principal executive offices)

Rong Luo, Chief Financial Officer
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15/F, Danling SOHO
6 Danling Street, Haidian District
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	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each three representing one Class A common share*	NYSE: TAL	The New York Stock Exchange
Class A common shares, par value $0.001 per share**	NYSE: TAL**	The New York Stock Exchange

* Effective on August 16, 2017, the ratio of ADSs to Class A common shares was changed from one ADS representing two Class A common shares to three ADSs representing one Class A common share.

** Not for trading, but only in connection with the listing on The New York Stock Exchange of American depositary 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, 2021, 147,995,578 Class A common shares, par value $0.001 per share
and 66,939,204 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, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

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

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

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

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

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

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

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

☐ Item 17 ☐ Item 18

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

☐ Yes ☒ No

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☒ No

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

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INTRODUCTION

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

- "China" or "PRC" refers to the People's Republic of China, and for the purpose of this annual report, 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, in the context of describing our operations and consolidated financial data, also include the Consolidated Affiliated Entities (as defined below);
- "shares" or "common shares" refers to our Class A and Class B common shares, par value $0.001 per share;
- "ADSs" refers to our American depositary shares, each three of which represent one Class A common share;
- "VIEs" refers to Beijing Xueersi Network Technology Co., Ltd., or Xueersi Network, and Beijing Xueersi Education Technology Co., Ltd., or Xueersi Education, Xinxin Xiangrong Education Technology (Beijing) Co., Ltd. (the original name of which is Beijing Dididaojia Education Technology Co., Ltd.), or Xinxin Xiangrong, and Beijing Lebai Education Consulting Co., Ltd., or Lebai Education, all of which are domestic PRC companies in which we do not have equity interests but whose financial results have been consolidated into our consolidated financial statements in accordance with U.S. GAAP; and "Consolidated Affiliated Entities" refers to our VIEs and the VIEs' direct and indirect subsidiaries and schools;
- "U.S. GAAP" refers to generally accepted accounting principles in the United States;
- "student enrollments of normal priced long-term course" for a certain period refers to the total number of normal priced long-term courses enrolled in and paid for by our students during that period, including multiple courses enrolled in and paid for by the same student, excluding courses offered at significant discounts for promotional purposes or short-term courses offered on an ad hoc basis (as opposed to long-term courses that tend to track the school semesters and vacations);
- "K-12" refers to the year before the first grade through the last year of high school;
- "RMB" or "Renminbi" refers to the legal currency of China; and
- "$" or "U.S. dollars" refers to the legal currency of the United States.

Our financial statements are expressed in U.S. dollars, which is our reporting currency. Certain of our financial data in this annual report on Form 20-F are translated into U.S. dollars solely for the reader's convenience. Unless otherwise noted, all convenient translations from Renminbi to U.S. dollars in this annual report on Form 20-F were made at a rate of RMB6.4730 to $1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on February 26, 2021. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, at the rate stated above, or at all.

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 markets where we offer educational programs, services and products;
- 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 and our offering of new educational programs, services and products;
- 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. Other sections of this annual report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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 28/29, 2019, 2020 and 2021 and the selected consolidated balance sheet data as of February 28/29, 2020 and 2021 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, 2017 and 2018 and the selected consolidated balance sheet data as of February 28, 2017, 2018 and 2019 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 28/29,				
	2017	2018	2019	2020	2021
	(in thousands of $, except for share, per share and per ADS data)				
Consolidated Statements of Operations Data:					
Net revenues	$ 1,043,100	$ 1,715,016	$ 2,562,984	$ 3,273,308	$ 4,495,755
Cost of revenues[1]	(522,327)	(882,316)	(1,164,454)	(1,468,569)	(2,048,561)
Gross profit	520,773	832,700	1,398,530	1,804,739	2,447,194
Operating expenses					
Selling and marketing [1]	(126,005)	(242,102)	(484,000)	(852,808)	(1,680,050)
General and administrative [1]	(263,287)	(386,287)	(579,672)	(794,957)	(1,117,324)
Impairment loss on intangible assets and goodwill	—	(358)	—	(28,998)	(107,535)
Total operating expenses	(389,292)	(628,747)	(1,063,672)	(1,676,763)	(2,904,909)
Government subsidies	3,113	4,651	6,724	9,467	19,491
Income/(loss) from operations	134,594	208,604	341,582	137,443	(438,224)
Interest income	18,133	39,837	59,614	72,991	114,232
Interest expense	(13,145)	(16,640)	(17,628)	(11,820)	(16,946)
Other income/(expense)	23,074	17,406	131,727	(95,297)	140,878
Impairment loss on long-term investments	(8,075)	(2,213)	(58,091)	(153,970)	(24,563)
Income/(loss) before income tax (expense)/benefit and (loss)/income from equity method investments	154,581	246,994	457,204	(50,653)	(224,623)
Income tax (expense)/benefit	(34,066)	(44,653)	(76,504)	(69,328)	69,897
(Loss)/income from equity method investments	(8,025)	(7,678)	(16,186)	(7,670)	11,676
Net income/(loss)	112,490	194,663	364,514	(127,651)	(143,050)
Add: Net loss attributable to noncontrolling interest	4,390	3,777	2,722	17,456	27,060
Net income/(loss) attributable to shareholders of TAL Education Group	116,880	198,440	367,236	(110,195)	(115,990)
Net income /(loss) per common share attributable to shareholders of TAL Education Group					
Basic	$ 0.72	$ 1.13	$ 1.93	$ (0.56)	$ (0.57)
Diluted	$ 0.66	$ 1.03	$ 1.83	$ (0.56)	$ (0.57)
Net income /(loss) per ADS attributable to shareholders of TAL Education Group [2]					
Basic	$ 0.24	$ 0.38	$ 0.64	$ (0.19)	$ (0.19)
Diluted	$ 0.22	$ 0.34	$ 0.61	$ (0.19)	$ (0.19)
Cash dividends per common share[3]	—	$ 0.25	—	—	—
Weighted average shares used in calculating net income/(loss) per common share attributable to shareholders of TAL Education Group					
Basic	162,548,494	174,979,574	189,951,643	198,184,370	203,603,391
Diluted	188,508,419	194,331,305	200,224,934	198,184,370	203,603,391

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

	For the Years Ended February 28/29				
	2017	2018	2019	2020	2021
	(in thousands of $)				
Cost of revenues	$ 111	$ 366	$ 706	$ 1,074	$ 1,803
Selling and marketing expenses	3,368	5,037	10,454	19,356	56,609
General and administrative expenses	32,636	41,747	66,117	97,513	146,533
Total	36,115	47,150	77,277	117,943	204,945

(2) Each three ADSs represent one Class A common share. Effective on August 16, 2017, we adjusted the ratio of our ADSs to Class A common shares from one ADS representing two Class A common shares to three ADSs representing one Class A common share. All earnings per ADS figures in this report give effect to the foregoing ADS to share ratio change.

	As of February 28/29				
	2017	2018	2019	2020	2021
	(in thousands of $)				
Summary Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 470,217	$ 711,519	$ 1,247,140	$ 1,873,866	$ 3,242,953
Total assets	1,828,906	3,054,560	3,735,091	5,571,246	12,112,309
Deferred revenue	518,874	842,256	436,107	781,000	1,417,498
Total liabilities	1,148,042	1,414,096	1,204,614	3,027,049	6,907,753
Total mezzanine equity	—	—	—	—	1,775
Total equity	680,864	1,640,464	2,530,477	2,544,197	5,202,781

(3) Total cash dividends paid for the fiscal year ended February 28, 2018 was $41.2 million.

(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. 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. In addition, PRC laws and regulations require the teachers to have requisite licenses if they teach, among others, academic subject such as Chinese, mathematics, English, physics, chemistry and other academic subjects in the compulsory education stage and academic subjects related to the entrance to a higher school, but we cannot assure you that our teachers can all apply for and obtain the teaching licenses in a timely manner or at all. If our teachers are not able to apply for and obtain the teaching licenses on a timely basis, or at all, we may need to rectify such noncompliance and may be subject to penalties and risk exposure to regulatory order to suspend operations or cancelation or revocation of the private school operating permit issued by relevant PRC authority in accordance with the PRC Private Education Law, or a Permit for Operating a Private School or other regulatory and disciplinary sanctions. Moreover, if the teachers for our online courses do not fully comply with the teacher qualification requirements, or these teachers are teaching at elementary or middle school at the same time, they may not be able to deliver such online courses, which would eventually adversely affect the delivery of our tutoring services to students. 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 or requirements from related government authorities. 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 or requirements from related government authorities, 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 "Xueersi" brand, through which we offer small classes covering major subjects in supplement to school learnings, our "Izhikang" brand, through which we offer personalized premium services, our "Mobby" and "Firstleap" brand, through which we offer small classes for young learners. A number of factors could prevent us from successfully promoting our brand, including student dissatisfaction with our services, the failure of our marketing tools and strategies to attract prospective students. In addition, our brand may be adversely affected by misconduct and non-compliance, including those related to license or qualification requirements, of our business partners who purchase our courses and system support. If we are unable to maintain and enhance our existing brand, successfully develop additional brands, or utilize marketing tools in a cost-effective manner, our revenues and profitability may suffer. See "— Our brand image, business and results of operations may be adversely impacted by illegal, fraudulent or collusive activities or other wrongdoings by our employees and third parties acting on our behalf."

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 $2,563.0 million in the fiscal year ended February 28, 2019, to $3,273.3 million in the fiscal year ended February 29, 2020 and further to $4,495.8 million in the fiscal year ended February 28, 2021. 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. The after-school tutoring service market in China continually develops and evolves, which makes it difficult to evaluate our business and future prospects. In addition, our past results may not be indicative of future performance because of new businesses developed or acquired by us. 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 and non-recurring charges incurred under unexpected circumstances or in connection with acquisitions, equity investments or other extraordinary transactions. Due to these and other factors, our historical financial and operating results, growth rates and profitability as well as quarter-to-quarter comparisons of our operating results may not be indicative of our future performance and you should not rely on them to predict 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. We also face challenges to improve students' overall ability on top of improving their academic performance. 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 they are not satisfied with our service or their learning experiences, 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 include online and offline after-school tutoring service providers.

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, computer-related technologies, such as online live broadcasting technologies, 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 pressured 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 676 as of February 28, 2019 to 1,098 as of February 28, 2021. 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, policies and our culture 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, further developing our online course offerings and online education platform and making acquisitions and investments to complement our existing business and offerings. 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 to certain other cities, we may not be able to continue to do so to additional geographic markets, especially to lower-tier cities, and we might experience decline in our Beijing business 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;
- we may not be profitable in our new tutoring business and may encounter obstacles in expanding our new tutoring business to other markets; and
- we may not be able to successfully integrate acquired businesses and may not be able to achieve the benefits we expect from recent and future acquisitions or investments.

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 are subject to risks related to global expansion.

We expect to expand our business globally. Since fiscal year 2020, we established a new school in the United States and expanded our business into other countries as well. Our business and operation are subject to a variety of laws and regulations in these jurisdictions which are evolving and subject to potentially differing interpretations, including the General Data Protection Regulation, or the GDPR, in the European Union, the Data Protection Act 2018 in the United Kingdom and anti-long-arm jurisdiction related laws and regulations such as the one newly promulgated in China. There is no harmonized approach to these laws and regulations globally. Consequently, we could face increased risk and uncertainty of non-compliance with applicable laws by expanding internationally. We may need to change and limit the way we operate our business and may have difficulty maintaining the current operating model that is compliant. As a general matter, compliance with laws and regulations may result in substantial costs and may necessitate changes to our business practices, and otherwise adversely affect our business, financial condition and results of operations.

We derive a significant portion 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.

Although we have expanded our offerings into a broad range of cities in China, we derive a significant portion of our revenues from a limited number of cities. For the fiscal year ended February 28, 2021, we derived a significant portion of our total net revenues from our Xueersi small-class offering in Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing and we expect these five cities to continue to constitute important sources of our revenues. 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.

We may not achieve expected results from our new initiatives.

We engage in new initiatives from time to time to expand our offerings or market reach. For example, we may offer low-pricing and/or free courses to a large number of users. We may devote significant resources to our new initiatives, but fail to achieve expected results from such new initiatives. If such new initiatives are not well accepted, the reputation of our other class offerings and our overall brand and reputation may be harmed. As a result, our overall business and results of operations may be materially and adversely affected.

Our brand image, business and results of operations may be adversely impacted by illegal, fraudulent or collusive activities or other wrongdoings by our employees and third parties acting on our behalf.

Illegal, fraudulent or collusive activities or other wrongdoings by our employees or third parties acting on our behalf could subject us to liability or negative publicity and harm our business. Negative publicity generated as a result of actual or alleged wrongdoings by our employees or the third parties could damage our reputation and diminish the value of our brand, and materially and adversely affect our business, financial condition and results of operations.

We are exposed to the risk of various types of by illegal, fraudulent or collusive activities or other wrongdoings, including but not limited to taking kickbacks, forging documentation, etc. It is not always possible to deter or discover wrongdoings, and the precautionary or remedial measures we take may not be effective in controlling unknown or unmanaged risks or losses. An example of such incident is the one related to the "Light Class" business. See "Item 8. Financial Information-A. Consolidated Statements and Other Financial Information-Legal and Administrative Proceedings-Internal Review and SEC Proceeding."

Our reputation and the trading price of our ADSs may be negatively affected by adverse publicity or detrimental conduct against us.

Adverse publicity concerning our failure or perceived failure to comply with legal and regulatory requirements, alleged accounting or financial reporting irregularities, regulatory scrutiny and further regulatory action or litigation could harm our reputation and cause the trading price of our ADSs to decline and fluctuate significantly. For example, after Muddy Waters Capital LLC, an entity unrelated to us, issued a series of reports containing various allegations about us in June and July 2018, the trading price of our ADSs declined sharply and we received numerous investor inquiries. The negative publicity and the resulting decline of the trading price of our ADSs also led to the filing of two shareholder class action lawsuits against us and some of our senior executive officers.

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

We have been named as a defendant in a putative shareholder class action lawsuit and are subject to the SEC Investigation which could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.

We are defending against a putative shareholder class action lawsuit described in "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information-Legal and Administrative Proceedings-Litigation," including any appeals of such lawsuit. Although we have reached an agreement in principle to settle all claims with plaintiffs, there is no guarantee that the Court will approve it. If the settlement fails and the litigation continues, we are unable to estimate the possible loss or possible range of loss, if any, associated with the resolution of this lawsuit. Any adverse outcome of this case could have a material adverse effect on our business, financial condition, results of operation, cash flows and reputation. In addition, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. The litigation process may utilize a significant portion of our cash resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

In addition, as described in "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information-Legal and Administrative Proceedings-Internal Review and SEC Proceeding," of this annual report, the SEC's Division of Enforcement has sought the production of certain documents and information related to the transactions identified in the Muddy Water report, issues related to the "Light Class" business that we announced in April 2020, and the subsequent internal reviews regarding these issues and other related information. We are cooperating with the SEC. We cannot predict or provide any assurance as to the timing, outcome or consequences of the SEC investigation. We have incurred, and may continue to incur, significant expenses related to legal, accounting, and other professional services in connection with matters relating to or arising from the internal review and SEC investigation. Moreover, if the SEC were to determine that legal violations occurred, we could be required to pay significant civil penalties and/or other amounts and we could become subject to other remedies or conditions imposed as part of any resolution.

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. 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. We face challenge to help students to improve their overall ability and quality other than improving their school grades.

Admission and assessment processes in China constantly undergo changes and developments in terms of subject and skill focus, question type, examination format and the manner in which the processes are administered. We are therefore required 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, and in turn have a material adverse effect on our business, financial condition and results of operations.

Regulations and policies which focus on the efforts to de-emphasize scholastic competition achievements in college and high school admissions or the efforts to forbid academic competitions have had, and may continue to have, an impact on our enrollments. In particular, on February 13, 2018, the Ministry of Education, or MoE, together with three other government authorities, jointly promulgated the Circular on Special Enforcement Campaign concerning After-school Tutoring Institutions to Alleviate Extracurricular Burden on Students of Elementary Schools and Middle Schools, or Circular 3, pursuant to which private training organizations are strictly prohibited from organizing any academic competitions (such as Olympiad competitions) or level tests for students of elementary or middle schools and the elementary and middle schools are prohibited from taking the training results from private training organizations into account in the enrollment process. These policies and measures may adversely affect the demands for our after-school tutoring business and personalized premium services. We have adapted our operations which may be construed as competitions or ranking activities to these regulations. We cannot assure you whether relevant governmental authorities will find our operations in violation of such regulations.

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

We have a large number of students and their parents on our premises to attend classes and/or use our facilities, and they may suffer accidents or injuries or other harm on our premises, including those caused by or otherwise arise from the actions of our employees or contractors. 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. We also organize overseas trips for students as a part of certain of our services, and our students may be involved in accidents or suffer injuries or other harm on these trips.

In the event of accidents or injuries or other harm caused or perceived to be caused by us, our facilities and/or services may be perceived to be unsafe, which may discourage prospective students from attending our classes and participate in our activities. Although we carry certain liability insurance policies for our students and their parents, they may not be sufficient to cover the compensation or even applicable to the accidents or injuries occurred. We could also face claims alleging that we should be liable for the accidents or injuries, or we were negligent, provided inadequate supervision to our employees or contractors and therefore should be held jointly liable for harm caused by them. 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 advertising and promotional content may subject us to penalties and other administrative actions.

Under PRC advertising, pricing and anti-unfair competition laws and regulations, we are obligated to monitor our advertising and promotional content to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. For example, the PRC Pricing Law provides that an operator is prohibited from using false or misunderstanding pricing methods to induce consumers or other operators into trading with it. In addition, education or training advertisement are further prohibited from containing content such as guarantee of passing of examination or the effect of education or training, recommendation and/or endorsement by scientific research institutes, academic institutions, educational organizations, industry associations, professionals or beneficiaries using their name or image. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances of our serious violations, government authorities may force us to terminate our advertising operations or revoke our licenses.

Relevant regulatory authorities have significant discretion in interpreting and implementing the advertising, pricing and anti-unfair competition laws and regulations. We cannot assure you that all the content contained in our advertisements and promotional content is true and accurate as required by, and complies in all aspects with, the advertising, pricing and anti-unfair competition laws and regulations. We also cannot assure you that we can rectify such content which is deemed not in compliance with such laws and regulations in a timely manner or at all, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising, pricing and anti-unfair competition laws and regulations, we may be subject to penalties and our reputation may be harmed, which may negatively affect our operations, financial condition and prospects.

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, such as artificial intelligence, augmented reality, virtual reality, 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 13.3%, 18.9% and 28.4% of our total net revenues in the fiscal years ended February 28/29, 2019, 2020 and 2021, 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. 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, the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or 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 may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms or at all, which could adversely affect our business. We may have to relocate our operations for various other reasons, including increasing rentals, failure in passing the fire inspection in certain locations and the early termination of lease agreements. In addition, if the leased premises where our learning centers are located do not pass the fire inspection or do not comply with the relevant fire safety regulations, we may have to close such learning centers. We also have not registered most of our lease agreements with the relevant PRC governmental authorities as required by relevant PRC law. We may be required by the relevant governmental authorities to complete such registration, or otherwise be subject to fines ranging from RMB1,000 to RMB10,000 for each lease agreement that has not been registered. However, failure to complete such registration would not affect the enforceability of the relevant lease agreements in practice.

In addition, a few of our lessors have not been able to provide us with document proving completion of the fire inspection of the leased premises, copies of title certificates or other evidentiary documents to prove that they have authorization to lease the properties to us. Our business and legal teams 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 our use of the leased premises is challenged by relevant government authorities for lack of fire inspection, we may be further subject to fines and also be forced to relocate the affected learning centers and incur additional expenses. If we fail to find suitable replacement sites in a timely manner or on terms acceptable to us, our business and results of operations could be materially and adversely affected.

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 in certain categories. 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 reputation and 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. 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 you 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, harm our reputation and divert our management attention and resources and pay substantial damage.

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 our acquired businesses. If the businesses we acquire 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.

We may not have any control over the businesses or operations of our minority equity investments, the value of which may decline over time. For the investments accounted for by the equity method, we book a gain or loss of share of net income or loss of the investments. If the investee's operation or financial performance deteriorated, we may need to revalue or record impairment to the carrying amount of the long-term investment, which would harm our results of operations.

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.

We face risks associated with the Firstleap franchisees.

A small portion of the Firstleap business is operated through franchisees, or the Firstleap franchisees, instead of Lebai Education and its subsidiaries and schools. These franchisees are typically located in lower-tier cities and operate their own learning centers not within our network. The Firstleap franchisees have very limited impact on our overall business and financial performance, and schools operated by them are not included in the counts of our schools, learning centers and service centers, and student enrollments from these schools are not included as our student enrollments. However, we are still subject to risks inherent to the franchising model and we have not had experience in operating the franchising model and dealing with such risks.

Our control over the Firstleap franchisees is based on contractual agreements, which may not be as effective as direct ownership and potentially makes it difficult for us to manage the franchisees. We do not have direct control over their service quality, and do not directly recruit, manage and train their employees. As a result, we may not be able to successfully monitor, maintain and improve the performance of the Firstleap franchisees and their employees. However, they carry out the Firstleap tutoring services and directly interact with students and their parents. In the event of any delinquent performance by the Firstleap franchisees and their employees, we may suffer from business reduction as well as reputational damage. In the event of any unlawful or unethical conduct by the Firstleap franchisees and/or their employees, we may suffer financial losses, incur liabilities and suffer reputation damage. Meanwhile, a franchisee may suspend or terminate its cooperation with us voluntarily or involuntarily due to various reasons, including disagreement or dispute with us, or failure to maintain requisite approvals, licenses or permits or to comply with other governmental regulations. We may not be able to find alternative ways to continue to provide the tutoring services formerly covered by such franchisee, and our student/parent satisfaction, reputation and financial performance may be adversely affected.

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

Our business is subject to fluctuations caused by seasonality or other factors beyond our control, which may cause our operating results to fluctuate from quarter to quarter. This may result in volatility and adversely affect the price of our ADSs. We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations, primarily due to seasonal changes in student enrollments. However, our expenses vary, and certain of our expenses do not necessarily correspond with changes in our student enrollments and revenues. For example, we make investments in marketing and promotion, teacher recruitment and training, and product development throughout the year and we pay rent for our facilities based on the terms of the lease agreements. In addition, other factors beyond our control, such as special events that take place during a quarter when our student enrollment would normally be high, may have a negative impact on our student enrollments. We expect quarterly fluctuations in our revenues and results of operations to continue. These fluctuations could result in volatility and adversely affect the price of our ADSs. As our revenues grow, these seasonal fluctuations may become more pronounced.

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

On December 19, 2019, we entered into a loan facilities agreement with a group of lenders pursuant to which we can draw down up to RMB1,800 million, provided that the proceeds be used for our construction project in Zhenjiang, Jiangsu.

In January 2021, we issued certain convertible notes for a total proceed of approximately US$2.3 billion to a group of investors.

We cannot assure you that we will have sufficient funds to fulfill our payment obligations under our indebtedness. Our ability to meet our payment obligations under our indebtedness depends on our ability to generate sufficient cash flow, which is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. Moreover, 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 indebtedness incurred at the holding company level. 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; 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 indebtedness.

We have experienced recent fluctuations in our margins and incurred net loss in fiscal years 2020 and 2021.

In recent years, we have experienced fluctuations in our margins. We incurred net loss in fiscal years 2020 and 2021. Many factors may cause our margins to decline or lead to net losses. For example, costs incurred in the expansion of our business and our physical network of learning centers and service centers may increase faster than our revenues. New investments and acquisitions may cause our margins to decline before we successfully integrate the acquired businesses into our operations and realize the full benefits of these investments and acquisitions. A significant increase in operating expenses or impairment loss on long-term investments and goodwill may lead to a net loss. Our ability to return to or maintain profitability and maintain or improve margins is affected by various factors that are beyond our control, such as the COVID-19 pandemic. There can be no assurance that our margins will not decline or fluctuate, or that we will not incur net loss again, in the future.

We have limited experience generating net income from some of our newer offerings.

Historically, our core businesses have been Xueersi small-class offerings and personalized premium services. We have expanded our offerings through internal development and external investments. Some of these new offerings have not generated significant or any profit to date. We have limited experience responding quickly to changes and competing successfully for certain of these new areas. In addition, newer offerings may require more financial and managerial resources than available. Furthermore, there is limited operating history on which you can base your evaluation of the business and prospects of these relatively more recent offerings.

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 most 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. See “Item 3. Key Information—D. 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 information technology systems, any significant cybersecurity incident or a leak of student data could damage our reputation, limit our ability to retain students and increase student enrollment or give rise to financial or legal consequences.

The performance and reliability of our online and technology infrastructure 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 information technology 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 information technology system failures.

Although we have a daily backup system that runs on different servers including a combination of internet data center and cloud 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 may attempt to penetrate our network security and our website. We have in the past experienced several computer attacks, although they did not materially affect our operations. We may be required to invest significant resources in protecting against the foregoing technological disruptions and/or security breaches, or to remediate problems and damages caused by such incidents, which could increase the cost of our business and in turn adversely affect our financial conditions and results of operations. Unauthorized access to our proprietary business information or customer data may be obtained through break-ins, sabotage, breach of our secure network by an unauthorized party, computer viruses, computer denial-of-service attacks, employee theft or misuse, breach of the security of the networks of our third party providers, or other misconduct. Because the techniques used by computer programmers who may attempt to penetrate and sabotage our network security or our website change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. 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 material 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.

Our business was materially adversely affected by the outbreak of COVID-19 and may be materially adversely affected by a similar outbreak in the future.

In 2020, outbreaks of COVID-19 resulted in the temporary closure of many business facilities across China. Normal economic life throughout China was sharply curtailed. While many of the restrictions on movement within China have been relaxed as of the date of this annual report, there is still uncertainty as to the future progress of the disease. Relaxation of restrictions on economic and social life may lead to new cases which may lead to the reimposition of restrictions.

The COVID-19 pandemic affected many aspects of our business since 2020, including:

Offline businesses. Our learning centers across the nation underwent temporary closure as part of precautionary measures we took with respect to our offline business and pursuant to government orders with respect to educational institutions as well as business activities in general to combat the outbreak. Following the closure, we immediately took measures to effectively move our offline course offerings online and provide our customers that already purchased offline courses with comprehensive remedies such as refunds, exchanges, or compensation for price differences. Despite our initiatives, there could still be cases of customer dissatisfaction and complaints as a result of the drastic changes. The decrease in revenues from offline learnings centers was partially offset by the increase in online revenues. In the later part of 2020, we were able to gradually reopen our learning centers. However, we again were required to close our learning centers in certain regions where new cases of COVID-19 were discovered between the end of 2020 and beginning of 2021. We moved those classes online. Any violation of government orders to suspend classes can lead to administrative actions and penalties.

Expansion. Pending further development of the pandemic, our offline capacity growth plans are subject to uncertainties. Moreover, we had two major facilities under construction, the progress of which were delayed due to restrictions on travel, suspension of business activities, and disease control protocols, that were in place. The construction delay may cause, among others, the projects to miss completion deadline, go over budget, or both, and the raw material cost may fluctuate as a result of the outbreak.

Financial condition and results of operations. The potential impact of development of COVID-19 and discovery of new cases can create uncertainty on our financial condition and results of operations. For example, we may have to make fair value adjustments or impairment to our long-term investments and goodwill as a result of such impact.

Beginning in the first fiscal quarter of fiscal year 2021, we experienced continued recovery and growth, driven by online courses and despite the lingering pressure on our offline business. However, we cannot assure you that the COVID-19 pandemic can be eliminated completely. Moreover, a second wave or a similar outbreak may occur, which could materially and adversely affect our business, financial condition, and results of operations.

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

In addition to the impact of COVID-19, 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 (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 results 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 and our independent registered public accounting firm, which had issued an attestation report, identified one material weakness in our internal control over financial reporting as of February 29, 2020 in accordance with the standards established by the Public Company Accounting Oversight Board of the United States and concluded that our internal control over financial reporting was not effective due to this material weakness as of February 29, 2020. The material weakness identified related to our failure to timely update our design on controls with a sufficient level of precision to prevent and detect misstatements related to our newly developed business. The material weakness resulted in restatement of our unaudited quarterly financial statements for the periods ended May 31, August 31 and November 30, 2019, respectively, to reflect correction of errors which led to reversal of our net revenues and net income attributable to our company for the first nine months of fiscal year 2020 in the aggregate amount of US$86.1 million and US$26.6 million, respectively. We have taken a number of measures to remedy the material weakness and the deficiencies that have been identified. For details, see "Item 15. Controls and Procedures." Our management and our independent registered public accounting firm, which has issued an attestation report, have concluded that our internal control over financial reporting was effective as of February 28, 2021 after the remediation. However, we cannot assure you that we will not identify any additional material weaknesses or significant deficiencies in the future.

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 are subject to anti-corruption laws. Our failure to comply with these laws could result in penalties, which may harm our reputation and have an adverse impact on our business and results of operations.

We are subject to anti-corruption laws, including China's anti-corruption laws and the U.S. Foreign Corrupt Practices Act, or the FCPA, which generally prohibits companies and anyone acting on their behalf from offering or making improper payments or providing benefits to foreign officials for the purpose of obtaining or keeping business and that requires an "issuer" like us to maintain accurate books and records. Our company policies require that our employees comply with applicable laws. However, there is no assurance that such policies will work effectively or protect us from liability under the FCPA or other anti-corruption laws for actions taken by our employees and intermediaries with respect to our business or any business that we may acquire. If we are found to be not in compliance with the FCPA and other applicable anti-corruption laws, we may be subject to penalties and other remedial measures, which may have an adverse impact on our reputation, business and results of operations. Any investigation of any potential violations of the FCPA or other anti-corruption laws by government authorities may cause us to incur significant expenses, divert management attention, and adversely affect our business and results of operations.

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.

In June 2010, we adopted a 2010 share incentive plan, as amended and restated in August 2013, 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. The amended and restated 2010 share incentive plan ceased to be used for grants of future awards upon the effectiveness of the 2020 Plan (defined below). In June 2020, we adopted a 2020 Share Incentive Plan, or the 2020 Plan, pursuant to which the maximum aggregate number of shares that may be issued pursuant to all awards (including incentive share options) (the "Award Pool") is initially five percent (5%) of our total issued and outstanding shares as of the effective date of the 2020 Plan, provided that (A) the Award Pool shall be increased automatically if and whenever the number of shares that may be issued pursuant to ungranted awards pursuant to the 2020 Plan (the "Ungranted Portion") accounts for less than one percent (1%) of the then total issued and outstanding shares of our company, so that for each automatic increase, the Ungranted Portion immediately after such increase shall equal five percent (5%) of the then total issued and outstanding shares of our company, and (B) the size of the Award Pool shall be equitably adjusted in the event of any share dividend, subdivision, reclassification, recapitalization, split, reverse split, combination, consolidation or similar transactions. As of March 31, 2021, 8,902,881 non-vested restricted Class A common shares and 538,583 share options to purchase 538,583 Class A common shares under the 2010 Plan and the 2020 Plan previously granted to our employees and directors are outstanding. As a result of the outstanding grants under the 2010 Plan and the 2020 Plan, we have incurred and will continue to incur share-based compensation expenses. We had share-based compensation expenses of $77.3 million, $117.9 million, and $204.9 million for the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively. As of February 28, 2021, the unrecognized compensation expenses amounted to $645.7 million related to the non-vested restricted shares, which will be recognized over a weighted-average period of 4.0 years for service based non-vested restricted shares and 3.4 years for performance based non-vested restricted shares, and $11.5 million related to share options, which will be recognized over a weighted-average period of 3.9 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 (i) 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, Xinxin Xiangrong and their respective shareholders, subsidiaries and schools, on the other hand, and (ii) a series of contractual arrangements among Beijing Lebai Information Consulting Co., Ltd., or Lebai Information, on the one hand, and Lebai Education and its sole shareholder, subsidiaries and schools, on the other hand. Accordingly, Xueersi Education, Xueersi Network, Xinxin Xiangrong and Lebai Education are our VIEs, and we rely on the contractual arrangements with our VIEs and their respective shareholders, subsidiaries and schools, or the VIE Contractual Arrangements, to conduct most of our services in China. Our VIEs, together with their respective subsidiaries and schools, are our Consolidated Affiliated Entities.

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 the VIE Contractual Arrangements, 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, the VIE Contractual Arrangements provide us with the ability to effectively control our VIEs 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 August 2018, the Ministry of Justice published a draft Implementation Rules for Private Education Law, or the draft Implementation Rules, for review. The draft Implementation Rules, among other things, provide that entities implementing group-based education shall not control non-profit schools by merger, acquisition, franchise or contractual arrangements. The draft Implementation Rules also provide that transactions among private schools and their affiliates shall be fair and open to the public. For those agreements entered into by non-profit schools and their affiliates which are long-term or involve important interests or repeated performance, the educational authorities shall audit the necessity, legitimacy and legal compliance of such agreements. Such requirements, if remained in the final version and signed into law, may challenge the validity and enforceability of our VIE Contractual Arrangements.

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 the VIE Contractual Arrangements 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 the VIE Contractual Arrangements to operate our education business in China. See "Item 4. Information on the Company—B. Business Overview—Organizational Structure—VIE Contractual Arrangements." The VIE 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 VIE 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 our VIEs 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. 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 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 the VIE Contractual Arrangements. In the event we are unable to enforce the VIE Contractual Arrangements, we may not be able to have the power to direct the activities that most significantly affect the economic performance of our VIEs and their schools and subsidiaries, and our ability to conduct our business may be negatively affected, and we may not be able to consolidate the financial results of our VIEs and their schools and subsidiaries into our consolidated financial statements in accordance with U.S. GAAP.

Any failure by our VIEs or their respective shareholders to perform their obligations under the VIE Contractual Arrangements 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 fail to perform its obligations under the VIE 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 the VIE 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 the VIE Contractual Arrangements, which are summarized under "Item 4. Information on the Company—B. Business Overview—Organizational Structure—VIE Contractual Arrangements," 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 in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce the VIE 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 the VIE 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 Xinxin Xiangrong are Mr. Zhang, Mr. Liu and Mr. Bai, and the sole legal owner of Lebai Education is Xueersi Education. Mr. Zhang, Mr. Liu and Mr. Bai are shareholders and directors or officers of TAL Education Group. 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 VIE Contractual Arrangements. 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 shares 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 and Mr. Bai may encounter in their capacity as direct or indirect 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. Although we usually utilize chops to execute contracts, the registered legal representatives of our PRC subsidiaries, VIEs and their schools and subsidiaries have the apparent authority to enter into contracts on behalf of such entities without chops.

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 Private Education Law, or Private Education Law, and The Implementation Rules for Private Education Law, or Implementation Rules. Before September 1, 2017, under the Private Education Law and Implementation Rules, a private school could elect to be a school that did not require reasonable returns or a school that required reasonable returns. At the end of each fiscal year, every private school was 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 required 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 did not require reasonable returns, this amount should be equivalent to no less than 25% of the annual increase in the net assets of the school, if any. A private school that required reasonable returns must publicly disclose such election and additional information required under the regulations. A private school should 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.

On November 7, 2016, the Standing Committee of the National People's Congress amended the Private Education Law, or the Amended Private Education Law, which took effect on September 1, 2017. Under the Amended Private Education Law, the term "reasonable return" is no longer used, and sponsors of private school may choose to establish non-profit or for-profit private schools at their own discretion. Sponsors of for-profit private schools are entitled to retain the profits from their schools and the operating surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations. Sponsors of non-profit private schools are not entitled to any distribution of profits from their schools and all revenue must be used for the operation of the schools. If a pre-existing private school chooses to register as a non-profit school, it shall amend its articles of association, continue its operation and complete the new registration process. If a pre-existing private school chooses to register as a for-profit school, it shall conduct a financial liquidation process, have the property rights of its assets such as lands, school buildings and net balance authenticated by relevant government authorities, pay up relevant taxes, apply for a new Permit for Operating a Private School, re-register as a for-profit school and continue its operation. Specific provisions regarding the above registration process shall be introduced by governments at the provincial level. See "Item 4. Information on the Company—B. Business Overview—PRC Regulation—The Private Education Law and the Implementation Rules for Private Education Law."

We intend to register our pre-existing private schools as for-profit schools. However, as of the date of this annual report, only certain local governments, for example, Beijing, Shanghai, Tianjin, Zhejiang Province, Hainan Province and Ningxia Province, have promulgated specific measures for registration of pre-existing private schools. And even for those places where specific measures for registration of pre-existing private schools have been promulgated, some local government authorities in practice have not started to accept application for registration of pre-existing private schools as for-profit schools. Therefore, we cannot assure you that our pre-existing private schools can all apply for and complete registration as for-profit schools in a timely manner or at all. And as measures for registration of pre-existing private schools in most provinces are yet to be introduced, we also cannot assure you whether there will be other risks associated with such registration.

Moreover, as of the date of this annual report, the implementation rules for the Amended Private Education Law and the relevant regulations adopted by competent government authorities in certain provinces have not been promulgated. It remains uncertain how the Amended Private Education Law will be interpreted and implemented and impact our business operations. There is no assurance that we will be able to operate our business in full compliance with the Amended Private Education Law or any relevant regulations in a timely manner or at all. Should we fail to fully comply with the Amended Private Education Law or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties, an order to suspend the operation and refund the tuition fee or other negative consequences which could materially and adversely affect our brand name and reputation, and our business, financial condition and results of operations. As a holding company, we rely on dividends and other distributions from our PRC subsidiaries, including TAL Beijing and Lebai Information. TAL Beijing, Lebai Information and their 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, Lebai Information and their designated affiliates' right to receive the service fees from the schools will be affected by the abovementioned elections, but if our judgment turns out to be incorrect, TAL Beijing, Lebai Information and our other PRC subsidiaries' ability to make distributions or pay dividends to us may be materially and adversely impacted. If our schools choose to be non-profit private education entities, our contractual arrangements with such schools may be subject to more stringent scrutiny. See "Item 3. Key Information—D. 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."

The VIE Contractual Arrangements 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 VIE Contractual Arrangements 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 the VIE Contractual Arrangements. 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 VIE Contractual Arrangements. 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.

Uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact our business, financial condition and results of operations.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which came into effect on January 1, 2020 and replaced the 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. On December 26, 2019, the State Council published the Implementation Rules of Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law and its Implementation Rules embody 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 enacted Foreign Investment Law or its Implementation Rules do not mention concepts such as "actual control" and "controlling PRC companies by contracts or trusts" that were included in the previous drafts, nor did it specify regulation on controlling through contractual arrangements, and thus this regulatory topic remains unclear under the Foreign Investment Law. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, though the Foreign Investment Law or its Implementation Rules do not explicitly classify contractual arrangements as a form of foreign investment, it contains a catch-all provision under the definition of "foreign investment," which includes investments made by foreign investors in China through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, such as unwinding our existing contractual arrangements and/or disposal of our related business operations, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

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

Under the regime of the Law on the Promotion of Private Education of China, the PRC government authorities have promulgated a number of regulations and implementation rules in 2018 governing the education industry and the after-school tutoring service market, including the Circular 3, the State Council Opinions 80, as well as Circular 10. See "Item 4. Information on the Company—B. Business Overview—PRC Regulations—Circular on Special Enforcement Campaign concerning After-school Tutoring Institutions to Alleviate Extracurricular Burden on Students of Primary and Secondary Schools" and "Item 4. Information on the Company—B. Business Overview—PRC Regulations—Opinions on Regulating Development of After-school Tutoring Institutions" for more details.

These new regulations and implementation rules provide a series of requirements in the operation of after-school tutoring business, which include that, among others: (1) key course information, including subjects, course schedules and course syllabi, for school academic courses, shall be filed with the local education administration authorities and be made publicly available; (2) the progress of the courses shall not surpass the same-period progress of local primary schools and secondary schools, and advanced trainings that do not follow the formal school curricula for the students in primary school and secondary school are prohibited; (3) training classes shall not be scheduled in conflict with the regular schooling time in local primary schools and secondary schools; (4) tutoring activities shall end before 8:30 p.m.; (5) homework shall not be assigned; (6) scored examination, competition or ranking in connection with the courses of primary schools or secondary schools shall not be arranged; (7) the periods for which tuition fees is charged shall be consistent with its respective curriculum, and the tuition fees for a period spanning more than three months should not be collected at one time; (8) no fees other than those that have been made public and no compulsory fund raising in any name may be made against the students; (9) student safety insurance shall be purchased by the after-school tutoring institutions; (10) teaching staff who teach Chinese, mathematics, foreign language, physics, chemistry and other subjects in the compulsory education stage as well as the academic subjects related to the entering of a higher school and their extension training shall have the requisite teacher qualifications; (11) online education institutions shall also make their teachers' names, photographs, teaching classes and teaching qualification numbers public at a prominent location on their home page. In addition, the State Council Opinions 80 provides that relevant governmental authorities of market regulation, cyberspace administration, industry and information technology and others shall cooperate with the educational authorities to the extent of their respective scope of duties to regulate after-school tutoring institutions.

We have been making efforts to ensure compliance with these regulations and implementation rules but there is no assurance that our operations comply with all applicable regulations in a timely manner due to various factors beyond our control. In particular, certain regulations and implementation provides new requirements and PRC government authorities have significant amount of discretion in interpreting, implementing and enforcing rules and regulations. If we fail to comply with the applicable legal requirements concerning the operation of after-school tutoring business in a timely manner, the relevant learning centers may be subject to the order of rectification, fines, confiscation of the gains derived from noncompliant operations or the suspension of noncompliant operations, which may materially and adversely affect our business and results of operations.

In addition, uncertainties still exist as the competent authorities may set more specific and stringent operation requirements for after-school tutoring institutions on various aspects including the means and timing of fee collection, pricing, advertisements and promotion content, prepaid funds under supervision, teachers' qualification licenses, refunds, course time and content, homework arrangement, and student enrollment, among others. For instance, with respect to educational fees supervision, on August 17, 2020, the MoE and other four departments jointly issued the Opinion on Further Strengthening and Regulating the Management of Educational Fees, which puts forward more specific and stricter requirements on educational fees supervision. See "Item 4. Information on the Company—B. Business Overview—PRC Regulations—Regulations on Educational Fees Management" for details. With respect to homework, the General Office of the MoE enacted the Notice of Strengthening the Management of Homework for Compulsory Education on April 8, 2021, which requires after-school tutoring institutions shall not leave homework to primary and secondary school student. Moreover, the MoE issued the Guiding Opinions on Promoting the Scientific Connection between Kindergarten and Primary School on March 30, 2021, which requires that after-school tutoring institutions shall not provide tutoring services to pre-school aged minors in violation of applicable regulations. See "Item 4. Information on the Company—B. Business Overview—PRC Regulations—Regulations on After-school Tutoring Institutions" for details. We may be unable to meet such requirements in a prompt manner or incur additional costs in complying with such requirements, which may adversely affect our business, financial conditions and results of operations.

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

The PRC government has adopted regulations governing internet access and the distribution of news and other information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in, and has previously resulted 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.

Failure to comply with governmental regulation and other legal obligations concerning personal information may adversely affect our business, as we routinely collect, store and use personal information.

We routinely collect, store and use personal information during the ordinary course of our business. We are subject to PRC laws and regulations governing the receiving, storing, sharing, using, processing, disclosure and protection of personal information on the internet and mobile platforms. See "Item 4. Information on the Company—B. Business Overview—PRC Regulation—Laws of Protection of Personal Information of Citizen." The scope of these laws and regulations is evolving and further detailed implementation rules and interpretations may be promulgated. It is possible that these obligations may be interpreted and applied in a manner that is inconsistent with our practices. In addition, the Office of the Central Cyberspace Affairs Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, and the State Administration for Market Regulation jointly issued an announcement on January 23, 2019 regarding carrying out special campaigns against mobile internet application programs collecting and using personal information in violation of applicable laws and regulations, which prohibits business operators from collecting personal information irrelevant to their services, or forcing users to give authorization in disguised manner. As this announcement is relatively new, we cannot assure you we can adapt our operations to it in a timely manner. Evolving interpretations of existing laws and regulations or any future regulatory changes might impose additional restrictions on us generating and processing personal information. We may be subject to additional regulations, laws and policies adopted by the PRC government to apply more stringent social and ethical standards in data privacy resulting from the increased global focus on this area. To the extent that we need to alter our business model or practices to adapt to these announcement and provisions and future regulations, laws and policies, we could incur additional expenses.

If we fail to comply with these laws and regulations, we may be penalized by relevant authorities and be subject to litigation or negative publicity against us by consumer advocacy groups or others, 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 Permit for Operating a Private School, and shall be registered with the Ministry of Civil Affairs or its local branches as a non-profit school or registered with the relevant local branch of the SAIC as a for-profit school. In addition, pursuant to the State Council Opinions 80 and relevant RPC laws and regulations, opening branches or learning centers by any after-school tutoring institution shall also be subject to registration or filing requirements. As of February 28, 2021, certain of our learning centers had not completed filing requirements for permits or registrations, which in the aggregate accounted for an immaterial portion of our total net revenues for the fiscal year ended February 28, 2021.

We are in the process of preparing filings and applying for permits for these learning centers in accordance with the State Council Opinions 80 and relevant PRC laws and regulations but do not expect to complete all such filings or obtain all such permits in the near term. We are also considering other potential locations for certain learning centers and we may have difficulty obtaining those permits. 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. However, if we fail to obtain or maintain requisite licenses and permits or fulfill requisite registration and filing requirements to operate our after-school tutoring business, including any failure to cure non-compliance in a timely manner, we may be subject to fines, confiscation of the gains derived from non-compliant operations or the suspension of non-compliant operations, which may materially and adversely affect our business and results of operations.

We face risks and uncertainties with respect to our online education business.

We deliver certain tutoring services through our online course offerings.

The MoE, jointly with certain other PRC government authorities, promulgated the Implementation Opinions on Regulating Online After-School Tutoring, or the Online After-School Tutoring Opinions, effective on July 12, 2019. The Online After-School Tutoring Opinions are intended to regulate academic after-school training involving internet technology provided to students in primary and secondary schools. Among other things, the Online After-School Tutoring Opinions require that online after-school training institutions shall file with the competent provincial education regulatory authorities and that such education regulatory authorities shall, jointly with other provincial government authorities, review such filings and the qualifications of the online after-school training institutions submitting such filings. The Online After-School Tutoring Opinions also impose a series of new regulatory requirements, including (i) each class shall not last longer than 40 minutes and shall be taken at intervals of not less than 10 minutes; (ii) live streaming courses provided to students receiving compulsory education shall not end later than 9:00 p.m.; (iii) the periods for which tuition is charged shall be consistent with its respective curriculum, where fees are charged based on the number of classes, fees are not allowed to be collected in a lump sum for more than 60 classes, and where fees are charged based on the length of the course, the fees shall not be collected for a course length of more than three months; (iv) instructors are required to obtain the necessary teacher qualification licenses; and (v) online after-school training institutions shall not engage in excessive marketing, make false or misleading promotion, or overstate the effect of the product. The Online After-School Tutoring Opinions provides that relevant governmental authorities of cyberspace administration, industry and information technology and others shall cooperate with the educational authorities to the extent of their respective scope of duties to regulate online after-school training institutions. According to the Online After-School Tutoring Opinions, provincial education regulatory authorities shall promulgate local implementing rules regarding the above-mentioned filing requirements. For details, see “Item 4. Information on the Company-B. Business Overview-PRC Regulation- Regulations on Online and Distance Education.” Moreover, the MoE, jointly with certain other PRC government authorities, issued the Opinions on Guiding and Regulating the Orderly and Healthy Development of Educational Mobile Apps on August 10, 2019, or the Opinions on Educational Apps, which requires that, among others, mobile apps that offer services for school teaching and management, student learning and student life, or home-school interactions, with school faculty, students or parents as the main users, and with education or learning as the main application scenarios, be filed with the competent provincial regulatory authorities for education. See “Item 4. Information on the Company-B. Business Overview-PRC Regulation- Regulations on Educational Applications (Apps).” Additionally, on March 23, 2021, the State Council’s Office of Education Steering Committee released an article warning parents of K-12 students about after-school tutoring service providers’ collection of tuition fees in ways that are in violation of the Online After-School Training Opinions.

We are making efforts to comply with the above-mentioned regulations. As these regulations were relatively newly promulgated, we cannot assure you that we will complete such filing and comply with other regulatory requirements under such regulations and their related local rules in a timely manner, or at all. The relevant governmental authorities have significant discretion in interpreting and implementing, and may from time to time conduct inspections on compliance with the such regulations and the relevant local rules. If we fail to promptly complete such filing and comply with other applicable regulatory requirements, we may be subject to fines, regulatory orders to suspend our operations or other regulatory and disciplinary sanctions, which may materially and adversely affect our online education business and results of operations.

Besides, in relation to our online education business, we may be deemed to provide certain services or conduct certain activities and thus be subject to a wide range of licenses, approvals, permits, registrations and filings due to the lack of official interpretations of certain terms under internet-related PRC regulations and laws, and we cannot assure you that we have obtained all of them or will continue to maintain or renew all of them. For example, due to the ambiguity of the definition of “online publishing service,” the online distribution of content, including our course materials, through our mobile apps, may be regarded as an “online publishing service” and therefore we may be required to obtain an Online Publishing License. Also, we deliver certain courses in live-streaming format which the relevant authorities may regard as a live-streaming platform and may thus require us to make necessary filings as a live-streaming platform. Moreover, any of our Consolidated Affiliated Entities that provide online course services are required to obtain an ICP license from the appropriate telecommunications authorities or otherwise register each and all of their websites, on which we provide online courses, in the existing and effective ICP licenses held by the relevant Consolidated Affiliated Entities. If any of such entities fail to obtain the ICP license or complete the required registration in a prompt manner, we may become subject to rectification order, significant penalties, fines, legal sanctions or an order of closing our relevant websites.

In addition, uncertainties still exist as new laws and regulations, including without limitation the amended Implementation Rules, may set more specific and stringent requirements for online educational institutions on various aspects including the means and timing of fee collection, pricing, advertisements and promotion content, prepaid funds under supervision, teachers' qualification licenses, refunds, course time and content, homework arrangement, and student enrollment, among others, or requiring online educational institutions to obtain the Permit for Operating a Private School. We may be unable to comply with such new laws and regulations in a prompt manner or incur additional costs in complying with relevant requirements, which may adversely affect our business, financial conditions and results of operations. Meanwhile, there can be no assurance that we will be able to maintain our existing licenses, approvals, registrations or permits necessary to provide our current online services in China, renew any of them when their current term expires, or update existing licenses or obtain additional licenses, approvals, permits, registrations or filings necessary for our business expansion from time to time. If we fail to do so, our business, financial condition and operational results may be materially and adversely affected.

We face risks and uncertainties in printing and providing teaching handouts and other materials to our students.

Our certain wholly owned subsidiaries and Consolidated Affiliated Entities engage in printing and providing teaching handouts and other materials to our students. According to the Administrative Regulations on Publication, any entity engaging in the activities of publishing, printing, copying, importation or distribution of publications, shall obtain relevant permits of publishing, printing, copying, importation or distribution of publications. See "Item 4. Information on the Company—B. Business Overview—PRC Regulations—Regulations on Publishing and Distribution of Publications." Under the new regulation, it is uncertain whether printing and providing teaching handouts and other materials to our students would be deemed publishing activities. If the General Administration of Press and Publication or its local branches or other competent authorities deem such activities as publishing, we may become subject to significant penalties, fines, legal sanctions or an order suspending our printing and provision of teaching handouts and other materials to our students.

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

Substantially all of our business operations are conducted in China. Accordingly, our 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 and practices that are applicable to us. In addition, future actions or policies of the PRC government to control the pace of economic growth may cause a decrease in the level of economic activity in China, which in turn could materially affect our liquidity and access to capital and our ability to operate our business.

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

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

The global macroeconomic environment is facing challenges, especially the challenges due to the COVID-19 pandemic. See also "—Our business was materially adversely affected by the outbreak of COVID-19 and may be materially adversely affected by a similar outbreak in the future." The PRC economy has shown slower growth compared to the previous decade since 2012 and such slowdown may continue. In addition, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. Unrest, terrorist threats and potential for war in the Middle East and elsewhere may increase market volatility across the globe. There is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. There have also been concerns on the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or 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 and potential non-compliance with labor laws and regulations 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.

Besides, we engaged certain independently contracted foreign teachers as independent contractors whose rights differ from those of employees at part of our English online education business. There are uncertainties in determining whether a service provider is an independent contractor or an employee due to vague terms in laws and regulations, and there are also uncertainties on whether such independently contracted foreign teachers, who work outside of PRC, shall comply with relevant PRC laws and regulations on qualification of foreign teachers.

Furthermore, the PRC government has stipulated new laws and regulations to enhance labor protection in recent years, such as the Labor Contract Law and the Social Insurance Law. Given that the interpretation and implementation of these new laws and regulations are still evolving and relevant laws and regulations are becoming stricter, our employment practice may not at all times be deemed in compliance with the new laws and regulations. If we are subject to penalties or incur significant liabilities in connection with labor disputes or investigation, our business and profitability may be 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. 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. Information on the Company—B. Business Overview— PRC Regulation—Regulations on Private Education—The Private Education Law and the Implementation Rules for Private Education Law" 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 financing activities for our investment or operations in China.

In utilizing the proceeds we received from our financing activities 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, require that the PRC subsidiaries complete the relevant filing and reporting procedures with relevant governmental authorities and register with the local bank authorized by State Administration of Foreign Exchange, or SAFE;

- 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 local branches of SAFE; and

- loans by us to our Consolidated Affiliated Entities, which are domestic PRC entities, cannot exceed statutory limits and must be registered with the National Development and Reform Commission and must also be registered with SAFE or its local branches.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19, effective in June 2015, in replacement of a former regulation. SAFE Circular 19 regulates the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company. According to SAFE Circular 19, RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of bank loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our offshore offerings, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 23, 2019, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use RMB converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, due to lack of sufficient guidance, it is unclear how SAFE and competent banks will carry this out in practice.

We expect that PRC laws and regulations may continue to limit our use of proceeds from offshore offerings. 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 investments 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.

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, in July 2014. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in 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 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. Further, the National Development and Reform Commission, or NDRC, issued the Administrative Measures for Outbound Investment by Enterprises, or Circular 11, on December 26, 2017, which took effect on March 1, 2018, pursuant to which outbound investments via the overseas enterprises controlled by PRC residents are subject to verification and approval, record-filing and reporting to the NDRC. Failure to comply with such verification and approval, record-filing and reporting requirements may subject such PRC Residents to personal liability. See "Item 4. Information on the Company—B. Business Overview—PRC Regulation—Administrative Measures for Outbound Investment by Enterprises" for more detail of Circular 11.

In June 2015, SAFE promulgated SAFE Circular 13, according to which, local banks authorized by the SAFE are the new registration authorities under the SAFE foreign exchange control policies, instead of the local SAFE branches, in order to simplify the procedures of foreign exchange control related to direct investment. And therefore, pursuant to the SAFE Circular 13, the registration and amendment of PRC residents under SAFE Circular 37 should be conducted with local banks authorized by SAFE. The PRC residents are also required to, by themselves or entrusting accounting firms or banks, file with the online information system designated by SAFE with respect to its existing rights under offshore direct investment each year prior to the requisite time.

The failure or inability of our PRC resident beneficial owners to make any required registrations or filings 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 and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, and the NDRC Circular 11 establishes certain procedures for our offshore investing activities, which could make it more difficult for us to pursue growth through acquisitions in and outside China.

The MOFCOM, 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 SAFE jointly adopted regulations commonly referred to as the M&A Rules. 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 MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by relevant governmental authorities before they can be completed. In February 2021, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as classifying that concentrations involving variable interest entities shall also be subject to anti-monopoly review. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring a transaction through a proxy or contractual control arrangement.

Further, pursuant to the Circular 11 issued by NDRC, outbound investment via the overseas enterprises controlled by PRC residents are subject to verification and approval, record-filing and reporting requirements to the NDRC. According to Circular 11, sensitive projects, such as outbound investment in real estate, hotels, news media, cinemas or sports club, carried out by overseas enterprises controlled by PRC residents shall obtain verification and approval from the NDRC prior to the implementation of the project. The non-sensitive projects carried out by overseas enterprises directly controlled by PRC residents, including by means of making asset or equity investment, or providing financing or guarantee, shall complete record-filing with the competent authority prior to the implementation of the Project. The non-sensitive projects carried out by overseas enterprises indirectly controlled by PRC residents with an investment amount over RMB0.3 billion shall be reported to the NDRC of relevant information by submitting an information reporting form for large-amount non-sensitive projects. See "Item 4. Information on the Company—B. Business Overview—PRC Regulation—Administrative Measures for Outbound Investment by Enterprises" for more detail of Circular 11. Through our dual-class share structure, Mr. Bangxin Zhang, a PRC citizen, possesses and controls 69.5% of the voting power of our company as of March 31, 2021, thus our investments outside China are subject to the abovementioned verification and approval, record-filing and reporting requirements to the NDRC under Circular 11.

We may expand our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rules and Circular 11 to complete such transactions could be time-consuming, and any required verification, approval, record-filing and reporting processes, including obtaining approval from the MOFCOM or NDRC, 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.

Pursuant to the EIT Law, as further clarified by subsequent tax regulations implementing the EIT Law, foreign-invested enterprises and domestic enterprises are subject to EIT at a uniform rate of 25%. Certain enterprises may benefit from preferential tax rate if they qualify as "High and New Technology Enterprises", or HNTE, "Newly Established Software Enterprise" or "Key Software Enterprise" pursuant to EIT Law and the related regulations. See "Item 4. Information on the Company-B. Business Overview-PRC Regulation-PRC Enterprise Income Tax."

A number of our PRC subsidiaries and Consolidated Affiliated Entities are, or are expected to be, entitled to applicable preferential tax treatment. However, there can be no assurance that any of these entities will continue to enjoy such preferential tax rate. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation—PRC Enterprise Income Tax." The discontinuation of any of the above-mentioned preferential income tax treatments currently available to us in the PRC could have a material and adverse effect on our result of operations and financial condition. We cannot assure you that we will be able to maintain our current effective tax rate in the future.

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 a "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 implementation rules of the EIT Law define de facto management as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. SAT has issued a circular providing that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with its "de facto management 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 bulletins to provide more guidance on the implementation of the above circular. These bulletins 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 shall not be required to withhold 10% income tax when paying the PRC-sourced dividends, interest and royalties to the PRC-controlled offshore incorporated enterprise.

In addition, the SAT issued the Bulletin on Issues Concerning the Determination of Resident Enterprises on the Basis of their Actual Management Bodies in January 2014 to provide more guidance on the implementation of the above circular. This bulletin further provided that, among other things, an entity that is classified as a "resident enterprise" in accordance with the circular shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors are registered. From the year in which the entity is determined as a "resident enterprise," any dividend, profit and other equity investment gain shall be taxed in accordance with the Article 26 of the EIT law and Article 17 and Article 83 of its implementation rules. Although both the circular and these bulletins only apply to offshore enterprises controlled by PRC enterprises and not those controlled 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 implementation 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 Firstleap Education, which is incorporated in the Cayman Islands, through Firstleap Education (HK) Limited, which is incorporated in Hong Kong, would qualify as "tax-exempt income" and will not be subject to withholding tax, as the relevant government authorities that 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 Announcement on Issues concerning "Beneficial Owners" in Tax Treaties, or SAT Circular 9, 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 9, 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, namely TAL Holding Limited and Firstleap Education (HK) Limited, 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 9 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 Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises issued by the SAT in February 2015, or SAT Bulletin 7, where a non-resident enterprise indirectly transfers properties such as equity in PRC resident enterprises without any justifiable business purpose, 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, and gains derived from such transfer will be subject to PRC withholding tax at a rate of up to 10%. 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.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect and superseded Circular 698 on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of nonresident enterprise income tax.

There is uncertainty as to the implementation details of SAT Bulletin 7 and Bulletin 37. 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 and Bulletin 37 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.

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, revised August 2015. Among other things, the Internet Audio-Video Program Measures stipulate that no entities or individuals may provide internet audio-video program services without a License for Disseminating Audio-Video Programs through Information Network issued by 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. The SARFT and the MII have published a press release confirming 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. 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, the SARFT promulgated the Tentative Categories of Internet Audio-Visual Program Services (Trail), or the Audio-Visual Program Categories, which clarified the scope of internet audio-video program services. According to the Audio-Visual Program 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.

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

We offer certain online courses on our platform. In the fiscal years ended February 28 /29, 2019, 2020 and 2021, revenues derived from audio-video program services offered through *www.xueersi.com* that may be subject to the Audio-Video Program Measures were 13.3%, 18.9% and 28.4%, respectively, of our total net revenues. Our teachers and students communicate and interact live with each other via our platforms. The audio and video data are transmitted through the platforms between specific recipients instantly without any further redaction. We believe the nature of the raw data we transmit distinguishes us from general providers of internet audio-visual program services, such as the operator of online video websites, and the provision of the Internet Audio-Video Program Measures and the Broadcasting Audio-Video Programs Regulations are not applicable with regard to our offering of the courses in live streaming format. However, we cannot assure you that the competent PRC government authorities will not ultimately take a view contrary to our opinion. In addition, we also offer video recordings of live streaming courses and certain other educational audio-video contents to our students on our online platforms. If the government authorities determine that our provision of online tutoring services falls within the Internet Audio-Video Program Measures or the Broadcasting Audio-Video Programs Regulations, we may not be able to obtain the required permit or license. 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.

Our revenues and costs are mostly denominated in RMB. The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and foreign exchange policies. After the PRC government changed its policy of pegging the value of RMB to the U.S. dollar in 2005, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and there is no guarantee that the RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi 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 Renminbi 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.

We have invested in derivative financial instruments such as the exchange option contracts that may hedge our exposure to foreign currency risks to a certain extent. The availability and effectiveness of 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. We received substantially all of our revenues in RMB. Under our current corporate structure, our income at the holding company level may be primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, 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 SAFE or its local branch or prior registrant with banks, 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 SAFE or prior registrant with banks, 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 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 Renminbi 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.

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

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

Prior to the issuance of SAFE Circular 7, we received approval from SAFE's Beijing branch 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. From time to time, we need to apply for or to update our registration with 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. We may not always be able to make applications or update our registration on behalf of our employees who hold our restricted shares or other types of share incentive awards in compliance with SAFE Circular 7, nor can we ensure you that such applications or update of registration will be successful. If we or the participants of our share incentive 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 share incentive awards under our share incentive plan to our employees who are PRC citizens. Such events could adversely affect our business operations.

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

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

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

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

The SEC may propose additional rules or guidance that could impact us if our auditor is not subject to PCAOB inspection. For example, on August 6, 2020, the President's Working Group on Financial Markets, or the PWG, issued the Report on Protecting United States Investors from Significant Risks from Chinese Companies to the then President of the United States. This report recommended the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfil its statutory mandate. Some of the concepts of these recommendations were implemented with the enactment of the HFCA Act. However, some of the recommendations were more stringent than the HFCA Act. For example, if a company was not subject to PCAOB inspection, the report recommended that the transition period before a company would be delisted would end on January 1, 2022.

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

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

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

Proceedings instituted by the SEC against certain PRC-based accounting firms, including auditors of our consolidated financial statements in our prior annual reports, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including auditors of our consolidated financial statements in our annual reports, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC. In January 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision was neither final nor legally effective unless and until reviewed and approved by the SEC. In February 2014, four of these PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. Under the settlement, the SEC accepted that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms were to receive matching Section 106 requests, and were 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 failed to meet the specified criteria during a period of four years starting from the settlement date, the SEC retained authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four China-based accounting firms' compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions. If additional remedial measures are imposed on the Chinese affiliates of the "big four" accounting firms, including auditors of consolidated financial statements in our annual reports, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

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

If auditors of our consolidated financial statements in our annual reports 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 securities from the New York Stock Exchange 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. For the fiscal year ended February 28, 2021, the closing prices of our ADSs have ranged from $47.00 to $90.15 per ADS, and the last reported trading price on May 6, 2021 was $55.44 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, regulatory investigation or other governmental proceedings against us;
- substantial sales or perception of sales of our ADSs in the public market; and
- general economic, regulatory or political conditions in China and the 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, the ensuing economic recessions in many countries and the slowing PRC economy 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 share incentive awards under our share incentive plan.

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 at the time were automatically converted into Class B common shares immediately prior to the completion of our initial public offering. 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 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 March 31, 2021, holders of our Class B common shares (excluding any Class A common shares such holder may hold in the form of ADSs) collectively held approximately 81.9% 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 March 31, 2021, our executive officers, directors and their affiliated entities beneficially owned approximately 31.5% of our total outstanding shares, representing 82.0% 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 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 ADSs, such as grants of share incentive awards 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.

We will issue new Class A common shares upon conversion of our convertible notes. The conversion of some or all of the convertible 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 notes and the market price of the ADSs and impair our ability to raise capital through the sale of additional equity securities.

In addition, we may be required by our shareholders to register the sale of their shares under the Securities Act. 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 as our shareholders and may only exercise 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 the votes attaching to the common shares underlying 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 common shares issuable upon such conversion could adversely affect prevailing market prices of our common 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 common shares.

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

In January 2021, we issued certain convertible notes for a total proceed of approximately US$2.3 billion to a group of investors. 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: any person (other than certain specified holders) becoming the beneficial owner of the Company's common shares representing more than 50% of the voting power or more than 50% of the outstanding common shares, 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; any share exchange, consolidation or merger involving our company as a result of which holders of our all classes of common equity do not own 50% of all classes of common equity of the surviving corporation; and any sale, lease or other transfer of all or substantially all of our assets to a third party; and the adoption of any plan relating to the dissolution or liquidation of our company.

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 Companies Act (As Revised) of the Company Islands 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 duties 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 duties 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. Substantially all of our current operations are conducted in China. In addition, some of our directors and all of our 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 of 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.

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

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to obtaining information needed for regulatory investigations or litigations initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the Unities States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC, and no organization or individual may provide documents or materials relating to securities business activities to overseas parties arbitrarily without the consent of the competent securities regulatory authority in China. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase the difficulties you face in protecting your interests. See also "-Risks Related to Our ADSs-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." for risks associated with investing in us as a Cayman Islands company.

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 (generally 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 and schools 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.

Assuming that we are the owner of our VIEs and their respective subsidiaries for U.S. federal income tax purposes, and based on our income and assets and the market price of our ADSs, we do not believe that we were a PFIC for the taxable year ended February 28, 2021 and do not anticipate becoming a PFIC for the foreseeable future. However, 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. Additional Information—E. 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. See "Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—PFIC Considerations" and "Item 10. Additional Information—E. 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.

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."

We have made certain other principal expansion of our service offerings:

- in January 2016, we completed the acquisition of Firstleap Education, a provider of small-class tutoring services in English to young learners in China;
- in February 2016, we acquired majority equity interest of Beijing Yinghe Youshi Technology Co., Ltd., or Yinghe Youshi, which primarily provides online preparation services of English tests for study-abroad purposes, and purchased all its remaining noncontrolling interest in 2017;
- in July 2016, we acquired majority interest in Beijing Shunshun Bida Information Consulting Co., Ltd., or Shunshun Bida, which primarily engages in providing professional counseling services to students who desire to study abroad;
- in August 2016, we acquired majority equity interest in Shanghai Yaya Information Technology Co., Ltd., or Shanghai Yaya, which primarily operates an online platform focusing on children, babies and maternity market; in 2019, we acquired the remaining minority interest in steps;
- in fiscal year 2019, we obtained control of Shanghai Xiaoxin Information and Technology Co., Ltd., a previously minority-owned investee. This investee is mainly engaged in the development of communication tools connecting teachers and students; and
- in fiscal year 2019, we made two investments in Dada Education Group, or Dada, a company providing one-on-one online English tutoring for children. In April 2020, we completed the acquisition of a controlling interest in Dada.

We have also made certain material investments in other businesses that complement our existing business, including the following in recent years:

- in January 2014, we made a minority equity investment in BabyTree Inc., an online parenting community and an online retailer of products for children, baby and maternity wear in China;
- since April 2015, we have entered into a series of transactions to invest for minority equity interest in Changing Education Inc., which operates a customer-to-customer mobile tutoring platform and provides tutoring services in China;
- in August 2016 and 2019, we completed two minority equity investment transactions in Shanghai Zhengda Ximalaya Technology Company Limited, an online Frequency Modulation radio platform; and
- in December, 2018, we invested in minority equity interest in Xiamen Meiyou Information and Technology Co., Ltd, an internet company focusing on providing services to female clients.

For more information on our acquisitions and investments, see Note 3 "Business Acquisitions," Note 10 "Long-term investments" and Note 15 "Fair Value" to the consolidated financial statements.

For information on our capital expenditures, see “Item 5. Operating and Financial Review and Prospects—B. 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” and changed the symbol to “TAL” effective from December 1, 2016.

In May 2014, we issued $230 million in aggregate principal amount of 2.50% convertible notes due 2019. The notes matured on May 15, 2019.

In January 2018, we issued certain numbers of Class A common shares to a long-term equity investment firm for a total proceed of approximately US$500 million.

In February 2019, we issued certain numbers of Class A common shares to a long-term equity investment firm for a total proceed of approximately US$500 million.

In November 2020, we issued certain numbers of Class A common shares to a global growth investment firm for a total proceed of approximately US$1.5 billion.

In January 2021, we issued certain numbers of Class A common shares for a total proceed of approximately US$1.0 billion and convertible notes for a total proceed of approximately US$2.3 billion to a group of investors.

Our principal executive offices are located at 15/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 6658. 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. As of February 28, 2021, we had branch offices in 109 cities in China and three branch offices in other countries. 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

We are a leading K-12 after-school tutoring service provider in China. We mainly 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. In order to diversify K-12 tutoring services, we also provide consulting services for overseas studies and preparation courses for major standardized tests, as well as operate several online community platforms including through www.jzb.com (together with the “Jiazhang Bang” app) and www.mmbang.com (together with the “Mama Bang” app). We also provide support in various forms such as educational products, contents, technologies, services and other learning resources to educational institutions and public schools in China through our various programs and solutions.

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. In August 2013, we changed our umbrella brand from “Xueersi” to “Haoweilai,” and now we offer different service offerings under different brands, such as “Xueersi,” “Mobby” and “Firstleap,” through which we offer small-class services, “Izhikang,” through which we offer personalized premium services, and “Shunshun Liuxue,” through which we offer consulting services on overseas studies.

We deliver our tutoring services primarily through small classes (including Xueersi tutoring services, Mobby tutoring services and Firstleap tutoring services), personalized premium services and online course offerings. We are constantly working to expand and supplement our service offerings, through both internal development and strategic investments. As of February 28, 2021, our extensive educational network consisted of 1,098 learning centers and 990 service centers in 109 cities throughout China and one city in the United States, as well as our online courses and online education platform. Our average student enrollments of normal priced long-term course per quarter increased by 54.4% from over 3.0 million in the fiscal year ended February 29, 2020 to approximately 4.7 million in the fiscal year ended February 28, 2021.

We operate www.jzb.com (formerly www.eduu.com), a leading online education platform in China. The website serves as a gateway to our other websites, including (i) those offering online courses, such as small-class training, personalized premium services and tutoring services for thinking development, and (ii) those dedicated to specific topics and offerings, such as college entrance examinations, high school entrance examinations, graduate school entrance examinations, preschool education, mathematics, English, Chinese composition, and raising infants and toddlers. 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. In addition to our online education platform, we also operate www.mmbang.com and the "Mama Bang" app, an online platform focusing on children, baby and maternity market.

Our total net revenues increased from $3,273.3 million in the fiscal year ended February 29, 2020 by 37.3% to $4,495.8 million in the fiscal year ended February 28, 2021. Net loss attributable to TAL Education Group was $110.2 million in the fiscal year ended February 29, 2020, compared to net loss attributable to TAL Education Group of $116.0 million in the fiscal year ended February 28, 2021.

Our K-12 Tutoring Services

We deliver our K-12 tutoring services to our students through small-class offerings, personalized premium services and online courses.

Small-Class Offerings

We have been delivering courses in small-class offerings since the inception of our company through Xueersi small classes, which currently cover major subjects as supplement to school learning. Xueersi small-class courses consist of four semesters, namely the two school semesters in Spring and Fall and the two holiday semesters in summer and winter. Throughout the years, we have increasingly integrated online technologies into the course offerings. As of February 28, 2021, 879 of our 1,098 learning centers and 771 of our 990 service centers offered Xueersi small classes and international education classes.

In 2011, we began offering our Mobby tutoring services. Mobby small classes typically have up to 12 to 16 children per class and are currently focused on comprehensive development based on STEM education, namely science, technology, engineering and mathematics, for young learners.

In January 2016, we acquired 100% of equity interest in Firstleap Education, which provides small-class tutoring in English to young learners. Firstleap small classes typically have up to 14 students per class. Most of the Firstleap business is carried out through Lebai Education and its subsidiaries and schools which offered Firstleap small classes. A small portion of the Firstleap business is carried out through franchisees, who are typically located in lower-tier cities and operate their own learning centers not within our network. As of February 28, 2021, 82 of our learning centers and 82 of our service centers offered Firstleap or Mobby small classes, or both.

We believe that, under small-class offerings, 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.

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 all of our Xueersi small classes, also offer unconditional refunds for any remaining unattended classes net of the costs of materials.

In 2010, we launched the Intelligent Classroom System (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 2007 under our "Izhikang" brand. As of February 28, 2021, our Izhikang network included 137 learning centers and 137 service centers in 18 cities.

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 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. Our personalized premium services are mostly offered in one-on-one format, with a small portion of small-group classes, which typically consist of only two to eight students.

Personalized attention. For most students, we assign 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 2010 through *www.xueersi.com*. Through *www.xueersi.com*, we offer online courses on mathematics, English, Chinese, physics, chemistry, biology, programming and other subjects. 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 and enable more students to access quality courses with affordable prices.

In the past, our online courses were mostly in the format of pre-recorded classes. In March 2015, we launched a new TEPC (standing for teaching, examination, practice and communication) flipped classroom format, which was intended to serve as a major upgrade from the traditional model of recorded classes, and to enable our students to participate in more proactive and interactive learnings. This new format was further developed into live-broadcasting classes starting from October 2015, which has become the principal format of our online courses.

Currently, our online courses mainly feature interactive, live-broadcasting lectures by experienced teachers. We seek to engage teachers who have a strong command of the respective subject areas and superior communication skills. By offering live broadcasting classes, our teachers can adjust the pace and content of each class according to student performance and reaction. Under this format, students can proactively participate in the class and obtain a more personalized learning experience. We also conduct in-class examination and have dedicated tutoring teachers who focus on the correction of examinations and post-exam tutoring for students. In this way, students can receive timely and tailored feedback on their learning.

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.

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, we assign most of our students in the personalized premium services 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.

Through our call centers, websites, mobile applications and WeChat platform, we provide support services for students and parents, including receiving enquiries, accepting registrations, addressing course-related issues and facilitating communication with existing and prospective students for our center-based offerings and the parents of such students.

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. We started our business by offering tutoring classes in mathematics and then gradually rolled out courses in other subjects over 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.

Our K-12 course offerings encompass all major subjects catered to students of grades ranging from kindergarten to the twelfth grade. Our offerings start off with the fundamentals such as mathematics, English and Chinese for kindergarten and primary school students. Physics, biology, and chemistry are added to our curricula as students progress through middle school, reflecting their expanded core subjects. For high school students, we offer a full spectrum of subjects in response to their expanded and elevated study needs, completing the offering with history, political science, and geography.

The history, political science and geography courses are offered mainly through personalized premium tutoring services under our "Izhikang" brand and small-class services under our "Xueersi" brand. In addition, we also offer science, programming and GO courses.

Curriculum and Course Material Development

Substantially all of our education content for our non-English subject areas is developed in-house.

For the science subjects offered through Xueersi 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. When developing our curricula and course materials, we typically review and reference recent teaching materials and teachers' training materials from leading public schools, consider any new examination requirements and requirements on cultivation of student ability and quality, and 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. 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 March 2014, we, through our "Xueersi" brand, 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.

Moreover, Since May 2016, we have cooperated with LAZEL Inc. by entering into content license agreements with LAZEL Inc., pursuant to which we are granted license to use leveled English reading materials "Reading A-Z" and certain other distribution rights with respect to such reading materials. The leveled reading method of "Reading A-Z" scientifically provides children of different age groups with English reading content that is suitable for their development.

Since November 2017, we entered into certain content license agreements with Educational Testing Service, or ETS, pursuant to which, we and ETS intend to collaborate on launching our TOEFL and GRE preparation materials, providing online practice and automated scoring and feedback systems to our students.

Our Teachers

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, and in our emphasis on continued teacher training and rigorous evaluation, competitive performance-based compensation and opportunities for career advancement. We had 21,387, 27,500 and 44,849 full-time teachers and 4,616, 8,245 and 11,142 contract teachers as of February 28/29, 2019, 2020 and 2021, respectively.

For our Xueersi business, personalized premium services and online education business, we recruit teachers from university graduates, including many from 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. 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, 2021, our extensive network consisted of 1,098 learning centers and 990 service centers in the cities set forth in the table below. 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 and online platform.

The following table sets forth the number of learning centers and service centers in each of the 110 cities in our physical network as of February 28, 2021.

City	Number of Learning Centers	Number of Service Centers
Beijing	155	138
Shanghai	100	95
Guangzhou	81	80
Shenzhen	79	73
Nanjing	79	59
Hangzhou	65	55
Tianjin	45	40
Wuhan	35	28
Xi'an	37	30
Chengdu	26	24
Zhengzhou	26	24
Suzhou	34	30
Chongqing	46	46
Shenyang	26	24
Taiyuan	12	9
Jinan	17	16
Qingdao	12	12
Changsha	16	10
Shijiazhuang	12	12
Wuxi	6	6
Fuzhou	11	10
Nanchang	8	7
Hefei	14	14
Ningbo	5	2
Luoyang	3	3
Lanzhou	4	3
Changchun	3	3
Guiyang	4	4
Xiamen	2	2
Dalian	3	2
Dongguan	4	4
Foshan	8	8
Nantong	3	3
Xuzhou	4	4
Changzhou	5	4
Zhenjiang	6	6
Shaoxing	2	2
Yangzhou	4	2
Yantai	2	2
Wenzhou	4	4
Zhongshan	2	2
Zibo	5	5
Huizhou	3	3
Huaian	4	4
Handan	1	1
Nanning	1	1
Kunming	2	2
Yinchuan	2	2
Urumqi	1	1
Haikou	1	1
Tangshan	1	1
Harbin	1	1
Huhehaote	1	1
Linyi	2	2
Langfang	2	2
Weifang	2	2
Jining	1	1
Zaozhuang	1	1
Tai'an	1	1
Yancheng	2	2
Suqian	1	1
Taizhou	1	1
Lianyungang	2	2
Jiaxing	1	1
Taizhou	2	2
Jinhua	1	1
Quanzhou	1	1
Zhangzhou	1	1
Yueyang	1	1
Changde	1	1
Hengyang	1	1
Zhuzhou	1	1
Xiangtan	1	1

City	Number of Learning Centers	Number of Service Centers
Zhanjiang	1	1
Zhuhai	1	1
Jiangmen	1	1
Shantou	1	1
Xiangyang	1	1
Yichang	1	1
Mianyang	1	1
Deyang	1	1
Wuhu	2	2
Liuzhou	1	1
Zunyi	1	1
Baotou	1	1
Xining	1	1
Baoji	1	1
Baoding	1	1
Rizhao	1	1
Liaocheng	1	1
Heze	1	1
Binzhou	1	1
Dezhou	1	1
Weihai	1	1
Dongying	1	1
Xianyang	1	1
Yulin	1	1
Huzhou	1	1
Yibin	1	1
Nanchong	1	1
Ma'anshan	1	1
Jiujiang	1	1
Ganzhou	1	1
Zhaoqing	1	1
Jieyang	1	1
Maoming	1	1
Chenzhou	1	1
Cangzhou	1	1
Hong Kong	2	2
Silicon Valley	1	1
Total	1,098	990

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 of 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.

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 28/29, 2019, 2020 and 2021, our selling and marketing expenses were $484.0 million, $852.8 million and $1,680.1 million, respectively, accounting for 18.9%, 26.1% and 37.4% of our total net revenues, respectively.

Referrals

We believe a great 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.

Cross Selling

We also use our interaction with parents and students for one type of service offerings as an opportunity to advertise our other service offerings. With a variety of offerings aimed at different student groups or focused on different areas, our goal is to create a brand name that permeates every aspect of our potential students' educational needs.

Online Platform

Our online and mobile 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 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 social media, search engines, sponsorships of shows on TV and streaming platforms, brand ambassadors, as well as outdoor advertising.

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 include online and offline after-school tutoring service providers.

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

- brand;
- overall student experience;
- 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. Key Information—D. 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:

- 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 software programs developed by us relating to different aspects of our operations; and
- patents granted in China relating to interactive and technology-driven teaching and learning in our classes, as well as user interface on various platforms.

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.youjiao.com	Preschool and kindergarten education
www.speiyou.com	Small-class tutoring under our Xueersi brand
www.mobby.cn	Tutoring services for young learners under our Mobby brand
www.yuer.com	Raising infants and toddlers
www.kaoyan.com	Post-graduate degree entrance examination
www.firstleap.cn	Small-class tutoring services in English to young learners
www.kmf.com	Preparation of English tests for study abroad purposes
www.vipx.com	Online one-on-one English tutoring services from foreign teachers
www.liuxue.com	Overseas studies services
www.mmbang.com	Communication platform related to pregnant preparations, pregnancy and raising infants and toddlers
www.xes1v1.com *(formerly www.dahai.com)*	Online one-on-one tutoring services

To protect our brand and other intellectual property, we rely on a combination of trademarks, copyrights, patents, 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. Key Information—D. Risk Factors—Risks Related to Our Business—If we fail to protect our intellectual property rights, our brand and business may suffer.”

Insurance

We have purchased limited liability insurance covering most of our learning centers and service centers. We consider our insurance coverage to be in line with that of other private education providers of a similar size in China.

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 MIIT, 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 PRC Education Law, the Private Education Law and Implementation Rules, and the Regulations on PRC-Foreign Cooperation in Operating Schools. Below is a summary of relevant provisions of these regulations.

PRC Education Law

The National People's Congress enacted the PRC Education Law, the most recent amendment of which was effective on April 30, 2021. The PRC 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 PRC 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 PRC 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. The amendment of the PRC Education Law on December 27, 2015, which became effective on June 1, 2016, abolished the provision that prohibits any organization or individual from establishing or operating a school or any other education institution for profit-making purposes. Nevertheless, schools and other education institutions sponsored wholly or partially by government financial funds and donated assets remain prohibited from being established as for-profit organizations.

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

The principal laws and regulations governing the private education industry in China are the Private Education Law and the Implementation Rules for Private Education Law, or collectively, the Private Education Law and Implementation Rules. The Private Education Law was promulgated by the Standing Committee of the National People's Congress in 2002, and its material amendments were effective in 2013 and 2017. Under the Private Education Law and Implementation Rules, "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 Permit for Operating a Private School, and shall be registered in accordance with relevant laws and regulations.

Under the Private Education Law and Implementation Rules, 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, under the Private Education Law and Implementation Rules, operation of a private school is highly regulated. For example, a private school shall establish an executive council, a board of directors or any other form of decision-making body and such a decision-making body shall meet at least once a year. Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions provided for in the Teachers Law of the PRC, or the Teachers Law, and the other relevant laws and regulations, and there shall be a definite number of full-time teachers in a private school.

Before September 1, 2017, the date the Amended Private Education Law became effective, private education is treated as a public welfare undertaking in all aspects. Nonetheless, investors of a private school may choose to require "reasonable returns" from the annual net balance of the school net of costs, donations received, government subsidies, if any, or the reserved development fund and other expenses as required by the regulations. Private schools fell 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 was required to be provided in the articles of association of a school. The percentage of the school's annual net income that could be distributed as reasonable return was required to 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 was required to 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 then effective PRC laws and regulations provided any specific formula or guideline for determining "reasonable returns." In addition, none of the then effective PRC laws and regulations set forth clear requirements or restrictions on a private school's ability to operate its education business as a school that required reasonable returns or as a school that did not require reasonable returns.

Every private school was required to allocate a certain amount to its development fund for the construction or maintenance of school facilities or procurement or upgrade of educational equipment. In the case of a private school that required reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school that 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 did 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. However, no regulations had been promulgated by the relevant authorities in this regard.

On November 7, 2016 the Standing Committee of the National People's Congress promulgated the Amended Private Education Law, which took effect on September 1, 2017.

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

The Amended Private Education Law further establishes a new classification system for private schools on whether they are established and operated for profit-making purposes. Key features of this system include the following:

- sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations, whereas sponsors of non-profit private schools are not entitled to the distribution of profits or proceeds from the non-profit schools and all operation surplus of non-profit schools shall be used for the operation of the schools, except that sponsors of private schools established before November 7, 2016 and registered as non-profit private schools, are allowed to obtain compensation or reward after the liquidation of such schools based on their investment to the schools, the reasonable returned they had obtained from the schools and the effectiveness of their operation of the school;

- for-profit private schools are entitled to set their own tuition and other miscellaneous fees without seeking prior approval from or reporting to the relevant government authorities. whereas the collection of fees by non-profit private schools shall be regulated by the provincial, autonomous regional or municipal governments;

- private schools (for-profit and non-profit alike) may enjoy preferential tax treatments; non-profit private schools will be entitled to the same tax benefits as public schools whereas taxation policies for for-profit private schools are still unclear as more specific provisions are yet to be introduced;

- for construction or expansion of the school, non-profit schools may acquire the required land use rights in the form of allocation by the government as a preferential treatment, whereas for-profit private schools shall acquire the required land use rights by purchasing them from the government;

- the remaining assets of non-profit private schools after liquidation shall continue to be used for the operation of non-profit schools, whereas the remaining assets of for-profit private schools shall be distributed to the sponsors in accordance with the PRC Company Law; and

- governments at or above the prefecture level may support private schools (for-profit and non-profit alike) by subscribing to their services, providing student loans and scholarships, and leasing or transferring unused state assets to the schools, and the governments may further support non-profit private schools in the form of government subsidies, bonus funds and incentives for donation.

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

On December 30, 2016, the MoE, Ministry of Civil Affairs, the SAIC, the Ministry of Human Resources and Social Welfare and the State Commission Office of Public Sectors Reform jointly issued the Implementation Rules on the Classification Registration of Private Schools to reflect the new classification system for private schools as set out in the Amended Private Education Law. Generally, if a private school established before promulgation of the Amended Private Education Law chooses to register as a non-profit school, it shall amend its articles of association, continue its operation and complete the new registration process. If such private school chooses to register as a for-profit school, it shall conduct a financial liquidation process, have the property rights of its assets such as lands, school buildings and net balance authenticated by relevant government authorities, pay up relevant taxes, apply for a new Permit for Operating a Private School, re-register as for-profit schools and continue its operation. Specific provisions regarding the above registration process shall be introduced by governments at the provincial level.

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

On August 31, 2017, the SAIC and MoE jointly issued the Notice of Relevant Work on the Registration and Management of the Name of For-Profit Private Schools, which specifies the requirements on the names of for-profit private schools.

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

- an amendment to the Implementation Rules for the Law for Private Education Law;

- local regulations relating to legal person registration of for-profit and non-profit private schools in certain areas; and

- specific measures to be formulated and promulgated by the competent authorities responsible for the administration of private schools in the province(s) in which our schools are located, including but not limited to specific measures for registration of pre-existing private schools, specific requirements for authenticating various parties' property rights and payment of taxes and fees of for-profit private schools, taxation policies for for-profit private schools, measures for the collection of non-profit private schools' fees.

As of the date of this report, certain local governments, for example, Beijing, Shanghai, Guangdong Province, Jiangsu Province, Chengdu (a city of Sichuan Province) have promulgated regulations relating to the registration and administration of for-profit and non-profit after-school tutoring institutions, among which, some local governments, such as Beijing, Shanghai, Hubei, Hebei, Anhui, Yunnan and Zhejiang require the existing private schools to register either as for-profit or non-profit schools within a specific time period and certain local governments, for example, Beijing, Tianjin, Shanghai, Zhejiang Province, Hainan Province, Ningxia Province, have promulgated specific measures for registration of pre-existing private schools.

As of March 31, 2021, none of our affiliated schools enjoys any preferential tax treatments pursuant to the requirements of local governmental authorities.

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 accordance with the PRC Education Law, the Occupational Education Law and Private Education Law, and the Implementation Rules for the Regulations on PRC-Foreign Cooperation in Operating Schools.

The Regulations on PRC-Foreign Cooperation in Operating Schools and its implementation 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 since we currently do not have schools jointly operated by PRC and foreign entities.

Regulations on Educational Fees Management

On August 17, 2020, the MoE and certain other PRC government authorities jointly promulgated the Opinion on Further Strengthening and Regulating the Management of Educational Fees, or the Education Fees Opinions, pursuant to which all fees collected by private schools shall be paid into the school's bank account filed with the education authority, be unified managed, and mainly used for educational and teaching activities, improving the operational conditions, of teachers' and staffs' medical treatment and allocating development fund according to relevant laws and regulations. The fee level of for-profit private schools is open for market adjustment and can be determined by for-profit private schools at their own discretion, while the fee-collecting regulatory policies for non-profit private schools shall be formulated by the provincial governments. The Education Fees Opinions further clarify that private schools established prior to November 7, 2016 shall be regulated in the same way as non-profit private schools in terms of fee-collecting policies until the completion of the classification registration procedures. Besides, the Education Fees Opinions propose to explore a special audit system for school education fees, in particular for non-profit private schools. The Education Fees Opinions underline that sponsors of non-profit private schools shall not obtain proceeds from schools' operating profits, distribute the operating surplus or residual assets, or transfer operating profits through related-party transactions or related parties.

Circular on Special Enforcement Campaign concerning After-school Tutoring Institutions to Alleviate Extracurricular Burden on Students of Primary and Secondary Schools

On February 13, 2018, the General Offices of the MoE, SAIC, Ministry of Civil Affairs and Ministry of Human Resources and Social Security promulgated the Circular on Special Enforcement Campaign concerning After-school Tutoring Institutions to Alleviate Extracurricular Burden on Students of Primary and Secondary Schools, or Circular 3. Among other things, the Circular 3 requires all local bureaus of the MoE, SAIC, Ministry of Civil Affairs and Ministry of Human Resources and Social Security to carry out a special enforcement campaign to prohibit extracurricular private training schools and institutions from the following activities: (1) providing courses that do not follow the formal school curricula, and providing trainings to strengthen testing abilities for students; (2) organizing after-school examinations and competitions for primary and secondary school students; and (3) any activities linking students' performance in extracurricular private training schools with admission of primary and secondary school. In addition, Circular 3 prohibits teachers in primary and secondary schools from engaging in part-time jobs to provide tutoring services in after-school tutoring institutions.

Regulations on After-school Tutoring Institutions

On August 22, 2018, the General Office of the State Council issued the State Council Opinions 80 which provided various guidance on regulating the after-school tutoring market for primary and secondary school students, including, among others, the operation standards that after-school tutoring institutions should follow, the requirements and approvals necessary for opening new after-school tutoring institutions, the guidance for daily operation of after-school tutoring institutions, and the regulatory supervision scheme for after-school tutoring institutions.

The State Council Opinions 80 set out the operation standards of after-school tutoring institutions, including but not limited to the requirements for the Permit for Operating a Private School, the size of training areas, the teachers' qualifications, insurance, fire safety, environmental protection, and health and food safety. The State Council Opinions 80 also provide guidance on the daily operation of after-school tutoring institutions, including but not limited to the content of the courses, the time of the courses, the methods of training, the method of receiving training service fee, among which, consistent with Circular 3, the State Council Opinions 80 prohibit intensive exam-oriented training, advanced training that does not follow formal school curricula, and any arrangement that correlates students' examination performance in after-school tutoring institutions to admission into primary and secondary schools. Moreover, the State Council Opinions 80 set out the general regulatory supervision scheme by education administration authorities.

On August 31, 2018, the General Office of the MoE promulgated the Circular regarding the Truly Implementation of Special Measures and Rectification Work on the Private Education Institutions, which provides detailed requirements for the provincial education departments to enforce the State Council Opinions 80.

On November 20, 2018, the General Office of the MoE, the General Office of the State Administration for Market Regulation of the PRC and the General Office of the Ministry of Emergency Management of the PRC jointly issued the Notice on Improving the Specific Governance and Rectification Mechanisms of After-school Tutoring Institutions, or Circular 10, which provides specific requirements for local people's governments at all levels in the implementation of the State Council Opinions 80.

The Central Committee of the Communist Party and the State Council jointly issued the Opinions on the Further Reform of Education and Teaching and Comprehensive Improvement on the Compulsory Education Quality, or the Opinions, which became effective on June 23, 2019. The Opinions stipulates, among other things, that (i) the State Administration for Market Regulation of the PRC and its local counterparts shall be responsible for the registrations and filings of all the after-school tutoring institutions and shall supervise and govern their operational behaviors, such as advertising, fee collecting, antitrust competitions and etc., and (ii) the integrated application of information technology and education shall be promoted, the "education plus internet" operation model shall be encouraged and in the meantime, the approval and supervision system for digital educational resource applied by schools shall be established.

On May 6, 2020, the General Office of the MoE promulgated the Notice on the Negative List of Advanced Trainings that Do Not Follow the Formal School Curricula of Six Compulsory Education Subjects (for Trial Implementation), which, in accordance with the State Council Opinions 80, prohibits after-school tutoring institutions from providing advanced training that does not follow the formal school curricula to the students in primary school and secondary school, and sets forth the typical activities that shall be regarded as advanced training in the subjects of Chinese, mathematics, English, physics, chemistry and biology.

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

On October 16, 2020, the General Office of the MoE and the General Office of the State Administration for Market Regulation of PRC jointly promulgated the Notice on the centralized rectification of after-school tutoring institutions' illegal acts of infringing consumers' rights by using unfair standard terms. The Notice stipulates that local education and market regulation authorities shall increase the efforts for the investigation of after-school tutoring institutions' illegal acts which infringes consumers' rights by using unfair standard terms/ to exempt them from their own responsibility, increase consumers' liability and exclude consumers' legal rights.

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

The MoE issued the Guiding Opinions on Promoting the Scientific Connection between Kindergarten and Primary School on March 30, 2021, which requires after-school tutoring institutions shall not provide tutoring services to pre-school aged minors in violation of applicable regulations. Otherwise, the relevant education authorities may seriously punish and blacklist such after-school training institutions, incorporate blacklist information into the national credit information sharing platform, and implement joint punishments in accordance with relevant regulations.

Regulations on Online and Distance Education

Pursuant to the Administrative Regulations on Educational Websites and Online and Distance Education Schools issued by the MoE, educational websites and online education schools may provide education services in relation to higher education, secondary education, primary education, pre-school education, education for teachers, occupational education, adult education, and other education and public educational information services. “Educational websites” refers to organizations providing education or education-related information services to website visitors by means of a database or online education platform connected via the internet or an educational television station through an internet service provider. “Online education schools” refer to education websites providing academic education services or training services that issue education certificates within the issuance of various certificates. Setting up education websites and online education schools is subject to approval from relevant education authorities, depending on the specific types of education. Any educational website and online school shall, upon the receipt of approval, indicate on its website such approval information as well as the approval date and file number.

On February 3, 2016, the State Council promulgated the Decision on Cancelling the Second Batch of 152 Items Subject to Administrative Examination and Approval by Local Governments Designated by the Central Government, explicitly withdrew the approval requirements for operating educational websites and online education schools as provided by the Administrative Regulations on Educational Websites and Online Education Schools, and reiterated the principle that administrative approval requirements may only be imposed in accordance with the PRC Administrative Licensing Law.

On November 20, 2018, the General Office of the MoE, the General Office of the State Administration for Market Regulation of the PRC and the General Office of the Ministry of Emergency Management of the PRC jointly issued the Circular 10, which provides that provincial education departments shall ensure the filings of institutions which provide training services online to primary and secondary students through the Internet, and regulate the online education institutions synchronously with the regulations on after-school tutoring institutions. Online education institutions shall file with the provincial education departments, for courses on school academic subjects, class name, course content, enrollment target, course progress and class time. Online education institutions shall also make their teachers’ names, photographs, teaching classes and teaching qualifications number public in prominent locations on their home page.

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

The MoE, jointly with certain other PRC government authorities, promulgated the Implementation Opinions on Regulating Online After-School Tutoring, or the Online After-School Tutoring Opinions, effective on July 12, 2019. The Online After-School Tutoring Opinions are intended to regulate academic after-school tutoring involving internet technology provided to students in primary and secondary schools. Among other things, the Online After-School Tutoring Opinions requires that online after-school training institutions shall file with the competent provincial education regulatory authorities before October 31, 2019 and that such education regulatory authorities shall, jointly with other provincial government authorities, review such filings and the qualification of the online after-school training institutions submitting such filings.

With respect to the filing requirements, the Online After-School Tutoring Opinions provides, among others:

(i) an online after-school tutoring institution shall file with the competent provincial education regulatory authorities at the place of its domicile after it has obtained the ICP license and the certificate and the grade evaluation report for the graded protection of cyber security, and furthermore, shall file before October 31, 2019 if it has already conducted online after-school tutoring; (ii) the online after-school tutoring institutions shall file, among others, (x) the materials related to the institution itself, including the information on their respective ICP license and other relevant licenses and the materials related to certain management systems regarding the protection of personal information and cyber security, (y) the materials related to the training content, and (z) the materials related to the training personnel; and (iii) the competent provincial education regulatory authorities shall promulgate local implementing rules about the filing requirements, focusing on the training institutions, training content and training personnel.

The Online After-school Tutoring Opinions further provides that the competent provincial education regulatory authorities shall, jointly with other provincial government authorities, review such filings and the qualification of the online after-school tutoring institutions submitting such filings before the end of December 2019, focusing on the following matters: (i) the training content shall not include online games or other content or links irrelevant with the training, and shall not be beyond the relevant national school syllabus. No illegal publications may be published, printed, reproduced or distributed, and no infringement or piracy activities may be conducted during the training. And the training content and data shall be stored for more than one year, among which, the live streaming teaching videos shall be stored for more than 6 months; (ii) each course shall not last longer than 40 minutes and shall be taken at intervals of not less than 10 minutes, and the training time shall not conflict with the teaching time of primary and secondary schools. Each live-streaming course provided to students receiving compulsory education shall not end later than 9:00 p.m. and shall not leave homework for primary school students in Grade 1 and Grade 2. The online after-school tutoring platforms shall have eye protection and parental supervision functions; (iii) the online after-school tutoring institutions shall not hire any teacher who is currently working at primary or secondary schools. Training personnel of academic subjects are required to obtain necessary teacher qualification licenses. The online after-school tutoring institutions' training platforms and course interfaces shall publicize the names, photos and teacher qualification licenses of training personnel, and the learning, working and teaching experiences of foreign training personnel; (iv) with the consent of students and their respective parents, online after-school tutoring institutions shall verify the identification information of each student, and shall not illegally sell or provide such information to third parties. User behavior log must be kept for more than one year; (v) the charge items and standard and refund policy shall be specifically publicized on the training platforms, and the periods for which tuition is charged shall be consistent with its respective curriculum and the online after-school training institutions shall not engage in excessive marketing, make false or misleading promotion, or overstate the effect of the product. The prepaid fees can only be used for education and training purpose, and shall not be used for other investment activities; where fees are charged based on the number of classes, fees are not allowed to be collected in a lump sum for more than 60 classes, and where fees are charged based on the length of the course, the fees shall not be collected for a course length of more than three months; and (vi) the online after-school tutoring institutions found to have problems after reviewing by the competent provincial education regulatory authorities shall complete the rectification before the end of June 2020, and will be subject to fines, regulatory order to suspend operations or other regulatory and disciplinary sanctions if they fail to complete the rectification in time. The Online After-School Tutoring Opinions provides that relevant governmental authorities of cyberspace administration, industry and information technology and others shall cooperate with the educational authorities to the extent of their respective scope of duties to regulate online after-school training institutions.

As of the date of this annual report, most local governments at provincial level have issued the implementation rules with respect to the filing requirements in relation to the Online After-School Tutoring Opinions.

The Law for Protection of Minors issued by The Standing Committee of the National People's Congress on December 29, 2006, was recently amended on October 17, 2020, which will take effect on June 1, 2021. According to the amended Law for Protection of Minors, kindergartens and after-school training agencies may not carry out primary school curriculum for the pre-school age minors, and online education products and services which are targeted at minors shall not include any links to online games or push any advertisements and other information irrelevant to teaching.

Regulations on Educational Applications (Apps)

On December 25, 2018, the General Office of the MoE issued Notice on Prohibiting Harmful Apps from Entering the Primary and Secondary Schools, which provides that learning applications shall be reported to the relevant educational authorities for approval, and teachers shall not recommend to students any application which has not been approved by the relevant educational authorities and the school. The use of any application which contains pornography, violence, online games, commercial advertising or relevant links, or which increases the burden of students' work by test-taking methods such as copying homework, providing large number of test questions or ranking shall be stopped immediately. There is uncertainty whether applications we provide to our students would be found in violation of the above notice or whether such applications need to be approved by the relevant educational authorities. If the relevant authorities find our operation in violation of the above notice, our relevant applications may be ordered to stop use, which may have adverse effect on our business.

Moreover, the MoE, jointly with certain other PRC government authorities, issued the Opinions on Guiding and Regulating the Orderly and Healthy Development of Educational Mobile Apps on August 10, 2019, or the Opinions on Educational Apps, which requires, among others, mobile Apps that provide services for school teaching and management, student learning and student life, or home-school interactions, with school faculty, students or parents as the main users, and with education or learning as the main application scenarios (the "Educational Apps"), be filed with competent provincial regulatory authorities for education. The Opinions on Educational Apps also requires, among others, that: (i) before filing, the Educational App's provider obtain the ICP license or complete the ICP license filing and obtain the certificate and the grade evaluation report for graded protection of cybersecurity; (ii) Educational Apps whose main users are under the age of 18 limit the use time, specify the range of suitable ages, and strictly monitor their content; (iii) before an Educational App is introduced as a mandatory app to students, such Educational App be approved by the applicable school through its collective decision-making process and be filed with the competent education authority; and (iv) Educational Apps adopted by education authorities and schools as their uniformly used teaching or management tools not charge the students or parents any fee, and not offer any commercial advertisements or games. On November 11, 2019, the General Office of MoE promulgate the Administrative Measures for the Filing of Educational Apps, which further provided the detailed implementation rules with respect to such filing requirements under the Opinions on Educational Apps.

To strengthen the prevention and control of myopia among children and teenagers, the MoE, the State Administration for Market Regulation, or the SAMR, and certain other government authorities issued the Comprehensive Implementation Plan for Myopia Control in Children and Teenagers in August 2018, which requires, among others, that the schools (i) shall use electronic devices based on the principal of necessity, shall not rely on electronic devices for teaching and homework assignment and shall rather assign paper-based homework in principle, and shall limit use of electronic devices to no more than 30% of total teaching time; and (ii) shall strictly implement the learning and development guidelines for children aged from 3 to 6, pay attention to the importance of child life and play and avoid "primary school" teaching.

Regulations on Publishing and Distribution of Publications

The Administrative Regulations on Publication, promulgated by the State Council and most recently amended in February 6, 2016, apply to publication activities, i.e., the publishing, printing, copying, importation or distribution of publications, including books, newspapers, periodicals, audio and video products and electronic publications, each of which requires approval from the relevant publication administrative authorities. According to the Administrative Regulations on Publication, any entity engaging in the activities of publishing, printing, copying, importation or distribution of publications, shall obtain relevant permits of publishing, printing, copying, importation or distribution of publications. In addition, according to the effective Negative List, foreign investors are prohibited from engaging in the publishing business. Therefore, our subsidiaries and Consolidated Affiliated Entities are not permitted to engage in publishing business under these regulations. We have been cooperating with qualified PRC publishing companies to publish our self-developed books, to comply with the Administrative Regulations on Publication.

According to the new Administrative Regulations on Publications Market issued by the General Administration of Press and Publication and MOFCOM, effective June 1, 2016, any organization or individual engaged in 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 wholesaling of publications shall obtain such permit from the provincial office of the General Administration of Press and Publication. An entity engaged in retail distribution of publications shall obtain such permit from the local office of the Administration of Press and Publication. According to the new regulation, foreign-invested enterprises are allowed to engage in the business of distribution of publications. Foreign investors who intend to establish an enterprise engaging in the business of distribution of publications and foreign-invested enterprise which intends to engage in the business of distribution of publications shall firstly obtain the approval from local office of the MOFCOM. If and upon approval, the MOFCOM will issue the Approval Certificate for Foreign-Invested Enterprises, on which the business scope of distribution of publications is specified along with the word "subject to the permission in this industry." Afterwards, the foreign-invested enterprise shall file with its business scope of distribution of publications local office of the SAIC and shall obtain the Permit for Operating Publications Business from relevant offices of the General Administration of Press and Publication before engaging in the business of distribution of publications.

In addition, pursuant to the Administrative Regulations on Publishing Audio-Video Products promulgated by the State Council on December 25, 2001, which became effective as of February 1, 2002, any entity engaged in the wholesale or retail distribution of audio-video products was required to secure a Business Certificate for Audio-Video Products from the relevant culture authorities. Such Administrative Regulations on Publishing Audio-Video Products was later amended several times, pursuant to which the Business Certificate for Audio-Video Products was replaced by the Permit for Operating Publications Business and entities or individuals engaging in distribution of audio-video products shall only need to hold a Permit for Operating Publications Business, while a Business Certificate for Audio-Video Products shall no longer be needed.

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.

General Administration of Press and Publication and the MIIT promulgated the Provisions on the Administration of Online Publishing Services, effective March 10, 2016. The Provisions on the Administration of Online Publishing Services provides that the entity engaging in publication services through information network shall obtain Internet Publishing Service License from the General Administration of Press and Publication. Foreign-invested enterprises are prohibited from engaging in the business of publication service through information network. Therefore, our subsidiaries are not permitted to engage in the business of publication service through information network, while our VIEs are permitted to engage in such business after obtain the requisite licenses.

Xueersi Education, Xueersi Network, Xinxin Xiangrong and Lebai Education and their certain subsidiaries have obtained the Permit for Operating Publications Business for retail or wholesale distribution of publications. If our Consolidated Affiliated Entities that are engaged in the whole sale or retail distribution of teaching materials and audio-video products or other publications are not able to pass the subsequent inspection or examination, they may not be able to maintain such permits or licenses necessary for their business. In addition, our VIEs are engaging in publishing teaching materials and audio-video products or other publications to students online, but our VIEs have not obtained the Internet Publishing Service License. We may become subject to significant penalties, fines, legal sanctions or an order to suspend our publishing of teaching materials and audio video online.

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, 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 Value-Added Telecommunications Services

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

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

As a subsector of the value-added telecommunications business, internet information services are also regulated by the Administrative Measures on Internet Information Services promulgated by the State Council, or the Internet Information Measures. The Internet Information Measures require that commercial internet content providers, or ICP providers, obtain a license for internet information services, or ICP license, from the appropriate telecommunications authorities in order to 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. According to the Internet Information Measures, internet information service providers shall not produce, duplicate, publish or disseminate information which: (i) is against the fundamental principles set out in the PRC Constitution; (ii) endangers national security, divulges state secrets, subverts State power, or undermine the national unity; (iii) damages the State's honor or interests; (iv) incite ethnic hatred and ethnic discrimination or undermine inter-ethnic unity; (v) undermines the PRC's religious policy, advocates religious cults or feudal superstition; (vi) disseminates rumors to disrupt social order and undermine social stability; (vii) disseminates obscenity or pornography, advocates gambling, violence, murder and terrorism, or instigates others to commit crimes; (viii) humiliates or defames other persons or infringes the legitimate rights and interests of the others; or (ix) is otherwise prohibited by laws and administrative regulations.

The Notice on Strengthening Management of Foreign Investment in Operating Value-Added Telecom Services issued by the MII 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.

In addition to the Telecommunications Regulations and the other regulations discussed above, the provision of commercial internet information services on mobile internet applications is regulated by the Administrative Provisions on Mobile Internet Applications Information Services, which was promulgated by Cyberspace Administration of China, or the CAC. The providers of mobile internet applications are subject to requirements under these provisions, including acquiring the qualifications and complying with other requirements provided by laws and regulations and being responsible for information security.

Xueersi Education, Xueersi Network and certain other VIE's subsidiaries, which engage in providing most of our commercial internet information services or providing online bulletin board services in China, have each obtained an ICP license from, and will duly amend registrations with, the competent local branch of the MII.

Regulation of Advertising and Promotion Services

The principal regulations governing advertising businesses in China are the PRC Advertising Law, effective in September 2015 and was recently amended in October 2018, and the Advertising Administrative Regulations promulgated by the State Council. These laws, rules and regulations require companies that engage in advertising activities to obtain a business license that explicitly includes advertising in the business scope from the SAIC or its local branches.

Applicable PRC advertising laws, rules and regulations contain certain prohibitions on the content of advertisements in China (including prohibitions on misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest). Advertisements for anesthetic, psychotropic, toxic or radioactive drugs are prohibited, and the dissemination of advertisements of certain other products, such as tobacco, patented products, pharmaceuticals, medical instruments, agrochemicals, foodstuff, alcohol and cosmetics, are also subject to specific restrictions and requirements. Education and/or training advertisements shall not contain the following contents: (i) explicit or implicit guarantee for successful enrollment to a higher grade, passing of examination, obtaining of degree qualification or passing certificate, or the effect of education or training; (ii) explicit or implicit expression of participation by the relevant examination body or its personnel, personnel setting examination questions in the education or training; and (iii) recommendation and/or endorsement by scientific research institutes, academic institutions, educational organizations, industry associations, professionals or beneficiaries using their name or image.

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

In addition, the Anti-Unfair Competition Law promulgated by the Standing Committee of the National People's Congress, last amended on April 23, 2019, requires that business operators shall not make false or misleading commercial promotion for the performance, functions, quality, sales, user evaluation, accolades, among others, as to defraud or mislead customers.

Regulation Related to Pricing

The PRC Pricing Law is promulgated by the Standing Committee of the National People's Congress on December 29, 1997, and became effective on May 1, 1998. Pursuant to the PRC Pricing Law, an operator is prohibited from using false or misunderstanding pricing methods to trick consumers or other operators into trading with it. Otherwise, such operator may be subject to penalties, including orders to make correction, confiscation of illegal income, fines, orders to cease operation for rectification or revocation of the business licenses.

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

The Rules for Administration of Broadcasting of Audio-Video Programs through the Internet and Other Information Networks, or the Broadcasting Rules, promulgated by the SARFT, 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. The State Council announced a policy on private investments in businesses in China that relate to cultural matters, which prohibits private investments in businesses relating to the dissemination of audio-video programs through information networks.

The SARFT and the MII issued the Internet Audio-Video Program Measures, revised August 2015. Among other things, the Internet Audio-Video Program Measures stipulate that no entities or individuals may provide internet audio-video program services without a License for Disseminating Audio-Video Programs through Information Network issued by 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, the SARFT promulgated Audio-Visual Program Categories in 2010, which is updated on March 10, 2017, clarifying the scope of Internet Audio-Video Programs. According to the Audio-Visual Program 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.

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

In the fiscal year ended February 28, 2021, 28.4% of our total net revenues were derived from audio-video program services offered through www.xueersi.com and that may be subject to the Audio-Video Program Measures. See "Item 3. Key Information—D. Risk Factors—We face risks and uncertainties with respect to the licensing requirement for internet audio-video programs."

Regulations on Television Program Industry

Television program productions and distribution businesses are mainly regulated by the Administrative Regulations on Radio and Television, the Administrative Regulations on the Production and Operation of Radio and Television Program, and the Administrative Regulations on the Content of Television Plays. 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.

The SARFT Circular on the Implementation of Licensing System for the Distribution of Domestically Produced TV Animation Movies provides for a licensing system 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, Xueersi Network and certain other VIE's subsidiaries, 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.

Regulations on Protection of the Right of Dissemination through Information Networks

The Regulations on Protection of the Right of Dissemination through Information Networks, promulgated by the State Council, require that every organization or individual who disseminates a third party's work, performance, audio or visual recording products to the public through information networks shall obtain permission from, and pay compensation to, the legitimate copyright owner of such products, unless otherwise provided under relevant laws and regulations. The legitimate copyright owner may take technical measures to protect his or her 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.

We have established policies related to intellectual property rights protection in accordance with applicable PRC laws and regulations.

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

In July 2014, the MoE promulgated the Guidelines for Overseas Study Tour participated by the Primary and Secondary School Students (Trial). Under the guidelines, overseas study tours participated in by primary and secondary school students means, by adapting to the characteristics and educational needs of the primary and secondary 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.

Regulation on Tourism

PRC Tourism Law, promulgated by the Standing Committee of the National People's Congress and most recently amended on October 26, 2018, provides that, among other things, to engage in the businesses of outbound tourism, a travel agency shall obtain corresponding business permit, and the specific conditions shall be provided for by the State Council and that when organizing an outbound touring group, or organizing or receiving an inbound touring group, a travel agency shall, in accordance with the relevant provisions, arrange for a tour leader or tour guide to accompany the touring group in the whole tour. Regulations on Travel Agencies promulgated by the State Council, and the implementation rules of Regulations on Travel Agencies, provide that, among other things, travel agency shall mean any entity that engages in the business of attracting, organizing, and receiving tourists, providing tourism services for tourists and operating domestic, outbound or border tourism; the aforementioned business shall include but not limit to arranging for transport services, arranging for accommodation services, providing services for tour guides or team leaders, providing services of tourism consultation and tourism activities design. According to the Regulations on Travel Agencies and its implementation rules, any tourism agent engages in the outbound tourism shall apply for a permit to engage in the outbound tourism from the administrative department of tourism under the State Council, the governments of provinces, autonomous regions, or municipalities. We are not sure whether relevant governmental authorities will find our services related to organizing overseas trips for students, including insurance purchase, visa application and ticket booking, require us to obtain a travel agency license. If our overseas trip business is challenged by relevant governmental authorities for lack of travel agency license, we may need to cease such services, or cooperate with travel agency to provide such services and subject to government penalties.

Regulations on Commercial Franchises

The State Council promulgated the Regulation on the Administration of Commercial Franchises, which, among other things, provides that: (i) ”commercial franchise,” or franchise, refers to such business operations by which an enterprise owning a registered trademark, enterprise mark, patent, know-how or any other business resource, or Franchiser, confers the said business resource to any other business operator, or Franchisee, by contract, and the Franchisee undertakes business operations under the uniform business model as provided in the contract, and pay franchising fees to the Franchiser; (ii) a Franchiser that engages in franchise activities shall possess a mature business model and the ability to provide long-term business guidance, technical support, business training and other services to the Franchisee; (iii) a Franchiser that engages in franchise activities shall have at least two direct sales stores, and have undertaken the business for more than a year; and (iv) a Franchiser shall, within 15 days after having concluded a franchise contract for the first time, file to the commercial administrative department where if a Franchiser engages in any franchised operations within the scope of a province, autonomous region, or municipality directly under the central government, it shall file with the commercial administrative department of the province, autonomous region or municipality directly under the central government and if a franchiser engages in any franchised operations within the scope of two or more provinces, autonomous regions, or municipalities directly under the central government it shall file with the commercial administrative department of the State Council. According to the Administrative Measures for Archival Filing of Commercial Franchises issued by the MOFCOM, the filling shall be conducted on the commercial franchise information management system established by the MOFCOM. In addition, the Regulation on the Administration of Commercial Franchises provides that the Franchiser and the Franchisee shall conclude a franchise contract in writing, and the term of such franchise contract shall not less than 3 years except the Franchisee otherwise agrees.

The MOFCOM issued Administrative Measures for Commercial Franchise Information Disclosure, which provides that the Franchisers shall, as required by the Regulation on the Administration of Commercial Franchises, disclose the following information to Franchisees in writing not later than 30 days prior to the conclusion of franchise contracts, unless such contracts are renewed under the original terms:(i) the basic information of the Franchisers and its franchise business, (ii) the basic information of the business resource of the Franchiser, (iii) the basic information of the franchise fee, (iv) the basic information of the price, conditions and other information related to the products, services, and equipment provided to the Franchisee, (v) the follow-up service provided to the Franchisee, (vi) the methods and contents of guidance and supervisions provided by the Franchiser on the Franchisee related to the business; (vii)the investment budget of the sales stores, (viii) the relevant information about the franchisees within China, which includes the amount, geographical distributions, scope of authorities, whether there is any exclusive authorized region, and the basic situation of their franchise business; (ix) the record of materially illegal business, including any fine over RMB30 thousand imposed by competent authority and any criminal liability of the Franchiser and its legal representative; and the (x) agreement of franchise. However, this Administrative Measures for Commercial Franchise Information Disclosure provides that the Franchiser has right to require the Franchisee enter into a confidential agreement with the Franchiser prior to the disclosure of the aforementioned information; and if the Franchisee knows any commercial secret of Franchiser due to the contractual relationship between the Franchisee and the Franchiser, the Franchisee still have the obligation to keep such commercial secret confidential even though there is no confidential agreement between the Franchiser and the Franchisee after the termination of relevant contractual relationship between them.

In order to further effectively conduct the administration of commercial franchise, the General Office of MOFCOM issued Notice of the General Office of the Ministry of Commerce on Further Effectively Conducting the Administration of Commercial Franchise, which provides directions and requirements for the local commerce departments in administrative work related to establishing sound working system, improving the management and services in franchise filing, facilitating the brand construction of franchise enterprises, administrating franchise business in accordance with law and the promotion and construction of credit record and credit evaluation system in franchise business.

Regulations on Intellectual Property Rights Protection

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

On May 28, 2020 the National People’s Congress promulgated the Civil Code, which takes effect on January 1, 2021. Under the Civil Code, if an offender intentionally infringes upon the intellectual property rights of others and the circumstance is severe, the infringed party shall have the right to request for the corresponding punitive compensation.

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

To address 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.

Trademark. The PRC Trademark Law, most recent revision effective November 1, 2019, 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. The transfer of registered trademarks shall be registered with the Trademark Office. An application for registration of a malicious trademark not for use shall be rejected and those who apply for trademark registration maliciously shall be given administrative penalties of warning or fines according to the circumstances; those who file trademark lawsuits maliciously shall be punished by the people's court according to applicable laws.

Patent. 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. The PRC Patent Law was amended on October 17, 2020, effective as of June 1, 2021, pursuant to which an invention patent is valid for 20 years, a utility model is valid for 20 years, and a design patent is valid for 15 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. Pursuant to the Measures for the Administration of Internet Domain Names, which was promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 with effect from November 1, 2017, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the internet protocol (IP) address of that computer and the principle of "first come, first serve" is followed for the domain name registration service. Domain name applicants shall provide true, accurate and complete identification of the domain name holder as requested by the domain name registration service provider.

The PRC Foreign Investment Law

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

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

On December 26, 2019, the State Council published the Implementation Rules of Foreign Investment Law, which came into effect on January 1, 2020. The Implementation Rules of Foreign Investment Law restates certain principles of the Foreign Investment Law and further provides, among others, (i) an FIE's investment within the territory of PRC is also subject to the Foreign Investment Law and the Implementation Rules of Foreign Investment Law; (ii) an FIE may, within five years following January 1, 2020, choose to amend its legal form or the corporate governance and complete amendment registration, or to keep its original legal form or the corporate governance; (iii) the provisions regarding the transfer of equity interests, distribution of profits and remaining assets as stipulated in the contracts among the joint venture parties of an existing FIE may survive the Foreign Investment Law after such FIE amends its legal form or the corporate governance in accordance with relevant applicable laws.

On December 26, 2019, the Supreme People's Court of the PRC promulgated the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law of the PRC, effective as of January 1, 2020, pursuant to which "investment contracts" shall mean the relevant agreements formed as a result of direct or indirect investments in the PRC by foreign investors, i.e. foreign natural persons, foreign enterprises or other foreign organizations, including contracts for establishment of foreign investment enterprises, share transfer contracts, equity transfer contracts, contracts for transfer of property or other similar interests, contracts for newly-built projects, etc. Where a party concerned claims that an investment contract is invalid for investing in prohibited industries as stipulated in the Negative List for foreign investment access or due to violation of specified administrative measures in restricted industries, the People's Court shall support such claim.

Regulation Related to Foreign Investment Restrictions

According to the list of special management measures for the market entry of foreign investment, or the Negative List promulgated by MOFCOM and NDRC and took effect on July 23, 2020, foreign investors shall comply with such restrictive requirements when engaging in the restricted activities listed in the Negative List. In addition, according to the Negative List, foreign investors shall not engage in the prohibited activities listed in the Negative List. Under the Negative List, the provision of pre-school, ordinary senior high school and higher education services in the PRC is restricted for foreign investors. Foreign investments in such education institutions are only allowed in the form of PRC-foreign cooperative school in which the PRC party shall play a dominant role. It suggests that the principal or the chief executive officer of an education institutions shall be a PRC national and the representatives of the PRC party shall account for no less than half of the total number of members of the board of directors, the executive council or the joint administration committee of a PRC-foreign cooperative school. The Negative List further provides that foreign investors are prohibited from providing compulsory education services.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

SAFE promulgated SAFE Circular 37 in July 2014. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in 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.

In June 2015, SAFE promulgated SAFE Circular 13, according to which, in order to simplify the procedures of performing the foreign exchange control policy of direct investment, the registration authorities under the SAFE foreign exchange control policies, including the registration of PRC residents under SAFE Circular 37 change from local SAFE branches to local banks authorized by SAFE. Thus, according to SAFE Circular 13, the registration of PRC residents under SAFE Circular 37 shall be conducted with local banks authorized by SAFE. The PRC residents shall also, by themselves or entrusting accounting firms or banks, file with the online information system designated by SAFE with respect to its existing rights under offshore direct investment each year prior to the requisite time.

Our beneficial owners who are PRC residents immediately before our initial public offering had registered with the local branch of SAFE prior to our initial public offering in 2010.

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 SAFE in 1997, the Interim Provisions on the Management of Foreign Debts, promulgated by SAFE, the National Development and Reform Commission and the Ministry of Finance in 2003, and Measures for the Administration of the Registration of Foreign Debts, effective May 2013 and revised on May 4, 2015, 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 SAFE. Under the provisions, these foreign-invested enterprises must submit registration applications to the local branches of 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 foreign 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.

Each of our PRC subsidiaries is a foreign-invested enterprise, is not engaged in any businesses listed in either the previous or the current Negative List and has not incurred any foreign debt.

On January 1, 2017, PBOC promulgated Notice of the People's Bank of China on Issues Concerning Macro Prudential Management of Full Scale Cross-border Financing or PBOC Circular 9. According to PBOC Circular 9, PBOC establishes a cross-broader financing regulation system based on the capital or net assets of the micro main body under macro prudential rules, and the legal entities and financial institutions established in PRC including the branches of foreign banks registered in China but excluding government financing vehicles and real estate enterprise, may carry out cross-border financing of foreign currency in accordance with relevant regulations of such system. PBOC Circular 9 provides that, among other things, the outstanding amount of the foreign currency for the entities in cross-border financing shall be limited to the Upper Limit of the Risk Weighted Balance of such entity, which shall be calculated according to the formula provided in PBOC Circular 9; the enterprise shall, after signing the contract for cross-border financing, but not later than three business days before the withdrawal of the borrowing funds, file with the local branches of SAFE for the cross-border financing through SAFE's capital project information system. PBOC Circular 9 also provides that during the one-year period started from January 11, 2017, foreign-invested enterprises may choose one method to carry out cross-broader financing in foreign currency either according to PBOC Circular 9 or according to the Interim Provisions on the Management of Foreign Debts. After the end of such one-year period, the method of foreign-invested enterprises to carry out cross-broader financing in foreign currency will be determined by PBOC and SAFE. As of the date of this annual report, neither the PBOC nor SAFE has promulgated and made public any further rules, regulations, notices or circulars in this regard.

Regulations on Labor

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

With respect to the employment of foreigner in China, according to the Provision on the Employment of Foreigners in China and the Circular on the Comprehensive Implementation of the Permit System for Foreigners to Work in China, to employ a foreigner who does not have PRC nationality, an employer shall apply for an employment license, namely the Permit to Work in China, or the Employment License for such foreigner, and may only employ him or her after such foreigner obtains the Employment License; prior to obtaining employment in China, a foreigner shall enter China with an employment visa (or in accordance with an agreement on mutual exemption of visas if there is such an agreement); and after entering China, such foreigner shall obtain an Employment License, and a residence permit for foreigners. The Provision on the Employment of Foreigners in China also provides that the Employment License is valid only in the area defined by the authority which issued such license; the actual employer of a foreigner shall be consistent with the employer recorded on the Employment License; if the actual employer changed but the foreigner is employed in a similar job by another employer within the same area defined by the authority which issued such license, the foreigner shall file with such authority to change information on the Employment License.

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

Regulations on Employee Share Incentive Awards Granted by Listed Companies

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

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

According to SAFE Circular 7, from time to time, we need to make applications or update our registration with SAFE or its local branches on behalf of our employees who are affected by our new share incentive plan or material changes in our current share incentive plan. However, we may not always be able to make applications or update our registration on behalf of our employees who hold our restricted shares or other types of share incentive awards in compliance with SAFE Circular 7, nor can we ensure you that such applications or update of registration will be successful. If we or the participants of our share incentive 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 share incentive awards under our share incentive plan to our employees who are PRC citizens.

M&A Regulations

The MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC and SAFE jointly adopted the M&A Rules. 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 MOFCOM 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 MOFCOM, may delay or inhibit the ability to complete such transactions.

Regulations on Anti-Monopoly

The Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress, which became effective on August 1, 2008, and the Interim Provisions on the Review of Concentrations promulgated by the State Administration for Market Regulation, which became effective on December 1, 2020, require that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the State Administration for Market Regulation before they can be completed. Where the participation in concentrations by way of foreign-funded merger and acquisition of domestic enterprises or any other method which involves national security, the examination of concentration shall be carried out pursuant to the provisions of The Anti-Monopoly Law and examination of national security shall be carried out pursuant to the relevant laws and regulations. Failure to comply with above regulations may result in an order to stop concentration, dispose the shares/assets or transfer the operation within a stipulated period, or adopt other necessary measures to reinstate the pre-concentration status, or fines.

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

Regulations on Cross-border Fund Pool of Multinational Corporations

In September 2015, PBOC promulgated the Notice to Further Facilitate Multinational Corporation Groups to Carry Out Round-way Cross-border RMB Fund Pool Business, or PBOC Circular 279. According to PBOC Circular 279, the term "Multinational Corporation Group" refers to the enterprise consortium consisting of the entities with equity relationship, including a parent company and its subsidiaries, or Parent Company's Subsidiaries, more than 51% equity interest of which is held by such parent company, the wholly owned subsidiaries of Parent Company's Subsidiaries, the subsidiaries more than 20% equity interest of which is held by one or more Parent Company's Subsidiaries, and the subsidiaries less than 20% equity interest of which is held by one or more Parent Company's Subsidiaries but the first majority shareholder is the Parent Company's Subsidiary. Multinational Enterprise Group can arrange the surplus and deficiency of cross-border RMB funds of domestic and foreign members of the Multinational Corporation Group and centralize the cross-border RMB funds between domestic and foreign members based on the needs of its operation and management subject to the requirements of PBOC Circular 279, or Round-way Cross-border RMB Fund Pool Business. The domestic enterprise which carries out the Round-way Cross-border RMB Fund Pool Business shall open an RMB special deposit account for Round-way Cross-border RMB Fund Pool Business. Pengxin TAL, together with our company, five of our wholly owned subsidiaries and one VIE as a Multinational Enterprise Group, started the Round-way Cross-border RMB Fund Pool Business and open a special deposit account for Round-way Cross-border RMB Fund Pool Business in China Construction Bank Shanghai Pudong Branch.

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

In utilizing the proceeds we received from our initial public offering and other financing activities 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, require that the PRC subsidiaries completes the relevant filing and reporting procedures with relevant governmental authorities and register with the local bank authorized by SAFE;

- 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 local branches of SAFE; and

- loans by us to our Consolidated Affiliated Entities, which are domestic PRC entities, cannot exceed statutory limits and must be registered with the National Development and Reform Commission and must also be registered with SAFE or its local branches.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19, effective in June 2015, in replacement of a former regulation. SAFE Circular 19 regulates the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company. According to SAFE Circular 19, RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of bank loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our offshore offerings, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 23, 2019, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use RMB converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, due to lack of sufficient guidance, it is unclear how SAFE and competent banks will carry this out in practice.

Laws of Protection of Personal Information of Citizen

The PRC Constitution states that the PRC laws protect the freedom and privacy of communications of citizens and prohibit infringement of such rights. PRC government authorities have enacted laws and regulations on internet information security and protection of personal information from any abuse or unauthorized disclosure. Under PRC laws and regulations, “Personal information” is defined as all kinds of information that is recorded by electronic or other means that can identify a specific natural person independently or in combination with other information, such as his/her birth date, ID card number, biometric information, address, telephone number, e-mail address, health information, whereabouts information.

According to the Civil Code, which takes effect on January 1, 2021, a natural person shall have the right of privacy and the personal information of a natural person shall be protected in accordance with law. Information processors shall not divulge or tamper with the personal information collected or stored by them and shall not illegally provide any natural person’s personal information to others without the consent of such natural person.

The Decisions on Maintaining Internet Security, which was enacted by the Standing Committee of the National People’s Congress, may subject violators to criminal punishment in the PRC for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights.

According to the Law on the Protection of Consumer Rights and Interests, business operators must collect and use personal information of consumers in a lawful and proper manner by following the principle that information collection or use is genuinely necessary. They must expressly state the purposes, methods and scope of information collection or use, and obtain the consent of the consumers whose information is to be collected. To collect or use the personal information of consumers, business operators must disclose their information collection or use rules, and may not collect or use information in violation of laws or regulations, or in breach of any agreements between the parties concerned. Business operators and their staff members must strictly keep confidential the personal information of consumers collected, and may not divulge, sell or illegally provide others with such information.

According to the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in Handling Criminal Cases of Infringing Personal Information of Citizens, if a business operator collects personal information of citizens by purchasing, accepting or exchanging, or collects personal information of citizens in the course of performing their duties and providing services in violation of relevant laws and regulations of the State and meet one of the following standards, such operator will be considered in breach of criminal law and such operator and its responsible personnel must undertake criminal liabilities: (i) illegal acquisition, sale or provision of more than 50 pieces of track information, communication content, credit information or property information; (ii) illegal acquisition, sale, or provision of more than 500 pieces of accommodation information, communication records, health and physiological information, trading information, and other personal information which may affect personal and property safety; (iii) illegal acquisition, sale, or provision of more than 5000 pieces of personal information other than the information mentioned in the preceding (i) and (ii); (iv) the profits generated from using the illegally collected and acquired personal information is more than RMB50,000; and (v) resale the personal information collected during the course of performing their duties and providing service and the amount of resold personal information reaches 50% of the prescribed standard mentioned in (i), (ii), (iii) or (iv), as applicable.

Pursuant to the Decision on Strengthening the Protection of Online Information issued by the Standing Committee of the National People's Congress, and the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An internet information service provider must also keep information collected strictly confidential, and is further prohibited from divulging, tampering or destroying of any such information, or selling or providing such information to other parties. Any violation of the above decision or order may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the State Administration for Market Regulation jointly promulgated Notice on Promulgation of the Method for Identifying the Illegal Collection and Use of Personal Information by Apps, in order to provide reference for the identification of illegal collection and use of personal information by Apps and in the implementation of the Cybersecurity Law and other relevant laws and regulations. This Notice provide the detailed methods to identifying of illegal behaviors in collecting and using personal information by Apps, such as the behavior of "non-disclosure of collection and use rules," "failing to expressly state the purpose, method and scope of collecting and using personal information," "collecting or using personal information without the consent of users," "collecting personal information unrelated to the services they provide in violation of the principle of necessity," "providing others with personal information without the consent," "failure to provide the function of deleting or correcting personal information in accordance with the law" and "failure to disclose the information on complaints and whistleblowing reports."

On August 22, 2019, CAC promulgated the Provisions on the Cyber Protection of Children's Personal Information, which became effective on October 1, 2019. According to such Provisions, among other things, (i) "children" in these Provisions refers to minors under the age of 14; any network operator collecting, storing, using, transferring or disclosing children's personal information shall follow the principles of properness and necessity, informed consent, explicit purpose, security assurance and lawful use; (ii) network operators shall establish special rules and user agreements for the protection of children's personal information, and designate persons to take charge of the protection of children's personal information; (iii) to collect, use, transfer or disclose a child's personal information, any network operator shall inform the child's guardians in a noticeable and clear manner, and shall obtain the consent of the child's guardians; network operators shall, upon seeking consent, provide the option of rejecting option for the child's guardians; (iv) network operators shall not collect children's personal information unrelated to the services they provide, nor shall they collect children's personal information in violation of the provisions of laws and administrative regulations and the agreements reached by both parties, and if it is really necessary to use such information beyond the agreed purposes and scope due to business needs, consent shall be obtained from the child's guardians again; (vi) where a network operator entrusts a third party with the processing of children's personal information, it shall conduct security assessment of the entrusted party and the acts of entrustment, sign an entrustment agreement, specifying responsibilities of both parties, matters to be handled, handling period, nature and purpose of the handling; the entrustment shall not exceed the scope of authorization, and where network operators intend to transfer children's personal information to a third party, they shall carry out security assessment by themselves or entrust a third-party institution to do so.

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

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

Cybersecurity Law

According to the Cybersecurity Law promulgated in November 7, 2016 and effective on June 1, 2017, in construction or operation of networks or supply of services through networks, technical measures and other necessary measures must be implemented in accordance with laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of the networks, effectively respond to cybersecurity incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. Cybersecurity Law provides that, among other things, the network operators must perform the following obligations:

- protect networks from disturbance, damage or unauthorized access and prevent network data from being divulged, stolen or tampered with in accordance with the requirements of security graded protection system;
- comply with the compulsory requirements of relevant national standards and take remedial measures to promptly notify users in accordance with relevant provisions and report the same to relevant competent authorities in a timely manner if they find that their network products or services have security defects, loopholes or other risks;
- provide security maintenance for their products and services on a continuous basis;
- comply with relevant laws and administrative regulations on protection of personal information;
- require users to provide authentic identity information when they enter into agreements with the users or when they confirm the supply of services where the network operators handle the network access or domain name registration services, the access formalities for fixed-line telephone or mobile phone for users, or provide users with the services of information release or instant messaging;
- formulate emergency response plans for network security incidents and dispose of system loopholes, computer virus, network attack, network intrusion and any other security risks in a timely manner and initiate the emergency response plans, take appropriate remedial measures, and report the same to relevant competent authorities in accordance with relevant provisions in the event of any incidents endangering network security;
- strengthen the management of the information published by their users; if they find any information that is prohibited from publication or transmission by laws or administrative regulations, they must immediately stop the transmission of such information, take disposal measures such as removal to prevent the spread of such information, keep relevant records, and report the same to relevant competent authorities; and
- set up complaint and reporting platform for network information security, make public the complaint or reporting methods and other relevant information, accept and handle the complaints and reports on network information security in a timely manner, and cooperate with supervision and inspections conducted by internet information department and other relevant departments in accordance with the applicable laws and regulations.

Administrative Measures for Outbound Investment by Enterprises

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

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

According to Circular 11, the non-sensitive outbound investment projects directly carried out by an enterprise within the PRC, including directly making asset or equity investment, or providing financing or guarantee, shall complete record-filing with the competent authority prior to the implementation of the Project. Where an investor within the PRC carries out a large-amount non-sensitive outbound investment project with the investment amount over RMB0.3 billion via overseas enterprises under its control, such investor shall submit an information reporting form for large-amount non-sensitive projects with the investment amount over RMB0.3 billion via the Network System prior to the implementation of the said Project to inform the NDRC of relevant information.

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

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 reserve 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.

Administrative Measures for the Due Diligence Investigation of the Tax-related Information of Non-resident Financial Accounts

According to Administrative Measures for the Due Diligence Investigation of the Tax-related Information of Non-resident Financial Accounts, or the Measures in this paragraph, which is promulgated by State Administration of Taxation, Ministry of Finance, PBOC and relevant department of PRC in 2017, a financial institution shall, in accordance with the principle of good faith, prudence and due diligence, distinguish accounts of different types to understand the tax resident status of their respective account holders or relevant controllers in accordance with these Measures, identify non-resident financial accounts, and collect and submit account-related information. For the purpose of these Measures, non-residents shall refer to individuals and enterprises (including organizations of other types) other than Chinese tax residents, but shall not include government agencies, international organizations, central banks, financial institutions or companies listed and traded on securities markets and their affiliated institutions. For the purpose of these Measures, financial institutions shall refer to deposit-taking institutions, custody institutions, investment institutions, specific insurance institutions and their branches. The aforesaid securities markets shall refer to securities markets recognized and regulated by their respective local government. Chinese tax residents shall refer to resident enterprises or resident individuals prescribed under Chinese tax laws. For the purpose of these Measures, non-resident financial accounts shall refer to the financial accounts that are opened or maintained with financial institutions within the Mainland China, and are held by non-residents or passive non-financial institutions with non-resident controllers. A financial institution shall classify a non-resident financial account in the category of non-resident financial accounts for management from the date when it is identified as such. Where an account holder constitutes both a Chinese tax resident and a tax resident of other countries (regions), a financial institution shall collect and submit information on the account of the said holder in accordance with these Measures.

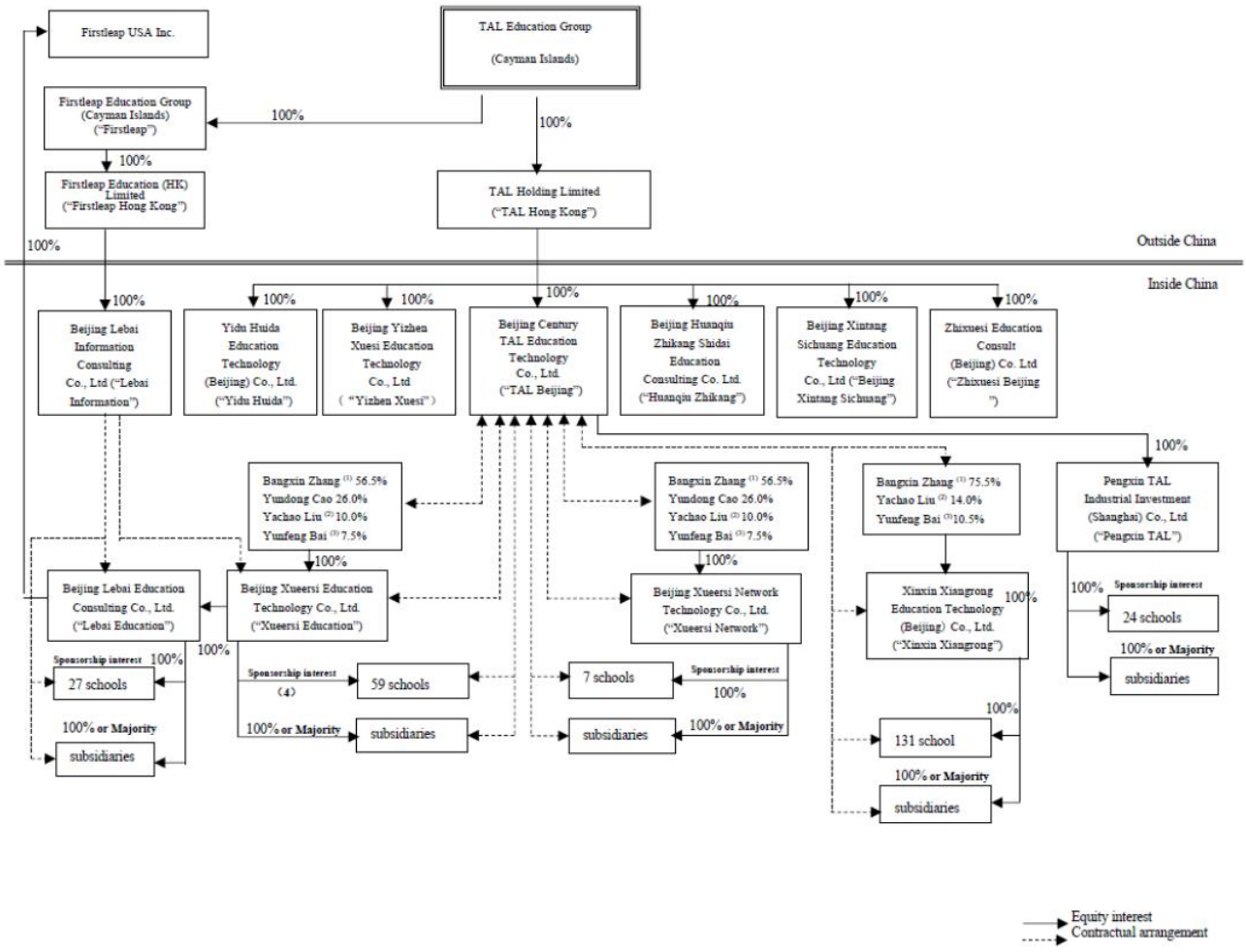
Regulations on Anti Long-Arm Jurisdiction

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

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

C. Organizational Structure

The following diagram sets out details of our significant subsidiaries and Consolidated Affiliated Entities as of February 28, 2021:



(1) Mr. Bangxin Zhang is director and chief executive officer who owned 26.4% of the common shares and 69.5% of the voting power of TAL Education Group as of March 31, 2021.

(2) Mr. Yachao Liu is our chief operating officer who owned 4.1% of the common shares and 10.1% of the voting power of TAL Education Group as of March 31, 2021.

(3) Mr. Yunfeng Bai is chairman of the Company's board of directors and president who owned 0.9% of the common shares and 2.5% of voting power of TAL Education Group as of March 31, 2021.

(4) Ten schools' majority ownership are directly or indirectly held by Xueersi Education, and the remaining minority ownership are directly or indirectly held by Xueersi Network. For the other schools, Xueersi Education held either 100% or majority ownership for which the remaining minority ownership were held by third parties.

VIE Contractual Arrangements

Due to PRC legal restrictions on foreign ownership and investment in the education business in China, aside from our personalized premium tutoring services in Beijing conducted by our PRC subsidiaries, Huanqiu Zhikang and Zhixuesi Beijing, substantially all of our education business in China is conducted through the VIE Contractual Arrangements. The VIE Contractual Arrangements, which are summarized below, enable us, through TAL Beijing and Lebai Information, to direct the activities of our VIEs that most significantly affect the VIEs' economic performance and to receive substantially all the benefits from our Consolidated Affiliated Entities.

Exclusive Business Service Agreements. Pursuant to the Exclusive Business Cooperation Agreement entered into on June 25, 2010 by and among TAL Beijing, Xueersi Education, Xueersi Network, the shareholders, subsidiaries and schools of Xueersi Education and Xueersi Network, or the Agreement of Xueersi Education and Xueersi Network, 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 Business Service Agreement entered into by and among TAL Beijing, Xinxin Xiangrong and its shareholders on August 4, 2015, or the Agreement of Xinxin Xiangrong, TAL Beijing and its designated affiliates have the exclusive right to provide Xinxin Xiangrong and its subsidiaries and schools (if any) comprehensive intellectual property licensing and various technical and business support services. Lebai Information, Lebai Education and its sole shareholder, subsidiaries and schools have entered into an Exclusive Business Service Agreement on October 26, 2015, or the Agreement of Lebai Education, the terms of which are substantially the same as the Agreement of Xinxin Xiangrong summarized above. 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 or Lebai Information, 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 and Lebai Information or their designated affiliates owns the exclusive intellectual property rights created as a result of the performance of these agreements. With respect to the Agreement of Xueersi Education and Xueersi Network, the relevant 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. Such agreement will not expire unless terminated pursuant by a mutual agreement of parties. With respect to the Agreement of Xinxin Xiangrong, the relevant Consolidated Affiliated Entities agree to pay service fees regularly to TAL Beijing or its designated affiliates and adjust the service fee rates from time to time at TAL Beijing's discretion. Such agreement will not expire unless terminated pursuant by a mutual agreement of parties. With respect to the Agreement of Lebai Education, the relevant Consolidated Affiliates Entities agree to pay service fees regularly to Lebai Information or its designated affiliates and adjust the service fee rates from time to time at Lebai Information's discretion. The term of such agreement is 10 years and will be renewed for another 10 years at Lebai Information's discretion. Each of these agreements entitle TAL Beijing or its designated affiliates and Lebai Information to charge our Consolidated Affiliated Entities service fees regularly 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 on 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, Xinxin Xiangrong and the shareholders of Xinxin Xiangrong have entered into a call option agreement on August 4, 2015, and Lebai Information, Lebai Education and the sole shareholder of Lebai Education have entered into a call option agreement on October 26, 2015, the terms of which are substantially the same as the call option agreement summarized above. These agreements become effective on the date of execution and terminate when all of the obligations and rights under such agreement are completely performed. Under each of these agreements, TAL Beijing or Lebai Information 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 on February 12, 2009, by and among TAL Beijing, Xueersi Education, Xueersi Network and the respective shareholders of Xueersi Education and Xueersi Network, and supplemental agreements, dated on June 25, 2010, by and among TAL Beijing, Xueersi Education, Xueersi Network and their respective shareholders, 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, Xinxin Xiangrong and the shareholders of Xinxin Xiangrong have entered into an equity pledge agreement on August 4, 2015, and Lebai Information, Lebai Education and the sole shareholder of Lebai Education have entered into an equity pledge agreement on October 26, 2015, the terms of which are substantially the same as the agreement summarized above. These agreements are effective on the date of execution and terminate when all the secured rights under the relevant agreements, as the case may be, are completely fulfilled or terminated in accordance thereof. The above pledges of the equity interests in Xueersi Network, Lebai Education, Xueersi Education and Xinxin Xiangrong 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 on September 8, 2010 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 Xinxin Xiangrong have made similar undertakings in a letter of undertaking on August 4, 2015. The sole shareholder of Lebai Education has made similar undertakings in the power of attorney described below.

Power of Attorney. Each of the shareholders of Xueersi Education and Xueersi Network has executed an irrevocable power of attorney on August 12, 2009, appointing TAL Beijing, or any person designated by TAL Beijing as their attorney-in-fact to vote on their behalf on all matters of Xueersi Education and Xueersi Network requiring shareholder approval under PRC laws and regulations and the articles of association of Xueersi Education and Xueersi Network. Each of the shareholders of Xinxin Xiangrong has executed an irrevocable power of attorney on August 4, 2015, and the sole shareholder of Lebai Education has executed an irrevocable power of attorney on October 26, 2015, the terms of which are substantially the same as the power of attorney of Xueersi Education and Xueersi Network summarized above. 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 and Lebai Information has the ability to exercise effective control over each of our VIEs respectively 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 and Lebai Information, as applicable. 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, who is a natural person, 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 call option agreement 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 VIE Contractual Arrangements 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. Key Information—D. 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. Key Information—D. 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 VIE Contractual Arrangements, 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 director and Chief Executive Officer, or the Deed collectively. 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;
- 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; and
- 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 (Hong Kong) LLP, 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, 2021, we leased approximately 434,750 square meters in Beijing, consisting of approximately 251,740 square meters of learning center and service center space and approximately 183,010 square meters of office space. As of February 28, 2021, we owned approximately 7,582 square meters of office space in Beijing.

In addition to our learning center and service center space and office space leased in Beijing, as of February 28, 2021, we leased an aggregate of approximately 1,636,430 square meters of learning center and service center space and an aggregate of approximately 437,300 square meters of office space in 108 other cities throughout China and three cities in other countries.

On March 19, 2019, we acquired land use rights of a parcel in Zhenjiang, Jiangsu for the construction of office building, at total cost of approximately RMB92 million for approximately 83,025 square meters. In December 2019, we entered into a contract at total cost of approximately RMB1,424 million for the development of office space in Zhenjiang, Jiangsu, covering approximately 222,730 square meters of construction area. As of February 28, 2021, RMB151 million had been paid. We expect to complete the construction in May 2022. We intend to fund the construction through cash on hand and bank financing. On December 19, 2019, we entered into a loan facilities agreement with a group of lenders pursuant to which we can draw down up to RMB1,800 million, provided that the proceeds be used in the construction of the building in Zhenjiang. As of February 28, 2021, we had not withdrawn any amount under the facilities.

On July 8, 2019, we acquired land use rights of a parcel in Beijing for the development of office space, at a total cost of approximately RMB1,360 million for approximately 28,600 square meters. In December 2019, we entered into a contract at total cost of approximately RMB920 million for the development of office space in Changping District, Beijing, as supplemented from time to time, covering approximately 127,670 square meters of construction area. As of February 28, 2021, RMB106 million had been paid. We expect to complete the construction in December 2022. We intend to fund the foregoing construction through cash on hand and/or bank financing.

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

Item 4A Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with 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. Key Information—D. Risk Factors” and elsewhere in this annual report.

A. Operating Results

Overview

Our extensive network of learning centers and service centers has increased from 871 and 767, respectively, in the fiscal year ended February 29, 2020, to 1,098 and 990, respectively, in the fiscal year ended February 28, 2021. Our average student enrollments of normal priced long-term course per quarter increased by 54.4% from approximately 3.0 million in the fiscal year ended February 29, 2020 to approximately 4.7 million in the fiscal year ended February 28, 2021.

We have experienced significant growth in our business in recent years. Our total net revenues increased from $3,273.3 million in the fiscal year ended February 29, 2020 by 37.3% to $4,495.8 million in the fiscal year ended February 28, 2021. Net loss attributable to TAL Education Group was $110.2 million in the fiscal year ended February 29, 2020, compared to net loss attributable to TAL Education Group of $116.0 million in the fiscal year ended February 28, 2021.

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, substantially all of our education business in China is conducted through the VIE Contractual Arrangements. We do not have equity interests in our VIEs. However, as a result of the VIE Contractual Arrangements, we are the primary beneficiary of these entities and treat them as our variable interest entities 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 VIE Contractual Arrangements 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. Key Information—D. 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. Key Information—D. 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 871 in 70 cities as of February 29, 2020, to 1,098 in 110 cities as of February 28, 2021. We plan to open additional learning centers in these existing 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 2007 and began offering online courses through *www.xueersi.com* in 2010. We also began offering "Dual-Teacher Classroom" courses in certain pilot city in 2015. 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.

Our planned expansion may result in substantial demands on our management, operational, technological, and financial and other resources. To manage and support our growth, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and school management personnel as well as other administrative and sales and marketing personnel, particularly as we grow outside of our existing markets. We will continue to implement additional systems and measures and recruit qualified personnel in order to effectively manage and support our growth. If we cannot achieve these improvements, our financial condition and results of operations may be materially adversely affected.

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.

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 21.6%, 21.4% and 23.1% of our net revenues for the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively. Another important component of our cost of revenues is rental expenses for our learning and service centers, which accounted for approximately 10.7%, 9.7% and 8.2% of our net revenues for the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively. For the fiscal years ended February 28/29, 2019, 2020 and 2021, we incurred share-based compensation expenses representing approximately 3.0%, 3.6% and 4.6%, respectively, of our net revenues, and we expect to continue to incur share-based compensation expenses in the future.

Impact of COVID-19

Our results of operations for the fourth fiscal quarter ended February 29, 2020 was impacted by the outbreak of COVID-19 and the resulting precautionary measures with respect to our offline business, though the negative impact on our offline business was partially offset by the growth in student enrollments in online courses and related revenues for the quarter. Beginning in the first fiscal quarter of fiscal year 2021, we experienced continued recovery and growth, driven by online courses and despite the lingering pressure on our offline business. The COVID-19 outbreak may continue affect our business operations and its financial condition and operating results in the future, including but not limited to negative impact to our total revenues, fair value adjustments or impairment to our long-term investments and goodwill. See "Our business was materially adversely affected by the outbreak of COVID-19 and may be materially adversely affected by a similar outbreak in the future."

Key Components of Results of Operations

Net Revenues

In the fiscal years ended February 28/29, 2019, 2020 and 2021, we generated total net revenues of $2,563.0 million, $3,273.3 million and $4,495.8 million, respectively. We derive substantially all of our revenues from tutoring services, including small-class offerings, personalized premium services and online course offerings. Revenues generated from our online course offerings through www.xueersi.com contributed 13.3%, 18.9% and 28.4% of our total net revenues in the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively.

We generally collect course fees in advance, which we initially record as deferred revenues. We had deferred revenues in the amounts of $436.1 million, $781.0 million and $1,417.5 million, as of February 28/29, 2019, 2020 and 2021, respectively.

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 28/29,					
	2019		2020		2021	
	$	%	$	%	$	%
	(in thousands of $, except percentages)					
Net revenues	$ 2,562,984	100.0	$ 3,273,308	100.0	$ 4,495,755	100.0
Total cost of revenues[(1)]	(1,164,454)	(45.4)	(1,468,569)	(44.9)	(2,048,561)	(45.6)
Operating expenses:						
Selling and marketing[(2)]	(484,000)	(18.9)	(852,808)	(26.1)	(1,680,050)	(37.4)
General and administrative[(3)]	(579,672)	(22.6)	(794,957)	(24.3)	(1,117,324)	(24.9)
Impairment loss on intangible assets and goodwill	—	—	(28,998)	(0.9)	(107,535)	(2.4)
Total operating expenses	$ (1,063,672)	(41.5)	(1,676,763)	(51.2)	(2,904,909)	(64.6)

(1) Includes share-based compensation expenses of $0.7 million, $1.1 million and $1.8 million for the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively.

(2) Includes share-based compensation expenses of $10.5 million, $19.4 million and $56.6 million for the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively.

(3) Includes share-based compensation expenses of $66.1 million, $97.5 million and $146.5 million for the fiscal years ended February 28/29, 2019, 2020 and 2021, 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, costs of course materials, and to a lesser extent, depreciation and amortization of long-lived assets used in the provision of educational services, 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. The increase in cost of revenues was mainly due to increase in teacher compensation, rental costs and costs of learning materials.

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 advertising expenses, 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 long-lived assets used in our selling and marketing activities. Our selling and marketing expenses as a percentage of net revenues was 18.9%, 26.1% and 37.4% for the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively. Our selling and marketing expenses increased because of more marketing promotion activities to expand our customer base and brand enhancement, as well as a rise in the compensation to sales and marketing staff to support a greater number of programs and service offerings.

Our general and administrative expenses primarily consist of compensation paid to our management and administrative personnel, research and development expenses, 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 long-lived assets used in our administrative activities. Our general and administrative expenses as a percentage of our total net revenues was 22.6%, 24.3% and 24.9% for the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively. 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, the enhancement of our internal controls, the establishment of our internal administrative and technological system and our financial and management control and the provisions of share-based compensation to our employees, as well as other expenses associated with our being a publicly traded company.

Impairment loss on intangible assets and goodwill was mainly due to the decline in reporting units' fair value.

Taxation

Cayman Islands

We are an exempted company incorporated in the Cayman Islands. Under the current law of the Cayman Islands, we are not subject to income, corporate or capital gains tax, and the Cayman Islands currently have no form of estate duty, inheritance tax or gift tax. In addition, payments of dividends and capital in respect of our shares are not subject to taxation in the Cayman Islands and no withholding will be required in the Cayman Islands on the payment of any dividend or capital to any holder of our shares, nor will gains derived from the disposal of our shares be subject to Cayman Islands income or corporation tax.

Hong Kong

Each of our Hong Kong subsidiaries are subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since April 1, 2018. The first 2 million Hong Kong dollars of profits earned by a company are subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%. No provision for Hong Kong profits tax has been made in our consolidated financial statements, as these Hong Kong subsidiaries have no assessable income for the fiscal years ended February 28/29, 2019, 2020 and 2021.

PRC Enterprise Income Tax

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, 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.

Enterprises qualified as "Newly Established Software Enterprise" are entitled to an income tax exemption for two calendar years, followed by reduced income tax at a rate of 12.5% for three calendar years. If an enterprise qualified as "Newly Established Software Enterprise" is also entitled to other tax preferential policies in enterprise income tax, such enterprise shall elect only one tax preference among these tax preferential policies. Enterprises qualified as "High and New Technology Enterprises" are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The preferential tax treatment continues as long as an enterprise can retain its "High and New Technology Enterprise" status. Enterprises qualified as "Key Software Enterprise" are entitled to a preferential tax rate of 0% or 10%.

The following preferential tax treatments are enjoyed by certain of our subsidiaries and Consolidated Affiliated Entities:

- Yidu Huida qualified as a High and New Technology Enterprise from the calendar year of 2015 to the calendar year of 2020 and accordingly was entitled to the 15% preferential tax rate during the period. It is expected to be subject to an EIT rate of 15% as long as it maintains its status as an HNTE. Yidu Huida applied and was approved for Key Software Enterprise status for calendar year 2016, 2017 2018 and 2019, which entitled Yidu Huida at the preferential tax rate of 10%. Yidu Huida elected to adopt the 12.5% preferential tax rate in 2015, the 10% preferential tax rate from calendar year 2016 to 2019, and 15% for calendar year 2020 as a HNTE. For calendar year 2020, Yidu Huida applied for the qualification of Key Software Enterprise to enjoy the preferential tax rate of 10%. As of the date of this annual report, the filings are still being reviewed by the government authorities.

- Beijing Xintang Sichuang was qualified as a Software Enterprise in 2013 and accordingly was entitled to an income tax exemption in 2013 and 2014 followed by reduced income tax at a rate of 12.5% from 2015 through 2017. Beijing Xintang Sichuang was also qualified as a High and New Technology Enterprise from the calendar year of 2017 to the calendar year of 2022 and accordingly is entitled to the 15% preferential tax rate during the period. Beijing Xintang Sichuang was also qualified as a Key Software Enterprise for calendar year 2018 and 2019, and accordingly was entitled to 10% preferential tax rate. Beijing Xintang Sichuang elected to adopt the 12.5% preferential tax rate in 2017, the 10% preferential tax rate in 2018 and 2019, and 15% for calendar year 2020 as a HNTE. For calendar year 2020, Beijing Xintang Sichuang applied for the qualification of Key Software Enterprise to enjoy the preferential tax rate of 10%. As of the date of this annual report, the filings are still being reviewed by the government authorities.

- Xueersi Education was qualified as a “High and New Technology Enterprise” from 2012 to 2016 and accordingly enjoyed the 15% preferential tax rate during the period. Its tax preference discontinued since January 2017.

- TAL Beijing was qualified as a “High and New Technology Enterprise” from 2014 to 2016 and it maintained the qualification from the calendar year of 2017 to the calendar year of 2022, and as a result it continued to enjoy the 15% preferential tax rate during the period. TAL Beijing was also qualified as a Key Software Enterprise for calendar year 2018 and 2019, and accordingly was entitled to 10% preferential tax rate. TAL Beijing elected to adopt the 10% preferential tax rate in 2018 and 2019, and 15% for calendar year 2020 as a HNTE. For calendar year 2020, TAL Beijing applied for the qualification of Key Software Enterprise to enjoy the preferential tax rate of 10%. As of the date of this annual report, the filings are still being reviewed by the government authorities.

- Yinghe Youshi was qualified as a “High and New Technology Enterprise” from 2016 to 2018 and it maintained the qualification for the calendar year of 2019 through 2021, and as a result it continued to enjoy the 15% preferential tax rate during the period.

- Beijing Yizhen Xuesi was qualified as a Software Enterprise in 2017 and accordingly was entitled to an income tax exemption in 2017 and 2018 followed by reduced income tax at a rate of 12.5% from 2019 through 2021. For calendar year 2020, Yizhen Xuesi applied for the qualification of a special term of Key Software Enterprise to enjoy the preferential tax rate of 0% for the first five years upon the first profitable year and 10% for the years beyond, which is still subject to the review by the government authorities.

- Beijing Lebai Information Consulting Co., Ltd. was qualified as “Newly Established Software Enterprise” in calendar year 2018 and therefore it was entitled to a two-year income tax exemption and a further reduction to 12.5% from calendar years 2020 through 2022.

Preferential tax treatments granted to our PRC subsidiaries and Consolidated Affiliated Entities in China by local governmental authorities are subject to review and may be adjusted or revoked at any time. The software enterprises which enjoy preferential tax treatments shall also provide filing documents with respect to preferential tax treatments to the relevant tax authority when filing annual enterprise income tax returns for the settlement of tax payments. 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.

PRC Withholding Tax

As a Cayman Islands holding company, we may receive dividends from our PRC operating subsidiaries through TAL Hong Kong. The EIT Law and its implementation 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 in 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. In February 2018, the SAT promulgated Circular 9, which supersedes the Circular 601, to clarify the definition of beneficial owner under PRC tax treaties and tax arrangements. According to Circular 9, a beneficial owner refers to a party who holds ownership and control over incomes or the rights or assets from which the incomes are derived. In determining whether a resident of the other contracting party to a double taxation agreement, or a DTA, who is applying for enjoying preferential treatment under the DTA has the status as a beneficial owner, comprehensive analysis shall be conducted in light of the actual circumstances of the specific case and based on several factors, include among others, if (1) an applicant is under the obligation to pay 50% or more of the incomes received to any resident of any third country (region) within 12 months upon receipt of the incomes; and (2) if the business activities carried out by an applicant constitutes substantive business activities. Substantive business activities shall include substantive manufacturing, distribution, management and other activities. Whether an applicant's business activities are substantive shall be determined based on the functions actually performed by the applicant and the risks assumed thereby. The substantive investment and shareholding management activities carried out by the applicant may constitute substantive business activities. Where the applicant concurrently engages in investment and shareholding management activities that do not constitute substantive business activities and other business activities, if the other business activities are not significant enough, the applicant will not be considered as engaging in substantive business activities and hence more likely not a beneficial owner;

In addition, if the incomes derived by any of the following applicants from China are dividends, the relevant applicant may be directly determined as having the status of a "beneficial owner":

(1) The government of the other contracting party to the relevant DTA;

(2) A company that is a resident of, and is listed on the market of, the other contracting party to the relevant DTA;

(3) A resident individual of the other contracting party to the relevant DTA; or

(4) Where one or more parties referred to in Item (1) through Item (3) directly or indirectly hold 100% of the shares of the applicant, and the mid-tier in the case of indirect shareholding is a resident of China or a resident of the other contracting party to the relevant DTA.

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

According to such SAT Circular 9, if the business activities carried out by an applicant do not constitute substantive business activities, then such applicant is likely not to be regarded as a beneficial owner. 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 9 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. Key Information—D. 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."

In December 21, 2017, SAT promulgated Notice on Issues Concerning the Policy for Temporary Exemption of Withholding Income Tax on Direct Investment by Overseas Investors with Distributed Profits, or Circular 88. According to the Circular 88, where overseas investors use the profits obtained from resident enterprises within China to invest directly in the encouraged investment projects, the deferred tax payment policy shall apply thereto and withholding income tax thereon shall be exempted temporarily. An overseas investor that is entitled to but has not actually enjoyed the policy of temporary exemption of withholding income tax under this Notice may apply to retroactively enjoy such policy within three years from the date of actual payment of relevant tax and for refund of the tax already paid.

In September 29, 2018, the SAT promulgated Notice on the Scope of Application Concerning the Policy for Temporary Exemption of Withholding Income Tax on Direct Investment by Overseas Investors with Distributed Profits, or Circular 102, which terminated the aforementioned articles of Circular 88. Pursuant to Circular 102, the scope of application of the temporary exemption of Withholding Income Tax was expanded from where overseas investors use the profits obtained from resident enterprises within China to invest directly in the encouraged investment projects, to where overseas investors use the profits obtained from resident enterprises within China to invest directly in all projects and fields which are not prohibited from foreign investment pursuant to the Special Administrative Measures for Foreign Investment Access (2019), or Negative List.

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

(1) Direct investment made by overseas investors with the profits distributed thereto, includes their activities of equity investment with the distributed profits such as capital increase, new establishment and equity purchase and excludes the increase through purchase or distribution and purchase of the shares of listed companies (excluding the conforming strategic investment), specifically including: (i) Increasing through purchase or distribution of the paid-in capital or capital reserve of resident enterprises within PRC; (ii) Investing in new establishment of resident enterprises within PRC; (iii) Purchasing the shares of resident enterprises within China from nonaffiliated parties; and (iv) Other methods prescribed by the Ministry of Finance and the State Administration of Taxation. The enterprises in which overseas investors invest through above investment activities shall be collectively referred to the invested enterprises.

(2) The profits distributed to overseas investors fall under the dividends, bonus and other equity investment income formed from the actual distribution of the retained income already realized by resident enterprises within China to investors.

(3) Where the profits used by overseas investors for direct investment are paid in cash, relevant amounts shall be transferred directly from the accounts of the profits distributing enterprises to the accounts of the invested enterprises or equity transferors and shall not be circulated among other domestic and overseas accounts before direct investment; where the profits used by overseas investors for direct investment are paid in kind, negotiable securities and other non-cash form, the ownership to relevant assets shall be transferred directly from the profits distributing enterprises to the invested enterprises or equity transferors and shall not be held by other enterprises and individuals on behalf thereof or temporarily.

PRC Business Tax and Value-Added Tax (VAT)

Details of the pilot VAT reform program was set out in two circulars jointly issued by the Ministry of Finance and the SAT. The VAT reform program change the charge of sales tax from business tax to VAT for certain pilot industries, and was initially applied only to certain pilot industries in Shanghai. The VAT reform program started to apply nationwide in 2013, was extended to cover additional industry sectors such as construction, real estate, finance and consumer services in May 2016.

With respect to all of our PRC entities for the period immediately prior to the implementation of the VAT reform program, revenues from our services are subject to a 5% or 3% PRC business tax. After implementation of the VAT reform program, revenues from our services are mainly subject to a 6% or 3% PRC VAT. Since January 2020, in accordance with the Announcement on Tax Policies to Support Prevention and Control of Pneumonia Caused by Novel Coronavirus Infection issued by Ministry of Finance and SAT, or the Cai Shui [2020] No.8, due to the COVID-19 virus, the VAT from providing daily life services will be exempted starting on January 1, 2020 until December 31, 2020. In March 17, 2021, the SAT promulgated Announcement on Continued Implementation of Some Preferential Tax/Fee Policies for Responding to the COVID-19 Epidemic, or Circular 7, which extended the aforementioned articles of Cai Shui [2020] No.8, and the VAT exemption from providing daily life services has been extended to March 31, 2021.

Urban Maintenance and Construction Tax and Education Surcharge

Any foreign-invested or purely domestic entity or individual that is subject to consumption tax and VAT is also required to pay PRC urban maintenance and construction tax. The rates of urban maintenance and construction tax are 7%, 5% or 1% of the amount of consumption tax and VAT actually paid depending on where the taxpayer is located. All entities and individuals who pay consumption tax and VAT are also required to pay education surcharge at a rate of 3%, and local education surcharges at a rate of 2% of the amount of VAT and consumption tax actually paid.

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 our VIEs

We, through TAL Beijing and Lebai Information, our wholly owned foreign enterprises, has 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. Information on the Company-B. Business Overview-Organizational Structure-VIE Contractual Arrangements." These contractual agreements do not provide TAL Beijing and Lebai Information 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 and Lebai Information with the 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.

The contractual arrangements, by design, enable TAL Beijing and Lebai Information to have (a) the power to direct the activities that most significantly impact the economic performance of the VIEs and (b) the right to receive substantially all the benefits of the VIEs. As a result, the VIEs are considered to be variable interest entities under ASC 810 and TAL Beijing and Lebai Information are considered to be the primary beneficiary of the VIEs and consolidate the VIEs' financial position and results of operations.

Determining whether TAL Beijing and Lebai Information are the primary beneficiaries requires a careful evaluation of the facts and circumstances, including whether the VIE Contractual Arrangements 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 VIE Contractual Arrangements 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. Information on the Company-B. Business Overview-Organizational Structure-VIE Contractual Arrangements."

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, or the Deed collectively. 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 the Company, (1) Mr. Bangxin Zhang cannot request 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 prevent 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.

See the consolidated financial statements Note 1 for the presentation of our condensed financial information of the VIEs and VIEs' subsidiaries and schools, after elimination of intercompany balances and transactions.

Revenue recognition

On March 1, 2018, we adopted Revenue from Contracts with Customers, or Topic 606, applying the modified retrospective method to all contracts that were not completed as of March 1, 2018.

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

The primary sources of our revenues are as follows:

(a) Small class tutoring services, personalized premium services and others

Small class tutoring services primarily consist of Xueersi Peiyou small class, Firstleap and Mobby. Personalized premium services are referring to Izhikang after-school one-on-one tutoring services. Each contract of small class tutoring service or personalized premium service is accounted for as a single performance obligation which is satisfied proportionately over the service period. Tuition fee is generally collected in advance and is initially recorded as deferred revenue. Tuition revenue is recognized proportionately as the tutoring sessions are delivered.

Generally, for small class tutoring services we offer refunds for any remaining classes to students who decide to withdraw from a course. The refund is equal to and limited to the amount related to the undelivered classes. 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. Historically, we have not had material refunds.

We distribute coupons to attract both existing and prospective students to enroll in our courses. The coupon has fixed dollar amounts and can only be used against future courses. The coupon is not considered a material right to the customer and accounted for as a reduction of transaction price of the service contract.

Other revenues are primarily derived from one-on-one online tutoring services for children, artificial intelligence ("AI") interactive courses provided on the Group's online platforms, and books related to preschool and K-12 education. Revenue is recognized when control of promised goods or services is transferred to our customers in an amount of consideration to which we expect to be entitled to in exchange for those goods or services.

(b) Online education services through www.xueersi.com

We provide online education services, including live class and pre-recorded course content, to our students through www.xueersi.com. Students enroll for online courses through www.xueersi.com by the use of prepaid study cards or payment to our online accounts. Each contract of the online education service is accounted for as single performance obligation which is satisfied ratably over the service period. The proceeds collected are initially recorded as deferred revenue. For live class courses, revenues are recognized proportionately as the tutoring sessions are delivered. For pre-recorded course content, 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 and a proportional refund is based on the percentage of untaken courses to the total courses purchased. Historically, we have not experienced material refunds.

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 interests of the acquiree and fair value of previously held equity interest in 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 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 the consolidated statements of operations.

In a business combination achieved in stages, we remeasure the previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the remeasurement gain or loss, if any, is recognized in the consolidated statements of operations.

Where in a business combination, the noncontrolling shareholder received a put option to sell its entire noncontrolling interest of the acquiree to us at the price stipulated by the contract when option is exercised, the noncontrolling interest has been recorded as a redeemable noncontrolling interest presented in the mezzanine equity section of the consolidated balance sheets.

Goodwill and impairment of Long-lived assets

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.

ASC 350-20 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. We early adopted ASU 2017-04: Intangibles—Goodwill and Other (Topic 350), which eliminated Step 2 from the goodwill impairment test on a prospective basis.

Under ASU 2017-04, we perform our annual impairment test by comparing the fair value of a reporting unit with its carrying amount. We should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, we measure impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, we would recognize an impairment loss based on the fair value of the assets.

Long-term investments

Our long-term investments include equity securities without readily determinable fair values, equity securities with readily determinable fair values, equity method investments, available-for-sale investments, fair value option investment and held-to-maturity investments.

Equity securities without readily determinable fair values

We adopted ASC Topic 321, Investments-Equity Securities, or ASC 321, on March 1, 2018. Under ASC 321, for equity securities without readily determinable fair value that qualify for the practical expedient to estimate fair value using net asset value per share, we estimate the fair value using net asset value per share. For other equity securities without readily determinable fair value, we elected to use the measurement alternative to measure those investments at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

We review our equity securities without readily determinable fair value for impairment at each reporting period. If a qualitative assessment indicates that the investment is impaired, we estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, we recognize an impairment loss in net income/(loss) equal to the difference between the carrying value and fair value.

Equity securities with readily determinable fair values

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

Equity method investments

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

Under the equity method, we initially record its investment at cost and subsequently recognize our proportionate share of each equity investee's net income or loss after the date of investment into the consolidated statements of operations and accordingly adjust the carrying amount of the investment. If financial statements of an investee cannot be made available within a reasonable period of time, we record our share of the net income or loss of an investee on a one quarter lag basis in accordance with ASC 323-10-35-6.

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

Available-for-sale investments

For investments in investees' shares which are determined to be debt securities, we account for them as available-for-sale investments when they are not classified as either trading or held-to-maturity investments. Available-for-sale investments are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income as a component of shareholders' equity. Declines in the fair value of individual available-for-sale investments below their amortized cost due to credit-related factors are recognized as an allowance for credit losses, whereas if declines in the fair value is not due to credit-related factors, the loss is recorded in other comprehensive income (loss).

Fair value option investments

We elected the fair value option to account for certain investment whereby the change in fair value is recognized in the consolidated statements of operations.

Held-to-maturity investments

Long-term investments include wealth management products, which are mainly deposits with variable interest rates placed with financial institutions and are restricted as to withdrawal and use. We classify the wealth management products as "held-to-maturity" securities.

Income Taxes

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

We account for income taxes using the asset and liability approach. Under this method, deferred tax assets and liability are recognized based on the 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 us as enacted by the relevant tax authorities.

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

Share-Based Compensation

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument and recognized as compensation expense on a straight-line basis over the requisite service period, with a corresponding impact reflected in additional paid-in capital. For share-based awards granted with performance condition, the compensation cost is recognized when it is probable that the performance condition will be achieved. We reassess the probability of achieving the performance condition at the end of each reporting date and record a cumulative catch-up adjustment for any changes to its assessment. Forfeitures are recognized as they occur. Liability-classified awards are remeasured at their fair-value-based measurement as of each reporting date until settlement.

For share options, we use the Black-Scholes option-pricing model to determine the estimated fair value. The volatility assumption was estimated based on the historical volatility of our share price applying the guidance provided by ASC 718. We estimate the volatility assumption based on our historical information since October 2010.

Operating leases

On March 1, 2019, we adopted New Leasing Standard ("ASC 842"), using the modified retrospective transition method resulting in the recording of operating lease right-of-use (ROU) assets and operating lease liabilities upon adoption. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance.

We determine if an arrangement is a lease or contains a lease at lease inception. Operating leases are required to record in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. We have elected the package of practical expedients, which allows us not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. We also elected the practical expedient not to separate lease and non-lease components of contracts. Lastly, for lease assets other than real estate, such as printing machine and electronic appliances, we elected the short-term lease exemption as their lease terms are 12 months or less.

As the rate implicit in the lease is not readily determinable, we estimate its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated in a portfolio approach to approximate the interest rate on a collateralized basis with similar terms and payments in a similar economic environment. Our leases often include options to extend and lease terms include such extended terms when we are reasonably certain to exercise those options. Lease terms also include periods covered by options to terminate the leases when we are reasonably certain not to exercise those options. Lease expense is recorded on a straight-line basis over the lease term.

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 28/29,					
	2019		2020		2021	
	$	%	$	%	$	%
	(in thousands of $, except percentages)					
Net revenues	$ 2,562,984	100.0 %	$ 3,273,308	100.0 %	$ 4,495,755	100.0 %
Cost of revenues[1]	(1,164,454)	(45.4)	(1,468,569)	(44.9)	(2,048,561)	(45.6)
Gross profit	1,398,530	54.6	1,804,739	55.1	2,447,194	54.4
Operating expenses						
Selling and marketing[2]	(484,000)	(18.9)	(852,808)	(26.1)	(1,680,050)	(37.3)
General and administrative[3]	(579,672)	(22.6)	(794,957)	(24.3)	(1,117,324)	(24.9)
Impairment loss on intangible assets and goodwill	—	—	(28,998)	(0.9)	(107,535)	(2.4)
Total operating expenses	(1,063,672)	(41.5)	(1,676,763)	(51.2)	(2,904,909)	(64.6)
Government subsidies	6,724	0.3	9,467	0.3	19,491	0.4
Income/(loss) from operations	341,582	13.4	137,443	4.2	(438,224)	(9.8)
Interest income	59,614	2.3	72,991	2.2	114,232	2.5
Interest expense	(17,628)	(0.7)	(11,820)	(0.4)	(16,946)	(0.4)
Other income/(expense)	131,727	5.1	(95,297)	(2.9)	140,878	3.1
Impairment loss on long-term investments	(58,091)	(2.3)	(153,970)	(4.7)	(24,563)	(0.6)
Income /(loss) before income tax (expense)/benefit and (loss)/income from equity method investments	457,204	17.8	(50,653)	(1.5)	(224,623)	(5.2)
Income tax (expense)/benefit	(76,504)	(3.0)	(69,328)	(2.1)	69,897	1.6
(Loss)/income from equity method investments	(16,186)	(0.6)	(7,670)	(0.2)	11,676	0.3
Net income/(loss)	364,514	14.2	(127,651)	(3.9)	(143,050)	(3.3)
Add: Net loss attributable to noncontrolling interest	2,722	0.1	17,456	0.5	27,060	0.6
Net income/(loss) attributable to TAL Education Group	$ 367,236	14.3	$ (110,195)	(3.4)	$ (115,990)	(2.7)

(1) Includes share-based compensation expenses of $0.7 million, $1.1 million and $1.8 million for the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively.

(2) Includes share-based compensation expenses of $10.5 million, $19.4 million and $56.6 million for the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively.

(3) Includes share-based compensation expenses of $66.1 million, $97.5 million and $146.5 million for the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively.

Fiscal Year Ended February 28, 2021 Compared to Fiscal Year Ended February 29, 2020

Net Revenues

Our total net revenues increased by 37.3% to $4,495.8 million for the fiscal year ended February 28, 2021 from $3,273.3 million for the fiscal year ended February 29, 2020. The increase was mainly driven by the growth in average student enrollments of normal priced long-term courses. The increase in average student enrollments of normal priced long-term courses was driven primarily by the growth of enrollments in the small class offerings and online courses.

Cost of Revenues

Our cost of revenues increased by 39.5% to $2,048.6 million for the fiscal year ended February 28, 2021 from $1,468.6 million for the fiscal year ended February 29, 2020. This increase was largely due to the increase in teaching fees and performance-linked bonuses to our teachers, and rental costs for our learning centers and service centers and costs of learning materials. The increase of teaching fees and performance-linked bonuses was primarily due to the increase in the number of our full-time teachers from 27,500 for the fiscal year ended February 29, 2020 to 44,849 for the fiscal year ended February 28, 2021. The increase of rental costs for our facilities was primarily due to the increase in the leased space of learning centers and service centers from approximately 1,693,655 square meters as of February 29, 2020 to approximately 1,888,170 square meters as of February 28, 2021. Cost of revenues for the fiscal year ended February 28, 2021 included $1.8 million in share-based compensation expenses, as compared to $1.1 million for the fiscal year ended February 29, 2020.

Operating Expenses

Our operating expenses increased by 73.2% to $2,904.9 million for the fiscal year ended February 28, 2021 from $1,676.8 million for the fiscal year ended February 29, 2020. 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 97.0% to $1,680.1 million for the fiscal year ended February 28, 2021 from $852.8 million for the fiscal year ended February 29, 2020. This increase was primarily a result of more marketing promotion activities to expand our customer base and for brand enhancement, as well as a rise in the compensation to sales and marketing staff to support a greater number of programs and service offerings. Selling and marketing expenses for the fiscal year ended February 28, 2021 also included $56.6 million in share-based compensation expenses, as compared to $19.4 million for the fiscal year ended February 29, 2020.

General and Administrative Expenses. Our general and administrative expenses increased by 40.6% to $1,117.3 million for the fiscal year ended February 28, 2021 from $795.0 million for the fiscal year ended February 29, 2020. This increase was primarily due to an increase of the number of our general and administrative personnel and a rise in compensation to our general and administrative personnel. General and administrative expenses for the fiscal year ended February 28, 2021 included $146.5 million in share-based compensation expenses, as compared to $97.5 million for the fiscal year ended February 29, 2020.

Impairment loss on intangible assets and goodwill was $107.5 million for the fiscal year ended February 28, 2021, compared to US$29.0 million for the fiscal year ended February 29, 2020. Impairment loss on intangible assets and goodwill was due to the decline in reporting units' fair value.

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 $20.3 million for the fiscal year ended February 28, 2021, compared to $9.5 million for the fiscal year ended February 29, 2020. We recorded $19.5 million and $9.5 million government subsidies as other operating income for the fiscal years ended February 28/29, 2021 and 2020, respectively.

Interest Income

We had interest income of $114.2 million for the fiscal year ended February 28, 2021, compared to $73.0 million for the fiscal year ended February 29, 2020. Our interest income in both fiscal years consisted primarily of interest earned from our cash and cash equivalents and short-term investments.

Other income/(expense)

We recorded other income of $140.9 million for the fiscal year ended February 28, 2021, primarily consisting of the value-added tax and social security expense exemption offered by the government during the COVID-19 outbreak. Other expense was $95.3 million for the fiscal year ended February 29, 2020, mainly related to loss from the fair value change of an equity security with readily determinable fair value.

Impairment loss on long-term investments

We incurred $24.6 million of impairment loss on long-term investments for fiscal year ended February 28, 2021, compared to $154.0 million for the fiscal year ended February 29, 2020. Impairment loss on long-term investments was due to declines in the value of long-term investments in several investees.

Income tax (expense)/benefit

We had $69.9 million of income tax benefit for the fiscal year ended February 28, 2021, compared to $69.3 million of income tax expense for the fiscal year ended February 29, 2020.

Net Income/(loss)

As a result of the foregoing, net loss was $143.1 million for fiscal year ended February 28, 2021, compared to net loss of $127.7 million for the fiscal year ended February 29, 2020.

Fiscal Year Ended February 29, 2020 Compared to Fiscal Year Ended February 28, 2019

Net Revenues

Our total net revenues increased by 27.7% to $3,273.3 million for the fiscal year ended February 29, 2020 from $2,563.0 million for the fiscal year ended February 28, 2019. The increase was mainly driven by the growth in average student enrollments of normal priced long-term courses. The increase in average student enrollments of normal priced long-term courses was driven primarily by the growth of enrollments in the small class offerings and online courses.

Cost of Revenues

Our cost of revenues increased by 26.1% to $1,468.6 million for the fiscal year ended February 29, 2020 from $1,164.5 million for the fiscal year ended February 28, 2019. This increase was largely due to the increase in teaching fees and performance-linked bonuses to our teachers, and rental costs for our learning centers and service centers and costs of learning materials. The increase of teaching fees and performance-linked bonuses was primarily due to the increase in the number of our full-time teachers from 21,387 for the fiscal year ended February 28, 2019 to 27,500 for the fiscal year ended February 29, 2020. The increase of rental costs for our facilities was primarily due to the increase in the leased space of learning centers and service centers from approximately 1,351,000 square meters as of February 28, 2019 to approximately 1,693,655 square meters as of February 29, 2020. Cost of revenues for the fiscal year ended February 29, 2020 included $1.1 million in share-based compensation expenses, as compared to $0.7 million for the fiscal year ended February 28, 2019.

Operating Expenses

Our operating expenses increased by 57.6% to $1,676.8 million for the fiscal year ended February 29, 2020 from $1,063.7 million for the fiscal year ended February 28, 2019. 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 76.2% to $852.8 million for the fiscal year ended February 29, 2020 from $484.0 million for the fiscal year ended February 28, 2019. This increase was primarily due to an increase in salaries and benefits for our selling and marketing personnel and more marketing promotion activities both for brand enhancement and consumer experience. Selling and marketing expenses for the fiscal year ended February 29, 2020 also included $19.4 million in share-based compensation expenses, as compared to $10.5 million for the fiscal year ended February 28, 2019.

General and Administrative Expenses. Our general and administrative expenses increased by 37.1% to $795.0 million for the fiscal year ended February 29, 2020 from $579.7 million for the fiscal year ended February 28, 2019. This increase was primarily due to an increase of the number of our general and administrative personnel and a rise in compensation to our general and administrative personnel. General and administrative expenses for the fiscal year ended February 29, 2020 included $97.5 million in share-based compensation expenses, as compared to $66.1 million for the fiscal year ended February 28, 2019.

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 $9.5 million for the fiscal year ended February 29, 2020, compared to $6.7 million for the fiscal year ended February 28, 2019. We recorded $9.5 million and $6.7 million government subsidies as other operating income for the fiscal years ended February 28/29, 2020 and 2019, respectively.

Interest Income

We had interest income of $73.0 million for the fiscal year ended February 29, 2020, compared to $59.6 million for the fiscal year ended February 28, 2019. Our interest income in both fiscal years consisted primarily of interest earned from our cash and cash equivalents and short-term investments.

Other income/(expense)

We recorded other expense of $95.3 million for the fiscal year ended February 29, 2020, compared to other income of $131.7 million for the fiscal year ended February 28, 2019. Other income/(expense) for both fiscal years was mainly from the fair value changes of a long-term investment.

Impairment loss on long-term investments

We incurred $154.0 million of impairment loss on long-term investments for fiscal year ended February 29, 2020, compared to $58.1 million for the fiscal year ended February 28, 2019. Impairment loss on long-term investments was mainly due to the other-than-temporary declines in the value of long-term investments.

Provision for Income Tax

We had $69.3 million of provision for income tax for the fiscal year ended February 29, 2020, compared to $76.5 million in fiscal year 2019.

Net Income/(loss)

As a result of the foregoing, net loss was $127.7 million for fiscal year ended February 29, 2020, compared to net income of $364.5 million for the fiscal year ended February 28, 2019.

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 2019, 2020 and 2021 were increases of 1.5%, 5.2% and a decrease of 0.2%, 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.

Recent Accounting Pronouncements

A list of recent accounting pronouncements that are relevant to us is included in note 2 to our consolidated financial statements, which are included in this annual report.

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 various private placements of our common shares, offering or private placement of convertible notes, the term and revolving credit facilities we entered into in June 2016 and February 2019 and a construction loan facility we entered into December 2019. As of February 28, 2021, we had $3,243.0 million in cash and cash equivalents, $1,775.0 million in restricted cash, $2,694.6 million in short-term investments. The total outstanding balance of our current portion of long-term debt and bond payable as of February 28, 2021 amounted to $270.0 million and $2,300 million, respectively. Our cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments 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. Our restricted cash mainly represents security deposits held in designated bank accounts for future transactions, deposits required by PRC government authorities for establishing new schools and subsidiaries and deposits in connection with the term and revolving facilities agreement. The short-term investments primarily consist of wealth management products with variable interest rates with original maturity of less than one year and more than three months.

The following table sets forth a summary of our cash and cash equivalents, restricted cash and short-term investments inside and outside China as of February 28, 2021.

	Cash, cash equivalents and restricted cash in RMB	Cash, cash equivalents and restricted cash in other currencies	Total Cash, cash equivalents and restricted cash	Short-term investments in RMB	Short-term investments in other currencies	Total short-term investments
			(in thousands)			
Entities outside China	83,174	3,250,801	3,333,975	—	2,113,164	2,113,164
VIEs in China	842,005	130	842,135	—	—	—
Non-VIEs in China	829,331	12,543	841,874	546,341	35,050	581,391
Entities inside China	1,671,336	12,673	1,684,009	546,341	35,050	581,391
Total	1,754,510	3,263,474	5,017,984	546,341	2,148,214	2,694,555

Although we consolidate the results of our VIEs, our access to our Consolidated Affiliated Entities is only through the VIE Contractual Arrangements. See “Item 4. Information on the Company—B. Business Overview—Organizational Structure—VIE Contractual Arrangements.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Holding Company Structure.”

On February 1, 2019, we signed a 3-year $600 million term and revolving facilities agreement with a group of arrangers led by Deutsche Bank AG, Singapore Branch. The facilities, a $270 million 3-year bullet maturity term loan and a $330 million 3-year revolving facility, are priced at 175 basis points over LIBOR. As of February 28, 2021, the Company had drawn down $270 million three-year bullet maturity term loan under the facility commitment. In March 2021, the Company repaid the drawn down amount and terminated the facility.

On December 19, 2019 we, through our consolidated affiliated entities in the PRC, entered into a loan facilities agreement with a group of lenders pursuant to which we can draw down up to RMB1,800 million, provided that the proceeds be used in our construction project in Zhenjiang, Jiangsu. The facilities have a term of eight years and an effective drawdown period of three years. The land and the constructions thereon are collaterals to the loan facilities. As of February 28, 2021, we had not made any draw down of the loan under the facilities agreement.

In January 2021, we issued certain convertible notes for a total proceed of approximately US$2.3 billion to a group of investors. The convertible notes bear an interest of 0.50% per annum, mature on February 1, 2026, and be convertible into American depositary shares at the holder’s option.

We believe that our current cash, cash equivalents, restricted cash and short-term investments 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 on hand, we may seek to issue debt or equity securities or obtain a credit facility. Any issuance of equity securities could cause dilution to 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 28/29,		
	2019	2020	2021
	(in thousands of $)		
Net cash provided by operating activities	$ 194,361	$ 855,850	$ 954,732
Net cash used in investing activities	(166,584)	(338,815)	(2,641,469)
Net cash provided by financing activities	475,019	131,231	4,794,813
Effect of exchange rate changes	33,208	3,218	(5,277)
Net increase in cash and cash equivalents and restricted cash	536,004	651,484	3,102,799
Cash, cash equivalents and restricted cash at the beginning of the period	727,697	1,263,701	1,915,185
Cash, cash equivalents and restricted cash at end of the period	$ 1,263,701	$ 1,915,185	$ 5,017,984

Operating Activities

Net cash provided by operating activities amounted to $954.7 million in the fiscal year ended February 28, 2021, as compared to $855.9 million in the fiscal year ended February 29, 2020. Net cash provided by operating activities in the fiscal year ended February 28, 2021 reflected net loss of $143.1 million, adjusted by non-cash expenses and gain, mainly including depreciation of property and equipment of $137.0 million, share-based compensation expenses of $204.9 million, impairment loss on operating assets, intangible assets and goodwill of $154.7 million, and changes in working capital mainly including an increase in deferred revenues of $529.2 million, and an increase in accrued expenses and other current liabilities of $283.1 million.

Net cash provided by operating activities amounted to $855.9 million in the fiscal year ended February 29, 2020, as compared to $194.4 million in the fiscal year ended February 28, 2019. Net cash provided by operating activities in the fiscal year ended February 29, 2020 reflected net loss of $127.7 million, adjusted by non-cash expenses and gain, mainly including depreciation of property and equipment of $99.5 million, share-based compensation expenses of $117.9 million, impairment loss on long-term investments of $154.0 million, loss from fair value change of investments of $104.2 million. Other major factors affecting operating cash flow in the fiscal year ended February 29, 2020 mainly included an increase in deferred revenues of $343.6 million.

Investing Activities

Net cash used in investing activities amounted to $2,641.5 million in the fiscal year ended February 28, 2021, as compared to $338.8 million in the fiscal year ended February 29, 2020. Net cash used in investing activities in the fiscal year ended February 28, 2021 primarily related to purchase of short-term investments of $2,534.7 million and purchase of property and equipment of $245.1 million, partially offset by proceeds from maturity of short-term investment of $207.6 million.

Net cash used in investing activities amounted to $338.8 million in the fiscal year ended February 29, 2020, as compared to $166.6 million in the fiscal year ended February 28, 2019. Net cash used in investing activities in the fiscal year ended February 29, 2020 primarily related to purchase of short-term investments of $546.7 million, payments for long-term investments of $117.5 million and purchase of property and equipment of $178.1 million, partially offset by proceeds from maturity of short-term investment of $517.0 million.

Financing Activities

Net cash provided by financing activities amounted to $4,794.8 million in the fiscal year ended February 28, 2021, as compared to $131.2 million in the fiscal year ended February 29, 2020. Net cash provided by financing activities in the fiscal year ended February 28, 2021 was attributable to the proceeds of $2,300 million from issuance of convertible bond and the proceeds of $2,500 million from private placement.

Net cash provided by financing activities amounted to $131.2 million in the fiscal year ended February 29, 2020, as compared to $475.0 million in the fiscal year ended February 28, 2019. Net cash provided by financing activities in the fiscal year ended February 29, 2020 was attributable to the cash received of $73.2 million from exercise of capped call option, net proceeds of $270.0 million from long-term debt and short-term debt and partially offset by repayment of long-term debt and short-term debt of $209.3 million.

Holding Company Structure

Overview

We are a holding company with no material operations of our own. Substantially all of our education business in China is conducted through the VIE Contractual Arrangements. See “Item 4. Information on the Company—B. Business Overview—Organizational Structure—VIE Contractual Arrangements.” In the fiscal years ended February 28/29, 2019, 2020 and 2021, our Consolidated Affiliated Entities contributed 93.9%, 93.4% and 94.4%, respectively, of our total net revenues.

Conducting most of our operations through the VIE Contractual Arrangements 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. Key Information—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 the VIE Contractual Arrangements 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 28/29, 2019, 2020 and 2021, TAL Beijing, Lebai Information and their designated PRC subsidiaries collectively charged $657.0 million, $726.7 million and $1,123.5 million in service fees, respectively, to our Consolidated Affiliated Entities. The Consolidated Affiliated Entities collectively paid $589.3 million, $776.3 million and $784.4 million in service fees to TAL Beijing, Lebai Information and its designated PRC subsidiaries in the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively. As of February 28/29, 2019, 2020 and 2021, the balance of the amount payable for the fees was $128.0 million, $78.4 million and $417.5 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.

Pursuant to the VIE Contractual Arrangements, the earnings and cash of each of our VIEs (including dividends received from their respective subsidiaries and schools) are used to pay service fees in RMB to TAL Beijing or Lebai Information or its designated affiliates, as applicable, in the manner and amount set forth in the VIE Contractual Arrangements. 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 the remaining net profits of Lebai Information and its designated affiliates would be available for distribution to Firstleap Education (HK) Limited then to Firstleap Education, and from TAL Hong Kong and Firstleap Education to our company. See "Item 3. Key Information-D. 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. Operating Results-Taxation-PRC" for detailed discussions on withholding taxes; and see "Item 4. Information on the Company-B. Business Overview-PRC Regulation-Regulations on Dividend Distribution" for a detailed discussion on statutory reserve requirement. As of February 28, 2021, 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 $790.5 million, and the net assets of our PRC subsidiaries and Consolidated Affiliated Entities which were unrestricted and thus available for distribution was in aggregate $2,584.0 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. Risk Factors—D. 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. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Governmental control of currency conversion may affect the value of your investment."

Capital Expenditures

For the fiscal years 2019 to 2021, our primary capital expenditures were mainly related to purchase of land use rights, leasehold improvements, construction projects costs and purchase of servers, computers, network equipment, and software systems. Our capital expenditures were $353.3 million, $187.5 million and $245.0 million for the fiscal years ended February 28/29, 2019, 2020 and 2021, respectively, representing 13.8%, 5.7% and 5.4% of our total net revenues for such years, respectively. See "Item 4. Information on the Company-C. 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 and offerings. 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 offerings, see "Item 4. Information on the Company—B. 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 for our non-English subject areas is developed in-house. See "Item 4. Information on the Company—B. 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. Information on the Company—B. Business Overview—Intellectual Property."

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, 2021 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, 2021:

	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in thousand) $		
Lease property management fee obligations[1]	134,737	30,372	55,507	30,194	18,664
Purchase of property and equipment obligations	502,799	306,691	196,108	—	—
Acquisitions and investments obligations[2]	12,895	7,520	5,375	—	—
Long-term debt obligations	2,570,000	270,000	—	2,300,000	—
Other commitment[3]	56,542	11,500	23,000	22,042	—
Total	3,276,973	626,083	279,990	2,352,236	18,664

(1) Represents our non-cancelable agreements for property management fees in relation to leases for our offices, learning centers and service centers.

(2) Represents obligations in connection with several investments and acquisitions as of February 28, 2021.

(3) Represents interests to be paid for convertible bond issued in January 2021.

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
Yunfeng Bai	39	Chairman of the Board of Directors and President
Bangxin Zhang	40	Director and Chief Executive Officer
Yachao Liu	39	Chief Operating Officer
Jane Jie Sun	52	Independent Director
Kaifu Zhang	36	Independent Director
Weiru Chen	50	Independent Director
Rong Luo	39	Chief Financial Officer
Mi Tian	38	Chief Technology Officer

Yunfeng Bai has been our chairman since January 2020, and president since October 2016. From April 2011 to October 2016, Mr. Bai was our senior vice president and led our Small Class business throughout China. Prior to this, Mr. Bai served as our vice president between June 2008 and April 2011, 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 to May 2008. Mr. Bai received his bachelor's degree in engineering automation from Beijing University of Aeronautics and Astronautics in 2003. He attended the CEO course of Guanghua Management School at Peking University between 2008 and 2009 and graduated from the EMBA program of China Europe International Business School in 2012.

Bangxin Zhang is one of our founders and has served as our director and chief executive officer since our inception and our chairman prior to January 2020. 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.

Yachao Liu has served as our chief operating officer since June 2017. Dr. Liu also served as our director from October 2016 to January 2020. Prior to that, Dr. Liu had been our senior vice president from April 2011 to September 2016 and in charge of our Kaoyan business and certain new businesses from February 2015 to September 2016. Dr. Liu was in charge of our strategic investments from November 2014 to January 2015. 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.

Jane Jie Sun has served as our independent director since October 2010. Ms. Sun is the chief executive officer and a member of the board of directors of Trip.com Group Limited, the largest travel company in China and Asia, and the second largest in the world. Ms. Sun first joined the company as the chief financial officer in 2005, later serving as the chief operating officer and the co-president, before moving into the chief executive officer role in 2016. Ms. Sun is a JPMorgan Asian Advisory Board member, Vice Chair of the World Travel & Tourism Council, Co-Chair of the Development Advisory Board of University of Michigan and Shanghai Jiao Tong University Joint Institute, and a Board member and Business Leaders Group committee member of Business China established by Singapore's Founding Prime Minister Mr. Lee Kuan Yew. In 2019, Ms. Sun was awarded an Asia Society Asia Game Changer Award and joined as a member of the Asia Society Board of Trustee. Forbes named her one of the Emergent 25 Asia's Latest Star Businesswomen in 2018, and one of the Most Influential and Outstanding Businesswomen in China in 2017. Ms. Sun was also one of Fortune's Top 50 Most Powerful Women in Business, and one of Fast Company's Most Creative People in Business in 2017. During her tenure at Trip.com Group, Ms. Sun also won the Institutional Investor Awards for the Best CEO and the Best CFO.

Kaifu Zhang has served as our director since October 2016. Dr. Zhang is a researcher at Alibaba Group. Prior to that, he was an assistant professor and the Xerox Junior Chair at Carnegie Mellon University and an assistant professor at Cheung Kong Graduate Schools of Business in China. His research interests include the economics of multi-sided markets, business model design for on-line platforms, and the use of big data and machine learning in econometrics. He has consulted for and offered executive training at a number of tech firms in Europe, US and China. He holds a Ph.D. in Management from INSEAD (France) and a BE in Computer Science from Tsinghua University.

Weiru Chen has served as our independent director since June 2015. Mr. Chen has served as an associate professor at China Europe International Business School (CEIBS) since July 2011, and in-between he served as a chief strategic officer of China Smart Logistic Network from August 2017 to February 2019. Prior to joining CEIBS, he served as assistant professor of strategy at INSEAD Business School from 2003 to 2011. Mr. Chen's research is centered on firms' technological search behaviors, strategic dynamics, and across-boarder business model transfer. Mr. Chen has also served as an independent director of several public companies, including Dian Diagnostics Group (SHE: 300244) since August 2017, Country Garden Services Holdings Company Limited (SEHK: 6098) since February 2018, Fangdd Network Group Ltd. (Nasdaq: DUO) since November 2019 and BlueCity Holdings Limited (Nasdaq: BLCT) since December 2020. Mr. Chen received a Ph.D. in Management from Purdue University in 2003.

Rong Luo has served as our chief financial officer since November 2014 and has been in charge of our international education business since December 2016. Mr. Luo was in charge of strategic investments from February 2015 to December 2016. Mr. Luo has served as an independent director of the Jiangsu Phoenix Pressing Media Co., Ltd, a leading PRC media group listed on Shanghai Stock Exchange since March 2016. Prior to joining us, Mr. Luo was the chief financial officer of eLong Inc 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.

Mi Tian has served as our chief technology officer since May 2020. Before that, Mr. Tian had served as our vice chief technology officer since December 2019, and had been responsible for technical system management. Mr. Tian joined us in May 2019 and had been in charge of product technology for Xueersi Peiyou. Prior to his role with us, Mr. Tian served as a senior technology director for Alibaba from October 2016, the vice president of technology for AutoNavi from August 2014 to October 2016, and the general manager of AutoNavi's big data department from August 2013 to August 2014. Mr. Tian received his bachelor's degree and master's degree from Beihang University in computer science.

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, 2021, the aggregate cash compensation we paid to our executive officers as a group was approximately $2.0 million. We do not pay our non-executive directors in cash for their services on our board. For the fiscal year ended February 28, 2021, we granted 28,500 non-vested restricted Class A common shares and 24,000 share options to purchase 24,000 Class A common shares to our executive officers and non-executive directors. For the fiscal year ended February 28, 2021, we recognized a total share-based compensation expense of $6.1 million for our executive officers and non-executive directors. See "—Share Incentive Plan."

Starting from January 2015, we offer a housing benefit plan to employees who have been employed by us for three years or more and meet certain performance standard. Under this benefit plan, we offer eligible participants interest-free loans for purposes of home purchases. Each loan has a term of four years and must be repaid by equal annual installments.

2010 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, or the 2010 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. The 2010 Plan ceased to be used for grants of future awards upon the effectiveness of the 2020 Plan.

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 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.

2020 Share Incentive Plan

In June 2020, we adopted our 2020 Share Incentive Plan, or the 2020 Plan, in order to motivate, attract and retain the qualified personnel, provide additional incentives to employees, directors and consultants and promote the success and enhance the value of our business. The plan permits the grant of options to purchase our Class A common shares, restricted shares, restricted share units and other instruments as deemed appropriate by the administrator under the plan. Pursuant to the 2020 Plan, the maximum aggregate number of shares that may be issued pursuant to all awards (including incentive share options) (the “Award Pool”) is initially five percent (5%) of our total issued and outstanding shares as of the effective date of the 2020 Plan, provided that (A) the Award Pool shall be increased automatically if and whenever the number of shares that may be issued pursuant to ungranted awards pursuant to the 2020 Plan (the “Ungranted Portion”) accounts for less than one percent (1%) of the then total issued and outstanding shares of our company, so that for each automatic increase, the Ungranted Portion immediately after such increase shall equal five percent (5%) of the then total issued and outstanding shares of our company, and (B) the size of the Award Pool shall be equitably adjusted in the event of any share dividend, subdivision, reclassification, recapitalization, split, reverse split, combination, consolidation or similar transactions.

The following paragraphs describe the principal terms of our 2020 share incentive plan:

Types of awards. The 2020 Plan permits the awards of options, restricted shares, restricted share units or any other type of awards approved by the plan administrator.

Plan administration. Our board of directors or a committee of one or more members of the board of directors will administer the 2020 Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award.

Award agreement. Awards granted under the 2020 Plan will be evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to our employees, directors and consultants of our company. However, we may grant options that are intended to qualify as incentive share options only to our employees and employees of our subsidiaries.

Vesting schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise price. The plan administrator determines the exercise price for each award, which is stated in the award agreement.

Term of the awards. The vested portion of options will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is ten years from the date of a grant.

Transfer restrictions. Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2020 Plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.

Termination and amendment. Unless terminated earlier, the 2020 Plan has a term of ten years from its date of effectiveness. Our board of directors has the authority to amend or terminate the plan. However, no such action may adversely affect in any material way any awards previously granted without the written consent of the participant.

As of March 31, 2021, 8,902,881 non-vested restricted Class A common shares and 538,583 share options to purchase 538,583 Class A common shares under the 2010 Plan and the 2020 Plan previously granted to our employees and directors are outstanding. The following table summarizes, as of March 31, 2021, the share options and non-vested 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 ($per share)	Date of Grant	Date of Expiration
Yunfeng Bai	* (1)	—	October 25, 2013 / March 1, 2014/October 11, 2018	13 years from the date of the grant
Yachao Liu	* (1)	—	October 25, 2013 / March 1, 2014/October 11, 2018	13 years from the date of the grant
Jane Jie Sun	* (1)	—	January 26, 2018 / October 26, 2018	10 years from the date of the grant
Kaifu Zhang	* (1)	—	October 26, 2018	10 years from the date of the grant
Weiru Chen	* (1)	—	October 26, 2018	10 years from the date of the grant
Rong Luo	* (1)	—	October 26, 2014 / April 26, 2015 / October 11, 2018	14 years from the date of the grant
	* (2)	$ 16.1	April 26, 2015	10 years from the date of the grant
Mi Tian	* (1)	—	July 26, 2019 / September 30, 2020	10 years from the date of the grant
	* (2)	From $81.0 to $221.4	July 26, 2019 / September 30, 2020	10 years from the date of the grant
Other individuals as a group	7,935,931 (1)	—	—	10 or 13 years from the date of the grant
	474,583 (2)	from $14.5 to $239.0	—	10 or 12 years from the date of the grant

Notes:

* Less than 1% of the outstanding common shares.

(1) Non-vested restricted shares.

(2) Share options.

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. Weiru Chen and Mr. Kaifu Zhang. Ms. Sun, Mr. Chen and Mr. Kaifu Zhang 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. Chen and Mr. Zhang 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. Weiru Chen, Mr. Kaifu Zhang and Ms. Jane Jie Sun. Mr. Chen, Mr. Zhang and Ms. Sun satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. Mr. Chen 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. Kaifu Zhang, Mr. Weiru Chen and Ms. Jane Jie Sun. Mr. Zhang, Mr. Chen and Ms. Sun satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. Mr. Zhang 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 34,733, 45,271 and 70,914 full-time employees as of February 28/29, 2019, 2020 and 2021, respectively. Of our total number of full-time employees as of February 28, 2021, 23,348 were located in Beijing, and 47,566 in other places in China and other countries.

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 March 31, 2021, 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:			
Yunfeng Bai[4]	2,036,103	*	2.5 %
Bangxin Zhang[5]	56,788,704	26.4 %	69.5 %
Yachao Liu[6]	8,812,500	4.1 %	10.1 %
Jane Jie Sun[7]	*	*	—
Kaifu Zhang[8]	—	—	—
Weiru Chen[9]	*	*	—
Rong Luo	*	*	—
Mi Tian	*	*	—
All directors and executive officers as a group	67,762,939	31.5 %	82.0 %
Principal Shareholders:			
Bright Unison Limited[10]	47,991,204	22.3 %	58.7 %
Morgan Stanley entities[11]	29,555,001	13.8 %	3.6 %
Baillie Gifford & Co [12]	13,702,515	6.4 %	1.7 %
UBS Asset Management division of UBS Group AG[13]	18,917,074	8.8 %	2.3 %

* 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) 214,938,826, being the number of common shares issued as of March 31, 2021, and (2) the number of shares such person or group has the right to acquire or receive within 60 days after March 31, 2021.

(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 March 31, 2021, our issued and outstanding share capital consisted of 147,999,622 Class A common shares

and 66,939,204 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 (i) 2,000,000 Class B common shares held by Excellent New Limited, a British Virgin Islands company and (ii) 36,103 class A common shares in the form of ADS. Yunfeng Bai has the power to direct the retention or disposal of, and the exercise of any voting rights attached to, the foregoing shares through a trust structure. Yunfeng Bai's business address is 15/F, Danling SOHO, 6 Danling Street, Haidian District, Beijing 100080, People's Republic of China.

(5) Consists of (i) 47,991,204 Class B common shares held by Bright Unison Limited, a British Virgin Islands company, and (ii) 8,797,500 Class B common shares held by FAITH FIT LIMITED, a British Virgin Islands company. Bangxin Zhang has the power to direct the retention or disposal of, and the exercise of any voting rights attached to, the foregoing shares through a trust structure. For more details, see Schedule 13G/A filed by the relevant reporting persons on February 10, 2021. Bangxin Zhang's business address is 15/F, Danling SOHO, 6 Danling Street, Haidian District, Beijing 100080, People's Republic of China.

(6) Consists of (i) 5,875,000 Class B common shares held by Perfect Wisdom International Limited, a British Virgin Islands company, (ii) 2,275,500 Class B common shares held by COMPLETE HONOUR GLOBAL LIMITED, and (iii) 662,000 Class A common shares held by COMPLETE HONOUR GLOBAL LIMITED, a British Virgin Islands company. Yachao Liu has the power to direct the retention or disposal of, and the exercise of any voting rights attached to, the foregoing shares through a trust structure. Yachao Liu's business address is 15/F, Danling SOHO, 6 Danling Street, Haidian District, Beijing 100080, People's Republic of China.

(7) The business address of Ms. Sun is 968 Jinzhong Road, Shanghai 200335, People's Republic of China.

(8) The business address of Mr. Zhang is No. 28, Xi Zhi Men North Street, Beijing, People's Republic of China.

(9) The business address of Mr. Chen is No. 699 Hongfeng Road, Pudong New District, Shanghai, People's Republic of China.

(10) 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.

(11) Based on Schedule 13G/A filed with the SEC on February 12, 2021 by Morgan Stanley and Morgan Stanley Asia Limited, consists of 16,822,384 and 12,732,617 Class A common shares, respectively, in the form of 88,665,003 ADSs in aggregate. The principal business office of Morgan Stanley is 1585 Broadway New York, NY 10036, United States of America. The principal business office of Morgan Stanley Asia Limited is Level 46, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(12) Based on Schedule 13G/A filed with the SEC on January 8, 2021 by Baillie Gifford & Co, consists of 13,702,515 Class A common shares in the form of 41,107,547 ADSs. The principal business office of Baillie Gifford & Co is Calton Square, 1 Greenside Row, Edinburg EH1 3AN, Scotland, United Kingdom.

(13) Based on Schedule 13G/A filed with the SEC on February 12, 2021 by UBS Group AG (for the benefit and on behalf of the UBS Asset Management division of UBS Group AG), consists of 18,917,074 Class A common shares (upon conversion of ADSs) beneficially owned by the UBS Asset Management division of UBS Group AG and its subsidiaries and affiliates on behalf of clients. The principal business office of UBS Group AG is Bahnhofstrasse 45, Zurich, Switzerland.

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. Additional Information—B. 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 March 31, 2021, 139,741,362 of our issued and outstanding 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 "—B. 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. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party

Transactions with Related Investees

We have amounts due from related parties representing loans and prepayments to certain investees for service fees. As of February 29, 2020, we had $3.6 million current amounts due from related parties. As of February 28, 2021, we had $3.0 million current amounts due from related parties. In fiscal year 2020 and 2021, we recorded $33.2 million and $16.1 million impairment loss on the amounts due from related parties, substantially all was provided during the year ended February 29, 2020 and the year ended February 28, 2021.

We have amounts due to related parties primarily related to service fees payable to related parties. As of February 28, 2021, we had $3.5 million current amounts due to related parties.

We incur services fees in connection with services provided by certain investees to us. For the years ended February 28/29, 2019, 2020 and 2021, respectively, we incurred services fees to related parties of $1.9 million, $6.4 million and $3.7 million.

We generate other revenue from related parties in connection with services provided by us. For the years ended February 28/29, 2019, 2020 and 2021, respectively, we generated other revenue from related parties of $1.4 million, $4.1 million and $1.6 million.

We purchase equipment from related parties used in our educational programs. For the years ended February 28/29, 2020 and 2021, respectively, we purchased equipment in an amount of $0.1 million and $0.8 million.

VIE Contractual Arrangements

Please refer to "Item 4. Information on the Company—B. Business Overview—Organizational Structure—VIE Contractual Arrangements."

Employment Agreement

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

Stock Incentives

Please refer to "Item 6. Directors, Senior Management and Employees—B. 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 and Administrative Proceedings

From time to time, we are subject to legal proceedings and claims incidental to the conduct of our business.

Litigation

On June 18, 2018 and July 17, 2018, two putative shareholder class action lawsuits were filed against our company and certain officers of our company in the U.S. District Court for the Southern District of New York. The putative class action lawsuits are captioned Lea v. TAL Education Group, et al. , Case No. 1:18-cv-05480-RWS (S.D.N.Y.) (filed on June 18, 2018); Extract v. TAL Education Group, et al. , Case No. 1:18-cv-06440 (filed on July 17, 2018). The plaintiffs seek to represent a class of persons who allegedly suffered damages as a result of their trading activities related to our ADSs from April 26 to June 13, 2018. The plaintiffs allege that certain press releases and financial statements made by our company during the alleged class period contained material misstatements and omissions in violation of the federal securities laws, and advances claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, 15 U.S.C. §§ 78(b) and 78t(a), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5 (2013). On September 27, 2018, the Court consolidated the two lawsuits as In re Tal Education Group Securities Litigation, Case No. 1: 18-cv-05480-LAP-KHP. On September 25, 2019, the United States District Court for the Southern District of New York granted the Company's motion to dismiss the case in its entirety with prejudice.

On November 25, 2020, the Second Circuit reversed and remanded the case to the District Court for further proceedings. On April 26, 2021, the Company and plaintiffs submitted a joint letter to the Court stating that the parties reached an agreement in principle to settle all claims, subject to, among other items, definitive documentation and the Court's approval. For risks and uncertainties relating to the pending case against us, please see "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business-We have been named as a defendant in a putative shareholder class action lawsuit and are subject to SEC investigation which could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation."

Internal Review and SEC Proceeding

Muddy Waters Capital LLC, an entity unrelated to us, issued a series of reports containing various allegations about us in June and July 2018. In response, the audit committee of our board of directors directed our internal audit team to conduct an internal review of such allegations. Our internal audit team's review was completed and uncovered no evidence which would support these allegations prior to the filing of our last annual report in 2019. To assist us responding to the requests from the SEC's Division of Enforcement, we authorized external professional advisers to conduct an internal review of certain allegations in the Muddy Waters reports; this internal review within the agreed scope was substantially completed in June 2020 uncovering no evidence which would support the allegations.

As we previously announced on April 7, 2020, during our routine internal auditing process, we discovered certain employee misconduct in relation to the "Light Class" business and upon such discovery, we immediately reported to the local police which resulted in a number of employees being taken into custody by the local police. In response, the audit committee of our board of directors directed external professional advisers to conduct an internal review. Based on the agreed scope and procedures performed, we do not believe the internal review has uncovered material findings that would have a material adverse financial impact on our results of operations for the fiscal year 2020, except for the issues related to the "Light Class" business. The issues related to the "Light Class" business that we discovered and announced in April 2020 resulted in reversal of our net revenues and net income attributable to our company for the first nine months of fiscal year 2020 in the aggregate amount of US$86.1 million and US$26.6 million, respectively; after the above reversal, revenue from the "Light Class" business for our fiscal year 2020 was less than 1% of our total revenues for the year.

The SEC's Division of Enforcement has sought the production of certain documents and information related to the transactions identified in the Muddy Water reports, the issues regarding the "Light Class" business, and the subsequent internal reviews and other related information. We are cooperating with the SEC. We cannot predict the timing, outcome or consequences of the SEC investigations.

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. In May 2017, we paid US$41.2 million special cash dividend with $0.25 per share to our shareholders of record at the close of business on May 11, 2017. 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, subject to the Companies Act, our articles of association, and the common law of the Cayman Islands. In addition, 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. Under Cayman Islands law, a Cayman Islands company may pay a dividend 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.

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. Key Information-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."

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 three representing one Class A common share, have been listed on the New York Stock Exchange since October 20, 2010 and trade under the symbol "XRS," which was changed to "TAL" effective from December 1, 2016. Effective on August 16, 2017, we adjusted the ratio of our ADSs to Class A common shares from one ADS representing two Class A common shares to three ADSs representing one Class A common share.

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 Act (As Revised) of the Cayman Islands, which is referred to below as the Companies Act, 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 Act 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 Act, or any other law of the Cayman Islands.

Board of Directors

See “Item 6. Directors, Senior Management and Employees—C. 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 shares with a par value of $0.001 each of such class or classes (howsoever designated) as our board of directors may determine in accordance with our articles of association. 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 Act, 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 Class A common share.

Voting 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. 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 the meeting or by any shareholder holding at least one-tenth of the voting power of our shares given the right to vote at the meeting, present in person or by proxy.

General Meetings and Shareholder Proposals. As a Cayman Islands exempted company, we are not obliged by the Companies Act 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 not less than one-third of such of our issued shares as carries the right of voting at general meetings of our company to requisition an extraordinary general meeting of the shareholders, in which case our 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, and entitled to vote, holding in aggregate not less than one-tenth of the voting power of our shares in issue carrying a right to vote at such meeting. 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 or any amendments to our memorandum or articles of association. Our shareholders may effect certain changes by ordinary resolution, including to appoint, remove, and replace directors, increase the amount of our authorized share capital, to consolidate and divide all or any of our share capital into shares of larger amount than our existing shares, and to cancel any of our authorized but unissued 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 transferred 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 of directors or by a special resolution of our shareholders. 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 Act, 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 Act 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, or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied or abrogated by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

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 (other than copies of our memorandum and articles of association and any special resolutions passed by our shareholders, and our register of mortgages and charge). 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 and other than those described in "Item 4. Information on the Company" or elsewhere in this annual report.

D. Exchange Controls

The Cayman Islands currently have no exchange control restrictions. Also see "Item 4. Information on the Company—B. 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

Enterprise Income Tax

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 qualify as "tax-exempt income." The implementation rules of the EIT Law define de facto management as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. SAT has issued circular to provide that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with its "de facto management body" located within China if all of the following conditions 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 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 shall not be required to withhold 10% income tax when paying the PRC-sourced dividends, interest and royalties to the PRC-controlled offshore incorporated enterprise. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

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

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, 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 implementation 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 SAT Circular 698 promulgated in 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%.

In February 2015, the SAT issued 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.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect and superseded Circular 698 on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of nonresident enterprise income tax.

In certain practical cases regarding the application of SAT Bulletin 7 and Bulletin 37, 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 Bulletin 37 may be required to expend valuable resources to comply with SAT Bulletin 7 and Bulletin 37 or to establish that we or our non-PRC resident investors should not be taxed under SAT Bulletin 7 and Bulletin 37, 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, or 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 stock (by vote or value), 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 common 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 common 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 (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 (generally 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, 25% or more (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 for U.S. federal income tax purposes and based on our income and assets and the market price of our ADSs, we do not believe that we were a PFIC for the taxable year ended February 28, 2021 and do not anticipate becoming a PFIC for the foreseeable future. However, 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 common 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 common shares if we are or become classified as a PFIC.

Dividends

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 qualify as readily tradable. Thus, we believe that we will be treated as a qualified foreign corporation with respect to dividends we pay on our ADSs, 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 common shares will be listed on established securities markets, it is unclear whether dividends that we pay on our common shares that are not backed by ADSs currently meet the conditions required for the reduced tax rate. 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 common 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

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 on a qualified exchange or other market. Our ADSs are listed on the New York Stock Exchange, which is a qualified exchange. 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 technically 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 8621 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.

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. Our future interest income may fluctuate due to changes in market interest rates.

On February 1, 2019, we signed a 3-year $600 million term and revolving facilities agreement with a group of arrangers led by Deutsche Bank AG, Singapore Branch. The facilities, a $270 million 3-year bullet maturity term loan and a $330 million 3-year revolving facility, are priced at 175 basis points over LIBOR.

As of February 28, 2021, we had drawn down $270 million three-year bullet maturity term loan under the facility commitment. In March 2021, we repaid the drawn down amount and terminated the facility.

As of February 28, 2021, we had no other short-term or long-term borrowings associated with floating rate.

We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. Currently, we do not have any derivative financial instruments to manage our interest risk exposure.

Foreign Exchange Risk

The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. After the PRC government changed its policy of pegging the value of Renminbi to the U.S. dollar in 2005, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and there is no guarantee that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between 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. We have invested in derivative financial instruments such as the exchange option contracts that may hedge our exposure to foreign currency risks to a certain extent. Although our exposure to foreign exchange risks should be limited in general, 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 Renminbi 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 Renminbi into U.S. dollars, depreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Assuming we had converted the U.S. dollar-denominated cash and cash equivalent, restricted cash and short investments balance of $5,406.6 million as of February 28, 2021 into RMB at the exchange rate of $1.00 for RMB6.473 as of February 28, 2021, this cash balance would have been RMB34,996.7 million. Assuming a 1.0% appreciation of the Renminbi against the U.S. dollar, this cash balance would have decreased to RMB34,646.7 million as of February 28, 2021.

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 contribute 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 contribute us, and the amount of contribution available to us is not entirely related to the amounts of fees the depositary collects from investors. For the fiscal year ended February 28, 2021, we have received an insignificant amount of 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

None.

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, 2021, 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, 2021. 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, 2021, our internal control over financial reporting was effective.

Our management identified one material weakness in our internal control over financial reporting as of February 29, 2020 in accordance with the standards established by the Public Company Accounting Oversight Board of the United States and concluded that our internal control over financial reporting was not effective due to this material weakness as of February 29, 2020. The material weakness identified related to our failure to timely update our design on controls with a sufficient level of precision to prevent and detect misstatements related to our newly developed business. Specifically, the material weakness was a combination of control deficiencies surrounding Light Class business where transactions were conducted through agents, including: (1) lack of continuous and sufficient risk assessment and monitoring on the newly developed business along with the expansion of such business; (2) inadequate review over vendor selection and approval; (3) insufficient review over approval of supplemental agreements; (4) insufficient review over the business substance when approving expenditure payments by the operation department; and (5) insufficient monitoring over hospitality expenses incurred related to newly developed business in light of the higher risks of the potential FCPA violation. The material weakness resulted in restatement of our unaudited quarterly financial statements for the periods ended May 31, August 31 and November 30, 2019, respectively, to reflect correction of errors which led to reversal of our net revenues and net income attributable to our company for the first nine months of fiscal year 2020 in the aggregate amount of US$86.1 million and US$26.6 million, respectively.

We have taken a number of measures to remedy the material weakness and the deficiencies that have been identified, including (1) established a compliance committee; (2) established an internal control department to optimize design; (3) released updated policies and rules related to expense reimbursement, supplier management and contract management; (4) launched new modules in the IT systems to support the implementation of updated policies and rules; (5) released and implemented policies and protocols for FCPA issues (e.g. employee FCPA training).

Our management has concluded that our internal control over financial reporting was effective as of February 28, 2021 after the remediation. However, we cannot assure you that we will not identify any additional material weaknesses or significant deficiencies in the future. For risks and uncertainties related to our internal control, see “Item 3. Key Information—D. Risk Factors-Risks Related to Our Business—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.”

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of TAL Education Group and its subsidiaries (the "Company"), as of February 28, 2021, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 28, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended February 28, 2021, of the Company and our report dated May 7, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
May 7, 2021

Changes in Internal Control Over Financial Reporting

Except as disclosed under this Item, 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://ir.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 28/29,	
	2020	2021
	(in thousands of $)	
Audit fees[(1)]	1,757	2,057
Audit-related fees[(2)]	—	1,284
Tax fees[(3)]	180	278
All other fees[(4)]	97	74

(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) "Audit-related fees" represents the aggregate fees billed for professional services rendered by our principal accounting firm for the assurance and related services.

(3) "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.

(4) "All other fees" means the aggregate fees in each of the fiscal years listed for finding and providing U.S. GAAP accounting guidance services rendered by our principal auditors.

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. On October 24, 2018, our board of directors authorized a share repurchase program, whereby our company may repurchase of up to $100.0 million of our ADSs during the period from October 24, 2018 through October 23, 2019. The share repurchase program was publicly announced on October 25, 2018. On April 28, 2020, our board of directors authorized the repurchase of up to US$500 million of our common shares over the following 12 months and the purchase of our common shares by certain members of our management to be carried out together with the repurchase program, both subject to the applicable rules under the Exchange Act.

On April 19, 2021, our board of directors authorized a share repurchase plan under which we may repurchase up to US$1.0 billion of our common shares over the next 12 months. The share repurchase program was publicly announced on April 22, 2021. The table below is a summary of the shares repurchased by us and our management in the open market in fiscal year 2021.

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
May 2020 (Company)	185,001	$ 53.23	185,001	490,151,691
May 2020 (Management)	36,000	$ 55.55	36,000	98,000,105
Total	221,001	$ 53.61	221,001	—

(1) Effective on August 16, 2017, we adjusted the ratio of our ADSs to Class A common shares from one ADS representing two Class A common shares to three ADSs representing one Class A common share. The price shown here reflected the ratio at the time when repurchase took place.

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 Act 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	Amended and Restate Deposit Agreement, dated October 19, 2010, among the Registrant, the depositary and holders of the American Depositary Receipts (incorporated by reference to Exhibit A to the Registrant's registration statement on Form F-6 (file No. 333-219521) filed with the Securities and Exchange Commission on July 28, 2017)
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)
2.4	Description of Securities (incorporated herein by reference to Exhibit 2.4 to the Form 20-F filed on June 30, 2020 (File No. 001-34900))
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. 333169650) filed with the Securities and Exchange Commission on September 29, 2010)
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)

Exhibit Number	Description of Document
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)
4.13	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, 2010)
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 (incorporated by reference to Exhibit 4.16 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2014 (file No. 001-34900) filed with the Securities and Exchange Commission on May 12, 2014)
4.18	English translation of Exclusive Business Cooperation Agreement, dated August 4, 2015, by and among Beijing Century TAL Education Technology Co., Ltd., Beijing Dididaojia Education Technology Co., Ltd., Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.18 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.19	English translation of Option Agreement, dated August 4, 2015, by and among Beijing Century TAL Education Technology Co., Ltd., Beijing Dididaojia Education Technology Co., Ltd., Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.19 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.20	English translation of Equity Pledge Agreement, dated August 4, 2015, by and among Beijing Century TAL Education Technology Co., Ltd., Beijing Dididaojia Education Technology Co., Ltd., Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.20 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.21	English translation of Powers of Attorney, dated August 4, 2015, by Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.21 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.22	English translation of Exclusive Business Cooperation Agreement, dated October 26, 2015, by and among Beijing Lebai Information Consulting Co., Ltd., Beijing Lebai Education Consulting Co., Ltd. and Beijing Xueersi Education Technology Co., Ltd. (incorporated by reference to Exhibit 4.22 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.23	English translation of Option Agreement, dated October 26, 2015, by and among Beijing Lebai Information Consulting Co., Ltd., Beijing Lebai Education Consulting Co., Ltd. and Beijing Xueersi Education Technology Co., Ltd. (incorporated by reference to Exhibit 4.23 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)

Exhibit Number	Description of Document
4.24	English translation of Equity Pledge Agreement, dated October 26, 2015, by and among Beijing Lebai Information Consulting Co., Ltd., Beijing Lebai Education Consulting Co., Ltd. and Beijing Xueersi Education Technology Co., Ltd. (incorporated by reference to Exhibit 4.24 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.25	English translation of Powers of Attorney, dated October 26, 2015, by Beijing Lebai Information Consulting Co., Ltd. and Beijing Xueersi Education Technology Co., Ltd. (incorporated by reference to Exhibit 4.25 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.26	English translation of Powers of Attorney, dated October 26, 2015, by Beijing Lebai Education Consulting Co., Ltd. (incorporated by reference to Exhibit 4.26 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.27	English translation of VIE Termination Agreement, dated July 2, 2015, by Beijing Century TAL Education Technology Co., Ltd., Beijing Dongfangrenli Science & Commerce Co., Ltd., Bangxin Zhang, Yachao Liu and Yunfeng Bai. (incorporated by reference to Exhibit 4.27 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.31	Term and Revolving Credit Facilities Agreement dated February 1, 2019 for the Registrant arranged by Deutsche Bank AG, Singapore Branch as Coordinating Mandated Lead Arranger and Bookrunner and certain other parties (incorporated by reference to Exhibit 4.31 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2019 (file No. 001-34900) filed with the Securities and Exchange Commission on May 16, 2019)
4.32	English translation of the Contract for Assignment of State-owned Construction Land Use Right dated December 10, 2018, by the affiliate of the Registrant and the assignor named therein, and the Supplement Agreement to Land Assignment between the same parties (incorporated by reference to Exhibit 4.32 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2019 (file No. 001-34900) filed with the Securities and Exchange Commission on May 16, 2019)
4.33	English translation of the Land Development and Construction Compensation Agreement dated November 26, 2018 (incorporated by reference to Exhibit 4.31 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2019 (file No. 001-34900) filed with the Securities and Exchange Commission on May 16, 2019)
4.34	English translation of the Fixed Asset Syndicated Loan Contract dated December 19, 2019 (incorporated herein by reference to Exhibit 4.34 to the Form 20-F filed on June 30, 2020 (File No. 001-34900))
4.35	English translation of the Procurement Construction Contract of TAL Changping Education Park Project by Shidai TAL Education Technology (Beijing) Co., Ltd. and Beijing Construction Engineering Group Co., Ltd. (incorporated herein by reference to Exhibit 4.35 to the Form 20-F filed on June 30, 2020 (File No. 001-34900))
4.36	English translation of the Construction Contract of TAL Zhenjiang Education Base Phase I Construction Project, dated December 11, 2019, by TAL Education Technology (Jiangsu) Co., Ltd. and China Construction Eighth Engineering Division Corp. Ltd. (incorporated herein by reference to Exhibit 4.36 to the Form 20-F filed on June 30, 2020 (File No. 001-34900))
4.37	2020 Share Incentive Plan (incorporated herein by reference to Exhibit 4.37 to the Form 20-F filed on June 30, 2020 (File No. 001-34900))
4.38*	Executed form of Indenture by Registrant and Deutsche Bank Trust Company Americas, and a schedule of both executed Indentures adopting the same form
8.1*	List of Subsidiaries and Consolidated Affiliated Entities

Exhibit Number	Description of Document
11.1*	Code of Business Conduct and Ethics
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 (Hong Kong) LLP
101.INS*	Inline XBRL Instance Document- The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* 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: Director and Chief Executive Officer

Date: May 7, 2021

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of Independent Registered Public Accounting Firm
For the years ended February 28, 2019,
February 29, 2020 and February 28, 2021

TAL EDUCATION GROUP

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FOR THE YEARS ENDED FEBRUARY 28, 2019,
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TAL EDUCATION GROUP

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TAL Education Group and its subsidiaries (the "Company") as of February 28, 2021 and February 29, 2020, the related consolidated statements of operations, comprehensive income/(loss), changes in equity and cash flows for each of the three years in the period ended February 28, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2021 and February 29, 2020, and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of February 28, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 7, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

TAL EDUCATION GROUP

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TAL EDUCATION GROUP

Critical Audit Matters - continued

Goodwill - Impairment Assessment of Reporting Units - Refer to Notes 3 and 9 to the financial statements

Critical Audit Matter Description

The Company's goodwill impairment assessment involves the comparison of the estimated fair value of each reporting unit to its carrying value. The Company used the discounted cash flow model to estimate fair value of the reporting units, which requires management to make significant estimates and assumptions related to inputs into the model, including discount rates and forecasts of future revenues and operating margins. Changes in these assumptions could have a significant impact on the estimated fair value, the corresponding amount of goodwill impairment charges, if any. The total goodwill carrying value as of February 28, 2021 was $454.4 million, which is comprised of amounts that have been assigned to specific reporting units. The estimated fair values of two of the Company's reporting units were less than their respective carrying values as of the measurement date, which resulted in impairment charges totaling $107.4 million.

We identified the impairment assessment of goodwill as a critical audit matter for certain reporting units because of the significant estimates and assumptions management makes to estimate their fair values. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve valuation specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions made relating to discount rates, forecasts of future revenues, and operating margins used in their model.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the models' inputs, for forecasts of future revenues, operating margins and the determination of discount rates for the reporting units included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment assessment, including controls related to forecasts of future revenues, operating margins and management's determination of discount rates for the reporting units.
- We evaluated management's ability to appropriately forecast future revenues and operating margins by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts by (1) comparing the forecasts to historical results, (2) examining future business plans, developed by the management, of the reporting units, and (3) searching for disconfirming information based on market place data.
- We evaluated the competency, capability and objectivity of the independent external valuer engaged to assist the Company in developing the estimates of fair value for purposes of the goodwill impairment assessment.
- With the assistance of our valuation specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) discount rates used by testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculations.

TAL EDUCATION GROUP

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TAL EDUCATION GROUP

Critical Audit Matters - continued

Investments - Fair Value of Level 3 Available-for-sale Investments - Refer to Note 15 to the financial statements

Critical Audit Matter Description

As of February 28, 2021, the carrying value of the Company's financial instruments measured at fair value that are classified as Level 3 amounted to $369.4 million, including investments accounted for as available-for-sale investments of $361.8 million. The available-for-sale investments classified within Level 3 are valued using income approach in discounted cash flow method or, where appropriate, the backsolve method, a market approach.

We identified assessing the fair value of Level 3 available-for-sale investments as a critical audit matter because of the complex valuation models and unobservable inputs management uses to estimate their fair values. This required a high degree of auditor judgment and an increased extent of effort, including the need to engage our valuation specialists who possess significant quantitative and modeling expertise, to audit and evaluate the appropriateness of these models and inputs.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures surrounding the complex valuation models and unobservable inputs used by management to estimate the fair value of Level 3 available-for-sale investments included the following, among others:

- We tested the effectiveness of controls over management's fair value estimate of Level 3 available-for-sale investments, including those related to the valuation methodology for estimating the fair value, the key inputs used in the valuation and the mathematical accuracy of the valuation.
- We evaluated management's ability to appropriately estimate fair value by comparing management's historical estimates to actual results, taking into account changes in market conditions.
- We assessed the consistency by which management has applied significant unobservable valuation assumptions.
- With the assistance of our valuation specialists, we evaluated the reasonableness of the valuation models and key inputs used by the management, and tested the mathematical accuracy of the fair value calculations.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China

May 7, 2021

We have served as the Company's auditor since 2008.

TAL EDUCATION GROUP

CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

	As of February 29, 2020	As of February 28, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,873,866	$ 3,242,953
Restricted cash-current	28,084	1,758,937
Short-term investments	345,457	2,694,555
Inventory	25,832	38,675
Amounts due from related parties-current	3,642	2,964
Income tax receivables	11,548	15,641
Prepaid expenses and other current assets	207,352	403,110
Total current assets	2,495,781	8,156,835
Restricted cash-non-current	13,235	16,094
Property and equipment, net	366,656	511,415
Deferred tax assets	79,534	317,189
Rental deposits	72,721	102,555
Intangible assets, net	58,985	66,041
Land use rights, net	204,853	216,702
Goodwill	378,913	454,413
Long-term investments	571,601	667,636
Long-term prepayments and other non-current assets	85,275	57,694
Operating lease right-of-use assets	1,243,692	1,545,735
Total assets	$ 5,571,246	$ 12,112,309
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable (including accounts payable of the consolidated VIEs without recourse to TAL Education Group of $104,231 and $334,579 as of February 29, 2020 and February 28, 2021, respectively)	$ 117,770	$ 353,778
Deferred revenue-current (including deferred revenue-current of the consolidated VIEs without recourse to TAL Education Group of $733,253 and $1,328,473 as of February 29, 2020 and February 28, 2021, respectively)	780,167	1,387,493
Amounts due to related parties-current (including amounts due to related parties-current of the consolidated VIEs without recourse to TAL Education Group of $4,264 and $3,396 as of February 29, 2020 and February 28, 2021, respectively)	4,361	3,488
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to TAL Education Group of $470,519 and $750,204 as of February 29, 2020 and February 28, 2021, respectively)	552,650	911,283
Income tax payable (including income tax payable of the consolidated VIEs without recourse to TAL Education Group of $43,233 and $51,037 as of February 29, 2020 and February 28, 2021, respectively)	46,650	65,138
Current portion of long-term debt (including current portion of long-term debt of the consolidated VIEs without recourse to TAL Education Group of nil and nil as of February 29, 2020 and February 28, 2021, respectively)	—	270,000

TAL EDUCATION GROUP

CONSOLIDATED BALANCE SHEETS - continued
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

	As of February 29, 2020	As of February 28, 2021
Operating lease liabilities, current portion (including operating lease liabilities, current portion of the consolidated VIEs without recourse to TAL Education Group of $276,712 and $349,547 as of February 29, 2020 and February 28, 2021, respectively)	304,960	382,671
Total current liabilities	1,806,558	3,373,851
Deferred revenue-non-current (including deferred revenue-non-current of the consolidated VIEs without recourse to TAL Education Group of $833 and $30,005 as of February 29, 2020 and February 28, 2021, respectively)	833	30,005
Deferred tax liabilities (including deferred tax liabilities of the consolidated VIEs without recourse to TAL Education Group of $7,197 and $10,109 as of February 29, 2020 and February 28, 2021, respectively)	7,789	10,333
Bond payable (including bond payable of the consolidated VIEs without recourse to TAL Education Group of nil and nil as of February 29, 2020 and February 28, 2021, respectively)	—	2,300,000
Long-term debt (including long-term debt of the consolidated VIEs without recourse to TAL Education Group of nil and nil as of February 29, 2020 and February 28, 2021, respectively)	261,950	—
Operating lease liabilities, non-current portion (including operating lease liabilities, non-current portion of the consolidated VIEs without recourse to TAL Education Group of $883,603 and $1,123,508 as of February 29, 2020 and February 28, 2021, respectively)	949,919	1,193,564
Total liabilities	3,027,049	6,907,753
Commitments and contingencies (Note 21)		
Mezzanine equity		
Redeemable noncontrolling interests	—	1,775
Equity		
Class A common shares ($0.001 par value; 500,000,000 shares authorized, 132,895,675 shares and 147,995,578 shares issued and outstanding as of February 29, 2020 and February 28, 2021, respectively)	133	148
Class B common shares ($0.001 par value; 500,000,000 shares authorized, 66,941,204 shares and 66,939,204 shares issued and outstanding as of February 29, 2020 and February 28, 2021, respectively)	67	67
Additional paid-in capital	1,675,640	4,369,125
Statutory reserve	82,712	121,285
Retained earnings	786,097	624,883
Accumulated other comprehensive (loss) / income	(28,913)	86,321
Total TAL Education Group shareholders' equity	2,515,736	5,201,829
Noncontrolling interests	28,461	952
Total equity	2,544,197	5,202,781
Total liabilities, mezzanine equity and equity	$ 5,571,246	$ 12,112,309

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

TAL EDUCATION GROUP

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Net revenues	$ 2,562,984	$ 3,273,308	$ 4,495,755
Cost of revenues	(1,164,454)	(1,468,569)	(2,048,561)
Gross profit	1,398,530	1,804,739	2,447,194
Operating expenses			
Selling and marketing	(484,000)	(852,808)	(1,680,050)
General and administrative	(579,672)	(794,957)	(1,117,324)
Impairment loss on intangible assets and goodwill	—	(28,998)	(107,535)
Total operating expenses	(1,063,672)	(1,676,763)	(2,904,909)
Government subsidies	6,724	9,467	19,491
Income / (loss) from operations	341,582	137,443	(438,224)
Interest income	59,614	72,991	114,232
Interest expense	(17,628)	(11,820)	(16,946)
Other income / (expense)	131,727	(95,297)	140,878
Impairment loss on long-term investments	(58,091)	(153,970)	(24,563)
Income / (loss) before provision for income tax and (loss) / income from equity method investments	457,204	(50,653)	(224,623)
Income tax (expense) / benefit	(76,504)	(69,328)	69,897
(Loss) / income from equity method investments	(16,186)	(7,670)	11,676
Net income / (loss)	364,514	(127,651)	(143,050)
Add: Net loss attributable to noncontrolling interests shareholders	2,722	17,456	27,060
Net income / (loss) attributable to TAL Education Group's shareholders	$ 367,236	$ (110,195)	$ (115,990)
Net income / (loss) per common share			
Basic	$ 1.93	$ (0.56)	$ (0.57)
Diluted	$ 1.83	$ (0.56)	$ (0.57)
Weighted average shares used in calculating net income / (loss) per common share			
Basic	189,951,643	198,184,370	203,603,391
Diluted	200,224,934	198,184,370	203,603,391

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

TAL EDUCATION GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME /(LOSS)
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28 2021
Net income / (loss)	$ 364,514	$ (127,651)	$ (143,050)
Other comprehensive income / (loss), net of tax			
Foreign currency translation adjustment	(35,823)	(48,947)	99,329
Unrealized gains on available-for-sale investments:			
Net unrealized gains on available-for-sale investments, net of tax effect of $2,018, $(2,371) and $944 for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively	15,837	1,122	17,169
Less: Transfer to statements of operations of realized gains on available-for-sale investments, net of tax effect of nil, nil and nil for the years ended February 28, 2019, February 29,2020 and February 28, 2021	(96,251)	—	—
Other comprehensive (loss) /income	(116,237)	(47,825)	116,498
Comprehensive income / (loss)	248,277	(175,476)	(26,552)
Add: Comprehensive loss attributable to noncontrolling interests shareholders	3,681	19,321	25,796
Comprehensive income / (loss) attributable to TAL Education Group's shareholders	$ 251,958	$ (156,155)	$ (756)

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

TAL EDUCATION GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

	Class A Common shares		Class B Common shares		Class A common shares Issuable	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 28, 2018	118,401,821	$ 118	70,556,000	$ 71	—	$ 884,717	$ 38,315	$ 565,202	$ 132,325	$ 1,620,748	$ 19,716	$1,640,464
Net income	—	—	—	—	—	—	—	367,236	—	367,236	(2,722)	364,514
Provision for statutory reserve	—	—	—	—	—	—	20,375	(20,375)	—	—	—	—
Issuance of common shares in connection with vesting of non-vested shares	2,073,711	2	—	—	—	(2)	—	—	—	—	—	—
Share-based compensation	—	—	—	—	—	76,720	—	—	—	76,720	—	76,720
Exercise of share options	232,024	1	—	—	—	3,296	—	—	—	3,297	—	3,297
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(34,864)	(34,864)	(959)	(35,823)
Net unrealized gains on available-for-sale investments, net of tax effect of $2,018	—	—	—	—	—	—	—	—	15,837	15,837	—	15,837
Conversion of convertible bond to Class A common shares	443,091	1	—	—	—	5,799	—	—	—	5,800	—	5,800
Exercise of capped call option	—	—	—	—	—	13,270	—	—	—	13,270	—	13,270
Business acquisitions (Note 3)	20,502	—	—	—	1,977	1,726	—	—	—	3,703	29,658	33,361
Transfer to statements of operations of gains recognized for available-for-sale investments, net of tax effect of nil	—	—	—	—	—	—	—	—	(96,251)	(96,251)	—	(96,251)
Capital injection from noncontrolling interests shareholders	—	—	—	—	—	—	—	—	—	—	15	15
Class A Common shares issued under private placement (Note 18)	5,329,922	5	—	—	—	499,995	—	—	—	500,000	—	500,000
Cumulative effect of initially applying new standard (Note 2)	—	—	—	—	—	—	—	8,251	—	8,251	1,022	9,273
Balance as of February 28, 2019	126,501,071	$ 127	70,556,000	$ 71	$ 1,977	$1,485,521	$ 58,690	$ 920,314	$ 17,047	$ 2,483,747	$ 46,730	$2,530,477
Conversion of Class B common shares to Class A common shares	3,614,796	4	(3,614,796)	(4)	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	(110,195)	—	(110,195)	(17,456)	(127,651)
Provision for statutory reserve	—	—	—	—	—	—	24,022	(24,022)	—	—	—	—
Issuance of common shares in connection with vesting of non-vested shares	2,239,239	2	—	—	—	(2)	—	—	—	—	—	—
Share-based compensation	—	—	—	—	—	116,703	—	—	—	116,703	—	116,703
Exercise of share options	114,793	—	—	—	—	2,550	—	—	—	2,550	—	2,550
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(47,082)	(47,082)	(1,865)	(48,947)
Net unrealized gains on available-for-sale investments, net of tax effect of $(2,371)	—	—	—	—	—	—	—	—	1,122	1,122	—	1,122
Conversion of convertible bond to Class A common shares	401,074	—	—	—	—	5,250	—	—	—	5,250	—	5,250
Exercise of capped call option	—	—	—	—	—	66,346	—	—	—	66,346	—	66,346
Acquisition of noncontrolling interests	—	—	—	—	—	(672)	—	—	—	(672)	(1,755)	(2,427)
Business acquisitions	24,702	—	—	—	(1,977)	2,741	—	—	—	764	—	764
Capital injection from noncontrolling interests shareholders	—	—	—	—	—	(2,797)	—	—	—	(2,797)	2,807	10
Balance as of February 29, 2020	132,895,675	$ 133	66,941,204	$ 67	—	$1,675,640	$ 82,712	$ 786,097	$ (28,913)	$ 2,515,736	$ 28,461	$2,544,197
Conversion of Class B common shares to Class A common shares	2,000	—	(2,000)	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	(115,990)	—	(115,990)	(27,060)	(143,050)
Provision for statutory reserve	—	—	—	—	—	—	38,573	(38,573)	—	—	—	—
Issuance of common shares in connection with vesting of non-vested shares	2,240,585	2	—	—	—	(2)	—	—	—	—	—	—
Share-based compensation	—	—	—	—	—	195,000	—	—	—	195,000	—	195,000
Exercise of share options	359,178	—	—	—	—	8,352	—	—	—	8,352	—	8,352
Share repurchase (Note 18)	(61,667)	—	—	—	—	(9,852)	—	—	—	(9,852)	—	(9,852)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	98,065	98,065	1,264	99,329
Net unrealized gains on available-for-sale investments, net of tax effect of $944	—	—	—	—	—	—	—	—	17,169	17,169	—	17,169
Business acquisitions	—	—	—	—	—	—	—	—	—	—	(629)	(629)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(1,084)	(1,084)
Class A Common shares issued under private placements (Note 18)	12,559,807	13	—	—	—	2,499,987	—	—	—	2,500,000	—	2,500,000
Cumulative effect of initially applying new accounting standard	—	—	—	—	—	—	—	(6,651)	—	(6,651)	—	(6,651)
Balance as of February 28, 2021	147,995,578	$ 148	66,939,204	$ 67	—	$4,369,125	$121,285	$ 624,883	$ 86,321	$ 5,201,829	$ 952	$5,202,781

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

TAL EDUCATION GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Cash flows from operating activities			
Net income / (loss)	$ 364,514	$ (127,651)	$ (143,050)
Adjustments to reconcile net income / (loss) to net cash provided by operating activities			
Depreciation of property and equipment	76,669	99,511	136,960
Amortization of intangible assets	12,166	15,677	24,030
Amortization of land use rights	—	2,804	4,345
Loss on disposal of property and equipment	187	934	1,427
Share-based compensation	77,277	117,943	204,945
Impairment loss on operating assets, intangible assets and goodwill	2,569	63,420	154,745
Impairment loss on long-term investments	58,091	153,970	24,563
Loss / (gain) from equity method investments	16,186	7,670	(11,676)
(Gain) / loss from fair value change of investments	(16,394)	104,239	(9,471)
Gain recognized for the conversion of debt securities to equity securities	(95,491)	—	—
Gain from remeasuring fair value of previously held equity interests upon business acquisitions	(26,397)	—	(3,855)
Gain from disposal of long-term investments	(3,363)	(25,002)	(619)
Loss from disposal of a subsidiary	—	—	966
Changes in operating assets and liabilities			
Inventory	(2,368)	(18,333)	(16,998)
Amounts due from related parties	(690)	(1,589)	748
Prepaid expenses and other current assets	(34,584)	(24,981)	(206,499)
Income tax receivables	7,889	(4,344)	(4,093)
Deferred income taxes	(19,786)	(58,339)	(242,401)
Rental deposits	(8,745)	(16,587)	(29,203)
Other non-current assets	1,033	256	(8,546)
Accounts payable	49,286	693	229,003
Deferred revenue	(407,150)	343,555	529,209
Amounts due to related parties	610	424	(866)
Accrued expenses and other current liabilities	117,796	204,352	283,085
Income tax payable	25,056	7,906	18,488
Operating lease right-of-use assets	—	(218,829)	(300,078)
Operating lease liabilities	—	228,151	319,573
Net cash provided by operating activities	194,361	855,850	954,732
Cash flows from investing activities			
Loan to third parties	(33,700)	(13,590)	—
Repayment of loan to third parties	5,231	—	13,812
Loan to related parties	(3,989)	(31,681)	(16,294)
Repayment of loan to related parties	2,322	2,146	—
Loan to employees	(2,660)	(2,373)	(2,538)
Repayment of loan to employees	6,269	5,486	4,659
Prepayment for investments	(2,562)	(18,489)	(5,515)
Prepayments for purchase of land use rights	(209,865)	(6,780)	—
Purchase of property and equipment	(138,406)	(178,071)	(245,058)
Purchase of intangible assets	(6,738)	(3,213)	(683)
Purchase of short-term investments	(581,204)	(546,747)	(2,534,705)
Proceeds from short-term investments	1,103,252	517,001	207,576
Proceeds from disposal of property and equipment	1,709	543	750
Business acquisitions, net of cash acquired	(66,921)	(7,026)	(11,902)
Payments for long-term investments	(243,542)	(117,508)	(53,334)
Proceeds from disposal of long-term investments	4,220	61,487	1,763
Net cash used in investing activities	(166,584)	(338,815)	(2,641,469)

TAL EDUCATION GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS- continued
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Cash flows from financing activities			
Net proceeds from long-term debt and short-term debt	189,932	270,000	—
Repayment of long-term debt and short-term debt	(205,000)	(209,308)	(3,518)
Payment for upfront fee related to long term debt (Note 14)	(12,600)	—	—
Payments for purchasing noncontrolling interests	(4,407)	(5,183)	—
Capital injection from noncontrolling interests shareholders	15	10	—
Cash received from exercise of capped call option	6,369	73,247	—
Proceeds from issuance of convertible bond (Note 13)	—	—	2,300,000
Proceeds from private placement (Note 18)	500,000	—	2,500,000
Proceeds from exercise of share options	710	2,490	8,183
Repayment of convertible bond	—	(25)	—
Share repurchase	—	—	(9,852)
Net cash provided by financing activities	475,019	131,231	4,794,813
Effect of exchange rate changes	33,208	3,218	(5,277)
Net increase in cash, cash equivalents and restricted cash	536,004	651,484	3,102,799
Cash, cash equivalents and restricted cash at the beginning of year	727,697	1,263,701	1,915,185
Cash, cash equivalents and restricted cash at the end of year	1,263,701	1,915,185	5,017,984
Supplemental disclosure of cash flow information:			
Interest paid	$ 12,556	$ 6,707	$ 8,380
Income tax paid	61,811	122,266	158,785
Non-cash investing and financing activities:			
Payable for purchase of property and equipment	$ 8,466	$ 24,145	$ 43,732
Payable for purchase of intangible assets	2,688	1,436	866
Payable for investments and acquisitions	38,630	404	312
Conversion of convertible bond to Class A common shares	5,800	5,250	—
Class A Common shares issued and issuable for business acquisitions	3,703	—	—
Receivable for exercise of capped call option	6,901	—	—

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

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 the 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 Variable Interest Entities ("VIEs") 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 VIEs and VIEs' subsidiaries and schools are collectively referred to as the "Group".

As of February 28, 2021, details of the Company's major subsidiaries, 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	Nature of company
TAL Holding Limited ("TAL Hong Kong")	March 11, 2008	Hong Kong	100%	Intermediate holding company	Subsidiary
Beijing Century TAL Education Technology Co., Ltd. ("TAL Beijing")	May 8, 2008	Beijing	100%	Software sales, and consulting service	Subsidiary
Beijing Huanqiu Zhikang Shidai Education Consulting Co., Ltd. ("Huanqiu Zhikang")	September 17, 2009	Beijing	100%	Education and management consulting service	Subsidiary
Yidu Huida Education Technology (Beijing) Co., Ltd. ("Yidu Huida")	November 11, 2009	Beijing	100%	Software sales and consulting service	Subsidiary
Beijing Xintang Sichuang Education Technology Co., Ltd. ("Beijing Xintang Sichuang")	August 27, 2012	Beijing	100%	Software and Network development, sales, and consulting service	Subsidiary
Zhixuesi Education Consulting (Beijing) Co., Ltd. ("Zhixuesi Beijing")	October 23, 2012	Beijing	100%	Software and Network development, sales, and consulting service	Subsidiary
Pengxin TAL Industrial investment (Shanghai) Co., Ltd. ("Pengxin TAL")	June 26, 2014	Shanghai	100%	Investment management and consulting services	Subsidiary
Firstleap Education ("Firstleap")	January 22, 2016	Cayman Islands	100%	Intermediate holding company	Subsidiary

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	Nature of company
Firstleap Education (HK) Limited ("Firstleap Hong Kong")	January 22, 2016	Hong Kong	100%	Intermediate holding company	Subsidiary
Beijing Lebai Information Consulting Co., Ltd. ("Lebai Information")	January 22, 2016	Beijing	100%	Education and management consulting service	Subsidiary
Beijing Yizhen Xuesi Education Technology Co., Ltd. ("Yizhen Xuesi")	November 3, 2016	Beijing	100%	Software and Network development,sales and consulting service	Subsidiary
Beijing Xueersi Education Technology Co., Ltd. ("Xueersi Education")	December 31, 2005	Beijing	N/A*	Sales of educational materials and products	VIE
Beijing Xueersi Network Technology Co., Ltd. ("Xueersi Network")	August 23, 2007	Beijing	N/A*	Technology development and Educational consulting service	VIE
Xinxin Xiangrong Education Technology (Beijing) Co., Ltd. ("Xinxin Xiangrong")	June 23, 2015	Beijing	N/A*	Technology development and Educational consulting service	VIE
Beijing Lebai Education Consulting Co., Ltd. ("Lebai Education")	January 22, 2016	Beijing	N/A*	Educational consulting service	VIE
Beijing Xicheng District Xueersi Training School ("Beijing Xicheng School")	April 2, 2009	Beijing	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools
Shanghai Xueersi Education Training Co., Ltd. ("Shanghai Education")	July 2, 2009	Shanghai	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools
Shenzhen Xueersi Training Center ("Shenzhen School")	November 12, 2013	Shenzhen	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools
TAL Training School (Shanghai) Co., Ltd. ("TAL Shanghai")	February 20, 2019	Shanghai	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools

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

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements

Due to PRC legal restrictions on foreign ownership and investment in the education business in China, aside from the Group's small portion of personalized premium tutoring services in Beijing conducted by the Company's wholly owned PRC subsidiaries, Huanqiu Zhikang and Zhixuesi Beijing, the Group provides most of its services in the PRC through its VIEs including Xueersi Education, Xueersi Network, Xinxin Xiangrong, Lebai Education and their subsidiaries and schools.

To provide the Company the power to control and the ability to receive 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 and August 12, 2009, including exclusive business service agreements, which were superseded by the Exclusive Business Cooperation Agreement entered into on June 25, 2010. TAL Beijing also entered into a series of contractual arrangements with Xinxin Xiangrong on August 4, 2015. The Company acquired Firstleap during fiscal year 2016. Lebai Information, a wholly owned PRC subsidiary of Firstleap, entered into a series of contractual arrangements on October 26, 2015 with Lebai Education and its sole shareholder. After the acquisition, Xueersi Education, a VIE of the Group became the sole shareholder of Lebai Education.

The VIEs and their subsidiaries and schools hold various licenses upon which the Group's business depends. A substantial majority of the Group's employees who provide the Group's services are hired by the VIEs and their subsidiaries and schools, and the VIEs and their subsidiaries and schools lease a substantial portion of the properties upon which the Group's services are delivered. The net revenue from the VIEs and their subsidiaries and schools accounted for 94.4% of the Group's total net revenue for the fiscal year ended February 28, 2021.

Through the contractual arrangements below, TAL Beijing and Lebai Information have (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. They are therefore considered the primary beneficiaries 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 on June 25, 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 Business Service Agreement entered into by and among group TAL Beijing, Xinxin Xiangrong and its shareholders on August 4, 2015, TAL Beijing and its designated affiliates have the exclusive right to provide Xinxin Xiangrong and its subsidiaries and schools (if any) comprehensive intellectual property licensing and various technical and business support services. The agreements are effective within the operation term of TAL Beijing, its subsidiaries and schools according to PRC Law, unless earlier terminated by mutual agreement of all parties.

Lebai Information, Lebai Education and its sole shareholder, subsidiaries and schools have entered into an Exclusive Business Service Agreement on October 26, 2015, the terms of which are substantially the same as the agreement of Xinxin Xiangrong summarized above. The term of such agreement is 10 years and will be renewed for another 10 years at Lebai Information's discretion.

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, Lebai Information or their designated affiliates, owns the exclusive intellectual property rights developed in the performance of these agreements. As consideration for these services, TAL Beijing, Lebai Information or their designated affiliates are entitled to charge the VIEs and VIEs' subsidiaries and schools service fees annually or regularly, and adjust the service fee rates from time to time at their discretion.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

Call option agreement: Pursuant to the call option agreement entered into on February 12, 2009, by and among TAL Beijing, Xueersi Education, Xueersi Network and their respective shareholders, 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 Xueersi Education and Xueersi Network' shareholders, to the extent permitted under PRC law, part of or all the equity interests in Xueersi Education and Xueersi Network, as the case may be, for the minimum amount of consideration permitted by the applicable law without any other conditions.

TAL Beijing, Xinxin Xiangrong and the shareholders of Xinxin Xiangrong have entered into a call option agreement on August 4, 2015. Lebai Information, Lebai Education and the sole shareholder of Lebai Education have entered into a call option agreement on October 26, 2015, the terms of which are substantially the same as the call option agreement summarized above.

Under each of these agreements, TAL Beijing or Lebai Information has the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. Unless terminated early by mutual agreement of all parties, these agreements shall remain effective until TAL Beijing and Lebai Information exercise their purchase right to purchase all the VIEs' equity interests according to these agreements.

Equity pledge agreement: Pursuant to the equity pledge agreements, dated on February 12, 2009, by and among TAL Beijing, Xueersi Education, Xueersi Network and the respective shareholders of Xueersi Education and Xueersi Network, and supplemental agreements, dated on June 25, 2010, by and among TAL Beijing, Xueersi Education, Xueersi Network and their respective shareholders, the shareholders of Xueersi Education and Xueersi Network unconditionally and irrevocably pledged all of their equity interests, including the right to receive declared dividends and the voting rights, in the Xueersi Education and Xueersi Network to TAL Beijing to guarantee Xueersi Education and Xueersi Network's performance of their obligations under the exclusive technology support and service agreements. The shareholders of Xueersi Education and Xueersi Network 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.

TAL Beijing, Xinxin Xiangrong and the shareholders of Xinxin Xiangrong have entered into an equity pledge agreement on August 4, 2015. Lebai Information, Lebai Education and the sole shareholder of Lebai Education have entered into an equity pledge agreement on October 26, 2015, the terms of which are substantially the same as the agreements summarized above. These agreements are effective on the date of execution and terminate when all the secured rights under the relevant agreements, as the case may be, are completely fulfilled or terminated in accordance thereof.

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 the shareholders of Xinxin Xiangrong have made similar undertakings in the option agreement dated August 4, 2015, described above. The sole shareholder of Lebai Education has made similar undertakings in the power of attorney, dated October 26, 2015, described below.

Power of attorney: The shareholders of the VIEs have executed an irrevocable power of attorney appointing TAL Beijing or Lebai Information, as applicable, or any person designated by TAL Beijing or Lebai Information 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 each of the VIEs on August 12, 2009, August 4, 2015 and October 26, 2015, respectively. These agreements remain effective during the entire period during which they are shareholders of the VIEs.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

The articles of associations of each 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 or Lebai Information has the ability to exercise effective control over each of the VIEs respectively 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 each of the VIEs that most significantly impact their economic performance.

Spousal consent letter: The spouse of each shareholder of the 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 call option agreement described above. Each 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. Bangxin 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) request 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; and

- 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 (Hong Kong) LLP, 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 and Lebai Information'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;
- require the Group to discontinue or restrict its operations;
- limit the Group's business expansion in China by way of entering into contractual arrangements;

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risks in relation to the VIE structure - continued

- restrict the Group's right to collect revenues or impose fines;
- 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, Lebai Information, 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 Xinxin Xiangrong are Mr. Bangxin Zhang, Mr. Yachao Liu and Mr. Yunfeng Bai and the sole legal owner of Lebai Education is Xueersi Education. Mr. Bangxin Zhang, Mr. Yachao Liu and Mr. Yunfeng Bai are shareholders and directors or officers of TAL Education Group. Xueersi Education is a VIE of the Group. The interests of Mr. Bangxin Zhang, Mr. Yachao Liu, Mr. Yunfeng Bai and Mr. Yundong Cao as beneficial owners of Xueersi Education, Xueersi Network and Xinxin Xiangrong may differ from the interests of the Group as a whole, since these parties' respective equity interests in Xueersi Education, Xueersi Network and Xinxin Xiangrong 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 Xueersi Education, Xueersi Network and Xinxin Xiangrong, their subsidiaries and schools to breach, or refuse to renew, the existing contractual arrangements the Group has with them and Xueersi Education, Xueersi Network and Xinxin Xiangrong, their subsidiaries and schools. Other than the aforementioned deed of undertaking the Group entered with Mr. Bangxin 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 Xueersi Education, Xueersi Network and Xinxin Xiangrong 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.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - 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 amongst the Company, its subsidiaries, its VIEs and VIEs' subsidiaries and schools in the Group.

	As of February 29, 2020	As of February 28, 2021
Cash and cash equivalents	$ 350,035	$ 820,301
Other current assets	159,706	324,568
Total current assets	509,741	1,144,869
Property and equipment, net	286,982	430,137
Other non-current assets	2,038,941	2,555,459
Total assets	2,835,664	4,130,465
Deferred revenue-current	733,253	1,328,473
Other current liabilities	898,959	1,488,763
Total current liabilities	1,632,212	2,817,236
Total non-current liabilities	891,633	1,163,622
Total liabilities	$ 2,523,845	$ 3,980,858

	For the year ended February 28 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Net revenues	$ 2,406,642	$ 3,058,285	$ 4,244,907
Net income	$ 606,560	$ 534,070	$ 488,866

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Net cash provided by operating activities	$ 409,103	$ 215,892	$ 727,661
Net cash used in investing activities	$ (346,183)	$ (134,936)	$ (224,235)
Net cash used in financing activities	$ (4,392)	$ (5,173)	$ (3,518)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

As of February 28, 2019, February 29, 2020 and February 28, 2021, the balance of the amount payable by the VIEs and their subsidiaries and schools to TAL Beijing, Lebai Information or their designated affiliates related to the service fees was $128,088, $78,357 and $417,544, respectively, and was eliminated upon consolidation. Except for the collateralized construction project and land use rights in Zhenjiang disclosed in Note 14, there are no other consolidated VIEs' assets that are collateral for the VIEs' obligations and can only be used to settle the VIEs' obligation.

Relevant PRC laws and regulations restrict the VIEs from transferring a portion of their net assets, equivalent to the balance of their paid-in capital and statutory reserve, to the Company in the form of loans and advances or cash dividends. Please refer to Note 24 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 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 and Lebai Information, wholly owned foreign enterprises, 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 and Lebai Information 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 and Lebai Information with the 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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Consolidation of Variable Interest Entities - continued

The contractual arrangements, by design, enable TAL Beijing and Lebai Information to have (a) the power to direct the activities that most significantly impact the economic performance of the VIEs and (b) the right to receive substantially all the benefits of the VIEs. As a result, the VIEs are considered to be variable interest entities under ASC 810 and TAL Beijing and Lebai Information are considered to be the primary beneficiary of the VIEs and consolidate the VIEs' financial position and results of operations.

Determining whether TAL Beijing and Lebai Information are the primary beneficiaries 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. 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".

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 the Company, (1) Mr. Bangxin Zhang cannot request 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 prevent 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 condensed financial information of the VIEs and VIEs' subsidiaries and schools, after elimination of intercompany balances and transactions.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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 purchase price allocation relating to business acquisitions, valuation allowance for deferred tax assets, the useful lives of intangible assets, impairment of intangible assets, long-lived assets, goodwill and long term investments, fair value assessment of long-term investments, discount rate for leases 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 original maturities of three months or less when purchased.

Restricted cash

Cash that is restricted as to withdrawal or for use or pledged as security is separately reported. The Group's restricted cash mainly represents security deposits held in designated bank accounts for future transactions, deposits required by PRC government authorities for establishing new schools and subsidiaries, deposits in connection with the facilities agreement disclosed in Note 14.

Short-term investments

Short-term investments include wealth management products, which are mainly deposits with variable interest rates placed with financial institutions and are restricted as to withdrawal and use. Investments are classified as held-to-maturity when the Group has the positive intent and ability to hold the securities to maturity, and are recorded at amortized cost. The original maturities of the short-term investments are greater than three months, but less than twelve months.

The Group reviews its investments in held-to-maturity investments for impairment periodically, recognizing an allowance, if any, by applying an estimated loss rate. The Group considers available evidence in evaluating the potential impairment of its investments in held-to-maturity investments. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net carrying value at the amount expected to be collected on the held-to-maturity investments. The allowance for credit losses was nil for the year ended February 28, 2021.

Investment products not classified as trading or as held-to-maturity are classified as available-for-sale debt securities, which are reported at fair value, with unrealized gains and losses recorded in "Accumulated other comprehensive (loss) / income" on the consolidated balance sheets. Realized gains or losses are included in earnings during the period in which the gain or loss is realized.

For investment products indexed to an underlying stock, stock market or foreign exchange, the Group elects the fair value option to record them at fair value in accordance with ASC 825 Financial Instruments. Changes in the fair value are reflected in the consolidated statements of operations.

Derivative Instruments

Derivative instruments are carried at fair value in accordance with Accounting Standards Codification 815. The fair values of the derivative financial instruments generally represent the estimated amounts expect to receive or pay upon termination of the contracts as of the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Derivative Instruments – continued

As of February 28, 2021, the Group's derivative instruments primarily consisted of foreign currency option contracts which aims to manage foreign currency exposure to certain extent. As the derivative instruments do not qualify for hedge accounting treatment, changes in the fair value are reflected in other income/(expense) of the consolidated statements of operations. The Group held certain security deposits in designated bank accounts as stipulated in the contracts, and classified them as restricted cash in the consolidated balance sheets.

As of February 28, 2021, and for the year ended February 28, 2021, the balance of the derivative instruments and the total amount of fair value changes are not material.

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	35-64 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

Construction in progress represents buildings and related premises under construction, which is stated at actual construction cost less any impairment loss. Construction in progress is transferred to building when completed and ready for its intended use.

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 interests of the acquiree and fair value of previously held equity interest in 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 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 the consolidated statements of operations.

In a business combination achieved in stages, the Group remeasures the previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the remeasurement gain or loss, if any, is recognized in the consolidated statements of operations.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations - continued

Where in a business combination, the noncontrolling shareholder received a put option to sell its entire noncontrolling interest of the acquiree to the Group at the price stipulated by the contract when option is exercised, the noncontrolling interest has been recorded as a redeemable noncontrolling interest presented in the mezzanine equity section of the consolidated balance sheets.

Acquired intangible assets, net

Acquired intangible assets other than goodwill consist of trade name and domain names, copyrights, teaching materials, user base, customer relationships, technology, partnership agreements, school cooperation agreements, licenses, etc., 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. The amortization periods by intangible asset classes are as follows:

Trade name and domain names	1-10 years
Copyrights and teaching materials	3-10 years
User base and customer relationships	3-7 years
Technology	4-6 years
Partnership agreements and school cooperation agreements	4-6 years
Licenses	2-9 years
Others	1-7 years

Land use rights, net

All land in the PRC is owned by PRC government, which, according to the relevant PRC law, may grant the right to use the land for a specified period of time. Payment for acquiring land use rights are recorded at cost and amortized on a straight line basis over the term of the land certificates.

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.

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.

ASC 350-20 permits the Group to first assess qualitative factors to determine whether it is “more likely than not” that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The Group early adopted ASU 2017-04: Intangibles-Goodwill and Other (Topic 350) in fiscal year 2020, which eliminated Step 2 from the goodwill impairment test on a prospective basis.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill - continued

Under ASU 2017-04, the Group performs its annual impairment test by comparing the fair value of a reporting unit with its carrying amount. The Group should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

The Group recognized impairment loss on goodwill of nil, $28,998 and $107,399 for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

Long-term investments

The Group's long-term investments include equity securities without readily determinable fair values, equity securities with readily determinable fair values, equity method investments, available-for-sale investments, fair value option investment and held-to-maturity investments.

Equity securities without readily determinable fair values

The Group adopted ASC Topic 321, Investments—Equity Securities ("ASC 321") on March 1, 2018. Under ASC321, for equity securities without readily determinable fair value that qualify for the practical expedient to estimate fair value using net asset value per share, the Group estimates the fair value using net asset value per share and recorded the cumulative effect of the adjustment of $4,163 to the opening balance of retained earnings upon adoption of the new standard. For other equity securities without readily determinable fair value, the Group elected to use the measurement alternative to measure those investments at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

The Group reviews its equity securities without readily determinable fair value for impairment at each reporting period. If a qualitative assessment indicates that the investment is impaired, the Group estimates the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the Group recognizes an impairment loss in net income / (loss) equal to the difference between the carrying value and fair value.

Equity securities with readily determinable fair values

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Long-term investments-continued

Equity method investments

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

Under the equity method, the Group initially records its investment at cost and subsequently recognizes the Group's proportionate share of each equity investee's net income or loss after the date of investment into the consolidated statements of operations and accordingly adjusts the carrying amount of the investment. If financial statements of an investee cannot be made available within a reasonable period of time, the Group records its share of the net income or loss of an investee on a one quarter lag basis in accordance with ASC 323-10-35-6.

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.

Available-for-sale investments

For investments in investees' shares which are determined to be debt securities, the Group accounts for them as available-for-sale investments when they are not classified as either trading or held-to-maturity investments. Available-for-sale investments are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income as a component of shareholders' equity. Declines in the fair value of individual available-for-sale investments below their amortized cost due to credit-related factors are recognized as an allowance for credit losses, whereas if declines in the fair value is not due to credit-related factors, the loss is recorded in other comprehensive income / (loss).

Fair value option investments

The Group elected the fair value option to account for certain investment whereby the change in fair value is recognized in the consolidated statements of operations.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Long-term investments - continued

Held-to-maturity investments

Long-term investments include wealth management products, which are mainly deposits with variable interest rates placed with financial institutions and are restricted as to withdrawal and use. The Group classifies the wealth management products as "held-to-maturity" securities.

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.

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

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 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 disclosed in Note 15.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

On March 1, 2018, the Group adopted Revenue from Contracts with Customers ("Topic 606"), applying the modified retrospective method to all contracts that were not completed as of March 1, 2018.

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

The Group generates substantially all of its revenues through tutoring service with individual students in the PRC, in which revenue is recognized over time. In addition, the Group generates revenues from sales of products, consist primarily of books, which were insignificant for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, and were included in small class tutoring services, personalized premium services and others below. The following table presents the Group's revenues disaggregated by revenue sources. The Group's revenue is reported net of discounts, value added tax and surcharges.

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Disaggregation of net revenues			
-Small class tutoring services, personalized premium services and others	$ 2,223,347	$ 2,655,323	$ 3,221,161
-Online education services through www.xueersi.com	339,637	617,985	1,274,594
Total	$ 2,562,984	$ 3,273,308	$ 4,495,755

The primary sources of the Group's revenues are as follows:

(a) Small class tutoring services, personalized premium services and others

Small class tutoring services primarily consist of Xueersi Peiyou small class, Firstleap and Mobby. Personalized premium services are referring to Izhikang after-school one-on-one tutoring services. Each contract of small class tutoring service or personalized premium service is accounted for as a single performance obligation which is satisfied proportionately over the service period. Tuition fee is generally collected in advance and is initially recorded as deferred revenue. Tuition revenue is recognized proportionately as the tutoring sessions are delivered.

Generally, for small class tutoring services, the Group offers refunds for any remaining classes to students who decide to withdraw from a course. The refund is equal to and limited to the amount related to the undelivered classes. 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. Historically, the Group has not had material refunds.

The Group distributes 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 not considered a material right to the customer and accounted for as a reduction of transaction price of the service contract.

Other revenues are primarily derived from one-on-one online tutoring services for children, artificial intelligence ("AI") interactive courses provided on the Group's online platforms, and books related to preschool and K-12 education. Revenue is recognized when control of promised goods or services is transferred to the Group's customers in an amount of consideration to which the Group expects to be entitled to in exchange for those goods or services.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

(b) Online education services through www.xueersi.com

The Group provides online education services, including live class and pre-recorded course content, to its students through www.xueersi.com.

Students enroll for online courses through www.xueersi.com by the use of prepaid study cards or payment to the Group's online accounts. Each contract of the online education service is accounted for as single performance obligation which is satisfied ratably over the service period. The proceeds collected are initially recorded as deferred revenue. For live class courses, revenues are recognized proportionately as the tutoring sessions are delivered. For pre-recorded course content, 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 and a proportional refund is based on the percentage of untaken courses to the total courses purchased. Historically, the Group has not experienced material refunds.

As a practical expedient, the Group elects to record the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. In addition, the Group determines the transaction price to be earned by estimating the refund liability based on historical refund ratio on a portfolio basis using the expected value method. Reclassification was made from deferred revenue to refund liabilities, which was recorded under accrued expenses and other current liabilities, for tuition collected that expected to be refunded to the customers in the future if students withdraw from a course for the remaining classes.

The contract liabilities of deferred revenue was $781,000 as of February 29, 2020, substantially all of which was recognized as revenue during the year ended February 28, 2021. As of February 28, 2021, the contract liabilities of deferred revenue was $1,417,498. The difference between the opening and closing balances of the Group's contract liabilities primarily results from the timing difference between the Group's satisfaction of performance obligation and the customer's payment.

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 and recognized as compensation expense on a straight-line basis over the requisite service period, with a corresponding impact reflected in additional paid-in capital. For share-based awards granted with performance condition, the compensation cost is recognized when it is probable that the performance condition will be achieved. The Group reassesses the probability of achieving the performance condition at the end of each reporting date and records a cumulative catch-up adjustment for any changes to its assessment. Forfeitures are recognized as they occur. Liability-classified awards are remeasured at their fair-value-based measurement as of each reporting date until settlement.

Value added tax ("VAT")

Pursuant to the PRC tax laws, in case of any product sales, the VAT rate is 3% of the gross sales for small scale VAT payer and 16% (13% starting April 1, 2019) 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 16% (13% starting April 1, 2019) 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.

The Group's online education services and inter-company technical services are subject to VAT at the rate of 6% of revenue for general VAT payer, Beijing Xintang Sichuang, TAL Beijing, Xueersi Education and Yidu Huida are deemed as general VAT payers at the rate of 6% since September 2012. Zhixuesi Beijing was deemed as general VAT payer at the rate of 6% since August 2013 and elected a simple VAT collection method at the rate of 3% since November 2016. Xinxin Xiangrong and Pengxin TAL were deemed general VAT payers at the rate of 6% since June 2015 and May 2016, respectively. Yizhen Xuesi was deemed as general VAT payer at the rate of 6% since November 2016.

Pursuant to Cai Shui [2018] No. 53 in June 2018 and Cai Shui [2021] No. 10 in March 2021, Xueersi Education enjoyed VAT exemption from 2018 to 2023 for its book sales.

Since May 2016, in accordance with Cai Shui [2016] No. 68, non-academic education service providers who are general VAT payer could elect a simple VAT collection method and apply for a 3% VAT rate. The Group's schools which were previously subject to business tax are now subject to a VAT rate of 3%.

Since May 2018, in accordance with Cai Shui [2018] No.32, the VAT rate decreased to 16% of the gross sales for general VAT payer. For general VAT payer of the Group, VAT on sales is calculated at 16% on revenue from product sales and paid after deducting input VAT on purchases starting on May 1, 2018. In accordance with Cai Shui [2019] No.39, the VAT rate above decreased to 13% starting on April 1, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Value added tax ("VAT") – continued

Since January 2020, in accordance with Cai Shui [2020] No.8, due to the COVID-19 pandemic, the VAT on certain services was temporarily exempted from January 2020 to March 2021.

Operating leases

On March 1, 2019, the Group adopted New Leasing Standard ("ASC 842"), using the modified retrospective transition method resulting in the recording of operating lease right-of-use (ROU) assets of $1,024,863 and operating lease liabilities of $1,026,728 upon adoption. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance.

The Group determines if an arrangement is a lease or contains a lease at lease inception. Operating leases are required to record in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. The Group has elected the package of practical expedients, which allows the Group not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Group also elected the practical expedient not to separate lease and non-lease components of contracts. Lastly, for lease assets other than real estate, such as printing machine and electronic appliances, the Group elected the short-term lease exemption as their lease terms are 12 months or less.

As the rate implicit in the lease is not readily determinable, the Group estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated in a portfolio approach to approximate the interest rate on a collateralized basis with similar terms and payments in a similar economic environment. The Group's leases often include options to extend and lease terms include such extended terms when the Group is reasonably certain to exercise those options. Lease terms also include periods covered by options to terminate the leases when the Group is reasonably certain not to exercise those options. Lease expense is recorded on a straight-line basis over the lease term.

Advertising costs

The Group expenses advertising costs as incurred, which mainly include advertising expenditure through social media, search engines and outdoor advertising, etc. Total advertising costs incurred were $114,697, $248,807 and $803,120 for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, 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. From time to time, the Group receives government subsidies related to government sponsored projects and records such government subsidies as a liability when received and recognizes as other income when the performance obligation is met or fulfilled.

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").

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency translation - continued

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the year are converted into the functional currencies at the applicable rates of exchange prevailing at the transaction dates. Transaction gains and losses are recognized in the consolidated statements of operations. For the years ended February 28, 2019, February 29, 2020 and February 28, 2021, the Group recorded exchange loss of $3,108, exchange loss of $968 and exchange gain of $12,311, respectively, in other expense/income 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 component of other comprehensive income in the consolidated statements of changes in equity and comprehensive income / (loss).

Foreign currency risk

RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies. The value of 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, and restricted cash of the Group included aggregate amounts of $1,435,739 and $1,754,509 as of February 29, 2020 and February 28, 2021, 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 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 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 / (loss)

Comprehensive income / (loss) includes net income / (loss), unrealized gain or loss on available-for-sale investments, and foreign currency translation adjustments. Comprehensive income / (loss) is reported in the consolidated statements of comprehensive income / (loss).

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Concentration of credit risk

Financial instruments that potentially expose the Group to significant concentration of credit risk consist primarily of cash and cash equivalents, short-term investments and restricted cash. The Group places its cash and cash equivalents, short-term investments and restricted cash in financial institutions with high credit ratings.

Financial instruments

The Group's financial instruments consist primarily of cash and cash equivalents, restricted cash, short-term investments, long-term investments accounted for available-for-sale investments, fair value option investment, equity securities with readily determinable fair values, equity securities without readily determinable fair values, held-to-maturity investments, amounts due from related parties and amounts due to related parties, accounts payable, income tax payable, short-term debt, long-term debt and bond payable. The Group carries its available-for-sale investments, equity securities with readily determinable fair values and fair value option investment at fair value. The carrying amounts of short-term debt and long-term debt approximate fair value as their interest rates are at the same level of current market yield for comparable debts. The carrying amounts of other financial instruments, except for bond payable, equity securities without readily determinable fair values and long-term held-to-maturity investments, approximate their fair values because of their generally short maturities. The bond payable and long-term held-to-maturity investments are recorded at amortized cost.

Net income / (loss) per share

Basic net income / (loss) per share is computed by dividing net income / (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted net income / (loss) 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 / (loss) per share in years when their effect would be anti-dilutive. The Group has share options, non-vested shares and bond payable which could potentially dilute basic earnings per share in the future. To calculate the number of shares for diluted net income / (loss) per share, the effect of the share options and non-vested shares is computed using the treasury stock method. The dilutive effect of the bond payable is computed using as-if converted method.

As the Group incurred net loss for the years ended February 29, 2020 and February 28, 2021, the effect of potential issuances of the shares for the non-vested shares and share options would be anti-dilutive. Therefore, basic and diluted losses per share are the same in the periods.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Group adopted this standard on March 1, 2020, using a modified retrospective transition method and did not restate the comparable periods, which resulted in a cumulative-effect adjustment to decrease the opening balance of retained earnings on March 1, 2020 by $6,651, including the allowance for credit losses for account receivables, loan receivable and amounts due from certain equity method investees.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value”. ASU 2018-13 removes and modifies existing disclosure requirements on fair value measurement, namely regarding transfers between levels of the fair value hierarchy and the valuation processes for Level 3 fair value measurements. Additionally, ASU 2018-13 adds further disclosure requirements for Level 3 fair value measurements, specifically changes in unrealized gains and losses and other quantitative information. ASU 2018-13 is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. The Group adopted this new standard beginning March 1, 2020 with no material impact on its consolidated financial statements.

Recent accounting pronouncements not yet adopted

In January 2020, the FASB issued ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), which clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments—Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted, including early adoption in an interim period, for periods for which financial statements have not yet been issued. The adoption of this standard is not expected to have a material impact on the Group’s consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements not yet adopted - continued

In August 2020, the FASB issued ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"), which focuses on amending the legacy guidance on convertible instruments and the derivatives scope exception for contracts in an entity's own equity. ASU 2020-06 simplifies an issuer's accounting for convertible instruments by reducing the number of accounting models that require separate accounting for embedded conversion features. ASU 2020-06 also simplifies the settlement assessment that entities are required to perform to determine whether a contract qualifies for equity classification. Further, ASU 2020-06 enhances information transparency by making targeted improvements to the disclosures for convertible instruments and earnings-per-share (EPS) guidance, i.e., aligning the diluted EPS calculation for convertible instruments by requiring that an entity use the if-converted method and that the effect of potential share settlement be included in the diluted EPS calculation when an instrument may be settled in cash or shares, adding information about events or conditions that occur during the reporting period that cause conversion contingencies to be met or conversion terms to be significantly changed. This update will be effective for the Group's fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Entities can elect to adopt the new guidance through either a modified retrospective method of transition or a fully retrospective method of transition. The Group is currently in the process of evaluating the impact of adopting ASU 2020-06 on its consolidated financial statements and related disclosures.

3. BUSINESS ACQUISITION

Business acquisitions in fiscal year 2021:

Acquisition of Dada Education Group ("Dada")

As of February 29, 2020, the Group held 22.7% equity interest in Dada, which was accounted for as available-for-sale investment. Dada is a company providing one-on-one online English tutoring for children. On April 30, 2020, the Group increased its shareholding to 92.6% with additional cash consideration of $10,437 and obtained control of Dada.

The acquisition was recorded using the acquisition method of accounting. Accordingly, the acquired assets and liabilities were recorded at fair value at the date of acquisition. The acquisition-date fair value of the equity interest held by the Group immediately prior to the acquisition was measured at fair value using the discounted cash flow method and taking into account certain factors including the management projection of discounted future cash flow and an appropriate discount rate. A remeasurement gain of $3,855 was recognized in connection with the acquisition.

The purchase price was allocated as of April 30, 2020, the date of acquisition, as follows:

	US$	Amortization period
Cash and cash equivalents	$ 1,269	
Net assets acquired, excluding cash and cash equivalents, intangible assets and related deferred tax liabilities	(172,118)	
Intangible assets, net		
User base and customer relationships	7,576	2 years
Trade name and domain names	13,452	5 years
Others	3,044	1 year
Goodwill	168,233	
Deferred tax liabilities	(6,018)	
Noncontrolling interests	(1,146)	
Total purchase consideration	$ 14,292	

3. BUSINESS ACQUISITION – continued

Business acquisitions in fiscal year 2021–continued:

The purchase price allocation was determined by the Group with the assistance of an independent valuation appraiser. The fair value of the acquired intangible assets was measured by using the "multi-period excess earnings method (MEEM)", "relief from royalty" and "replacement cost" valuation methods. Goodwill resulted from the acquisition is not deductible for tax purposes, which was primarily attributable to intangible assets that cannot be recognized separately as identifiable assets under GAAP, and comprised (a) the assembled workforce and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition.

Other acquisition

During the year ended February 28, 2021, the Group made another acquisition with total purchase price of $2,936 in cash. The intangible assets acquired and goodwill resulted from the acquisition were $1,351 and $1,660, respectively. Goodwill resulted from the acquisition is not deductible for tax purposes.

The results of operations for all these acquired entities have been included in the Group's consolidated financial statements from their respective acquisition dates.

The following summarized unaudited pro forma results of operations for the years ended February 29, 2020 and February 28, 2021 assuming that these acquisitions during the year ended February 28, 2021 occurred as of March 1, 2019. 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, 2019, nor is it indicative of future operating results.

	For the years ended February 29/28	
	2020	2021
	(Unaudited)	(Unaudited)
Pro forma net revenues	$ 3,376,955	$ 4,516,022
Pro forma net loss attributable to TAL Education Group	$ (173,199)	$ (119,780)
Pro forma net loss per share - basic	$ (0.87)	$ (0.59)
Pro forma net loss per share - diluted	$ (0.87)	$ (0.59)

Business acquisitions in fiscal year 2020:

During the year ended February 29, 2020, the Group made two acquisitions with total purchase price of $2,853, all for cash consideration. The intangible assets and goodwill acquired from the acquisitions were $321 and $3,999, respectively. The acquired goodwill is not deductible for tax purposes.

The results of operations for all these acquired entities have been included in the Group's consolidated financial statements from their respective acquisition dates.

3. BUSINESS ACQUISITION – continued

Business acquisitions in fiscal year 2020–continued:

The following summarized unaudited pro forma results of operations for the years ended February 28, 2019 and February 29, 2020 assuming that these acquisitions during the year ended February 29, 2020 occurred as of March 1, 2018. 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, 2018, nor is it indicative of future operating results.

	For the years ended February 28/29	
	2019 (Unaudited)	2020 (Unaudited)
Pro forma net revenues	$ 2,563,413	$ 3,273,549
Pro forma net income/ (loss) attributable to TAL Education Group	$ 367,041	$ (110,263)
Pro forma net income/ (loss) per share - basic	$ 1.93	$ (0.56)
Pro forma net income/ (loss) per share - diluted	$ 1.83	$ (0.56)

Business acquisitions in fiscal year 2019:

Acquisition of Shanghai Xiaoxin Information and Technology Co., Ltd ("Shanghai Xiaoxin")

As of February 28, 2018, the Group held 39.7% equity interest in Shanghai Xiaoxin, which was accounted for as equity method investment. Shanghai Xiaoxin is an education technology company primarily engaged in the development of communication tools between teachers and students. On January 24, 2019, the Group increased its shareholding to 69.2% with additional cash consideration of $69,798 and obtained control of Shanghai Xiaoxin.

The purchase price consisted of the following:

	US$
Cash consideration	$ 69,798
Fair value of the previously held 39.7% equity interest:	
Carrying amount	2,035
Gain on remeasurement of fair value as of acquisition date	26,291
Total	$ 98,124

3. BUSINESS ACQUISITION – continued

Business acquisitions in fiscal year 2019 – continued:

The acquisition was recorded using the acquisition method of accounting. Accordingly, the acquired assets and liabilities were recorded at fair value at the date of acquisition. The acquisition-date fair value of the equity interest held by the Group immediately prior to the acquisition was measured at fair value using the discounted cash flow method and taking into account certain factors including the management projection of discounted future cash flow and an appropriate discount rate.

The purchase price was allocated as of January 24, 2019, the date of acquisition, as follows:

	US$	Amortization period
Cash and cash equivalents	$ 11,310	
Net assets acquired, excluding cash and cash equivalents, intangible assets and related deferred tax liabilities	19,860	
Intangible assets		
User base	8,152	7 years
Technology	1,283	5 years
Goodwill	89,536	
Deferred tax liabilities	(2,359)	
Noncontrolling interests	(29,658)	
Total purchase consideration	$ 98,124	

The purchase price allocation, as disclosed, was determined by the Group with the assistance of an independent valuation appraiser. The fair value of the purchased intangible assets was measured by using the “replacement cost” and “relief from royalty” valuation methods. The acquired goodwill is not deductible for tax purposes. The goodwill was primarily attributable to intangible assets that cannot be recognized separately as identifiable assets under GAAP, and comprise (a) the assembled workforce and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition.

Other acquisitions

During the year ended February 28, 2019, the Group made several other acquisitions with total purchase price of $54,289, including cash consideration of $44,356, stock consideration valued at $3,703 and previously held equity interests in the investees at fair value of $6,230. $1,726 of the stock consideration had been settled through the issuance of 20,502 Class A common shares in fiscal year 2019 and the remaining $1,977 stock consideration was recorded as Class A common shares issuable as of February 28, 2019. The intangible assets and goodwill acquired from the acquisitions were $11,943 and $40,238, respectively. The acquired goodwill is not deductible for tax purposes.

The results of operations for all these acquired entities have been included in the Group’s consolidated financial statements from their respective acquisition dates.

3. BUSINESS ACQUISITION - continued

Business acquisitions in fiscal year 2019–continued:

The following summarized unaudited pro forma results of operations for the years ended February 28, 2019 and February 29, 2020 assuming that these acquisitions during the year ended February 28, 2019 occurred as of March 1, 2017. 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, 2017, nor is it indicative of future operating results.

	For the years ended February 28,	
	2018	2019
	(Unaudited)	(Unaudited)
Pro forma net revenues	$ 1,725,115	$ 2,570,616
Pro forma net income attributable to TAL Education Group	$ 187,607	$ 357,886
Pro forma net income per share - basic	$ 1.07	$ 1.88
Pro forma net income per share - diluted	$ 0.98	$ 1.79

4. SHORT-TERM INVESTMENTS

Short-term investments consisted of the following:

	As of February 29, 2020	As of February 28, 2021
Held-to-maturity investments [1]	$ 345,457	$ 1,927,862
Variable-rate financial instruments [2]	—	457,723
Available-for-sale securities [3]	—	308,970
	$ 345,457	$ 2,694,555

(1) The Group purchased wealth management products from financial institutions and classified them as held-to-maturity investments as the Group has the positive intent and ability to hold the investments to maturity. The maturities of these financial products range from three months to twelve months. The Group estimated that their fair value approximate their amortized costs.

(2) The Group purchased several investment products indexed to certain stock, stock market or foreign exchange with maturities less than one year. The Group accounted for them at fair value and recognized a loss of $450 resulting from changes in fair value for the year ended February 28, 2021.

(3) The short-term available-for-sale securities include wealth management products issued by commercial banks and other financial institutions with variable rates where principal is unsecured but no restriction on withdrawal. The Group accounted for them at fair value and recognized a fair value decrease of $1,032 through other comprehensive income / (loss) for the year ended February 28, 2021.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As of February 29, 2020	As of February 28, 2021
Accounts receivables	$ 42,654	$ 25,907
Prepayments to suppliers (1)	55,342	198,452
Interest receivable	22,108	44,614
Staff advances (2)	3,206	3,175
Loan to employees, current portion (3)	4,413	2,862
Other deposits	7,550	8,039
Prepaid VAT	6,284	33,656
Prepaid rental and related fee (4)	7,335	8,057
Receivables from investees (5)	13,304	—
Loans to third-parties (6)	5,883	5,472
Receivables of withholding tax for employees related to share incentive plan (7)	34,720	61,526
Others	4,553	11,350
	$ 207,352	$ 403,110

(1) Prepayments to suppliers are primarily for advertising fees and other prepaid operating expenses.

(2) Staff advances are provided to employees primarily for traveling, office expenses and other expenditures which are subsequently expensed as incurred.

(3) The Group offers housing benefit plan to employees who have been employed by the Group for three years or more and met certain performance criteria. Under this benefit plan, the eligible employees receive interest-free loans for purposes of property purchases. Each loan has a term of four years and must be repaid by equal annual installments.

(4) The Group adopted ASC 842 on March 1, 2019, using the modified retrospective transition approach allowed under ASU 2018-11 as described in Note 2. After the adoption of ASC 842, the prepaid rental are included in the Group's operating lease right-of-use assets on its consolidated balance except for the prepaid rental related to the contract that has been entered into but not yet commenced.

(5) In fiscal year 2020, two domestic investees of the Group initiated setting up their VIEs which is a process of re-organization under common control. The original investment amount would be returned from PRC investees and the same amount has already been reinvested to the overseas holding companies of the two investees. The Group received the repayments from the investees in fiscal year 2021.

(6) Loans to third-parties are generally mature in less than one year, and certain loan was guaranteed by the borrower's equity interests.

(7) The Group pays for withholding tax on behalf of employees when their non-vested shares were vested or their options were exercised and agreed to repay the tax by deduction from the proceeds of shares sold subsequent to the option exercise through the Group's broker. The receivable represents cash to be received from the broker to the above transaction.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following:

	As of February 29, 2020	As of February 28, 2021
Building	$ 59,489	$ 64,246
Leasehold improvement	316,528	446,203
Computer, network equipment and software	178,876	260,265
Vehicles	704	877
Office equipment and furniture	30,596	34,571
Construction in progress	16,025	59,492
Total cost of property and equipment	602,218	865,654
Less: accumulated depreciation	(235,562)	(354,239)
	$ 366,656	$ 511,415

For the years ended February 28, 2019, February 29, 2020 and February 28, 2021, depreciation expenses were $76,669, $99,511 and $136,960, respectively.

In December 2019, the Group entered into contracts for the development of office space on parcels in Beijing and Jiangsu. The direct costs related to the construction were capitalized as construction in progress for the years ended February 29, 2020 and February 28, 2021.

7. INTANGIBLE ASSETS, NET

Intangible assets, net, consisted of the following:

	As of February 29, 2020	As of February 28, 2021
Trade name and domain names	$ 27,982	$ 41,707
User base and customer relationships	24,803	32,378
Licenses	28,476	28,796
Technology	13,230	14,308
Copyrights and teaching materials	5,974	6,026
Partnership agreements and school cooperation agreements	4,858	4,858
Others	2,687	5,655
Total cost of intangible assets	108,010	133,728
Less: accumulated amortization	(45,930)	(70,012)
Less: accumulated impairment loss	(358)	(358)
Add: foreign exchange difference	(2,737)	2,683
	$ 58,985	$ 66,041

The Group recorded amortization expense of $12,166, $15,677 and $24,030 for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

Estimated amortization expense of the existing intangible assets for the next five years is $20,837, $14,543, $11,110, $9,431 and $6,324, respectively.

The impairment loss on acquired intangible assets was nil, nil and $136 for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

8. LAND USE RIGHTS, NET

Land use rights, net, consisted of the following:

	As of February 29, 2020	As of February 28, 2021
Land use rights	$ 207,657	$ 207,657
Less: accumulated amortization	(2,804)	(7,149)
Add: foreign exchange difference	—	16,194
Land use rights, net	$ 204,853	$ 216,702

The Group acquired two land use rights. The first one was at total cost of approximately RMB92 million for approximately 83,025 square meters of land in Zhenjiang, Jiangsu on March 19, 2019, for the development of office space. The second one was acquired at RMB1,360 million for approximately 28,600 square meters of land in Beijing on July 8, 2019, for the development of office space.

According to land use right policy in the PRC, the Group has a 50-year use right over the land in Zhenjiang and in Beijing, which is used as the basis for amortization.

Amortization expense for land use rights for the year ended February 29, 2020 and February 28, 2021, were $2,804 and $4,345, respectively. The Group expects to recognize $4,531 in amortization expense for each of the next five years and $194,047 thereafter.

9. GOODWILL

Changes in the carrying amount of goodwill for the years ended February 29, 2020 and February 28, 2021 consisted of the following:

	As of February 29, 2020	As of February 28, 2021
Beginning balance	$ 415,752	$ 409,435
Addition (Note 3)	3,999	169,893
Accumulated impairment loss	(30,522)	(137,921)
Disposal and write-off	—	(2,652)
Exchange difference	(10,316)	15,658
Goodwill, net	$ 378,913	$ 454,413

In the annual goodwill impairment assessment, the Group concluded that the carrying amounts of certain reporting units exceeded their respective fair values and recorded impairment losses of nil, $28,998 and $107,399 for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively. The fair value of the reporting units was determined by the Group with the assistance of independent valuation appraisers using the income-based valuation methodology.

As of February 28, 2021, the amount of goodwill allocated to one reporting unit with negative carrying amount was $168,233.

10. LONG-TERM INVESTMENTS

Long-term investments consisted of the following:

	As of February 29, 2020	As of February 28, 2021
Equity securities with readily determinable fair values		
BabyTree Inc. ("BabyTree") (1)	26,696	23,467
Equity securities without readily determinable fair values		
Xiamen Meiyou Information and Technology Co., Ltd. ("Xiamen Meiyou") (2)	47,068	50,832
Other investments (3)	84,681	91,145
Equity method investments		
Long-term investment in third-party technology companies (4)	102,314	100,018
Fair value option investment		
Long-term investment in a third-party technology company	7,258	7,661
Available-for-sale investments		
Changing Education Inc. ("Changing") (5)	148,405	148,955
Ximalaya Inc. ("Ximalaya") (6)	46,612	59,326
Other investments (7)	108,567	153,507
Held-to-maturity investments (8)	—	32,725
Total	$ 571,601	$ 667,636

(1) In January 2014, the Group acquired minority equity interests in BabyTree by purchasing its Series E convertible redeemable preferred shares with a total cash consideration of $23,475. BabyTree is an online parenting community and an online retailer of maternity and kids products.

In fiscal year 2019, the Group recognized disposal gain of $760, due to the partial disposal of the equity interest in BabyTree Inc. to a related party.

10. LONG-TERM INVESTMENTS – continued

On November 27, 2018, BabyTree was listed on the Hong Kong Stock Exchange and its preferred shares were converted to ordinary shares upon the completion of the listing. The investment was then reclassified from available-for-sale investment to equity security with readily determinable fair value upon the listing. Accordingly, $95,491 fair value changes of the investment was transferred from accumulated other comprehensive income to other income in the consolidated statements of operations in fiscal year ended February 28, 2019.

In fiscal year 2020 and 2021, the stock price of BabyTree declined, and accordingly the Group recognized loss of $105,447 and $3,229, respectively, due to the fair value change.

(2) In December 2018, the Group acquired 15.32% equity interest in Xiamen Meiyou, an internet company focusing on providing services to female clients. Since June 2019, the investment was reclassified from equity method to equity investment without readily determinable fair value as the Group lost the ability to exercise significant influence due to the restructured capital of Xiamen Meiyou. As of February 28, 2021, no impairment loss was recorded in regard to the investment.

(3) The Group holds equity interests in certain third-party private companies through investments in their common shares or in-substance common shares, which were accounted for using the cost method prior to the adoption of ASC 321. After the adoption of ASC 321, the Group accounted for these equity investments using the measurement alternative when equity method is not applicable and there is no readily determinable fair value for the investments. The Group recorded $14,489, $3,444 and $3,063 impairment loss on these investments during the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively. For equity securities without readily determinable fair value that qualify for the practical expedient to estimate fair value using net asset value per share, the Group estimates the fair value using net asset value per share and recorded fair value gain of $1,751, $1,165 and $7,588 to the consolidated statements of operations for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

(4) The Group holds minority equity interests in several third-party private companies through investments in their common shares or in-substance common shares. Majority of the long-term investments are companies which engage in online education services. The Group accounts for these investments under the equity method because the Group has the ability to exercise significant influence but does not have control over the investees.

The Group recorded $8,719, $17,198 and $11,471 impairment loss for its equity method investments during the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

(5) In fiscal year 2016 through 2020, the Group acquired Series B+, Series C, Series D and Series E convertible redeemable preferred shares of Changing which operates a customer-to-customer mobile tutoring platform and provides tutoring services in China. As of February 28, 2021, the Group held 34.55% equity interest of Changing. The Group accounted for the investment as available-for-sale investments since the investee’s preferred shares held are determined to be debt securities.

10. LONG-TERM INVESTMENTS – continued

(6) In fiscal year 2017 and 2020, the Group completed two transactions with Ximalaya, a professional audio sharing platform, to acquire its Series C+ and E-2 convertible redeemable preferred shares. As of February 28, 2021, the Group held 1.69% equity interest of Ximalaya, and accounted for the investment as available-for-sale investments since the investee's preferred shares held are determined to be debt securities.

(7) The Group acquired minority equity interest in several third-party private companies, the majority of which are engaged in online platform or online education services. The Group holds minority equity interests of these companies through purchasing their convertible redeemable preferred shares. The Group accounted for these investments as available-for-sale investments since the investee's preferred shares held are determined to be debt securities. The Group recorded $34,883, $2,137 and $10,029 impairment loss during the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

(8) The Group purchased wealth management products from financial institutions in China and classified them as held-to-maturity investments as the Group has the positive intent and ability to hold the investments to maturity. The original maturities of these financial products were two years and recorded at amortized cost. The Group estimated that their fair value approximate their carrying amount.

11. LONG-TERM PREPAYMENTS AND OTHER NON-CURRENT ASSETS

Long-term prepayments and other non-current assets consisted of the following:

	As of February 29, 2020	As of February 28, 2021
Long-term prepayments [1]	$ 36,989	$ 154
Loan to employees [2]	3,940	3,700
Loan receivable [3]	32,661	36,012
Other non-current assets [4]	11,685	17,828
	$ 85,275	$ 57,694

(1) The balances at February 29, 2020 and February 28, 2021 represented the Group's prepayments to acquire equity interests in third-party companies.

(2) Please see Note 5(3) for details of loan to employees.

11. LONG-TERM PREPAYMENTS AND OTHER NON-CURRENT ASSETS – continued

(3) The balances represented long-term loans to certain third parties with original maturity over one year. Accumulated interest income of $5,368 and $8,010 was accrued as of February 29, 2020 and February 28, 2021, respectively. The interest will be due, together with the principals, at maturity. The third parties pledged their equity interests in other companies to the Group to guarantee the loan principals and interests.

(4) As of February 29, 2020 and February 28, 2021, other non-current assets were primarily made up of prepayment for property and equipment, the construction in process and long-term service fees.

The Group recognized nil, nil and $30,724 impairment loss of long-term prepayments and other non-current assets during the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	As of February 29, 2020	As of February 28, 2021
Accrued employee payroll and welfare benefits	$ 292,001	$ 476,224
Refund liabilities	168,118	205,688
Accrued operating expenses	40,323	142,558
Other taxes payable	7,826	28,143
Payable for investments and acquisitions	404	312
Professional service fee payable	13,994	8,716
Payable for acquisitions of intangible assets	1,436	866
Interest payable	1,267	1,727
Others	27,281	47,049
Total	$ 552,650	$ 911,283

13. BOND PAYABLE

On January 28 and 29, 2021, the Company issued $1,250,000 and $1,050,000 in aggregate principal amount of convertible bond due on February 1, 2026 (“the Bond”), unless earlier repurchased, converted or redeemed. The Bond bears interest at a rate of 0.5% per year, payable semiannually in arrears on February 1 and August 1 of each year, beginning on August 1, 2021.

The net proceeds from the Bond were $2,300,000. The Company has accounted for the Bond as a single instrument as bond payable. The value of the Bond is measured by the cash received. Interest expense of $1,039 were recognized for the year ended February 28, 2021.

The main terms of the Bond are summarized as follows:

Conversion

The Bond are convertible into the Company’s ADSs, at the option of the holders, in integral multiples of one thousand dollars principal amount, at any time prior to the close of business on the scheduled trading day immediately preceding the maturity date. The conversion rate equals 12.4611 ADSs per one thousand dollars principal amount of the Bond, which represents the adjusted conversion price of $80.25 per ADS. During the year ended February 28, 2021, no bond was converted.

Redemption

The Company does not have the right to redeem the Bond prior to maturity. Holders of the Bond have the right to require the Company to repurchase in cash all or part of their Bond on February 1, 2026 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.

14. LONG-TERM DEBT AND SHORT-TERM DEBT

Facilities Agreement of 2019

On February 1, 2019, the Company entered into a three-year $600,000 term and revolving facilities agreement (the “Facilities Agreement of 2019”) with a group of arrangers led by Deutsche Bank AG, Singapore Branch. The facilities, a $270,000 three-year bullet maturity term loan and a $330,000 three-year revolving facility, are priced at 175 basis points over LIBOR. The interest is payable on a quarterly basis. The Company also paid commitment fee of 0.35% per annum based on the undrawn portion of the facilities for the period commencing on the commitment fee accrual commencement date to the end of the availability period applicable to the facilities. The use of proceeds of the facilities are for general corporate purposes.

The Facilities Agreement of 2019 contains financial covenants on the Group’s equity, interest cover and leverage, and also it has acceleration clauses about the occurrence of an event of default. The Company is required to maintain restricted cash equivalent to a three-month period of interest expense on the draw down for the duration of the Facilities Agreement of 2019.

14. LONG-TERM DEBT AND SHORT-TERM DEBT - continued

Facilities Agreement of 2019 - continued

The debt issuance cost of $12,600 for the Facilities Agreement of 2019 was amortized over the period from February 1, 2019 to January 31, 2022, and it was presented in the balance sheets as a direct deduction from the principal amount of the loan.

In October 2019, the Company drew down $270,000 three-year bullet maturity term loan under the facility commitment. On February 20, 2021, the Company issued voluntary repayment request to fully repay the outstanding bullet maturity term loan and interest payment on March 8, 2021. As a result, the term loan was reclassified from long-term debt to short-term loan as of February 28, 2021 and the remaining unamortized debt issuance cost was recorded as interest expense in the consolidated statements of operations for the year ended February 28, 2021. Concurrently, the Company issued commitment cancellation request to terminate revolving loan commitment of $330,000 effective on March 8, 2021.

Facilities Agreement of Zhenjiang

In December 2019, the Group signed a RMB1,800 million loan facilities agreement with a group of arrangers led by a PRC bank. The facilities have a term of eight years and an effective drawdown period of three years. The interest rate is prime minus 39 basis points where prime is based on Loan Prime Rate released by the National Inter-Bank Funding Center of the PRC. The interest is payable on a quarterly basis. The principal of the loan facilities is to be repaid on a proportional basis semiannually after the 3-year drawdown period. The use of proceeds of the facilities are for the construction of buildings in the city of Zhenjiang. The loan facilities are collateralized by a pledge of the construction project and the land use rights in Zhenjiang.

As of February 28, 2021, the Group had not made any draw down of the loan under the facilities agreement.

15. FAIR VALUE

(a) ***Assets and liabilities measured at fair value on a recurring basis***

In accordance with ASC 820-10, the Group measures financial products, available-for-sale investments, fair value option investment and equity securities with readily determinable fair value at fair value on a recurring basis. Equity securities classified within Level 1 are valued using quoted market prices currently available on the Hong Kong Stock Exchange. Variable-rate financial instruments and available-for-sale investments classified within Level 2 are valued using directly or indirectly observable inputs in the market place. The available-for-sale investments and fair value option investment classified within Level 3 are valued using income approach in discounted cash flow method or market approach in backsolve method. The discounted cash flow analysis and backsolve method require the use of significant unobservable inputs (Level 3 inputs) which involve significant management judgment and estimation. In the valuation of Level 3 financial instruments as of February 28, 2021, the weighted average cost of capital adopted ranges from 18% to 24% with weighted average at 22%, the discount for lack of marketability adopted ranges from 15% to 30% with weighted average at 25%, and the expected volatilities adopted ranges from 46% to 71% with weighted average at 61%.

15. FAIR VALUE – continued

(a) ***Assets and liabilities measured at fair value on a recurring basis – continued***

As of February 29, 2020 and February 28, 2021, information about inputs for the fair value measurements of the Group's assets that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

		Fair Value Measurement at Reporting Date Using		
Description	**February 29, 2020**	**Quoted Prices in Active Market for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Long-term investments				
Equity securities with readily determinable fair values	$ 26,696	$ 26,696	—	—
Fair value option investment	$ 7,258	—	—	$ 7,258
Available-for-sale investments	$ 303,584	—	—	$ 303,584
Total	$ 337,538	$ 26,696	—	$ 310,842

		Fair Value Measurement at Reporting Date Using		
Description	**February 28, 2021**	**Quoted Prices in Active Market for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Short-term investments				
Variable-rate financial instruments	$ 457,723	—	$ 457,723	—
Available-for-sale investments	$ 308,970	—	$ 308,970	—
Long-term investments				
Equity securities with readily determinable fair values	$ 23,467	$ 23,467	—	—
Fair value option investment	$ 7,661	—	—	$ 7,661
Available-for-sale investments	$ 361,788	—	—	$ 361,788
Total	$ 1,159,609	$ 23,467	$ 766,693	$ 369,449

15. FAIR VALUE - continued

(a) ***Assets and liabilities measured at fair value on a recurring basis-continued***

The roll forward of Level 3 investments are as following:

	US$
Balance as of February 28, 2019	$ 353,669
Purchase	95,269
Disposal	(1,512)
Changes in fair value	(45)
Impairment loss	(133,329)
Foreign exchange difference	(3,210)
Balance as of February 29, 2020	$ 310,842
Purchase	20,349
Transfer in due to reclassification	22,579
Changes in fair value	19,145
Impairment loss	(10,029)
Foreign exchange difference	6,563
Balance as of February 28, 2021	$ 369,449

(b) ***Assets and liabilities measured at fair value on a nonrecurring basis***

The Group's goodwill and intangible assets are primarily acquired through business acquisitions. Purchase price allocation are measured at fair value on a nonrecurring basis as of the acquisition dates. The Group measures its goodwill and intangible assets at fair value on a nonrecurring basis annually or whenever events or changes in circumstances indicate that carrying amount of a reporting unit exceeds its fair value. Acquired intangible assets are measured using the income approach - discounted cash flow method when events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable.

The Group measures long-term investments (excluding the equity securities with readily determinable fair values, available-for-sale investments and fair value option investment) at fair value on a nonrecurring basis only if an impairment or observable price adjustment is recognized in the current period. Please see Note 10(2), Note 10(3) and Note 10(4).

For equity securities without readily determinable fair values, the fair value was determined using directly or indirectly observable inputs in the market place (Level 2 inputs). Whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable, the fair value of aforementioned long term investments was determined using models with significant unobservable inputs (Level 3 inputs), primarily the management projection of discounted future cash flow and the discount rate.

16. LEASES

The Group has operating leases for learning centers, service centers and office spaces. Certain leases include renewal options and/or termination options, which are factored into the Group's determination of lease payments when appropriate.

Operating lease cost for the year ended February 29, 2020 and February 28, 2021 were $338,593 and $431,976, respectively, which excluded cost of short-term contracts. Short-term lease cost for the year ended February 29, 2020 and February 28, 2021 were $1,184 and $1,319, respectively.

As of February 29, 2020 and February 28, 2021, the weighted average remaining lease term were 4.9 years and 4.9 years, respectively, and weighted average discount rate were 4.8% and 4.8% for the Group's operating leases, respectively.

Supplemental cash flow information of the leases were as follows:

	For the year ended, February 29, 2020	For the year ended, February 28, 2021
Cash payments for operating leases	$ 314,099	$ 419,926
Right-of-use assets obtained in exchange for operating lease liabilities	770,942	929,787

The following is a maturity analysis of the annual undiscounted cash flows for lease liabilities as of February 28, 2021:

Fiscal year ending	As of February 28, 2021
February 2022	$ 419,504
February 2023	417,734
February 2024	351,370
February 2025	269,895
February 2026	192,374
Thereafter	235,810
Total future lease payments	$ 1,886,687
Less: Imputed interest	(310,452)
Present value of operating lease liabilities	$ 1,576,235

As of February 28, 2021, the Group has lease contract that has been entered into but not yet commenced amounted to $38,793, and these contracts will commence during fiscal year 2022.

17. INCOME TAXES

Cayman Islands

The Company and Firstleap are tax-exempted companies incorporated in the Cayman Islands.

Hong Kong

TAL Hong Kong and Firstleap Hong Kong were established in Hong Kong and have been subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since April 1, 2018. The first 2 million Hong Kong dollars of profits earned by a company are subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate of 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, 2019, February 29, 2020 and February 28, 2021.

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 of a unified tax rate of 25% for most enterprises with the following exceptions.

TAL Beijing was qualified as a High and New Technology Enterprises ("HNTE") and was accordingly entitled to a preferential tax rate of 15% from calendar years 2014 through 2022 and is expected to be subject to an EIT rate of 15% as long as it maintains its status as an HNTE. TAL Beijing applied for Key Software Enterprise status for calendar year 2018 and 2019 and was approved which entitled TAL Beijing to enjoy the preferential tax rate of 10%. For calendar year 2020, TAL Beijing applied for the qualification of Key Software Enterprise to enjoy the preferential tax rate of 10%, which is still subject to the review by the government authorities. Accordingly, TAL Beijing applied 15% for fiscal year 2021 as an HNTE.

17. INCOME TAXES - continued

PRC - continued

Yidu Huida was qualified as an HNTE and was accordingly entitled to a preferential tax rate of 15% from calendar years 2015 through 2020 and is expected to be subject to an EIT rate of 15% as long as it maintains its status as an HNTE. Yidu Huida applied for Key Software Enterprise status for calendar year 2016, 2017, 2018 and 2019 and was approved respectively, which entitled Yidu Huida to enjoy the preferential tax rate of 10%. For calendar year 2020, Yidu Huida applied for Key Software Enterprise status to qualify for preferential tax rate of 10%, which is still subject to the review by the government authorities. Accordingly, Yidu Huida applied 10% for calendar year 2016 to 2019 under the qualification of Key Software Enterprise and 15% for fiscal year 2021 as an HNTE.

Beijing Xintang Sichuang applied and was qualified as an HNTE where EIT rate of 15% would be applied for calendar years 2018 through 2022. Beijing Xintang Sichuang later applied and was qualified for Key Software Enterprise status for calendar year 2018 and 2019 and entitled to enjoy the preferential tax rate of 10%. For calendar year 2020, Xintang Sichuang applied for Key Software Enterprise which is still subject to the review by the government authorities. Accordingly, Beijing Xintang Sichuang applied 15% for fiscal year 2021 as an HNTE.

Beijing Yinghe Youshi Technology Co., Ltd. ("Yinghe Youshi") was also qualified as an HNTE and was accordingly entitled to a preferential tax rate of 15% from calendar years 2016 through 2021. It is expected to be subject to an EIT rate of 15% as long as it maintains its status as an HNTE.

Yizhen Xuesi was qualified as "Newly Established Software Enterprise" in calendar year 2017 and therefore it was entitled to a two-year exemption from EIT and a further reduction of tax rate to 12.5% from calendar years 2019 through 2021.

Beijing Lebai Information Consulting Co., Ltd. ("Lebai Information") was qualified as "Newly Established Software Enterprise" in calendar year 2018 and therefore it was entitled to a two-year exemption from EIT and a further reduction of tax rate to 12.5% from calendar years 2020 through 2022.

Provision (benefits) for income tax consisted of the following:

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Current			
- PRC income tax expenses	$ 94,722	$ 127,731	$ 161,488
Deferred			
- PRC income tax expenses	(18,218)	(58,403)	(231,385)
Total	$ 76,504	$ 69,328	$ (69,897)

17. INCOME TAXES – continued

PRC - 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 29, 2020	As of February 28, 2021
Deferred tax assets:		
Advertising expense and prepaid rental	50,187	229,735
Property and equipment	2,576	6,923
Impairment loss on long-term investments	4,559	19,870
Others	19,526	61,482
Tax losses carry-forward	84,007	185,700
Less: valuation allowance	(81,321)	(186,521)
Deferred tax assets, net	$ 79,534	$ 317,189
Deferred tax liabilities:		
Intangible assets	6,984	10,207
Property and equipment	805	126
Deferred tax liabilities	$ 7,789	$ 10,333

As of February 28, 2021, the Group had operating loss carry-forward of $752,251 from entities in PRC to offset the future tax profit for five years, and the period was extended to ten years for entities qualified as HNTE in calendar year 2020 and thereafter. The Company operates its business through its subsidiaries, its VIEs and VIEs' 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. Valuation allowance of $81,321 and $186,521 had been established as of February 29, 2020 and February 28, 2021, respectively, 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 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.

17. INCOME TAXES – continued

PRC - continued

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, 2019, February 29, 2020 and February 28, 2021. The Group did not incur any significant interest and penalties related to potential underpaid income tax expenses and also does not anticipate any significant increases or decreases in unrecognized tax benefits in the next 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 RMB0.1 million is specifically listed as a "special circumstance"). The statute of limitation for transfer pricing related issue is ten years. There is no statute of limitation in the case of tax evasion. Therefore, the Group 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 2019, 2020 and 2021 to income before provision for income tax and the actual provision for income tax was as follows:

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Income/(loss) before provision for income tax	$ 457,204	$ (50,653)	$ (224,623)
PRC statutory income tax rate	25 %	25 %	25 %
Income tax at statutory income tax rate	114,301	(12,663)	(56,156)
Effect of non-deductible expenses and loss and super deduction expenses	(6,252)	(18,117)	2,466
Effect of income tax exemptions and preferential tax rates	(45,625)	(36,750)	(98,368)
Effect of income tax rate difference in other jurisdictions	5,214	97,058	60,806
Change in valuation allowance	8,866	39,800	21,355
Income tax expense / (benefit)	$ 76,504	$ 69,328	$ (69,897)

17. INCOME TAXES – continued

PRC - continued

If Yidu Huida, TAL Beijing, Beijing Xintang Sichuang, Yinghe Youshi, Lebai Information and Yizhen Xuesi did not enjoy income tax exemptions and preferential tax rates for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, the increase in income tax expenses and net income/(loss) per share amounts would be as follows:

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Increase in income tax expenses	$ 45,625	$ 36,750	$ 98,368
Net income / (loss) per common share-basic	$ 1.69	$ (0.74)	$ (1.05)
Net income / (loss) per common share-diluted	$ 1.61	$ (0.74)	$ (1.05)

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 PRC 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 which is 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 $1,807,724 and $2,583,994 as of February 29, 2020 and February 28, 2021, 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.

18. COMMON SHARES

The Company 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 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.

During the years ended February 28, 2019, February 29, 2020 and February 28, 2021, nil, 3,614,796 and 2,000 Class B common shares were converted into nil, 3,614,796 and 2,000 Class A common shares, respectively.

During the years ended February 28, 2019, February 29, 2020 and February 28, 2021, 2,073,711, 2,239,239 and 2,240,585 Class A common shares were issued in connection with vested shares, representing 6,221,133, 6,717,717 and 6,721,755 ADSs, respectively.

During the years ended February 28, 2019, February 29, 2020 and February 28, 2021, 232,024, 114,793 and 359,178 Class A common shares were issued upon exercise of share options, representing 696,072, 344,379 and 1,077,534 ADSs, respectively.

During the years ended February 28, 2019, February 29, 2020 and February 28, 2021, 20,502, 24,702 and nil Class A common shares were issued as consideration for the business acquisitions, respectively.

On April 28, 2020, the Company authorized the repurchase of up to $500 million of Class A common shares over the following 12 months. During the year ended February 28, 2021, the Company repurchased 61,667 Class A common shares at an aggregate consideration of US$9,852. Such common shares were cancelled upon the completion of the transaction.

During the years ended February 28, 2019, February 29, 2020 and February 28, 2021, 443,091, 401,074 and nil Class A common shares issued to bond holders were converted into 1,329,273, 1,203,222 and nil ADSs, respectively.

On February 18, 2019, the Company entered into a subscription agreement with a long-term equity investment firm, pursuant to which the Company issued 5,329,922 Class A common shares to the investment firm in a private placement for aggregate proceeds of $500,000 which was received on February 25, 2019. On November 12, 2020, the Company entered into a subscription agreement with a global growth investment firm, pursuant to which the Company issued 7,575,756 Class A common shares to the investment firm in a private placement for aggregate proceeds of $1,500,000 which was received on November 20, 2020.On December 28, 2020, the Company entered into a subscription agreement with a group of investors, pursuant to which the Company issued 4,984,051 Class A common shares to the investors in a private placement for aggregate proceeds of $1,000,000 which were received by January 22, 2021.

19. NET INCOME / (LOSS) PER SHARE

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Numerator:			
Net income/(loss) attributable to TAL Education Group's shareholders	$ 367,236	$ (110,195)	$ (115,990)
Eliminate the dilutive effect of interest expense of the bond payable (i)	162	—	—
Numerator used for calculation of diluted net income/(loss) per share	$ 367,398	$ (110,195)	$ (115,990)
Denominator:			
Weighted average shares outstanding			
Basic	189,951,643	198,184,370	203,603,391
Effect of dilutive securities:			
Dilutive effect of non-vested shares and options (ii)	9,689,955	—	—
Dilutive effect of the bond payable (i)	583,336	—	—
Denominator for diluted net income/(loss) per share	200,224,934	198,184,370	203,603,391
Net income/(loss) per common share attributable to TAL Education Group's shareholders-basic (iii)	$ 1.93	$ (0.56)	$ (0.57)
Net income/(loss) per common share attributable to TAL Education Group's shareholders-diluted	$ 1.83	$ (0.56)	$ (0.57)

(i) The effect of convertible bond, including interest expense and potential converted shares, were excluded from the computation of diluted net loss per share for the years ended February 29, 2020 and February 28, 2021, as its effect would be anti-dilutive.

(ii) For the years ended February 28, 2019, 2,559,254 non-vested shares and share options were excluded from the calculation, as their effect was anti-dilutive. For the year ended February 29, 2020 and February 28, 2021, 11,319,817 and 9,479,522 potential shares outstanding due to non-vested shares and share options were excluded from the calculation due to their anti-dilutive effect resulted from net loss reported in fiscal year 2020 and fiscal year 2021, respectively.

(iii) 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.

20. RELATED PARTY TRANSACTIONS

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

Balances:

	As of February 29, 2020	As of February 28, 2021
Amounts due from related parties-current [(i)]	$ 3,642	$ 2,964
Amounts due to related parties-current [(ii)]	$ 4,361	$ 3,488

Transactions:

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Services fees	$ 1,888	$ 6,350	$ 3,745
Other revenue	$ 1,374	$ 4,113	$ 1,680
Purchase of equipment	$ 1,068	$ 120	$ 804
Disposal gain [(iii)]	$ 760	$ —	—

(i) The amounts due from related parties represent loans and prepayments to certain investees for service fees.

In fiscal year 2020 and fiscal year 2021, the Group recorded $33,184 and $16,087 impairment loss on the amounts due from related parties, substantially all of which were provided during the year ended February 29, 2020 and the year ended February 28, 2021, respectively.

(ii) The amounts due to related parties primarily related to service fees payable to related parties.

(iii) As disclosed in Note 10(1), in fiscal year 2019, the Group disposed certain equity interests in BabyTree to a related party and recognized disposal gains of $760.

21. COMMITMENTS AND CONTINGENCIES

Capital commitment

The Group had outstanding capital commitments mainly relating to capital expenditures of office space construction in Beijing and Jiangsu. As of February 28, 2021, the payment due within one year was $306,691 and $196,108 thereafter.

Lease property management fee commitment

Future minimum payments under non-cancelable agreements for property management fees as of February 28, 2021 were as follows:

Fiscal year ending	
February 2022	$ 30,372
February 2023	30,541
February 2024	24,966
February 2025	18,301
February 2026	11,893
Thereafter	18,664
Total	$ 134,737

Investment commitment

The Group was obligated to pay $12,895 for several long-term investments under various arrangements as of February 28, 2021 with payment due within two years.

Contingencies

As of February 28, 2021, the Group remains in the process of preparing filings and applying for permits of certain learning centers. The Group cannot reasonably estimate the contingent liability of without the filling of the permit; no liabilities is recorded as of February 28, 2021.

During June and July 2018, two putative shareholder class action lawsuits were filed against the Company and certain officers of the Company in the U.S. District Court for the Southern District of New York (“the Court”). These class actions seek to recover damages caused by the Company’s violations of the federal securities laws and pursue remedies under the Securities Exchange Act of 1934 and Rule 10b-5. In September 2018, the Court consolidated the two lawsuits as one case. In November 2020, the Second Circuit reversed and remanded the case to the District Court for further proceedings. On April 26, 2021, the Company and the plaintiffs submitted a joint letter to the Court stating that the parties reached an agreement in principle to settle all claims, subject to, among other items, definitive documentation and the Court’s approval.

The SEC’s Division of Enforcement has requested the Company to provide information relating to certain transactions discussed in a report issued by Muddy Waters Capital LLC in 2018, the Company’s internal review status report, as well as information regarding issues related to the “Light Class” business as Company announced in April 2020.

Based on the current progress and information available, the Company does not believe it has sound basis to develop possible outcome of the class action lawsuits and the SEC’s inquiries as well as the contingent losses it may incur. Therefore, no accrual for contingency loss was recognized in the consolidated statements of operations.

From time to time, the Group may be subject to other legal proceedings and claims incidental to the conduct of its business. The Group accrues the liability when the loss is probable and reasonably estimable.

22. 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. The CODM currently regularly reviews the consolidated financial results of the Group. Therefore, the Group has one single operating and reportable segment. Substantially all of the Group's long-lived assets are located in the PRC and substantially all of the Group's revenues are derived from PRC.

23. 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 $173,050, $220,366 and $289,416 for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

24. 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 29, 2020 and February 28, 2021, the Group made apportions of $2,709 and $1,721 to the statutory surplus reserve, respectively, and $21,313 and $36,852 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 29, 2020 and February 28, 2021, paid-in capital balance of such entities was $580,551 and $669,242, respectively, and statutory reserve balance was $82,712 and $121,285, respectively. The total of restricted net assets as of February 29, 2020 and February 28, 2021 was therefore $663,263 and $790,527, respectively.

25. SHARE-BASED COMPENSATION

In June 2010, the Company adopted the 2010 Share Incentive Plan. The plan permits 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 (the "Amendment"). Pursuant to the Amendment, 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 date of the Amendment. 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.

In June, 2020, the Company adopted the 2020 Share Incentive Plan. The 2020 Plan permits the grant of options to purchase Class A common shares, restricted shares, restricted share units and other instruments as deemed appropriate by the administrator under the plan. Pursuant to the 2020 Plan, the maximum aggregate number of shares that may be issued pursuant to all awards (including incentive share options) (the "Award Pool") is initially five percent (5)% of the total issued and outstanding shares as of the effective date of the 2020 Plan, provided that (A) the Award Pool shall be increased automatically if and whenever the number of shares that may be issued pursuant to ungranted awards under the 2020 Plan (the "Ungranted Portion") accounts for less than one percent (1)% of the then total issued and outstanding shares of the Company, so that for each automatic increase, the Ungranted Portion immediately after such increase shall equal five percent (5)% of the then total issued and outstanding shares of the Company, and (B) the size of the Award Pool shall be equitably adjusted in the event of any share dividend, subdivision, reclassification, recapitalization, split, reverse split, combination, consolidation or similar transactions.

The Company's 2010 Share Incentive Plan has ceased to be used for grants of future awards upon the effectiveness of the 2020 Plan.

Non-vested shares – service condition

During the year ended February 28, 2019, the Company granted 2,801,437 service-based non-vested shares to employees and directors which generally vest annually in equal batches over a period of 1 to 13 years.

During the year ended February 29, 2020, the Company granted 1,376,628 service-based non-vested shares to employees and directors which generally vest annual in equal batches over a period of 1 to 8 years.

During the year ended February 28, 2021, the Company granted 1,737,898 service-based non-vested shares to employees and directors which generally vest annual in equal batches over a period of 1 to 6 years.

25. SHARE-BASED COMPENSATION – continued

Non-vested shares – service condition - continued

The activities of non-vested shares granted with service condition were summarized as follows:

	Service Condition	
	Number of non-vested shares	**Weighted average grant date fair value**
Outstanding as of February 29, 2020	10,272,692	47.73
Granted	1,737,898	210.77
Forfeited	1,361,601	56.77
Vested	2,264,663	49.16
Outstanding as of February 28, 2021	8,384,326	79.67

The Company recorded compensation expense of $74,231, $114,027 and $146,410 for the years ended February 28, 2019, February 29, 2020 and February 28, 2021 related to service-based non-vested shares, respectively.

As of February 28, 2021, the unrecognized compensation expense related to the service-based non-vested share awards amounted to $552,612, which is expected to be recognized over a weighted-average period of 4.0 years. The total fair value of service-based non-vested shares that vested during the years ended February 28, 2019, February 29, 2020 and February 28, 2021 was $41,527, $77,012 and $111,331, respectively.

25. SHARE-BASED COMPENSATION - continued

Non-vested shares – performance condition

During the year ended February 28, 2021, the Company granted 602,203 performance-based non-vested shares to employees which generally vest annual in equal batches over a period of 1 to 6 years. The vesting of awards is subject to the satisfaction of both a service and performance condition based on individual performance evaluations.

The activities of non-vested shares granted with performance condition were summarized as follows:

	Performance Condition	
	Number of non-vested shares	**Weighted average grant date fair value**
Outstanding as of February 29, 2020	—	
Granted	602,203	220.49
Forfeited	45,590	215.85
Outstanding as of February 28, 2021	556,613	220.87

The Company recorded compensation expense of $54,556 for the years ended February 28, 2021 related to performance-based non-vested shares.

As of February 28, 2021, the unrecognized compensation expense related to the performance-based non-vested share awards amounted to $93,123, which is expected to be recognized over a weighted-average period of 3.4 years.

Share options

Share options granted to employees and directors expire ranging from 8 to 12 years from the date of grant.

During the year ended February 28, 2019, the Company granted 23,000 share options to employees at exercise prices ranging from $107.67 to $109.98. These share options vest annually in equal batches over a period from 3 to 4 years.

During the year ended February 29, 2020, the Company granted 203,179 share options to employees at exercise prices ranging from $63.00 to $115.80. These share options vest annually in equal batches over a period from 3 to 4 years.

During the year ended February 28, 2021, the Company granted 82,003 share options to employees at exercise prices ranging from $208.41 to $239.01. These share options vest annually in equal batches over a period from 4 to 6 years.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants during the applicable periods:

	For the year ended February 28, 2019	**For the year ended February 29, 2020**	**For the year ended February 28, 2021**
Risk-free interest rate[1]	2.89%-2.92 %	1.63%-2.35 %	0.31%-0.51 %
Expected life (years)[2]	6.00-6.25	6.00-6.25	6.25-7.43
Expected dividend yield[3]	0 %	0 %	0 %
Volatility[4]	34.0%-34.5 %	34.2%-35.1 %	35.8%-35.9 %
Fair value of options at grant date per share	$42.09 to $42.55	$43.53 to $72.09	$65.55 to $90.06

25. SHARE-BASED COMPENSATION - continued

Share options-continued

(1) Risk-free interest rate

Risk-free interest rate for periods within the contractual life of the option is based upon the U.S. treasury yield curve in effect at the time of grant.

(2) Expected life (years)

Assumption of the expected term were based on the vesting and contractual terms and employee demographics.

(3) Expected dividend yield

The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

(4) Volatility

The volatility assumption was estimated based on historical volatility of the Company's share price applying the guidance provided by ASC 718. The Company begins to estimate the volatility assumption solely based on its historical information since October 2010.

The activities of share options for the years ended February 28, 2021 were as follows:

Share options	Number of shares	Weighted average exercise price (US$)	Weighted average remaining contractual life (Years)	Aggregate intrinsic value (US$)
Outstanding as of February 29, 2020	1,047,125	35.03	7.25	134,183
Granted	82,003	222.56		
Exercised	359,178	23.42		
Forfeited	231,367	43.72		
Outstanding as of February 28, 2021	538,583	67.58	6.96	88,975
Vested and expected to vest as of February 28, 2021	538,583	67.58	6.96	88,975
Exercisable as of February 28, 2021	224,969	33.61	6.06	44,771

The Company recorded compensation expense of $3,046, $3,916 and $3,979 for the years ended February 28, 2019, February 29, 2020 and February 28, 2021 related to share options, respectively.

Total intrinsic value of options exercised for the years ended February 28, 2019, February 29, 2020 and February 28, 2021 was $19,863, $12,139 and $74,154, respectively. The total fair value of options vested during the years ended February 28, 2019, February 29, 2020 and February 28, 2021 was $2,764, $3,225 and $4,315, respectively.

As of February 28, 2021, there was $11,530 unrecognized share-based compensation expense related to share options, which is expected to be recognized over a weighted-average vesting period of 3.9 years.

25. SHARE-BASED COMPENSATION - continued

The total compensation expense is recognized on a straight-line basis over the respective vesting periods. The Group recorded the related compensation expense of $77,277, $117,943 and $204,945 for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

Table below shows the summary of share-based compensation expense:

	For the year ended February 28, 2019	For the year ended February 29, 2020	For the year ended February 28, 2021
Cost of revenues	$ 706	$ 1,074	$ 1,803
Selling and marketing expenses	10,454	19,356	56,609
General and administrative expenses	66,117	97,513	146,533
Total	$ 77,277	$ 117,943	$ 204,945

26. SUBSEQUENT EVENT

On April 19, 2021, the Company's board of directors authorized a share repurchase plan under which the Company may repurchase up to US$1,000 million of the Company's common shares over the next 12 months, subject to the applicable rules under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Up to date of this report no shares were repurchased under this plan.

Exhibit 4.38

TAL EDUCATION GROUP

and

DEUTSCHE BANK TRUST COMPANY AMERICAS

as Trustee

INDENTURE

Dated as of [DATE]

0.50 % CONVERTIBLE SENIOR NOTES DUE 2026

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ARTICLE 13
MISCELLANEOUS

EXHIBITS

TAL EDUCATION GROUP

Reconciliation and tie between Trust Indenture Act of 1939 and
Indenture, dated as of [DATE]

§ 310(a)(1)	7.09
(a)(2)	7.09
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(a)(5)	7.09
(b)	7.09
§ 311(a)	7.10
(b)	7.10
(c)	Not Applicable
§ 312(a)	2.05
(b)	13.02
(c)	13.02
§ 313(a)	7.11
(b)(1)	7.11
(b)(2)	7.11
(c)	7.11
(d)	7.11
§ 314(a)	4.03, 13.01, 13.04
(b)	Not Applicable
(c)(1)	13.03
(c)(2)	13.03
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	13.04
(f)	Not Applicable
§ 315(a)	7.01
(b)	7.05
(c)	7.01
(d)	7.01
(e)	6.11
§ 316(a)(last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	Not Applicable
(b)	6.07
(c)	2.12
§ 317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
§ 318(a)	13.17

Note: This reconciliation and tie shall not, for any purpose, be deemed to be part of the Indenture.

INDENTURE, dated as of [DATE], between TAL Education Group, a Cayman Islands company (the "**Company**," as more fully set forth in Section 1.01), and Deutsche Bank Trust Company Americas, as trustee (the "**Trustee**"), as paying agent (the "**Paying Agent**") and as conversion agent (the "**Conversion Agent**") (each as more fully set forth in Section 1.01) and Deutsche Bank Trust Company Americas, as registrar (the "**Registrar**") and as transfer agent (each as more fully set forth in Section 1.01).

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders (as defined below) of the Company's 0.50% Convertible Senior Notes due 2026 (the "**Securities**").

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.

"**Additional Amounts**" shall have the meaning specified in Section 4.08(a). "**applicable taxes**" shall have the meaning specified in Section 4.08(a).

"**ADS**" means an American Depositary Share issued pursuant to the Deposit Agreement, each three (3) such ADSs representing one Class A Common Share 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 delivered pursuant to the Deposit Agreement or any successor entity thereto.

"**ADS Depositary**" means JPMorgan Chase Bank, N.A., as depositary for the ADSs.

"**Affiliate**" means, with respect to a specified Person, any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For this purpose, "**control**" shall mean the power to direct the management and policies of a Person through the ownership of securities, by contract or otherwise.

"**Applicable Calculation Date**" means the applicable date of calculation for (i) the Consolidated Total Debt Ratio or (ii) the Consolidated Net Debt; provided that prior to the first date financial statements have been furnished pursuant to Section 4.03, the first Applicable Calculation Date in effect will be when the Company announces its interim financial results for the fiscal quarter ended November 30, 2020.

"**Applicable Measurement Period**" means the most recently completed four consecutive fiscal quarters of the Company ending on or immediately preceding the Applicable Calculation Date for which internal financial statements are available.

"**Applicable Procedures**" means, with respect to any transfer or exchange of or for the beneficial interests in any Global Security, the rules and procedures of the Depository, Euroclear and/or Clearstream that apply to such transfer or exchange.

"**Board of Directors**" means the board of directors of the Company or any committee thereof authorized to act for it.

"**Board Resolution**" means a copy of a resolution certified by a director 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 any day other than a Saturday, a Sunday or a day on which the Federal Reserve Bank of New York or banking institutions in the PRC, Hong Kong or the Cayman Islands are authorized or required by law or executive order to close or be closed.

"**Capital Stock**" of any Person means any and all shares, interests, participations or other equivalents (however designated) of capital stock of such Person and all warrants or options to acquire such capital stock.

"**Cash and Cash Equivalents**" means (i) unrestricted cash and cash equivalents, as defined in accordance with GAAP, (ii) unrestricted securities of the following types: commercial paper, certificates of deposit, guaranteed investment contracts and repurchase agreements where the obligor to the Company is rated A (or equivalent rating) or above by Fitch, S&P or Moody's (or in the case of commercial paper, rated P-1 or higher by Moody's or A-1 or higher by S&P), and (iii) short-term investments as defined in accordance with GAAP.

"**Class A Common Shares**" means the 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 the Class B Common Shares of the Company, par value US$0.001 per share, at the date of this Indenture, subject to Section 14.07.

"**Clearstream**" means Clearstream Banking, Société Anonyme.

"**Close of Business**" means 5:00 p.m., New York City time.

"**Closing Sale Price**" on any date means the per share price of the relevant security on such date, determined (i) on the basis of the closing sale price per security (or if no closing sale price per security 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 the composite transactions for the Relevant Stock Exchange; or (ii) if the relevant security not listed on a U.S. national securities exchange on the relevant date, the last quoted bid price for the security on the relevant date, as reported by OTC Markets Group, Inc. or a similar organization; *provided*, *however*, that in the absence of any such report or quotation, the "**Closing Sale Price**" shall be the price determined by a nationally recognized independent investment banking firm retained by the Company for such purpose as most accurately reflecting the per security price that a fully informed buyer, acting on his own accord, would pay to a fully informed seller,

acting on his own accord in an arm's-length transaction, for one security. The Closing Sale Price shall be determined without reference to after-hours or extended market trading.

"**Common Equity**" of any Person means common share capital or common stock 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.

"**Common Shares**" means the Class A Common Shares and Class B Common Shares.

"**Company**" means the party named as such above until a successor replaces it pursuant to the applicable provision hereof and thereafter means the successor. The foregoing sentence shall likewise apply to any such successor or subsequent successor.

"**Company Order**" means a written request or order signed on behalf of the Company by an Officer and delivered to the Trustee.

"**Consolidated Adjusted EBITDA**" means with reference to any period, Consolidated Net Income for such period plus:

(i) to the extent deducted in determining Consolidated Net Income, depreciation, amortization, interest expense, income taxes, and stock-based compensation expense;

(ii) any items (regardless of whether any such item is positive or negative), to the extent such items are included as "**Adjustments to Net Income (Loss)**" in bridging from "**GAAP Net Income (Loss)**" to "**non-GAAP Net Income (Loss)**" in the Company's press release announcing the Company's financial results for such period; and

(iii) to the extent included in determining Consolidated Net Income, unrealized and realized non-cash gains or losses resulting from the impact of foreign currency changes on the valuation of assets and liabilities on the Company's balance sheet; and minus, to the extent included as income in determining Consolidated Net Income, interest income and any extraordinary and other non-recurring gains of the Company and its Subsidiaries on a consolidated basis.

All the foregoing adjustments shall be made without duplication.

"**Consolidated Affiliated Entity**" means, with respect to any Person, any corporation, association or other entity which is or is required to be consolidated with such Person under Accounting Standards Codification subtopic 810-10, Consolidation: Overall (including any changes, amendments or supplements thereto) or, if such person prepares its financial statements in accordance with accounting principles other than the accounting principles generally accepted in the United States of America, the equivalent of Accounting Standards Codification subtopic 810-10, Consolidation: Overall under such accounting principles.

"**Consolidated Net Debt**" means, as of any date of determination (i) Consolidated Total Indebtedness of the Company and its Subsidiaries as of the Applicable Calculation Date *minus* (ii) all Cash and Cash Equivalents of the Company and its Subsidiaries determined on a consolidated basis as of the Applicable Calculation Date. For the avoidance of doubt, when determining Consolidated Net Debt for purposes of Section 4.07, the aggregate principal amount of Indebtedness being incurred shall be included in clause (i) of the preceding sentence and the cash proceeds of such incurrence shall not be included in clause (ii) of the preceding sentence.

"**Consolidated Net Income**" means, with reference to any period, the net income (or loss) of the Company and its Subsidiaries for such period, on a consolidated basis, *provided* that there shall be excluded any income, gain or losses during such period from (i) any change in accounting principles in accordance with GAAP, (ii) any prior period adjustment resulting from any change in accounting principles in accordance with GAAP and (iii) any discontinued operations.

"**Consolidated Total Debt Ratio**" means, as of any date of determination, the ratio of (i) Consolidated Total Indebtedness of the Company and its Subsidiaries as of the Applicable Calculation Date to (ii) the Consolidated Adjusted EBITDA of the Company and its Subsidiaries for the Applicable Measurement Period.

"**Consolidated Total Indebtedness**" means, as at any date of determination, an amount equal to the aggregate principal amount of all outstanding Indebtedness of the Company and its Subsidiaries on a consolidated basis consisting of Indebtedness for borrowed money, unreimbursed drawings under letters of credit, Obligations in respect of Financing Lease Obligations and third-party debt obligations evidenced by promissory notes and similar instruments (and excluding, for the avoidance of doubt, (i) all undrawn amounts under revolving credit facilities, (ii) performance bonds or any similar instruments and (iii) lease obligations that are not Financing Lease Obligations), in each case determined on a consolidated basis in accordance with GAAP.

"**Conversion Date**" with respect to a Security means the date on which a Holder satisfies all the requirements for such conversion specified under Section 10.01(b).

"**Conversion Notice**" means a "Conversion Notice" in the form attached as Attachment 2 to the Form of Security attached hereto as Exhibit A.

"**Conversion Price**" means as of any date, $1,000 *divided by* the Conversion Rate as of such date.

"**Conversion Rate**" shall initially be 12.4611 ADSS, subject to adjustment as provided in Article 10.

"**Corporate Trust Office of the Trustee**" means the principal office of the Trustee at which at any time this Indenture shall be administered, which office as of the date hereof is located at 60 Wall Street, 24th Floor, NYC 60-2405, New York NY 10005, USA, Attention: Corporates Team, TAL Education Group, SF4045. With respect to presentation for transfer or exchange, conversions or principal payment, such address shall be 5022 Gate Parkway, Suite 200, Jacksonville FL 32256, Attention: DB Services Americas, Transfer Department, or such

other address as the Trustee may designate from time to time by written 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 written notice to the Holders and the Company).

"**Daily VWAP**" means, for each Trading Day during the relevant period, the per ADS volume-weighted average price as displayed under the heading "**Bloomberg VWAP**" on Bloomberg page "[TAL.Q <equity> AQR]"(or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such Trading Day (or if such volume-weighted average price is unavailable, the market value of one ADS on such Trading Day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Company). The "**Daily VWAP**" shall be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Deposit Agreement**" means the Amended and Restated Deposit Agreement, dated October 19, 2010, by and among the Company, the ADS Depositary and the holders and beneficial owners of the ADSs delivered thereunder or, if amended or supplemented as provided therein, as so amended or supplemented.

"**Depository**" means The Depository Trust Company, its nominees and successors. "**Euroclear**" means Euroclear S.A./N.V., as operator of the Euroclear system.

"**Ex Date**" means the first date on which the ADS trade on the Relevant Stock Exchange, regular way, without the right to receive the issuance, dividend or distribution in question from the Company or, if applicable, from the seller of ADSs on the Relevant Stock Exchange (in the form of due bills or otherwise) as determined by the Relevant Stock Exchange.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**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.

"**FATCA**" shall have the meaning specified in Section 4.08(a)(i)(D).

"**Financing Lease Obligation**" means an obligation that is required to be accounted for as a financing or capital lease (and, for the avoidance of doubt, not an operating lease) on the balance sheet for financial reporting purposes in accordance with GAAP.

"**Fitch**" means Fitch Rating Service, Inc. and any successor to its rating agency business.

"**Fundamental Change**" shall be deemed to have occurred at such time as:

(a) (1) any "person" or "group" (as those terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than a Permitted Holder, becomes the direct or indirect "beneficial owner" (as that term is used in Rule 13d-3 under the Exchange Act) of (i) the Company's Common Equity (including Common Equity held in the form of ADSs) representing more than 50% of the voting power of the Company's Common Equity or (ii) more than 50% of the outstanding Common Shares (including Class A Common Shares held in the form of ADSs); or (2) the Permitted Holders become the direct or indirect "beneficial owner" (as that term is used in Rule 13d-3 under the Exchange Act) of more than 50% of the Company's then outstanding Class A Common Shares (including Class A Common Shares held in the form of ADSs); provided, however, that for purposes of clause (2), in calculating the beneficial ownership percentage of the Class A Common Shares held by any Permitted Holder, any Class A Common Shares (including Class A Common Shares held in the form of ADSs) (i) beneficially owned directly or indirectly by any Permitted Holder on the date hereof (including any Class A Common Shares issued or issuable under employee benefit plans or upon conversion of the Class B Common Shares) or (ii) issued or issuable by the Company to the Permitted Holders after the date hereof shall be excluded from both the numerator and denominator, or (3) any "person" or "group" (as those terms are used in Sections 13(d) and 14(d) of the Exchange Act) has the right, whether by contract, proxy or otherwise, to appoint a majority of the members of the Board of Directors of the Company;

(b) the consummation of (A) any recapitalization, reclassification or change of the Class A Common Shares or the ADSs (other than changes resulting from a subdivision or combination) as a result of which the Class A Common Shares or the ADSs would be converted into, or exchanged for, stock, other securities, other property or assets; (B) any share exchange, consolidation or merger of the Company, or any similar transaction, pursuant to which the Class A Common Shares or the ADSs will be converted into cash, securities or other property; or (C) any sale, transfer, lease, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the consolidated property or assets of the Company and its Subsidiaries and Consolidated Affiliated Entities, taken as a whole, to any "person" or "group" (as those terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company and/or one or more of the Company's direct or indirect Subsidiaries (for the avoidance of doubt a merger or consolidation of the Company with or into another Person is not subject to this clause (C)); provided, however, that a transaction described in clause (B) in which the holders of all classes of the Company's Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions vis-a-vis each other as such ownership immediately prior to such transaction shall not be a Fundamental Change pursuant to this clause (b);

(c) the adoption of a plan relating to the Company's liquidation or dissolution;

(d) the ADSs (or other Common Equity or ADSs in respect of Common Equity underlying the Securities) cease to be listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global 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 or the official interpretation or official application thereof (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 (6) months after the date of the Change in Law, an opinion from an independent financial advisor or an independent legal counsel stating (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 reorganization plan of the Company Group) and (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.

Notwithstanding the foregoing, (x) any transaction that constitutes a Fundamental Change pursuant to both clause (a) and clause (b) shall be deemed a Fundamental Change solely under clause (b) above and (y) a transaction or transactions described in any of clause (a) or (b) above (including any merger of the Company solely for the purpose of changing the Company's jurisdiction of incorporation) shall not constitute a "**Fundamental Change**" if (i) at least ninety percent (90%) of the consideration received or to be received by holders of the Class A Common Shares (including Class A Common Shares represented in the form of ADSs) or Reference Property into which the Securities have become convertible pursuant to Section 10.11 (other than cash payments for fractional shares (or interests therein) or pursuant to statutory appraisal rights) in connection with such transaction or transactions consists of common equity listed or quoted on The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) (or which will be so traded when issued or exchanged in connection with such consolidation or merger) and (ii) as a result of such transaction or transactions, the Securities become convertible or exchangeable for such consideration pursuant to Section 10.11.

"**GAAP**" means generally accepted accounting principles in the United States of America as in effect and, to the extent optional, adopted by the Company, on the Issue Date, consistently applied.

"**Holder**" means a Person in whose name a Security is registered on the Registrar's books.

"**Indebtedness**" means, with respect to any specified Person, the following indebtedness of such Person (which, for the avoidance of doubt, should exclude deferred revenues, accrued

expenses, trade payables, income tax payable, and operating lease obligations), whether or not contingent:

(a) in respect of borrowed money;

(b) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(c) in respect of banker's acceptances; and

(d) representing Financing Lease Obligations.

The amount of any Indebtedness outstanding as of any date will be the principal amount of such Indebtedness or, in respect of any Indebtedness guaranteed by the specified Person, the lesser of (i) the principal amount of such Indebtedness of such other Person and (ii) the maximum amount of such Indebtedness payable under the guarantee. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person; *provided* that the amount of such Indebtedness shall be deemed not to exceed the lesser of the amount secured by such Lien and the value of the Person's property securing such Lien. For the purpose of this Indenture, the Indebtedness of the Company and its Subsidiaries shall exclude, at any time, the outstanding aggregate principal amount of Securities and the outstanding aggregate principal amount of such other securities issued as contemplated by the Co-Investor Investment Agreement (as defined in the Investment Agreement) and the indenture contemplated thereby.

"**Indenture**" means this Indenture as amended or supplemented from time to time.

"**Indirect Participant**" means a Person who holds a beneficial interest in a Global Security through a Participant.

"**Interest Payment Date**" means February 1 and August 1 of each year, beginning on August 1, 2021.

"**Investment Agreement**" means the Investment Agreement, dated as of December 28, 2020, by and among TAL Education Group and the other parties thereto.

"**Issue Date**" means [DATE].

"**Lien**" means, with respect to any asset, any mortgage, lien (other than statutory liens that are not overdue by 30 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted), pledge, hypothecation, charge, security interest, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that in no event

shall an operating lease (as determined prior to the adoption of ASC 842) be deemed to constitute a Lien.

"**Make-Whole Fundamental Change**" means an event described in the definition of Fundamental Change, after giving effect to any exceptions to or exclusions from the definition of Fundamental Change (including, without limitation, the exception described in the paragraph at the end of such definition), but without regard to the exclusion set forth in clause (b) of the definition of Fundamental Change.

"**Market Disruption Event**" means, with respect to the ADSs or any other security, (i) a failure by the Relevant Stock Exchange to open for trading during its regular trading session or (ii) the occurrence or existence for more than one-half hour period in the aggregate on any Scheduled Trading Day for ADSs or such other security of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or otherwise) of the ADSs or such other security or in any options contracts or future contracts relating to the ADSs or such other security, and such suspension or limitation occurs or exists at any time before 1:00 p.m., New York City time, on such day.

"**Maturity Date**" means February 1, 2026.

"**Moody's**" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"**Obligations**" means any principal, interest (including any interest accruing subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), premium, penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and bankers' acceptances), damages and other liabilities, and guarantees of payment of such principal, interest, premium, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

"**Officer**" means the Chairman of the Board of Directors, the Vice Chairman, the Chief Executive Officer, the President, the Chief Financial Officer, the Chief Legal Officer, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary, or any Assistant Treasurer or Assistant Secretary of the Company.

"**Officers' Certificate**" means a certificate signed by (i) by the Chairman of the Board of Directors, the Vice Chairman, the Chief Executive Officer, the President, the Chief Financial Officer or any of the Executive Vice Presidents or Senior Vice Presidents of the Company, and (ii) by the Treasurer, any Assistant Treasurer, the Secretary, any Assistant Secretary or any of the Vice Presidents of the Company, delivered to the Trustee.

"**Open of Business**" means 9:00 a.m., New York City time.

"**Opinion of Counsel**" means a written opinion that meets the requirements of Section 13.04 from legal counsel who may be an employee of or counsel for the Company, or other counsel, including counsel for the transferor or transferee, acceptable to the Trustee.

"**Permitted Holders**" means Mr. Bangxin Zhang, together with the immediate family members of him or his spouse, trusts for the benefits of him and/or the immediate family members of him or his spouse, a corporation, partnership or any other entity wholly or jointly owned or controlled by him and/or the immediate family members of him or his spouse, and any other "person" or "group" subject to aggregation with respect to the Class A Common Shares (including Class A Common Shares held in the form of ADSs) with any of the aforementioned person under Section 13(d) of the Exchange Act.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof.

"**Physical Security**" means permanent certificated Securities in registered non-global form issued in denominations of $1,000 principal amount and integral multiples thereof.

"**PRC**" means the People's Republic of China and, for the purposes for this Indenture, shall exclude Hong Kong SAR, Macau SAR and Taiwan.

"**Qualified Equity Financing**" means an issuance of equity securities (including securities that represent, or are convertible into or exchangeable for, equity securities) of the Company, excluding any of the following: (i) ADSs and Company Common Shares issued upon conversion of any Security or any convertible securities outstanding on the Issue Date or issued upon conversion of any convertible securities issued after the Issue Date in a transaction that was a Qualified Equity Financing, (ii) Class A Common Shares (directly or in the form of ADSs) issued upon share split, share dividend or any subdivision of Class A Common Shares (directly or in the form of ADSs), (iii) Class A Common Shares (directly or in the form of ADSs) (or options or warrants therefor) issued to officers, directors, employees and consultants of the Company or issued to the trustee, general partner or other entity that is to hold the Class A Common Shares (directly or in the form of ADSs), in each case pursuant to a duly approved employee equity incentive plan, (iv) shares of the Company issued as consideration for any bona fide acquisition, on arms-length terms, of interests in or assets of another corporation or entity by the Company as duly approved by the Board of Directors, (v) shares of the Company issued in connection with any stock split, stock combination, stock dividend, distribution or recapitalization, and (vi) Class A Common Shares (directly or in the form of ADSs) issued in a bona fide underwritten public offering.

"**Qualified Equity Financing Conversion Rate**" means $1,000 divided by the Reference Price.

"**record date**" means, unless the context requires otherwise, with respect to any dividend, distribution or other transaction or event in which the holders of 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 Class A Common Shares (directly or in the form of ADSs) (or other applicable security) are exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of shareholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

"**Record Date**" for interest payable in respect of any Security on any Interest Payment Date means, the December 15 or June 15 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date.

"**Reference Price**" means the lower of (A) the product of (i) the lowest price per Class A Common Share or ADS representing Class A Common Shares (and in the case of any issuance of Class A Common Shares, such issue price per Class A Common Share multiplied by the applicable number of Class A Common Shares then represented by each ADS) issued in a Qualified Equity Financing and (ii) 1.20; and (B) the conversion or exchange price applicable to the conversion or exchange of any securities issued in a Qualified Equity Financing into Class A Common Shares or ADSs (and in the case of conversion or exchange into Class A Common Shares, such conversion or exchange price with respect to each Class A Common Share multiplied by the applicable number of Class A Common Shares then represented by each ADS); provided, that, if the applicable price per ADS or Class A Common Share or the applicable conversion or exchange price, as applicable, is reduced for any reason after the occurrence of such Qualified Equity Financing, such reduced price shall thereafter constitute the Reference Price. To the extent any Class A Common Shares (directly or in the form of ADSs) issued in or represented by equity securities (including securities that represent, or are convertible into or exchangeable for, equity securities) issued in any Qualified Equity Financing include other securities, the Board of Directors shall, in good faith, take into account the value of such other securities when determining the Reference Price set forth herein.

"**Relevant Jurisdiction**" shall have the meaning specified in Section 4.08(a).

"**Relevant Stock Exchange**" means The New York Stock Exchange or, if the ADSs (or other security for which the Closing Sale Price must be determined) is not then listed on The New York Stock Exchange, the principal other U.S. national securities exchange or market on which the ADSs (or such other security) are then listed.

"**Relevant Taxing Jurisdiction**" shall have the meaning specified in Section 4.08(a).

"**Repurchase Notice**" means a "Repurchase Notice" in the form attached as Attachment 3 to the form of Security attached hereto as Exhibit A.

"**Responsible Officer**" shall mean, when used with respect to the Trustee, any officer within the Corporate Trust Office of the Trustee or any other officer of the Trustee to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and, in each case, who shall have direct responsibility for the administration of this Indenture.

"**Restricted Global Security**" means a Global Security that bears the Security Private Placement Legend.

"**Restricted Security**" means a Security that constitutes a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act until such time as such Security is freely tradable by a Person who is not (and has not been for the three months preceding the applicable transfer) an "affiliate" (as defined in such rule) pursuant to such rule. Each of the Securities

issued on the Issue Date that bear the Security Private Placement Legend shall be Restricted Securities as of the Issue Date.

"**S&P**" means Standard & Poor's Rating Services, a division of McGraw-Hill Financial, Inc., and any successor to its rating agency business.

"**Scheduled Trading Day**" means a day that is scheduled to be a Trading Day on the Relevant Stock Exchange. If the ADSs are not listed on any U.S. national securities exchange, "**Scheduled Trading Day**" means a Business Day.

"**SEC**" means the Securities and Exchange Commission.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Securities Agent**" means any Registrar, Paying Agent or Conversion Agent.

"**Significant Subsidiary**" means any Subsidiary of a Person that would be a "Significant Subsidiary" of the Person within the meaning of Article 1, Rule 1-02(w) under Regulation S-X under the Exchange Act. Each of the Company's Consolidated Affiliated Entities will be deemed to be a "subsidiary" for purposes of the definition of "significant subsidiary" in Article 1, Rule 1-02 of Regulation S-X.

"**[Name of Investor] Securities**" means (a) any Restricted Global Securities identified by CUSIP number [CUSIP Number] and ISIN number [ISIN Number] pursuant to Section 2.13, (b) any Unrestricted Global Securities identified by CUSIP number [CUSIP Number] and ISIN number [ISIN Number] pursuant to Section 2.13, (c) any Physical Securities held in the name of any member of the [Name of Investor] (as defined in the Investment Agreement) and (d) any temporary Securities issued in exchange for or in lieu of the Securities referred to in clauses (a), (b) or (c) in which one or more members of the [Name of Investor] has a beneficial interest.

"**Subsidiary**" of any Person means any corporation, association, partnership or other business entity of which more than fifty percent (50%) of the total voting power of the shares, interests, participations or other equivalents (however designated) of Capital Stock ordinarily entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, trustees or other voting members of the governing body thereof is at the time owned or controlled, directly or indirectly, by (a) such Person, (b) such Person and one or more Subsidiaries of such Person or (c) one or more Subsidiaries of such Person.

"**TIA**" means the Trust Indenture Act of 1939, as amended and in effect from time to time.

"**Trading Day**" means a day on which (i) there is no Market Disruption Event, (ii) trading in the ADSs generally occurs on the Relevant Stock Exchange or, if the ADSs are not then listed on a U.S. national securities exchange, on the principal other market on which the ADSs are then traded, and (iii) a Closing Sale Price for the ADSs is available on such securities exchange or market; *provided* that if the ADSs (or other security for which a Closing Sale Price must be determined) are not so listed or traded, "**Trading Day**" means a Business Day.

"**Trustee**" means the party named as such in this Indenture until a successor replaces it in accordance with the provisions hereof and thereafter means the successor. The foregoing sentence shall likewise apply to any such successor or subsequent successor.

"**Unrestricted Global Security**" means a Global Security that does not bear the Security Private Placement Legend.

Section 1.02 *Other Definitions*.

Term	**Defined in Section**
"**Additional Interest**"	4.03(e)
"**Applicable AML Law**"	13.20
"**Applicable Price**"	10.14(d)
"**Authorized Officers**"	13.01(c)
"**Clause A Distribution**"	10.06(c)
"**Clause B Distribution**"	10.06(c)
"**Clause C Distribution**"	10.06(c)
"**Common Share Private Placement Legend**"	2.17(b)
"**Conversion Agent**"	2.03
"**Conversion Obligation**"	10.01(a)
"**Distributed Property**"	10.06(c)
"**Effective Date**"	10.14(a)
"**Electronic Means**"	13.01(c)
"**Event of Default**"	6.01
"**Executed Documentation**"	13.08
"**Fundamental Change Notice**"	3.01(b)
"**Fundamental Change Repurchase Date**"	3.01(a)
"**Fundamental Change Repurchase Price**"	3.01(a)
"**Fundamental Change Repurchase Right**"	3.01(a)
"**Global Securities**"	2.01
"**incur**" or "**incurrence**"	4.07
"**Instructions**"	13.01(c)
"**Make-Whole Applicable Increase**"	10.14(b)
"**Make-Whole Conversion Period**"	10.14(a)
"**Merger Event**"	10.11
"**Participants**"	2.15(a)
"**Paying Agent**"	2.03
"**Reference Property**"	10.11
"**Registrar**"	2.03
"**Repurchase Upon Fundamental Change**"	3.01(a)
"**Resale Restriction Termination Date**"	2.17(a)
"**Securities**"	Preamble
"**Security Private Placement Legend**"	2.17
"**Special Interest**"	6.01(k)
"**Spin-Off**"	10.06(c)
"**Trigger Event**"	10.06(c)
"**Valuation Period**"	10.06(c)

Section 1.03 *Rules of Construction.* Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with U.S. generally accepted accounting principles in effect from time to time;

(iii) "or" is not exclusive;

(iv) "including" means "including without limitation";

(v) words in the singular include the plural and in the plural include the singular;

(vi) provisions apply to successive events and transactions;

(vii) the term "principal" means the principal of any Security payable under the terms of such Securities, unless the context otherwise requires;

(viii) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision of this Indenture;

(ix) references to currency shall mean the lawful currency of the United States of America, unless the context requires otherwise; and

(x) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified.

Section 1.04 *Incorporation by Reference of Trust Indenture Act*. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Securities.

"indenture security holder" means a holder of the Securities.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company and any successor obligor upon the Securities.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA and not otherwise defined herein are used herein as so defined.

Section 1.05 *References to Interest*. Unless the context otherwise requires, any reference to interest on, or in respect of, any Security in this Indenture shall be deemed to include Additional Interest and Special Interest if, in such context, Additional Interest and/or Special Interest is, was or would be payable. Unless the context otherwise requires, any express mention of Additional Interest or Special Interest in any provision hereof shall not be construed as excluding Additional Interest or Special Interest, as the case may be, in those provisions hereof where such express mention is not made.

ARTICLE 2
THE SECURITIES

Section 2.01 *Form and Dating.* The Securities and the Trustee's certificate of authentication shall be substantially in the form set forth in Exhibit A, which is incorporated in and forms a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage; *provided* that such notations, legends or endorsements are in a form acceptable to the Company. Each Security shall be dated the date of its authentication.

So long as the Securities, or portion thereof, are eligible for book-entry settlement with the Depository, unless otherwise required by law, subject to Section 2.15, such Securities may be represented by one or more Securities in global form registered in the name of the Depository or the nominee of the Depository, including for the accounts of designated agents holding on behalf of Euroclear or Clearstream ("**Global Securities**"). The transfer and exchange of beneficial interests in any such Global Securities shall be effected through the Depository in accordance with this Indenture and the Applicable Procedures. Except as provided in Section 2.15, beneficial owners of a Global Security shall not be entitled to have certificates registered in their names, will not receive or be entitled to receive Physical Securities and such beneficial owners will not be considered Holders of such Global Security.

(a) *Initial Securities*. The Securities shall be issued initially in the form of Global Securities and, if applicable, bearing any legends required by Section 2.17. Physical Securities may be issued in exchange for Global Securities solely pursuant to Section 2.15. Physical Securities may be exchanged for interests in a Global Security pursuant to Section 2.06.

(b) *Global Securities Generally*. Any Global Securities shall represent such of the outstanding Securities as shall be specified therein and shall provide that it shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon and that the aggregate amount of outstanding Securities represented thereby may from time to time be increased or reduced to reflect issuances, repurchases, conversions, transfers or exchanges permitted hereby. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the amount of outstanding Securities represented thereby shall be made by the Trustee or the custodian for the Global Security, at the written direction of the Trustee, in such manner and upon instructions given by the Holder of such Securities in accordance with this

Indenture. Payment of principal of, and interest on, any Global Securities (including the Fundamental Change Repurchase Price, if applicable) shall be made to the Depository in immediately available funds. The Company initially appoints the Trustee to act as the Depository's custodian with respect to the Global Securities. The Company has entered into a letter of representations with the Depository in the form provided by the Depository and the Trustee and each Securities Agent are hereby authorized to act in accordance with such letter and the Applicable Procedures.

Section 2.02 *Execution and Authentication.* One duly authorized Officer shall sign the Securities for the Company by manual or facsimile signature.

A Security's validity shall not be affected by the failure of an Officer whose signature is on such Security to hold, at the time the Security is authenticated, the same office at the Company.

A Security shall not be valid until duly authenticated by the electronic or manual signature of the Trustee. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

Upon a Company Order, the Trustee shall authenticate Securities for original issue in the aggregate principal amount of $[Amount]. The aggregate principal amount of Securities outstanding at any time may not exceed $[Amount], subject to the immediately succeeding paragraph and except for Securities authenticated and delivered in lieu of lost, destroyed or wrongfully taken Securities pursuant to Section 2.07. Furthermore, pursuant to Sections 13.03 and 13.04, such Company Order shall be accompanied by an Officers' Certificate and an Opinion of Counsel.

The Company may not, without the consent of Holders of one hundred percent (100%) in aggregate principal amount of the outstanding Securities, increase the aggregate principal amount of Securities by issuing additional Securities in the future (except for Securities authenticated and delivered upon registration of transfer or exchange for or in lieu of other Securities pursuant to Sections 2.06, 2.07, 2.10, 2.15, 2.16, 2.17, 3.01(h) and 10.02(f)).

Upon a Company Order, the Trustee shall authenticate Securities, including Securities not bearing the Security Private Placement Legend, to be issued to the transferees when sold pursuant to an effective registration statement under the Securities Act as set forth in Section 2.16(b) or when not otherwise required under this Indenture to bear the Security Private Placement Legend.

The Trustee shall act as the initial authenticating agent. Thereafter, the Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such authenticating agent. An authenticating agent so appointed has the same rights as a Securities Agent to deal with the Company and its Affiliates.

If a Company Order pursuant to this Section 2.02 has been, or simultaneously is, delivered, then any instructions by the Company to the Trustee with respect to endorsement,

delivery or redelivery of a Security that is a Global Security shall be in writing. The Securities shall be issuable only in registered form without interest coupons and only in minimum denominations of $1,000 principal amount and any integral multiple thereof.

Section 2.03 *Registrar, Paying Agent and Conversion Agent.* The Company shall maintain, or shall cause to be maintained, (i) an office or agency where Securities may be presented for registration of transfer or for exchange ("**Registrar**"), (ii) an office or agency where Securities may be presented for payment ("**Paying Agent**") and (iii) an office or agency where Securities may be presented for conversion ("**Conversion Agent**"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint or change one or more co-registrars, one or more additional paying agents and one or more additional conversion agents, subject to providing written notification to the Trustee of any such new registrar, paying agent or conversion agent, and may act in any such capacity on its own behalf. The term "**Registrar**" includes any co-registrar; the term "**Paying Agent**" includes any additional paying agent; and the term "**Conversion Agent**" includes any additional conversion agent.

The Company shall use reasonable best efforts to enter into an appropriate agency agreement with any Securities Agent not a party to this Indenture, if any. Such agency agreement, if any, shall implement the provisions of this Indenture that relate to such Securities Agent. The Company shall notify the Trustee in writing of the name and address of any Securities Agent not a party to this Indenture. If the Company fails to maintain an entity other than the Trustee as Registrar, Paying Agent or Conversion Agent, the Trustee shall act as such.

The Company initially appoints the Trustee as Paying Agent, Registrar and Conversion Agent.

Section 2.04 *Paying Agent to Hold Money in Trust*. Each Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all moneys held by the Paying Agent for the payment of the Securities, and shall notify the Trustee in writing of any Default by the Company in making any such payment. While any such Default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any funds so paid by it. Upon payment over to the Trustee, the Paying Agent shall have no further liability for such money. If the Company acts as Paying Agent, it shall segregate and hold as a separate trust fund all money held by it as Paying Agent; *provided* that the Company may not act as Paying Agent upon the occurrence and continuance of an Event of Default.

Section 2.05 *Holder Lists*. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise *comply* with Section 312(a) of the TIA. If the Trustee is not the Registrar, the Company shall furnish, or shall cause to be furnished, to the Trustee before each Interest Payment Date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Holders appearing in the security register of the Registrar and the Company shall otherwise comply with Section 312(a) of the TIA.

Section 2.06 *Transfer and Exchange.* (a) Subject to Section 2.15 and Section 2.16, where Securities are presented to the Registrar with a request to register their transfer or to exchange them for an equal principal amount of Securities of other authorized denominations, the Registrar shall register the *transfer* or make the exchange if its requirements under this Indenture for such transaction are met. To permit registrations of such transfers and exchanges, the Trustee shall authenticate Securities at the Registrar's request or upon the Trustee's receipt of a Company Order therefor. The Company, the Registrar or the Trustee, as the case may be, shall not be required to register the transfer or exchange of any Security for which a Repurchase Notice has been delivered, and not withdrawn, in accordance with this Indenture, except if the Company has defaulted in the payment of the Fundamental Change Repurchase Price with respect to such Security or to the extent that a portion of such Security is not subject to such Repurchase Notice.

No service charge shall be made for any transfer, exchange or conversion of Securities, but the Company and the Trustee may require payment of a sum sufficient to cover any documentary, stamp, issue or transfer tax or similar governmental charge that may be imposed in connection with any transfer, exchange or conversion of Securities, other than exchanges pursuant to Section 2.07, Section 2.10, Section 3.01, Section 9.04 or Section 10.02, in each case, not involving any transfer. Each Holder shall pay any fees payable to ADS Custodian for the issuance of the ADSs and the Company shall procure ADS Custodian to reduce the ADS issuance fee by fifty percent (50%) from the standard issuance fee set forth in the Deposit Agreement.

(b) *Exchanges of Physical Securities for Beneficial Interests in Global Securities*. A Holder may request a transfer or exchange of a Physical Security for a beneficial interest in a Global Security and the Company shall use commercially reasonable efforts to cause the Physical Securities to be eligible for book-entry settlement with the Depository, if upon such transfer or exchange such interest could be held in an Unrestricted Global Security. If and when the Company is successful in causing the Physical Securities to be eligible for book-entry settlement with the Depository a holder may transfer or exchange a Physical Security for a beneficial interest in a Global Security by (i) surrendering such Physical Security for registration of transfer or exchange, together with any endorsements or instruments of transfer required by any of the Company, the Trustee or the Registrar, at any office or agency maintained by the Company for such purposes pursuant to Section 4.02; (ii) if such Physical Security is a Restricted Security, delivering any documentation required by Section 2.16; (iii) complying with Section 2.16(e), if applicable, (iv) satisfying all other requirements for such transfer set forth in this Section 2.06 and Section 2.15; and (v) providing written instructions to the Trustee to make, or to direct the Registrar to make, an adjustment in its books and records with respect to the applicable Global Security to reflect an increase in the aggregate principal amount of the Securities represented by such Global Security, which instructions will contain information regarding the Depository account to be credited with such increase. Upon the satisfaction of conditions (i), (ii), (iii), (iv) and (v), as applicable, the Trustee will cancel such Physical Security and cause, in accordance with the Applicable Procedures, the aggregate principal amount of Securities represented by such Global Security to be increased by the aggregate principal amount of such Physical Security, and will credit or cause to be credited the account of the Person specified in the instructions provided by the exchanging Holder in an amount equal to the aggregate principal amount of such Physical Security. If no

Global Securities are then outstanding, the Company, in accordance with Section 2.02, will promptly execute and deliver to the Trustee, and the Trustee, upon receipt of a Company Order and in accordance with Section 2.02, will authenticate, a new Global Security in the appropriate aggregate principal amount.

Section 2.07 *Replacement Securities.* If the Holder of a Security claims that the Security has been mutilated, lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate, at the Holder's expense, a replacement Security upon surrender to the Trustee of the mutilated Security, or upon delivery to the Trustee of evidence of the loss, destruction or theft of the Security satisfactory to the Trustee and the Company. In the case of a lost, destroyed or wrongfully taken Security, if required by the Trustee or the Company, indemnity (including in the form of a bond) must be provided by the Holder that is reasonably satisfactory to the Trustee and the Company to indemnify and hold harmless the Company, the Trustee or any Securities Agent from any loss that any of them may suffer if such Security is replaced.

In case any such mutilated, lost, destroyed or wrongfully taken Security has become due and payable, the Company in its discretion may, instead of issuing a new Security, pay the amounts due in respect of such Security as provided hereunder.

Every replacement Security is an additional obligation of the Company only as provided in Section 2.08.

Section 2.08 *Outstanding Securities.* Securities outstanding at any time are all the Securities authenticated by the Trustee except for those converted, those cancelled by it, those delivered to it for cancellation and *those* described in this Section 2.08 as not outstanding. Except to the extent provided in Section 2.09, a Security does not cease to be outstanding because the Company or one of its Subsidiaries or Affiliates holds the Security.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it, or a court holds, that the replaced Security is held by a protected purchaser.

If the Paying Agent (in the case of a Paying Agent other than the Company) holds, as of 11:00 a.m. New York City time on a Fundamental Change Repurchase Date or the Maturity Date, money sufficient to pay the aggregate Fundamental Change Repurchase Price or principal amount (plus accrued and unpaid interest, if any), as the case may be, with respect to all Securities to be repurchased or paid on such Fundamental Change Repurchase Date or the Maturity Date, as the case may be, in each case, payable as herein provided on such Fundamental Change Repurchase Date or the Maturity Date, then (unless there shall be a Default in the payment of such aggregate Fundamental Change Repurchase Price or principal amount, or of such accrued and unpaid interest), except as otherwise provided herein, on and after such date such Securities shall be deemed to be no longer outstanding, interest on such Securities shall cease to accrue, and such Securities shall be deemed to be paid whether or not such Securities are delivered to the Paying Agent. Thereafter, all rights of the Holders of such Securities shall terminate with respect to such Securities, other than the right to receive the Fundamental Change Repurchase Price or principal amount, as the case may be, plus, if applicable, such accrued and

unpaid interest in accordance with this Indenture. For the avoidance of doubt, any Securities that are not submitted by a Holder for a Repurchase Upon Fundamental Change pursuant to Section 3.01 shall remain outstanding and shall be unaffected by this paragraph.

If a Security is converted in accordance with Article 10 then, from and after the time of such conversion on the Conversion Date, such Security shall cease to be outstanding, and interest, if any, shall cease to accrue on such Security unless there shall be a Default in the payment or delivery of the consideration payable and/or deliverable hereunder upon such conversion (except that any such Security will remain outstanding solely for the purpose of receiving any interest or other amounts due following such conversion as set forth in this Indenture).

Section 2.09 *Securities Held by the Company or an Affiliate.* In determining whether the Holders of the required aggregate principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or any of its Subsidiaries or Affiliates shall be considered as though not outstanding, except that, for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities that a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be considered to be outstanding for purposes of this Section 2.09 if the pledgee establishes, to the satisfaction of the Trustee, the pledgee's right so to concur with respect to such Securities and that the pledgee is not, and is not acting at the direction or on behalf of, the Company, any other obligor on the Securities, an Affiliate of the Company or an Affiliate of any such other obligor. In case of a dispute as to whether the pledgee has established the foregoing, any decision by the Trustee taken upon the advice of counsel shall provide 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 Securities, if any, known by the Company to be owned or held by or for the account of any of the above described Persons; and 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 Securities not listed therein are outstanding for the purpose of any such determination. Notwithstanding Section 316(a)(1) of the TIA (which, for the avoidance of doubt, shall not apply to this Indenture until this Indenture is qualified under the TIA) or anything herein to the contrary, to the fullest extent permitted by law, no [Name of Investor] Securities shall be deemed to be owned by the Company or any of its Subsidiaries or Affiliates for purposes of this Indenture, the Securities and any direction, waiver or consent with respect thereto.

Section 2.10 *Temporary Securities.* Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall, upon receipt of a Company Order therefor, authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee, upon receipt of a Company Order therefor, shall authenticate definitive Securities in exchange for temporary Securities. Until so *exchanged*, each temporary Security shall in all respects be entitled to the same benefits under this Indenture as definitive Securities, and such temporary Security shall be exchangeable for definitive Securities in accordance with the terms of this Indenture.

Section 2.11 *Cancellation.* The Company at any time may deliver Securities to the Trustee for cancellation accompanied by a Company Order. The Registrar, Paying Agent and Conversion Agent shall forward to the Trustee any Securities surrendered to them for transfer, exchange, payment or conversion. The Trustee shall promptly cancel all Securities surrendered for transfer, exchange, payment, *conversion* or cancellation in accordance with its customary procedures. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation or that any Holder has converted pursuant to Article 10. All cancelled Securities held by the Trustee shall be disposed of in accordance with its customary procedure for the disposal of cancelled securities.

Section 2.12 *Defaulted Interest.* If, and to the extent, the Company defaults in a payment of interest on the Securities, the Company shall pay in cash the defaulted interest in any lawful manner plus, to the extent not prohibited by applicable statute or case law, interest on such defaulted interest at the rate *provided* in the Securities. The Company may pay the defaulted interest (plus interest on such defaulted interest) to the Persons who are Holders on a subsequent special record date. The Company shall fix such special record date and payment date. At least fifteen (15) calendar days before the special record date, the Company shall send to Holders a notice that states the special record date, payment date and amount of interest to be paid. Upon the due payment in full, interest shall no longer accrue on such defaulted interest pursuant to this Section 2.12.

Section 2.13 *CUSIP Numbers.* The Company in issuing the Securities may use one or more "**CUSIP**" numbers, and, if so, the Trustee shall use the CUSIP numbers in notices as a convenience to Holders; *provided, however*, that the Trustee shall have no liability for any defect in the CUSIP numbers as they appear on any Security, notice or elsewhere; and *provided further* that no representation is hereby deemed to be *made* by the Trustee as to the correctness or accuracy of the CUSIP numbers printed on the notice or on the Securities; and *provided further* that reliance may be placed only on the other identification numbers printed on the Securities, and the effectiveness of any such notice shall not be affected by any defect in, or omission of, such CUSIP numbers. The Company shall promptly notify the Trustee in writing of any change in the CUSIP numbers.

On the Issue Date, the Securities shall initially bear the CUSIP and ISIN numbers set forth in the following sentence. The CUSIP and ISIN numbers for the [Name of Investor] Securities that are Restricted Global Securities shall be [CUSIP NUMBER] and [ISIN Number], respectively; the CUSIP and ISIN numbers for the [Name of Investor] Securities that are Unrestricted Global Securities shall be [CUSIP Number] and [ISIN NUMBER], respectively; the CUSIP and ISIN numbers for Restricted Global Securities other than [Name of Investor] Securities shall be [CUSIP NUMBER] and [ISIN Number], respectively; and the CUSIP and ISIN numbers for Unrestricted Global Securities other than [Name of Investor] Securities shall be [CUSIP NUMBER] and [ISIN Number], respectively.

Section 2.14 *Deposit of Moneys.* Prior to 11:00 a.m., New York City time, on each Interest Payment Date, the Maturity Date or any Fundamental Change Repurchase Date, the Company shall deposit with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust in accordance with Section 2.04) money, in funds immediately available on such date, sufficient to make cash payments, if any, due on such Interest Payment

Date, the Maturity Date or such Fundamental Change Repurchase Date, as the case may be, in a timely manner which permits the Paying Agent to remit payment to the Holders on such Interest Payment Date, the Maturity Date or such Fundamental Change Repurchase Date, as the case may be.

If any Interest Payment Date, the Maturity Date or any Fundamental Change Repurchase Date falls on a date that is not a Business Day, the payment due on such Interest Payment Date, the Maturity Date or such Fundamental Change Repurchase Date, as the case may be, shall be postponed until the next succeeding Business Day, and no interest or other amount shall accrue as a result of such postponement.

Section 2.15 *Book-Entry Provisions for Global Securities.* (a) Global Securities initially shall (i) be registered in the name of the Depository, *its* successors or their respective nominees, (ii) be delivered to the Trustee as custodian for the Depository, its successors or their respective nominees, as the case may be, and (iii) bear the legends such Global Securities are required to bear under Section 2.17.

Members of, or participants in, the Depository ("**Participants**") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depository, or the Trustee as its custodian, or under the Global Security, and the Depository (or its nominee) may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of the Global Security for all purposes whatsoever; *provided*, *however*, that each [Name of Investor] Security that is a Global Security shall be subject to the rights under Section 9.02 and Section 10.02(c) of the beneficial owners of such [Name of Investor] Security. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee, any Securities Agent or any of their respective agents from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and Participants, the operation of customary practices governing the exercise of the rights of a Holder of any Security.

(b) Except as otherwise set forth in this Section 2.15 or Section 2.16, transfers of Global Securities shall be limited to transfers in whole, but not in part, to the Depository, its successors or their respective nominees. In addition, one or more Physical Securities shall be transferred to each owner of a beneficial interest in a Global Security, as identified by the Depository, in exchange for its beneficial interest in the Global Securities if (i) the Depository notifies the Company that the Depository is unwilling or unable to continue as depository for any Global Security, or the Depository ceases to be a "clearing agency" registered under Section 17A of the Exchange Act, and, in either case, a successor Depository is not appointed by the Company within ninety (90) days of such notice or cessation or (ii) an Event of Default has occurred and is continuing and the Registrar has received a written request from the beneficial owner (via the Depository) of the relevant Securities to issue Physical Securities. For the avoidance of doubt, if any event described in clause (i) of the immediately preceding sentence occurs, any owner of a beneficial interest in any Global Security will be entitled to receive one or more Physical Securities in exchange for its beneficial interest or interests in the Global Securities, and if any event described in clause (ii) of the immediately preceding sentence occurs, only the beneficial owner that has made a written request to the Registrar (via the Depository) will be entitled to receive one or more Physical Securities in exchange for its beneficial interest

or interests in the Global Securities. The Company may also exchange beneficial interests in a Global Security for one or more Physical Securities registered in the name of the owner of beneficial interests if the Company and the owner of such beneficial interests agree to so exchange.

(c) The transfer and exchange of beneficial interests in the Global Securities shall be effected through the Depository, in accordance with the provisions of this Indenture and the Applicable Procedures. Transfers of beneficial interests in the Global Securities also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as, to the extent applicable, the other provisions of this Section 2.15(b) that follow:

(i) *Transfer of Beneficial Interests in the Same Global Security*. Beneficial interests in any Restricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Security (or a Restricted Global Security with the same CUSIP number) in accordance with the transfer restrictions set forth in the Security Private Placement Legend. Beneficial interests in any Unrestricted Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Security. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this clause (i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Securities. In connection with all transfers and exchanges of a beneficial interest in a Global Security that are not addressed by Section 2.15(c)(i), there must be delivered (A) such instruction or order from a Participant or an Indirect Participant to the Depository, as may be required by the Applicable Procedures, directing the Depository to credit or cause to be credited a beneficial interest in another Global Security in an amount equal to the beneficial interest to be transferred or exchanged and (B) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in a Global Security contained in this Indenture, the Trustee shall adjust the principal amount of the Global Securities pursuant to Section 2.15(d).

(iii) Transfer and Exchange of Beneficial Interests in a Restricted Global Security for Beneficial Interests in an Unrestricted Global Security. A beneficial interest in any Restricted Global Security may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Security or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Security if the exchange or transfer complies with the requirements of this Section 2.15(b) and the Registrar receives the following:

(A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Security, a certificate from such Holder substantially in the form of Exhibit E; or

(B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Security, a certificate from such holder in the form of Exhibit D;

and, in each such case set forth in this clause (iii), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that no registration under the Securities Act is required in connection with such exchange or transfer of beneficial interests to the relevant Person or in connection with any re-sales of the beneficial interests in the Unrestricted Global Security that are beneficially owned by such Person on the date of such opinion.

Beneficial interests in an Unrestricted Global Security cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Security.

(iv) *Transfer and Exchange of Beneficial Interests in one Restricted Global Security for Beneficial Interests in another Restricted Global Security*. A beneficial interest in any Restricted Global Security may be exchanged by any holder thereof for a beneficial interest in a Restricted Global Security with a different CUSIP or different legends or transferred to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Security with a different CUSIP or different legends if the exchange or transfer complies with the requirements of this Section 2.15(b) and the Registrar receives the following:

(A) if the holder of such beneficial interest in a Restricted Global Security proposes to exchange such beneficial interest for a beneficial interest in a Restricted Global Security with a different CUSIP or different legends, a certificate from such Holder substantially in the form of Exhibit E; or

(B) if the holder of such beneficial interest in a Restricted Global Security proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in a Restricted Global Security with a different CUSIP or different legends, a certificate from such holder in the form of Exhibit D.

Notwithstanding the foregoing or anything to the contrary provided herein, a holder of a beneficial interest in a Security that is not a [Name of Investor] Security may not exchange or transfer such beneficial interest for a beneficial interest in a [Name of Investor] Security.

(d) At such time as all beneficial interests in a particular Global Security have been exchanged for Physical Securities or a particular Global Security has been repurchased or canceled in whole and not in part, each such Global Security shall be returned to or retained and canceled by the Trustee in accordance with Section 2.11. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security or for Physical Securities, the principal amount of Securities represented by such Global Security shall

be reduced accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository 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 Security, such other Global Security shall be increased accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such increase.

(e) In connection with the transfer of a Global Security in its entirety to beneficial owners pursuant to Section 2.15(b), such Global Security shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall upon written instructions from the Company authenticate and deliver, to each beneficial owner identified by the Depository in exchange for its beneficial interest in such Global Security, an equal aggregate principal amount of Physical Securities of authorized denominations.

(f) Any Physical Security delivered in exchange for an interest in a Global Security pursuant to Section 2.15(b), shall bear the same legend(s), if any, from Exhibit B-1A that are borne by the relevant Global Security, except to the extent the requirements of Section 2.15(c)(iii) or Section 2.15(c)(iv) are satisfied with respect to the removal or addition of any legend, *mutatis mutandis* for the fact that a Physical Security is being issued rather than a beneficial interest in a Global Security.

(g) The Holder of any Global Security may grant proxies and otherwise authorize any Person, including Participants and Persons that may hold interests through Participants, to take any action which a Holder is entitled to take under this Indenture or the Securities.

(h) Neither the Trustee nor any Securities Agent shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on the transfer of any interest in any Securities imposed under this Indenture or under applicable law (including any transfers between or among Participants or beneficial owners of interests in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof. The Trustee and the Securities Agent may conclusively rely, as to the truth of the statements, upon certificates furnished to the Trustee and the Securities Agent by the Holders.

(i) Neither the Trustee nor any Securities Agent shall have any responsibility for any actions taken or not taken by the Depository.

(j) No service charge shall be made to or by a holder of a beneficial interest in a Global Security or to or by a Holder of a Physical Security for any registration of transfer or exchange.

(k) All Global Securities and Physical Securities issued upon any registration of transfer or exchange of Global Securities or Physical Securities shall evidence the same debt of the Company and entitled to the same benefits under this Indenture, as the Global Securities or Physical Securities surrendered upon such registration of transfer or exchange.

(l) Prior to due presentment for the registration of a transfer of any Security, the Trustee and the Company may deem and treat the Person in whose name any Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and interest on such Securities and, subject to Section 2.09, for all other purposes, and neither of the Trustee or the Company shall be affected by notice to the contrary.

(m) Upon surrender for registration of transfer of any Security at the office or agency of the Company designated pursuant to Section 4.02, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more replacement Securities of any authorized denomination or denominations of a like aggregate principal amount.

(n) At the option of the Holder, Securities may be exchanged for other Securities of any authorized denomination or denominations of a like aggregate principal amount upon surrender of the Securities to be exchanged at such office or agency. Whenever any Global Securities or Physical Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and send, the replacement Global Securities and Physical Securities which the Holder making the exchange is entitled to in accordance with the provisions of Section 2.02.

(o) Neither the Trustee nor any Securities Agent shall have any responsibility or obligation to any beneficial owner of an interest in the Global Securities, an agent member of, or a participant in, the Depository or other person with respect to the accuracy of the records of the Depository or its nominees or of any Participant or member thereof, with respect to any ownership interest in the Global Securities or with respect to the delivery to any Participant, agent member, beneficial owner or other Person (other than the Depository) of any notice or the payment of any amount or delivery of any Securities (or other security or property) under or with respect to such Securities. The rights of beneficial owners in any Global Securities shall be exercised only through the Depository, subject to its applicable rules and procedures. The Trustee and each agent may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its agent members, Participants and any beneficial owners.

Section 2.16 *Special Transfer Provisions.* (a) Notwithstanding any other provisions of this Indenture, but except as provided in Section 2.15(b), a *Global* Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(b) Upon the transfer, exchange or replacement of Securities not bearing the Security Private Placement Legend, unless the Company notifies the Trustee in writing otherwise, the Trustee shall deliver Securities that do not bear the Security Private Placement Legend. Upon the transfer, exchange or replacement of Securities bearing the Security Private Placement Legend, the Trustee shall deliver only Securities that bear the Security Private Placement Legend unless (i) the requested transfer, exchange or replacement is after the Resale Restriction Termination Date, (ii) there is delivered to the Trustee and the Company an Opinion of Counsel reasonably satisfactory to the Company and addressed to the Company to the effect that no registration

under the Securities Act is required in connection with such transfer, exchange or replacement of such Securities in connection with any re-sales of such Securities on the date of such opinion or (iii) such Security has been sold pursuant to an effective registration statement under the Securities Act and the Holder selling such Securities has delivered to the Registrar a notice in the form of Exhibit C hereto.

(c) By its acceptance of any Security or any Class A Common Shares (including Class A Common Shares held in the form of ADSs) bearing the Security Private Placement Legend or the Common Share Private Placement Legend, each holder thereof acknowledges the restrictions on transfer of such security set forth in this Indenture and in the Security Private Placement Legend or Common Share Private Placement Legend, as applicable, and agrees that it will transfer such security only as provided in this Indenture and as permitted by applicable law.

The Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2.15 or this Section 2.16 in accordance with its customary document retention policies. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

(d) The Company may, to the extent permitted by law, purchase the Securities in the open market or by tender offer at any price or by private agreement without giving prior notice to Holders. The Company shall surrender to the Trustee for cancellation any Securities the Company purchases in this manner. Securities surrendered to the Trustee for cancellation may not be reissued or resold and shall be promptly cancelled pursuant to Section 2.11.

(e) Any Physical Securities that are purchased or owned by the Company, any Subsidiary of the Company or any other Affiliate of the Company or its Subsidiaries may not be resold by the Company, such Subsidiary or such Affiliate in a transaction in which the transferee takes its interest in the form of a beneficial interest in a Global Security unless registered under the Securities Act or resold pursuant to an exemption from the registration requirements of the Securities Act in a transaction that results in such Securities no longer being Restricted Securities.

Section 2.17 *Restrictive Legends*.

(a) Each Global Security and Physical Security that constitutes a Restricted Security shall bear the legend (the "**Security Private Placement Legend**") as set forth in Exhibit B-1A on the face thereof until the date such Securities no longer constitute Restricted Securities as reasonably determined by the Company in good faith and evidenced by an Officers' Certificate (such date, the "**Resale Restriction Termination Date**").

No transfer of any Security prior to the Resale Restriction Termination Date will be registered by the Registrar unless the applicable box has been checked on the Form of Assignment attached as Attachment 1 to the Form of Security attached hereto as Exhibit A.

Any Security (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 Security for exchange to the Trustee in accordance with the provisions of this Article 2, be

exchanged for a new Security or Securities, of like tenor and aggregate principal amount, which shall not bear the Security Private Placement Legend required by this Section 2.17(a) and shall not be assigned a restricted CUSIP number. In addition, on and after the Resale Restriction Termination Date, upon the request of any Holder and upon surrender of its Security for exchange, the Company shall exchange a Physical Security with the Security Private Placement Legend for a Physical Security without Security Private Placement Legend so long as the Holder covenants to the Company that it will offer, sell, pledge or otherwise transfer such Security in compliance with the Securities Act. The Company shall be entitled to instruct the Trustee in writing to cancel any Global Security as to which such restrictions on transfer shall have expired in accordance with their terms for exchange, and, upon such instruction, the Trustee shall provide evidence of cancellation of such Global Security; and any new Global Security exchanged therefor shall not bear the Security Private Placement Legend specified in this Section 2.17(a) and shall not be assigned a restricted CUSIP number. The Company shall promptly notify the Trustee in writing upon the occurrence of the Resale Restriction Termination Date and promptly after a registration statement, if any, with respect to the Securities or any ADSs issued upon conversion of the Securities has been declared effective under the Securities Act.

(b) Until the Resale Restriction Termination Date, any stock certificate representing Class A Common Shares (including Class A Common Shares held in the form of ADSs) issued upon conversion of such Security, if any, shall, if such shares constitute Restricted Securities at their time of issuance, bear the legend (the "**Common Shares Private Placement Legend**") as set forth in Exhibit B-1B unless such Class A Common Shares (including Class A Common Shares held in the form of ADSs) 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 have been sold 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 in writing.

(c) Each Global Security shall also bear the legend as set forth in Exhibit B-2.

(d) Each Security issued with "original issue discount" for United States federal income tax purposes shall also bear the legend as set forth in Exhibit B-3.

ARTICLE 3
REPURCHASE UPON A FUNDAMENTAL CHANGE

Section 3.01 *Repurchase at Option of Holder Upon a Fundamental Change.* (a) If a Fundamental Change occurs at any time prior to the Maturity Date, each Holder of Securities shall have the right (the "**Fundamental Change Repurchase Right**"), at such Holder's option, to require the Company to repurchase (a "**Repurchase Upon Fundamental Change**") all of such Holder's Securities (or any portion thereof that is equal to $1,000 in principal amount or an integral multiple thereof), on a date selected by the Company (the "**Fundamental Change Repurchase Date**"), which shall be no later than thirty five (35) Business Days, and no earlier than twenty (20) Business Days (or as such period may be extended pursuant to Section 3.01(j)), after the date the Fundamental Change Notice is sent in accordance with Section 3.01(b), at a price, payable in cash, equal to one hundred percent (100%) of the principal amount of the

Securities (or portion thereof) to be so repurchased, plus accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"), subject to satisfaction of the following conditions:

(i) delivery to the Company (if it is acting as its own Paying Agent), or to a Paying Agent designated by the Company for such purpose in the Fundamental Change Notice, no later than the Close of Business on the Business Day immediately preceding the Fundamental Change Repurchase Date, of a Repurchase Notice, in the form set forth in the Securities or any other form of written notice substantially similar thereto, in each case, duly completed and signed, with appropriate signature guarantee, stating:

(A) the certificate number(s) of the Securities that the Holder will deliver to be repurchased, if such Securities are Physical Securities;

(B) the principal amount of Securities to be repurchased, which must be $1,000 or an integral multiple thereof; and

(C) that such principal amount of Securities are to be repurchased pursuant to the terms and conditions specified in this Section 3.01; and

(ii) delivery to the Company (if it is acting as its own Paying Agent), or to a Paying Agent designated by the Company for such purpose in the Fundamental Change Notice, at any time after the delivery of such Repurchase Notice, of such Securities (together with all necessary endorsements) with respect to which the Fundamental Change Repurchase Right is being exercised, if such Securities are Physical Securities, or book-entry transfer of the Securities, if the Securities are Global Securities, in compliance with the Applicable Procedures;

provided, *however*, that if such Fundamental Change Repurchase Date is after a Record Date for the payment of an installment of interest and on or before the related Interest Payment Date, then the full amount of accrued and unpaid interest, if any, to, but excluding, such Interest Payment Date shall be paid on such Interest Payment Date to the Holder of record of such Securities at the Close of Business on such Record Date (without any surrender of such Securities by such Holder), and the Fundamental Change Repurchase Price shall not include such accrued but unpaid interest.

If such Securities are held in book-entry form through the Depository, the delivery of any Securities, Repurchase Notice, Fundamental Change Notice or notice of withdrawal pursuant to the second immediately succeeding paragraph shall comply with the Applicable Procedures.

Notwithstanding anything herein to the contrary, any Holder that has delivered the Repurchase Notice contemplated by this Section 3.01(a) to the Company (if it is acting as its own Paying Agent) or to a Paying Agent designated by the Company for such purpose in the Fundamental Change Notice shall have the right to withdraw such Repurchase Notice by delivery, at any time prior to the Close of Business on the Business Day immediately preceding the Fundamental Change Repurchase Date (or, if there shall be a Default in the payment of the Fundamental Change Repurchase Price, at any time during which such Default is continuing), of a written notice of withdrawal to the Company (if acting as its own Paying Agent) or the Paying

Agent, which notice shall be delivered in accordance with, and contain the information specified in, Section 3.01(b)(x).

The Paying Agent shall promptly notify the Company of the receipt by it of any Repurchase Notice or written notice of withdrawal thereof.

(b) On or before the 20th Business Day after the consummation of a Fundamental Change, the Company shall send, or cause to be sent, to all Holders of the Securities in accordance with Section 13.01 a notice (the "**Fundamental Change Notice**") of the occurrence of such Fundamental Change and the Fundamental Change Repurchase Right arising as a result thereof. The Company shall deliver a copy of the Fundamental Change Notice to the Trustee at the time such notice is delivered to the Holders. Each Fundamental Change Notice shall state:

(i) the events causing the Fundamental Change;

(ii) the date of the Fundamental Change;

(iii) the Fundamental Change Repurchase Date;

(iv) the last date on which the Fundamental Change Repurchase Right may be exercised, which shall be the Business Day immediately preceding the Fundamental Change Repurchase Date;

(v) the Fundamental Change Repurchase Price;

(vi) the names and addresses of the Paying Agent and the Conversion Agent;

(vii) the procedures that a Holder must follow to exercise the Fundamental Change Repurchase Right;

(viii) that the Fundamental Change Repurchase Price for any Security as to which a Repurchase Notice has been given and not withdrawn will be paid no later than the later of such Fundamental Change Repurchase Date and the time of book-entry transfer or delivery of the Security (together with all necessary endorsements);

(ix) that, except as otherwise provided herein with respect to a Fundamental Change Repurchase Date that is after a Record Date for the payment of an installment of interest and on or before the related Interest Payment Date, on and after such Fundamental Change Repurchase Date (unless there shall be a Default in the payment of the Fundamental Change Repurchase Price), interest on Securities subject to Repurchase Upon Fundamental Change will cease to accrue, and all rights of the Holders of such Securities shall terminate, other than the right to receive, in accordance herewith, the Fundamental Change Repurchase Price;

(x) that a Holder will be entitled to withdraw its election in the Repurchase Notice prior to the Close of Business on the Business Day immediately preceding the Fundamental Change Repurchase Date, or such longer period as may be required by law, delivered in the same manner as the related Repurchase Notice was delivered and setting

forth the name of such Holder, a statement that such Holder is withdrawing its election to have Securities purchased by the Company on such Fundamental Change Repurchase Date pursuant to a Repurchase Upon Fundamental Change, the certificate number(s) of such Securities to be so withdrawn (if such Securities are Physical Securities), the principal amount of the Securities of such Holder to be so withdrawn, which amount must be $1,000 or an integral multiple thereof and the principal amount, if any, of the Securities of such Holder that remain subject to the Repurchase Notice delivered by such Holder in accordance with this Section 3.01, which amount must be $1,000 or an integral multiple thereof; *provided*, *however*, that if there shall be a Default in the payment of the Fundamental Change Repurchase Price, a Holder shall be entitled to withdraw its election in the Repurchase Notice at any time during which such Default is continuing;

(xi) the Conversion Rate and any adjustments to the Conversion Rate that will result from such Fundamental Change (if applicable);

(xii) that Securities with respect to which a Repurchase Notice is given by a Holder may be converted pursuant to Article 10 only if such Repurchase Notice has been withdrawn in accordance with this Section 3.01 or the Company defaults in the payment of the Fundamental Change Repurchase Price; and

(xiii) the CUSIP number or numbers, as the case may be, of the Securities.

At the Company's request, upon prior notice reasonably acceptable to the Trustee, the Trustee shall send such Fundamental Change Notice in the Company's name and at the Company's expense; *provided*, *however*, that the form and content of such Fundamental Change Notice shall be prepared by the Company.

No failure of the Company to give a Fundamental Change Notice shall limit any Holder's right pursuant hereto to exercise a Fundamental Change Repurchase Right.

(c) Subject to the provisions of this Section 3.01, the Company shall pay, or cause to be paid, the Fundamental Change Repurchase Price with respect to each Security as to which the Fundamental Change Repurchase Right shall have been exercised to the Holder thereof no later than the later of the Fundamental Change Repurchase Date and the time of book-entry transfer or when such Security is surrendered to the Paying Agent together with any necessary endorsements.

(d) The Company shall, in accordance with Section 2.14, deposit with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust in accordance with Section 2.04) money, in funds immediately available on the Fundamental Change Repurchase Date, sufficient to pay the Fundamental Change Repurchase Price upon Repurchase Upon Fundamental Change for all of the Securities that are to be repurchased by the Company on such Fundamental Change Repurchase Date pursuant to a Repurchase Upon Fundamental Change. The Paying Agent shall, promptly after delivering the Fundamental Change Repurchase Price to Holders entitled thereto and upon written demand by the Company, return to the Company as soon as practicable, any money in excess of the Fundamental Change Repurchase Price.

(e) Once the Fundamental Change Notice and the Repurchase Notice have been duly given in accordance with this Section 3.01, the Securities to be repurchased pursuant to a Repurchase Upon Fundamental Change shall, on the Fundamental Change Repurchase Date, become due and payable in accordance herewith, and, on and after such date (unless there shall be a Default in the payment of the Fundamental Change Repurchase Price), except as otherwise provided herein with respect to a Fundamental Change Repurchase Date that is after a Record Date for the payment of an installment of interest and on or before the related Interest Payment Date, such Securities shall cease to bear interest (whether or not book-entry transfer of the Securities has been made or the Securities have been delivered to the Paying Agent), and all rights of the relevant Holders of such Securities shall terminate, other than the right to receive, in accordance herewith, such consideration and any other applicable rights under those sections set forth in the proviso in Section 8.01.

(f) Securities with respect to which a Repurchase Notice has been duly delivered in accordance with this Section 3.01 may be converted pursuant to Article 10 only if such Repurchase Notice has been withdrawn in accordance with this Section 3.01 or the Company defaults in the payment of the Fundamental Change Repurchase Price.

(g) If any Security shall not be paid on the Fundamental Change Repurchase Date upon book-entry transfer or surrender thereof for Repurchase Upon Fundamental Change, the principal of, and accrued and unpaid interest on, such Security shall, until paid, bear interest, payable in cash, at the rate borne by such Security on the principal amount of such Security, and such Security shall be convertible pursuant to Article 10 if any Repurchase Notice with respect to such Security is withdrawn pursuant to this Section 3.01.

(h) Any Security that is to be submitted for Repurchase Upon Fundamental Change only in part shall be delivered pursuant to this Section 3.01 (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or its attorney duly authorized in writing, with a notarization or medallion guarantee), and the Company shall promptly execute, and the Trustee shall promptly authenticate and make available for delivery to the Holder of such Security without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder, of the same tenor and in aggregate principal amount equal to the portion of such Security not duly submitted for Repurchase Upon Fundamental Change.

(i) Notwithstanding anything herein to the contrary, except in the case of an acceleration resulting from a Default relating to the payment of the Fundamental Change Repurchase Price, there shall be no purchase of any Securities pursuant to this Section 3.01 on any date if, on such date, the principal amount of the Securities shall have been accelerated in accordance with this Indenture and such acceleration shall not have been rescinded on or prior to such date in accordance with this Indenture. The Paying Agent will promptly return to the respective Holders thereof any Securities held by it during the continuance of such an acceleration.

(j) In connection with any Repurchase Upon Fundamental Change, the Company shall, to the extent required (i) comply with the provisions of Rule 13e-4, Rule 14e-1, Regulation 14E under the Exchange Act, and with all other applicable laws; (ii) file a Schedule TO or any

other schedules required under the Exchange Act or any other applicable laws; and (iii) otherwise comply with all applicable United States federal and state securities laws in connection with any offer by the Company to repurchase the Securities; *provided* that any time period specified in this Article 3 shall be extended to the extent necessary for such compliance.

ARTICLE 4
COVENANTS

Section 4.01 *Payment of Securities.* The Company shall pay all amounts and make deliveries of securities due with respect to the Securities on the dates and in the manner provided in the Securities and this Indenture. All such amounts shall be considered paid on the date due if the Paying Agent holds (or, if the Company is acting as Paying Agent, the Company has segregated and holds in trust in accordance with Section 2.04) on that date money sufficient to pay the amount then due with respect to the Securities. The Company will pay, in money of the United States that at the time of payment is legal tender for payment of public and private debts, all amounts due in cash with respect to the Securities, which amounts shall be paid (a) in the case of a Global Security, by wire transfer of immediately available funds to the account designated by the Depository or its nominee; and (b) in the case of a Physical Security, by wire transfer of immediately available funds to the account within the United States as specified in writing to the Paying Agent by such Holder or, if such Holder does not specify an account, by mailing a check to the address of such Holder set forth in the register of the Registrar. With respect to principal payments, presentation and surrender of Securities is required prior to final payment.

The Company shall pay, in cash, interest on any overdue amount (including, to the extent permitted by applicable law, overdue interest) at the rate borne by the Securities.

Section 4.02 *Maintenance of Office or Agency.* The Company will maintain, or cause to be maintained, in the Borough of Manhattan, The City of New York, an office or agency (which may be an office of the Trustee or an Affiliate of the Trustee or Registrar) where Securities may be surrendered for registration of transfer or exchange, payment or conversion and where notices and demands to or upon the Company in respect of the Securities 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, or fail to cause to be maintained, any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations and surrenders may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities 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 Company hereby initially designates the Corporate Trust Office of the Trustee as an agency of the Company in accordance with Section 2.03.

Section 4.03 *Annual Reports.* (a) The Company shall provide to the Trustee a copy of each report the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act no later than the date 15 Business Days after such report is required to be filed with the SEC pursuant to the Exchange Act (after giving effect to any grace period provided by the SEC, including Rule 12b-25 under the Exchange Act); *provided, however*, that each such report will be deemed to be so provided to the Trustee if the Company files such report with the SEC through the SEC's EDGAR database no later than the time such report is required to be filed with the SEC pursuant to the Exchange Act (taking into account any applicable grace periods provided thereunder). To the extent the TIA then applies to this Indenture, the Company shall comply with TIA § 314(a).

(b) In addition, while the Securities remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which the Company is not subject to Section 13 or 15(d) of the Exchange Act, furnish to holders of the Securities and prospective investors, upon request, the information required to be delivered pursuant to Rule 144(c)(2) under the Securities Act.

(c) Delivery of such reports, information and documents to the Trustee pursuant to this Section 4.03 is for informational purposes only, and the Trustee's receipt of such shall not constitute actual or 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 rely exclusively on an Officers' Certificate).

(d) The Trustee shall have no obligation or duty to determine or monitor whether the Company has delivered reports in accordance with this Section 4.03.

(e) If, at any time during the six-month period beginning on, and including, the date which is six months after the last date of original issuance of the Securities and ending on the one-year anniversary of the last original issuance date of the Securities, the Company fails to timely file any periodic report that the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, as applicable, and the Company does not cure such failure to file within 14 calendar days, the Company shall pay interest (the "**Additional Interest**") on the Securities, accruing from the due date of the first missed filing that gives rise to such obligation and continuing until the earlier of (i) the one-year anniversary of the last original issuance date of the Securities and (ii) the date on which the Company corrects its failure to file such reports. During the first 90 days on which such Additional Interest is payable, such Additional Interest shall accrue at a rate of 0.25% per annum; thereafter, such Additional Interest shall accrue at a rate of 0.50% per annum.

(f) In addition, if any Securities (other than Securities held by an "affiliate" of the Company as defined in Rule 144, or acquired from such an affiliate less than one year earlier than the date of determination (giving effect to any applicable tacking under Rule 144(d))) or any Class A Common Shares (including Class A Common Shares held in the form of ADSs) issuable upon conversion of Securities (other than Securities held by an "affiliate" of the Company as defined in Rule 144, or acquired from such an affiliate less than one year earlier than the date of determination (giving effect to any applicable tacking under Rule 144(d))) are Restricted

Securities on or at any time after the one-year anniversary of the last original issuance date of such Securities (or the next succeeding Business Day if such date is not a Business Day), the Company will pay Additional Interest on such Securities accruing from the one-year anniversary of the last original issuance date of such Securities and until the date on which such Securities and any Class A Common Shares (including Class A Common Shares held in the form of ADSs) issuable upon the conversion of such Securities cease to be Restricted Securities. During the first 90 days on which such Additional Interest is payable, such Additional Interest will accrue at a rate of 0.25% per annum; thereafter, such Additional Interest will accrue at a rate of 0.50% per annum.

(g) Notwithstanding anything else in this Indenture, in no event will (i) the combined rate of any Additional Interest payable under this Section 4.03 and of any Special Interest payable under Section 6.01(k) exceed 0.50% per annum; or (ii) Additional Interest accrue on any day in which (A) (1) the Company has filed a shelf registration statement for the resale of the Securities, (2) such shelf registration statement is effective and usable by Holders for the resale of the Securities, and (3) the Holders may register the resale of their Securities under such shelf registration statement on terms customary for the resale of convertible securities offered in reliance on Rule 144A; or (B) in which conditions (A)(1) through (A)(3) of this sentence have been satisfied for a period of two years.

(h) Whenever Additional Interest is accruing on a Record Date, the Company will pay all accrued and unpaid Additional Interest to the Holders of record on such Record Date on the corresponding Interest Payment Date. If Additional Interest is not accruing on a Record Date, but has accrued since the immediately preceding Record Date, the Company shall pay any accrued and unpaid Additional Interest on the Interest Payment Date corresponding to the latter Record Date to Holders of record on the latter Record Date.

If the Company is required to pay Additional Interest or Special Interest to Holders, the Company shall provide a direction or order in the form of a written notice to the Trustee (and if the Trustee is not the Paying Agent, to the Paying Agent) of the Company's obligation to pay such Additional Interest or Special Interest no later than three Business Days prior to the date on which any such Additional Interest or Special Interest is scheduled to be paid. Such notice shall set forth the amount of Additional Interest or Special Interest to be paid by the Company on such payment date and direct the Trustee (or, if the Trustee is not the Paying Agent, to the Paying Agent) to make payment to the extent it receives funds from the Company to do so. The Trustee shall not at any time be under any duty or responsibility to any Holder to determine whether the Additional Interest or Special Interest is payable, or with respect to the nature, extent, or calculation of the amount of the Additional Interest or Special Interest owed, or with respect to the method employed in such calculation of the Additional Interest or Special Interest.

Section 4.04 *Compliance Certificate.* The Company shall deliver to the Trustee, within one hundred and twenty (120) calendar days after the end of each fiscal year of the Company, commencing with the fiscal year ending February 28, 2021, a certificate from the principal executive, financial or accounting officer of the Company stating that such officer has conducted or supervised a review of the activities of the Company and its performance of obligations under this Indenture and the Securities and that, based upon such review, no Default or Event of Default exists hereunder or thereunder or, if a Default or Event of Default then exists, specifying

such event, status and the remedial action proposed to be taken by the Company with respect to such Default or Event of Default.

Section 4.05 *Stay, Extension and Usury Laws.* The Company covenants (to the extent that it may lawfully do so) that it will 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 wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture or the Securities; and the Company (to the extent that 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 has been enacted.

Section 4.06 *Notice of Default.* Within 30 days of the Company's becoming aware of the occurrence of any Default or Event of Default, the Company shall give written notice to the Trustee of such Default or Event of Default, and any remedial action proposed to be taken.

Section 4.07 *Limitation on the Incurrence of Indebtedness*. The Company shall not, and shall cause its Subsidiaries and its Consolidated Affiliated Entities not to create, incur, issue, assume, guarantee or otherwise become liable, (collectively, "**incur**" and collectively, an "**incurrence**") with respect to any Indebtedness unless (a) the Consolidated Total Debt Ratio for the Company, its Subsidiaries and its Consolidated Affiliated Entities on the date on which such Indebtedness is incurred would have been equal to or less than 5.00 to 1.00 and (b) the Consolidated Net Debt for the Company, its Subsidiaries and its Consolidated Affiliated Entities on the date on which such Indebtedness is incurred would not exceed $2.0 billion, in each case, determined on a pro forma basis giving effect to such incurrence but without the application of the proceeds thereof.

Section 4.08 *Additional Amounts*. (a) All payments and deliveries made by, or on behalf of, the Company or any successor to the Company under or with respect to this Indenture and the Securities, including, but not limited to, payments of principal (including, if applicable, the Fundamental Change Repurchase Price), premium, if any, payments of interest, if any, and deliveries of ADSs or any other consideration due on conversion of Securities (together with payments of cash for any fractional ADS or other consideration) upon conversion of the Securities, shall be made without withholding, deduction or reduction for any other collection at source for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied (including any penalties and interest related thereto) ("**applicable taxes**") by or within any jurisdiction in which the Company or any successor to the Company is, for tax purposes, incorporated, organized or resident or doing business (each, as applicable, a "**Relevant Taxing Jurisdiction**") or through which payment is made or deemed made (together with each Relevant Taxing Jurisdiction, a "**Relevant Jurisdiction**," and, in each case, any political subdivision or taxing authority thereof or therein) unless such withholding, deduction or reduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding, deduction or reduction is so required, the Company or any successor to the Company shall pay or deliver to each Holder such additional amounts of cash, ADSs or other consideration, as applicable ("**Additional Amounts**") as may be necessary to ensure that the net amount received by the

beneficial owner of the Securities after such withholding, deduction or reduction (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, deduction or reduction been required; provided that no Additional Amounts shall be payable:

(i) for or on account of:

(A) any applicable taxes that would not have been imposed but for:

(1) the existence of any present or former connection between the relevant Holder or beneficial owner of such Security and the Relevant Jurisdiction, other than merely acquiring or holding such Security, receiving ADSs (together with the payment of cash for any fractional ADS) or other consideration upon conversion of such Security or the receipt of payments or the exercise or enforcement of rights thereunder, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present on a continuing basis or engaged in a trade or business therein or having had a permanent establishment therein;

(2) the presentation of such Security (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 interest (if any) on, such Security or the delivery of ADSs (together with payment of cash for any fractional ADS) upon conversion of such Security 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 written request from the Company or any successor of the Company, addressed to the Holder, to the extent such Holder or beneficial owner is legally entitled, 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 Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner;

(B) any estate, inheritance, gift, sale, transfer, personal property or similar applicable tax or any excise or similar taxes imposed with respect to a transfer, other than any such taxes that may be imposed as a result of a transfer to or from the Company or a successor to the Company, including as a result of merely acquiring or holding a Security, receiving ADSs (together with the

payment of cash for any fractional ADS) or other consideration upon conversion of such Security or the receipt of payments or the exercise or enforcement of rights thereunder;

(C) any net income or other similar tax that is payable otherwise than by withholding, deduction or reduction for any other collection at source from payments or deliveries under or with respect to the Securities;

(D) any applicable tax required to be withheld or deducted under Sections 1471 to 1474 of the Code (or any amended or successor versions of such Sections) ("**FATCA**"), any regulations or other official guidance thereunder, any intergovernmental agreement or agreement pursuant to Section 1471(b)(1) of the Code entered into in connection with FATCA, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement; or

(E) any combination of applicable taxes referred to in the preceding clauses (A), (B), (C) or (D); or

(ii) with respect to any payment of the principal of (including the Fundamental Change Repurchase Price, if applicable), and interest (if any) on, such Security or the delivery of ADSs (together with payment of cash for any fractional ADS) upon conversion of such Security to a Holder, if the Holder is a fiduciary, trustee, agent, nominee or other person acting solely on behalf of a beneficial owner of that payment to the extent that such payment would be required to be included in the income under the laws of the Relevant Jurisdiction, for tax purposes, of the beneficial owner who would not have been entitled to such Additional Amounts under this Section 4.08 had that beneficial owner been the direct Holder of such Security.

(b) If the Company or its successor becomes obligated to pay Additional Amounts with respect to any payment or delivery under or with respect to the Securities, the Company or its successor shall deliver to the Trustee and the Paying Agent, and, if applicable, the Conversion Agent or other party, on a date that is at least 30 days prior to the date of that payment or delivery (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Company or its successor shall notify the Trustee and the Paying Agent promptly thereafter), an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officers' Certificate must also set forth any other information reasonably necessary to enable the Paying Agent or the Conversion Agent, as the case may be, to pay Additional Amounts to Holders on the relevant payment date. The Trustee and the Paying Agent shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary. The Company or its successor shall provide the Trustee and the Paying Agent with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

(c) The Company or its successor shall make all withholdings and deductions required by law and shall remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable law, and such required withholdings and deductions shall be

treated as having been first paid by the Company or its successor to such Holder and then remitted to the relevant tax authority on behalf of such Holder. Upon request, the Company or its successor shall provide to the Trustee an official receipt or, if official receipts are not obtainable, an Officers' Certificate evidencing the payment of any applicable taxes so deducted or withheld. Copies of those receipts or other documentation, as the case may be, shall be made available by the Trustee to the Holders of the Securities upon written request.

(d) Any reference in this Indenture or the Securities in any context to the delivery of ADSs (together with payment of cash for any fractional ADS) or other consideration upon conversion of any Security or the payment of principal of (including the Fundamental Change Repurchase Price, if applicable) and any premium or interest, if any, on any Security or any other amount payable with respect to such Security, shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect to that amount pursuant to this Section 4.08.

(e) Notwithstanding any other provisions, the Company or its successor, the Trustee and the Paying Agent shall be entitled to make any withholding or deduction pursuant to FATCA.

(f) If the Company or its successor is required to make any deduction or withholding from any payments or deliveries with respect to the Securities, it will deliver to the Trustee official tax receipts evidencing the remittance to the relevant tax authorities of the amounts so withheld or deducted, and the Trustee shall make such official tax receipts available to the Holders.

(g) The foregoing obligations shall survive termination or discharge of this Indenture.

ARTICLE 5
SUCCESSORS

Section 5.01 *When Company May Merge, Etc.* Subject to Section 5.02, the Company shall not consolidate with, or merge with or into, or sell, transfer, lease, convey or otherwise dispose of all or substantially all of the consolidated property or assets of the Company, its Subsidiaries and its Consolidated Affiliated Entities, taken as a whole, to another Person (other than one or more Subsidiaries of the Company (it being understood that this Article 5 shall not apply to a sale, transfer, lease, conveyance or other disposition of property or assets between or among the Company and its Subsidiaries)), whether in a single transaction or series of related transactions, unless (i)(x) the Company is the continuing Person or (y) such other Person is organized and existing under the laws of the Cayman Islands, the British Virgin Islands, Bermuda or Hong Kong, such other Person assumes by supplemental indenture all of the obligations of the Company under the Securities and this Indenture and (ii) immediately after giving effect to such transaction or series of transactions, no Default or Event of Default shall have occurred and be continuing under this Indenture.

For purposes of this Section 5.01, the sale, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of one or more Subsidiaries or Consolidated Affiliated Entities of the Company to another Person other than the Company or

one or more other Subsidiaries of the Company, which properties or assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the consolidated properties or assets of the Company, its Subsidiaries and Consolidated Affiliated Entities, taken as a whole, shall be deemed to be the sale, transfer, lease, conveyance or other disposition of all or substantially all of the consolidated properties or assets of the Company, its Subsidiaries and its Consolidated Affiliated Entities, taken as a whole, to another Person.

The Company shall deliver to the Trustee substantially concurrently with or prior to the consummation of the proposed transaction an Officers' Certificate and an Opinion of Counsel (which may rely upon such Officers' Certificate as to the absence of Defaults and Events of Default and other statements of fact) stating that the proposed transaction and, if required, such supplemental indenture (if any) will, upon consummation of the proposed transaction, comply with the applicable provisions of this Indenture.

Section 5.02 *Successor Substituted*. In case of any such consolidation, merger or any sale, transfer, lease, conveyance or other disposition of all or substantially all of the consolidated property or assets of the Company, its Subsidiaries and its Consolidated Affiliated Entities, taken as a whole, and upon the assumption by the successor Person, 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 Securities, the due and punctual payment of the Fundamental Change Repurchase Price with respect to all Securities repurchased on each Fundamental Change Repurchase Date, the due and punctual delivery or payment, as the case may be, of any consideration due upon conversion of the Securities and the due and punctual performance of all of the covenants and conditions of this Indenture and the Securities to be performed by the Company, such successor Person 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. Such successor Person 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 Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor Person 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 Securities that previously shall have been signed and delivered by the Officers of the Company to the Trustee for authentication, and any Securities that such successor Person thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof. In the event of any such consolidation, merger or any sale, transfer, conveyance or other disposition (but not in the case of a lease), upon compliance with this Article 5, 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 5, except in the case of a lease, shall be released from its liabilities as obligor and maker of the Securities and its obligations under this Indenture shall terminate.

In case of any such consolidation, merger or any sale, transfer, lease, conveyance or other disposition, such changes in phraseology and form (but not in substance) may be made in the Securities thereafter to be issued as may be appropriate.

ARTICLE 6
DEFAULTS AND REMEDIES

Section 6.01 *Events of Default*. An "**Event of Default**" occurs if:

(a) the Company fails to pay the principal of any Security when due, whether on the Maturity Date, on a Fundamental Change Repurchase Date with respect to a Fundamental Change, upon acceleration or otherwise;

(b) the Company fails to pay an installment of interest on any Security when due, if the failure continues for thirty (30) days after the date when due;

(c) the Company fails to satisfy its conversion obligations upon exercise of a Holder's conversion rights pursuant hereto and such failure continues for a period of five (5) Business Days;

(d) the Company fails to (i) comply with its obligations under Article 5 or (ii) issue a Fundamental Change Notice in accordance with Section 3.01(b) when due;

(e) the Company fails to comply with any other term, covenant or agreement set forth in the Securities or this Indenture and such failure continues for the period, and after the notice, specified in the last paragraph of this Section 6.01;

(f) the Company or any Significant Subsidiary of the Company fails to pay when due (whether at stated maturity or otherwise), after the expiration of any applicable grace period, the principal or interest on indebtedness for borrowed money, where the amount of such unpaid principal and/or interest is in an aggregate amount in excess of $50,000,000 (or its foreign currency equivalent), or a default occurs that results in the acceleration of maturity, of any indebtedness for borrowed money of the Company or any Significant Subsidiary of the Company in an aggregate amount in excess of $50,000,000 (or its foreign currency equivalent);

(g) a final judgment for the payment in excess of $50,000,000 (or its foreign currency equivalent) (excluding any amounts covered by insurance or subject to a binding indemnity from a financially responsible third party with resources sufficient to pay such indemnity obligation when due) is rendered against the Company or any Significant Subsidiary of the Company, which judgment is not discharged or stayed within thirty (30) days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished;

(h) 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 any substantial part 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;

(i) 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 any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 30 consecutive days; or

(j) the ADSs (or other Common Equity or ADSs in respect of the Common Equity underlying the Securities) have been suspended from trading on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) for a period of ninety (90) consecutive trading days or for more than one hundred and eighty (180) trading days in any twelve (12)-month period.

A Default under clause (e) above shall not be an Event of Default until (A) the Trustee notifies the Company in writing, or the Holders of at least twenty five percent (25%) in aggregate principal amount of the Securities then outstanding notify the Company and the Trustee in writing, of the Default and (B) the Default is not cured within sixty (60) days after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that the notice is a "**Notice of Default**." If the Holders of at least twenty five percent (25%) in aggregate principal amount of the outstanding Securities request the Trustee to give such notice on their behalf, the Trustee shall do so. When a Default is cured, it ceases to exist for all purposes under this Indenture.

(k) Notwithstanding anything to the contrary in the Securities or elsewhere in this Indenture, at the election of the Company, the sole remedy for an Event of Default specified in Section 6.01(e) relating to the failure by the Company to comply with Section 4.03(a) (the "**Company's Filing Obligations**"), shall consist exclusively of the right to receive interest (the "**Special Interest**") on the Securities. (i) For the first 180 days of the 270-day period on which such Event of Default is continuing beginning on, and including, the date on which such an Event of Default first occurs, the Special Interest will accrue at a rate equal to 0.25% per annum, and (ii) for the last 90 days of such 270-day period as long as such Event of Default is continuing, the Special Interest will accrue at a rate equal to 0.50% per annum. The Special Interest will be in addition to any Additional Interest that the Company is required to pay under Section 4.03 and will be payable in the same manner as Additional Interest; *provided*, *however*, that in no event will the combined rate of the Special Interest and any Additional Interest due under Section 4.03 exceed 0.50% per annum. This Special Interest, as applicable, will accrue on the Securities from and including the date on which an Event of Default relating to a failure to comply with the Company's Filing Obligations first occurs to and including the 270th day thereafter (or such earlier date on which the Event of Default relating to such obligations shall have been cured or waived pursuant to Section 6.04). On such 271st day (or, if such Event of Default is cured or waived pursuant to Section 6.04 prior to such 271st day, on the date such Event of Default is so cured or waived), such Special Interest will cease to accrue and, if such Event of Default has not been cured or waived pursuant to Section 6.04 prior to such 271st day, then the Trustee or the Holders of at least twenty five percent (25%) in aggregate principal amount of the Securities then outstanding may declare one hundred percent (100%) of the principal of, and accrued and unpaid interest on, all of the Securities to be immediately due and

payable. This provision shall not affect the rights of Holders in the event of the occurrence of any other Event of Default. If the Company elects to pay the Special Interest as the sole remedy for an Event of Default specified in Section 6.01(e) relating to the failure by the Company to comply with the Company's Filing Obligations, the Company shall notify, in the manner provided for in Section 13.01, the Holders, the Paying Agent and the Trustee of such election at any time on or before the Close of Business on the date on which such Event of Default first occurs (which notice shall include a statement as to the date from which Special Interest is payable). Upon the Company's failure to give such notice, the Securities will be immediately subject to acceleration as provided in Section 6.02. If the Special Interest has been paid by the Company directly to the Persons entitled to it, the Company shall deliver to the Trustee a certificate setting forth the particulars of such payment.

Section 6.02 *Acceleration*. (a) Subject to Section 6.02(b), if applicable, if an Event of Default (excluding an Event of Default specified in Section 6.01(h) or Section 6.01(i) with respect to the Company) has occurred and is continuing, either the Trustee, by written notice to the Company, or the Holders of at least twenty five percent (25%) in aggregate principal amount of the Securities then outstanding, by written notice to the Company and the Trustee, may declare one hundred percent (100%) of the principal of, and accrued and unpaid interest on, all the Securities to be immediately due and payable in full. Upon such declaration, the principal of, and any accrued and unpaid interest on, all Securities shall be due and payable immediately. If an Event of Default specified in Section 6.01(h) or Section 6.01(i) occurs with respect to the Company (and not solely with respect to one or more of its Significant Subsidiaries), one hundred percent (100%) of the principal of, and accrued and unpaid interest on, all the Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. The Holders of a majority in aggregate principal amount of the Securities then outstanding by written notice to the Trustee may rescind or annul an acceleration and its consequences if (i) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction, (ii) all existing Events of Default, except the nonpayment of principal or interest that has become due solely because of the acceleration, have been cured or waived (or are waived concurrently with such rescission or annulment) and (iii) all amounts due to the Trustee under Section 7.06 have been paid. Upon any such rescission or annulment, the Events of Default that were the subject of such acceleration shall cease to exist and deemed to have been cured for every purpose.

Section 6.03 *Other Remedies*. Notwithstanding any other provision of this Indenture, if an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of amounts due with respect to the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative.

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 Securities, and it shall not be necessary to make any Holders of the Securities 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 hereto or any rescission and annulment pursuant hereto 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 6.04 *Waiver of Past Defaults*. Subject to Section 6.07 and Section 9.02, the Holders of a majority in aggregate principal amount of the Securities then outstanding may on behalf of all Holders of Securities, by written notice to the Trustee, waive any past Default or Event of Default and its consequences, other than a Default or Event of Default (a) in the payment of the principal of, or interest on, any Security, or in the payment of the Fundamental Change Repurchase Price, as the case may be, (b) arising from a failure by the Company to convert any Securities in accordance with this Indenture or (c) in respect of any provision of this Indenture or the Securities which, under Section 9.02, cannot be modified or amended without the consent of the Holder of each outstanding Security affected, if:

(i) all existing Defaults or Events of Default, other than the nonpayment of the principal of and interest on the Securities that have become due solely by the declaration of acceleration, have been cured or waived; and

(ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

When a Default or an Event of Default is waived, it is cured and ceases to exist for all purposes under this Indenture, but no such waiver will extend to any subsequent or other Default or Event of Default or impair any rights of Holders or the Trustee related thereto.

Section 6.05 *Control by Majority*. The Holders of a majority in aggregate principal amount of the Securities then outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it with respect to the Securities. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, is unduly prejudicial to the rights of other Holders (it being understood that the Trustee has no obligation to determine whether any action or inaction is unduly prejudicial to the rights of any Holders) or would involve the Trustee in personal liability unless the Trustee is offered indemnity satisfactory to it; *provided* that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction.

Section 6.06 *Limitation on Suits*. Except with respect to any proceeding instituted in accordance with Section 6.07, a Holder shall not have any right 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 or a trustee, or for any other remedy under this Indenture unless:

(a) such Holder previously shall have given the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least twenty five percent (25%) in aggregate principal amount of the Securities then outstanding shall have made a written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder;

(c) such Holder or Holders shall have offered and if requested, provided to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to or of the Trustee in connection with pursuing such remedy; and

(d) the Trustee shall have failed to comply with the request for sixty (60) days after receipt of such notice, request and offer of indemnity, and during such sixty (60) day period, the Holders of a majority in aggregate principal amount of the Securities then outstanding have not given the Trustee a direction that is inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders). A Holder shall have the right to not enforce any right under this Indenture except in the manner herein.

Section 6.07 *Rights of Holders to Receive Payment and to Convert Securities*. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of all amounts (including any principal, interest or the Fundamental Change Repurchase Price) due with respect to the Securities, on or after the respective due dates as provided herein, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

In addition, notwithstanding any other provision of this Indenture, the right of any Holder to receive consideration due upon conversion of the Securities in accordance with Article 10, or to bring suit for the enforcement of such right, shall not be impaired or affected without the consent of the Holder.

Section 6.08 *Collection Suit by Trustee*. If an Event of Default specified in Section 6.01(a) or Section 6.01(b) has occurred and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount due with respect to the Securities, including any unpaid and accrued interest.

Section 6.09 *Trustee May File Proofs of Claim*. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee, any predecessor Trustee and the Holders allowed in any judicial proceedings relative to the Company or its creditors or properties.

The Trustee may collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same, and any custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to

the making of such payments directly to the Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.06.

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 the Securities 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.

Section 6.10 *Priorities*. If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.06;

Second: to Holders for all amounts due and unpaid on the Securities, without preference or priority of any kind, according to the amounts due and payable on the Securities; and

Third: the balance, if any, to the Company.

The Trustee, upon prior written notice to the Company, may fix a record date and payment date for any payment by it to Holders pursuant to this Section 6.10. At least fifteen (15) days before each such record date, the Trustee shall send to each Holder and the Company a written notice that states such record date and payment date and the amount of such payment.

Section 6.11 *Undertaking for Costs*. 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, a court in its discretion may require the filing by any party litigant in the suit other than the Trustee of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 or a suit by a Holder or group of Holders of more than ten percent (10%) in aggregate principal amount of the outstanding Securities.

ARTICLE 7
TRUSTEE

Section 7.01 *Duties of Trustee*. (a) If an Event of Default has occurred and is continuing, 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 their exercise, as a prudent Person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee need perform only those duties that 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 bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon 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 which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsection (b) of this Section 7.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to the provisions of this Section 7.01.

(e) The Trustee shall not be liable for interest on or the investment of any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

Section 7.02 *Rights of Trustee*. (a) The Trustee may conclusively rely on 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 Person. The Trustee need not investigate any fact or matter stated in the document; if, however, the Trustee shall determine to make such further inquiry or investigation, it shall be entitled during normal business hours to examine the relevant books, records and premises of the Company, personally or by agent or attorney upon reasonable prior notice, at the sole cost of the Company, and shall incur no liability of any kind by reason of such inquiry or investigation.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate and/or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Order, and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution.

(d) The Trustee may consult with counsel of its own selection, and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(f) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its discretion, rights or powers conferred upon it by this Indenture.

(g) Except with respect to Section 4.01, where it acts as Paying Agent, the Trustee shall have no duty to inquire as to the performance of the Company with respect to the covenants contained in Article 4. In addition, the Trustee shall not be deemed to have knowledge of a Default or Event of Default except (i) any Default or Event of Default occurring pursuant to Section 6.01(a) or (b) while it acts as Paying Agent or (ii) any Default or Event of Default of which a Responsible Officer of the Trustee who shall have direct responsibility for the administration of this Indenture shall have received written notification (which references this Indentures and the Securities) or obtained actual knowledge. Delivery of reports, information and documents to the Trustee under Article 4 (other than Section 4.04 and 4.06) is for informational purposes only and the Trustee's receipt of the foregoing shall not constitute actual or 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 rely on Officers' Certificates and Opinions of Counsel).

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested by this Indenture at the request or demand of any of the Holders pursuant to this Indenture unless such Holders shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or demand.

(i) The rights, privileges, protections, immunities and benefits given to the Trustee, including without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each Securities Agent, agent, custodian and other Person employed to act hereunder.

(j) The Trustee may request that the Company deliver a certificate setting forth the names of individuals and/or titles of Officers authorized at such time to take specified actions pursuant to this Indenture, which certificate may be signed by any Person authorized to sign an Officers' Certificate, including any Person specified as so authorized in any such certificate previously delivered and not superseded.

(k) Anything in this Indenture to the contrary notwithstanding, in no event shall the Trustee or any Securities Agent be liable under or in connection with this Indenture and the Securities for indirect, special, incidental, punitive or consequential losses or damages of any kind whatsoever, including but not limited to lost profits, whether or not foreseeable, even if the Trustee or such Securities Agent has been advised of the possibility thereof and regardless of the form of action in which such damages are sought.

(l) No bond or surety shall be required of the Trustee with respect to performance of the Trustee's duties and powers hereunder.

(m) Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by this Indenture or the Securities.

(n) Any discretion, permissive right, or privilege of the Trustee hereunder shall not be deemed to be or otherwise construed as a duty or obligation of the Trustee hereunder.

Section 7.03 *Individual Rights of Trustee*. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or any of its Affiliates with the same rights the Trustee would have if it were not Trustee. Any Securities Agent may do the same with like rights. The Trustee, however, must comply with Section 7.09.

Section 7.04 *Trustee's Disclaimer*. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities; the Trustee shall not be accountable for the Company's use of the proceeds from the Securities; and the Trustee shall not be responsible or liable with respect to any information, statement or recital in the Investment Agreement or disclosure material prepared or distributed with respect to any of the Securities, nor shall it be responsible for any statement of the Company in any document in connection with the sale of the Securities or in the Securities other than the Trustee's certificate of authentication.

Section 7.05 *Notice of Defaults*. If a Default or Event of Default occurs and is continuing as to which the Trustee is deemed to have knowledge in accordance with Section 7.02(g), then the Trustee shall send to each Holder a notice of the Default or Event of Default within thirty (30) days after receipt of such notice or acquiring such knowledge, as applicable, unless such Default or Event of Default has been cured or waived; *provided*, *however*, that, except in the case of a Default or Event of Default in payment or delivery of any amounts due (including principal, interest, the Fundamental Change Repurchase Price or the consideration due upon conversion) with respect to any Security, the Trustee may withhold such notice if, and so long as it in good faith determines that, withholding such notice is in the best interests of Holders.

Section 7.06 *Compensation and Indemnity*. The Company shall pay to the Trustee from time to time such compensation for its services hereunder as shall be mutually agreed upon in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred by it pursuant to, and in accordance with, any provision hereof, except for any such expenses, disbursements and

advances as shall have been caused by the Trustee's own negligence or willful misconduct. Such expenses shall include the reasonable compensation and out-of-pocket expenses of the Trustee's agents and counsel. The Trustee shall provide the Company with reasonable notice of any expense not in the ordinary course of business; *provided, however,* that the Trustee's failure to do so shall not excuse the Company from the obligation to reimburse the Trustee for expenses as contemplated in this Section.

The Company shall indemnify each of the Trustee, each predecessor Trustee and their respective agents for, and hold each of them harmless against, any and all loss, liability, damage, claim, cost or expense (including the reasonable fees and expenses of counsel and taxes other than those based upon the income of the Trustee) incurred by it in connection with the acceptance or administration of this trust, the performance of its duties and/or the exercise of its rights hereunder, or in connection with enforcing the provisions of this Section 7.06, including the reasonable costs and expenses of defending itself against any claim (whether asserted by the Company, any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers and duties hereunder. The Company need not pay for any settlement made without its consent. The Trustee shall notify the Company promptly of any claim for which it may seek indemnification; *provided* that failure to give such notice shall not relieve the Company of its obligations under this Section 7.06. The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through the Trustee's own negligence or willful misconduct.

To secure the Company's payment obligations in this Section 7.06, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay amounts due on particular Securities.

The indemnity obligations of the Company with respect to the Trustee provided for in this Section 7.06 shall survive any resignation or removal of the Trustee and any termination of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(h) or Section 6.01(i) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy law.

Section 7.07 *Replacement of Trustee*. A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.07. For the avoidance of doubt, the Trustee shall continue its role until the appointment of a successor Trustee is effective.

The Trustee may at any time resign by so notifying the Company in writing thirty (30) days prior to such resignation. The Holders of a majority in aggregate principal amount of the Securities then outstanding may remove the Trustee by so notifying the Trustee and the Company in writing and may appoint a successor Trustee with the Company's consent. The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.09;

(b) the Trustee is adjudged bankrupt or insolvent;

(c) a receiver or other public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed for any reason, the Company shall promptly appoint a successor Trustee so that no vacancy exists in the role of Trustee.

If a successor Trustee does not take office within thirty (30) days after the retiring Trustee resigns or is removed, the retiring Trustee (at the Company's expense), the Company or the Holders of at least ten percent (10%) in aggregate principal amount of the outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.09, the Company or any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall send a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.06.

Section 7.08 *Successor Trustee by Merger, Etc.* If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee, if such successor corporation is otherwise eligible hereunder.

Section 7.09 *Eligibility; Disqualification*. There shall at all times be a Trustee hereunder that (a) is an entity organized and doing business under the laws of the United States of America or of any state thereof or the District of Columbia, (b) is subject to supervision or examination by federal or state authorities and (c) has a combined capital and surplus of at least $50 million or is a wholly-owned subsidiary of a bank holding company having a consolidated capital and surplus of at least $50 million, in each case, as set forth in its most recent published annual report of condition.

Section 7.10 *Preferential Collection of Claims Against Company*. To the extent the TIA then applies to the Indenture, the Trustee is subject to TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). To the extent the TIA then applies to the Indenture, a Trustee who has resigned or been removed shall be subject to § 311(a) to the extent indicated.

Section 7.11 *Reports by Trustee to Holders.* Within one hundred and twenty (120) days after each December 31, beginning with December 31, 2021, the Trustee shall send to all Holders of the Securities, as their names and addresses appear on the register kept by the Registrar, a brief report dated as of January 31 of such year, in accordance with, and to the extent required under, TIA § 313(a) (but if no event described in TIA § 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also will

comply with TIA § 313(b)(2). The Trustee will also send all reports as required by TIA § 313(c). A copy of each report at the time of its delivery to the Holders of Securities shall be delivered to the Company and each stock exchange on which the Securities are listed in accordance with TIA § 313(d). The Company shall promptly notify the Trustee in writing when the Securities are listed on any stock exchange or any delisting thereof.

ARTICLE 8
DISCHARGE OF INDENTURE

Section 8.01 *Termination of the Obligations of the Company*. This Indenture shall be discharged and shall cease to be of further effect, and the Trustee, at the expense of the Company, shall execute instruments acknowledging satisfaction and discharge of this Indenture, if (a) either (i) all outstanding Securities (other than Securities replaced pursuant to Section 2.07) have been delivered to the Trustee for cancellation or (ii) all outstanding Securities have become due and payable at their scheduled maturity, upon conversion or Repurchase Upon Fundamental Change, and, in either case the Company irrevocably deposits, prior to the applicable due date, with the Trustee or the Paying Agent (if the Paying Agent is not the Company or any of its Affiliates) cash (or, in the case of conversion, delivers to the Holders in accordance with Article 10, ADSs (and cash in lieu of any fractional ADSs) solely to satisfy the Company's Conversion Obligation) sufficient to satisfy all obligations due and owing on all outstanding Securities (other than Securities replaced pursuant to Section 2.07) on the Maturity Date, the relevant settlement date of any conversion or the Fundamental Change Repurchase Date, as the case may be, and the Company irrevocably instructs the Trustee or the Payment Agent to make payment on the Securities; (b) the Company pays to the Trustee all other sums payable hereunder by the Company; and (c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with; *provided*, *however*, that Section 2.03, Section 2.04, Section 2.05, Section 2.08, Section 7.06, Section 7.07, Section 7.08, Section 7.09, Section 13.09 and Section 13.14, and this Article 8 shall survive any discharge of this Indenture until such time as all payments in respect of the Securities have been paid in full and there are no Securities outstanding; *provided further*, *however*, that Section 7.06 shall also survive after the Securities are paid in full and there are no Securities outstanding.

Section 8.02 *Application of Trust Money*. The Trustee shall hold in trust all money deposited with it pursuant to Section 8.01 and shall apply such deposited money through the Paying Agent and in accordance with this Indenture to the payment of amounts due on the Securities.

Section 8.03 *Repayment to Company*. Subject to applicable escheatment laws, the Trustee and the Paying Agent shall promptly notify the Company of, and pay to the Company upon the written request of the Company, any excess money held by them at any time. The Trustee or the Paying Agent, as the case may be, shall provide written notice to the Company of any money that has been held by it and has, for a period of two (2) years, remained unclaimed for the payment of the principal of, or any accrued and unpaid interest on, the Securities. Subject to the requirements of applicable law, the Trustee and the Paying Agent shall pay to the Company upon the written request of the Company any money held by them for the payment of the principal of, or any accrued and unpaid interest on, the Securities that remains unclaimed for

two (2) years. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors, subject to applicable law, and all liability of the Trustee and the Paying Agent with respect to such money and payment shall, subject to applicable law, cease.

Section 8.04 *Reinstatement*. If any money, ADSs or other consideration cannot be applied in accordance with Section 8.01 and Section 8.02 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under this Indenture and the Securities shall be revived and reinstated as though no deposit or delivery had occurred pursuant to Section 8.01 and Section 8.02 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.01 and Section 8.02; *provided*, *however*, that if the Company has made any payment of amounts due with respect to any Securities because of the reinstatement of its obligations, then the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money, ADSs or other consideration held by the Trustee or Paying Agent.

ARTICLE 9
AMENDMENTS

Section 9.01 *Without Consent of Holders*. The Company may amend or supplement this Indenture or the Securities without notice to or the consent of any Holder:

(a) to comply with Article 5 or Section 10.11;

(b) to secure the obligations of the Company in respect of the Securities or add guarantees with respect to the Securities;

(c) to evidence and provide for the appointment of a successor Trustee in accordance with Section 7.07;

(d) to comply with the provisions of any securities depository, including the Depository, clearing agency, clearing corporation or clearing system, or the requirements of the Trustee or the Registrar, relating to transfers and exchanges of any applicable Securities pursuant to this Indenture;

(e) to add to the covenants or Events of Default of the Company described in this Indenture for the benefit of Holders or to surrender any right or power conferred upon the Company;

(f) to make provision with respect to adjustments to the Conversion Rate as required by this Indenture or to increase the Conversion Rate in accordance with this Indenture;

(g) to make any change that does not adversely affect the rights of any Holder;

(h) to permit the conversion of the Securities into Reference Property in accordance with Section 10.11; or

(i) to comply with the requirements of the SEC in order to effect or maintain the qualification of this Indenture and any supplemental indenture under the TIA.

In addition, the Company and the Trustee may enter into a supplemental indenture without the consent of Holders of the Securities to cure any ambiguity, defect, omission or inconsistency in this Indenture in a manner that does not materially adversely affect the rights of any Holder.

Any supplemental indenture authorized by the provisions of this Section 9.01 may be executed by the Company and the Trustee without the consent of the Holders of any of the Securities at the time outstanding, notwithstanding any of the provisions of Section 9.02.

Section 9.02 *With Consent of Holders*. Subject to the immediately succeeding paragraph, the Company may amend or supplement this Indenture or the Securities with the written consent of the Holders of at least a majority in aggregate principal amount of the outstanding Securities (including, without limitation, consents obtained from Holders in connection with a purchase of, or tender or exchange offer for, Securities). Subject to Section 6.04, Section 6.07 and the immediately succeeding paragraph, the Holders of a majority in aggregate principal amount of the outstanding Securities may, by written notice to the Trustee, waive by consent (including, without limitation, consents obtained from Holders in connection with a purchase of, or tender or exchange offer for, Securities) compliance by the Company with any provision of this Indenture or the Securities without notice to any other Holder. Notwithstanding the foregoing or anything herein to the contrary, without the consent of the Holder of each outstanding Security affected, an amendment, supplement or waiver, including a waiver pursuant to Section 6.04, may not:

(a) change the stated maturity of the principal of, or the payment date of any installment of interest on, any Security;

(b) reduce the principal amount of any Security, or any interest on, any Security;

(c) change the place or currency of payment of principal of, or any interest on, any Security;

(d) impair the right of any Holder to receive any payment on, or with respect to, or any delivery or payment due upon the conversion of, any Security or impair the right to institute suit for the enforcement of any delivery or payment on, or with respect to, or due upon the conversion of, any Security;

(e) reduce the Fundamental Change Repurchase Price of any Securities or modify, in a manner adverse to Holders, the obligation of the Company pursuant to Section 3.01 to repurchase Securities upon the occurrence of a Fundamental Change;

(f) reduce the Conversion Rate other than as provided under this Indenture or adversely affect the right of Holders to convert Securities in accordance with Article 10;

(g) reduce the percentage in aggregate principal amount of outstanding Securities whose Holders must consent to a modification to or amendment of any provision of this Indenture or the Securities; or

(h) modify the provisions of Article 9 that require each Holder's consent or the waiver provisions of Section 6.04 with respect to modification and waiver (including waiver of a Default or an Event of Default), except to increase the percentage required for modification or waiver or to provide for the consent of each affected Holder.

Notwithstanding the foregoing or anything to the contrary, so long as any [Name of Investor] Securities are outstanding, without the consent of the Holders of one hundred percent (100%) of the aggregate principal amount of the [Name of Investor] Securities, an amendment, supplement or waiver, including a waiver pursuant to Section 6.04, may not modify any provision contained in this Indenture specifically and uniquely applicable to the [Name of Investor] Securities in a manner adverse to the Holders of, or the holders of a beneficial interest in, the [Name of Investor] Securities.

Promptly after an amendment, supplement or waiver under Section 9.01 or this Section 9.02 becomes effective, the Company shall send, or cause to be sent, to Holders a notice briefly describing such amendment, supplement or waiver. Any failure of the Company to send such notice shall not in any way impair or affect the validity of such amendment, supplement or waiver.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

Section 9.03 *Revocation and Effect of Consents*. Until an amendment, supplement or waiver becomes effective (or until such earlier date as specified by the Company in connection with the solicitation of such consent), a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to its Security or portion of a Security if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective (or such earlier date specified by the Company in connection with the solicitation of such consent).

After an amendment, supplement or waiver becomes effective with respect to the Securities, it shall bind every Holder unless such amendment, supplement or waiver makes a change that requires, pursuant to Section 9.02, the consent of each Holder affected. In that case, the amendment, supplement or waiver shall bind each Holder of a Security who has consented to it and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security. Any amendment to this Indenture or the Securities shall be set forth in a supplemental indenture to this Indenture that complies with the TIA as then in effect, if the TIA is applicable to this Indenture.

Nothing in this Section 9.03 shall impair the Company's rights pursuant to Section 9.01 to amend this Indenture or the Securities without the consent of any Holder in the manner set forth in, and permitted by, such Section 9.01.

Section 9.04 *Notation on or Exchange of Securities*. If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security as directed and prepared by the Company about the changed terms and return it to the Holder. Alternatively, if the Company so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

Section 9.05 *Trustee Protected*. The Trustee shall sign any amendment, supplemental indenture or waiver authorized pursuant to this Article 9; *provided, however*, that the Trustee need not sign any amendment, supplement or waiver authorized pursuant to this Article 9 that adversely affects the Trustee's rights, duties, liabilities or immunities. The Trustee shall receive and conclusively rely upon an Opinion of Counsel as to legal matters and an Officers' Certificate as to factual matters that any supplemental indenture, amendment or waiver is permitted or authorized pursuant to this Indenture and constitutes the legal, valid and binding obligation of the Company enforceable in accordance with its terms (subject to customary exceptions).

Section 9.06 *Effect of Supplemental Indentures*. Upon the due execution and delivery of any supplemental indenture in accordance with this Article 9, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes, and, except as set forth in Section 9.02 and Section 9.03, every Holder of Securities shall be bound thereby.

ARTICLE 10
CONVERSION

Section 10.01 *Conversion Privilege*. (a) Subject to the limitations of this Section 10.01, Section 10.02, Section 10.11 and the settlement provisions of Section 10.14(c), and upon compliance with the provisions of this Article 10, each Holder of a Security shall have the right, at such Holder's option, to convert all or any portion (if the portion to be converted is $1,000 principal amount or a multiple thereof) of such Security into ADSs at any time prior to the Close of Business on the Scheduled Trading Day immediately preceding the Maturity Date, in each case, at the then applicable Conversion Rate per $1,000 principal amount of Securities (subject to the settlement provisions of Section 10.02, the "**Conversion Obligation**").

(b) To convert its Security, a Holder of a Physical Security must (i) complete and manually sign the Conversion Notice, or a facsimile thereof, with appropriate notarization or signature guarantee, and deliver the completed Conversion Notice or a facsimile thereof to the Conversion Agent, (ii) surrender the Security to the Conversion Agent, (iii) furnish appropriate endorsements and transfer documents if required by the Registrar or Conversion Agent, (iv) pay all transfer or similar taxes if required pursuant to Section 10.04 and (v) pay funds equal to interest payable on the next Interest Payment Date if so required by Section 10.02(d). If a Holder holds a beneficial interest in a Global Security, to convert such Security, the Holder must comply

with clauses (iv) and (v) above and the Depository's procedures for converting a beneficial interest in a Global Security.

(c) A Holder may convert a portion of the principal amount of a Security if such portion is $1,000 principal amount or an integral multiple thereof. Provisions of this Indenture that apply to conversion of all of a Security also apply to conversion of a portion of such Security.

Section 10.02 *Conversion* Procedure *and Payment Upon Conversion*.

(a) Subject to this Section 10.02 and Section 10.11 and the settlement provisions of Section 10.14(c), upon conversion of any Security, the Company shall deliver to the converting Holder, in respect of each $1,000 principal amount of Securities being converted, ADSs, together with cash, if applicable, in lieu of delivering any fractional ADSs in accordance with Section 10.03, as set forth in this Section 10.02.

(i) Upon conversion of a Holder's Security, the Company shall deliver to such converting Holder, through the Conversion Agent, a number of ADSs equal to (i) (A) the aggregate principal amount of Securities to be converted, divided by (B) $1,000, multiplied by (ii) the Conversion Rate in effect on the applicable Conversion Date (*provided* that the Company shall deliver cash in lieu of fractional ADSs as described in Section 10.03).

(b) Each conversion shall be deemed to have been effected as to any Securities surrendered for conversion at the Close of Business on the applicable Conversion Date; *provided*, *however*, that the Person in whose name any ADSs shall be issuable upon such conversion shall become the holder of record of such ADSs as of the Close of Business on such Conversion Date. Prior to such time, a Holder receiving ADSs upon conversion shall not be entitled to any rights relating to such ADSs, including, among other things, the right to vote and receive dividends and notices of shareholder meetings. The Company will determine the Conversion Date in accordance with the requirements set forth herein and notify the Trustee of the same.

(c) In the case of any conversion of Securities other than the [Name of Investor] Securities, the Company shall deliver and, if applicable, pay the consideration due for fractional ADSs, in respect of the Conversion Obligation on the second Business Day immediately following the relevant Conversion Date. In the case of any conversion of [Name of Investor] Securities, the Company shall deliver and, if applicable, pay the consideration due for fractional ADSs in respect of the Conversion Obligation on the second Business Day immediately following the relevant Conversion Date unless otherwise specified in the written notice referred to in the proviso below; *provided*, *however*, that the ADSs due in respect of the Conversion Obligation shall be delivered on the day specified in a written notice from the owner(s) (or in the case of Global Securities, beneficial owner(s)) of the [Name of Investor] Securities being converted that is delivered to the Company on or prior to the first Business Day immediately following the relevant Conversion Date, which delivery date (in respect of such ADSs) shall be no earlier than the second Business Day immediately following the relevant Conversion Date and be no later than the seventh Business Day immediately following the relevant Conversion

Date (it being understood that if no such notice is delivered to the Company, then the Company shall deliver such ADSs on the second Business Day immediately following the relevant Conversion Date). In the case of a conversion of a [Name of Investor] Security in the form of a Global Security, such written notice shall include a certification therein that the beneficial owners delivering such written notice are holders that hold beneficial interests in the [Name of Investor] Securities subject to conversion. The Company shall issue or cause to be issued, and deliver or cause to be delivered to such Holder, or such Holder's nominee(s) or transferee(s), certificates or a book-entry transfer through the Depository for the full amount of ADSs to which such Holder shall be entitled in satisfaction of the Company's Conversion Obligation.

(d) Except to the extent otherwise provided in this Section 10.02(d), no payment or adjustment will be made for accrued interest on a converted Security, and accrued interest, if any, will be deemed to be paid by the consideration paid to the Holder upon conversion. Such accrued interest, if any, shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. The Company's settlement of the full Conversion Obligation shall be deemed to satisfy in full its obligation to pay the principal amount of the Security and accrued and unpaid interest, if any, to, but not including, the relevant Conversion Date. If any Holder surrenders a Security for conversion after the Close of Business on the Record Date for the payment of an installment of interest but prior to the Open of Business on the next Interest Payment Date, then, notwithstanding such conversion, the full amount of interest payable with respect to such Security on such Interest Payment Date shall be paid on such Interest Payment Date to the Holder of record of such Security at the Close of Business on such Record Date; *provided*, *however*, that such Security, when surrendered for conversion, must be accompanied by payment in cash to the Conversion Agent on behalf of the Company of an amount equal to the full amount of interest payable on such Interest Payment Date on the Security so converted; *provided further*, *however*, that such payment to the Conversion Agent described in the immediately preceding proviso in respect of a Security surrendered for conversion shall not be required with respect to a Security that (i) is surrendered for conversion after the Close of Business on the Record Date immediately preceding the Maturity Date, or (ii) is surrendered for conversion after the Close of Business on a Record Date for the payment of an installment of interest and on or prior to the Open of Business on the related Interest Payment Date, where, pursuant to Section 3.01, the Company has specified, with respect to a Fundamental Change, a Fundamental Change Repurchase Date that is after such Record Date but on or prior to such Interest Payment Date.

(e) If a Holder converts more than one Security at the same time, the Conversion Obligation with respect to such Securities shall be based on the total principal amount of all Securities so converted.

(f) Upon surrender of a Security that is converted in part, the Trustee shall authenticate for the Holder a new Security equal in principal amount to the unconverted portion of the Security surrendered.

Section 10.03 *Cash in Lieu of Fractional ADSs*. The Company shall not issue fractional ADSs upon the conversion of a Security. Instead, the Company shall pay to converting Holders cash in lieu of fractional ADSs based on the Daily VWAP on the relevant Conversion Date. If more than one Security shall be surrendered for conversion at one time by the same Holder, the number of full ADSs that shall be issuable upon conversion thereof shall be computed on the

basis of the aggregate principal amount of the Securities, or specified portions thereof to the extent permitted hereby so surrendered, and any fractional ADSs remaining after such computation shall be paid in cash.

Section 10.04 *Taxes on Conversion*. If a Holder converts its Security, the Company shall pay any documentary, stamp or similar issue or transfer tax or duty due on the issue, if any, of ADSs upon the conversion. However, the Holder shall pay such tax which is due because the Holder requests the ADSs to be issued in a name other than the Holder's name. The Company may refuse to deliver the certificate(s) representing the ADSs being issued or delivered to the Holder or in a name other than such Holder's name until the Conversion Agent receives a sum sufficient to pay any tax or duty which will be due because ADSs are to be issued or delivered in a name other than such Holder's name.

Section 10.05 *Company to Provide Common Shares*. The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued stock, for the purpose of effecting the conversion of the Securities, such number of its duly authorized Class A Common Shares that corresponds to the number of ADSs due upon conversion of all outstanding Securities into ADSs at any time (assuming, for such purposes, that at the time of computation of such number of shares, all such Securities would be converted by a single Holder). The Company shall, from time to time and in accordance with applicable law, cause the authorized number of Class A Common Shares to be increased if the aggregate of the number of authorized Class A Common Shares remaining unissued shall not be sufficient for the conversion of all outstanding (and issuable as set forth above) Securities into ADSs at any time. In accordance with the Deposit Agreement, the Company shall issue to the ADS Custodian such Class A Common Shares required for the issuance of the ADSs upon conversion of the Securities, plus written delivery instructions (if requested by the ADS Depositary or the ADS Custodian) for such ADSs, shall deliver such legal opinions and any other information or documentation and any additional forms compliant with the procedures of the Depository Trust Company with respect to such conversion of Securities and shall comply with the Deposit Agreement, as required by the ADS Depositary or the ADS Custodian in connection with each issue of Class A Common Shares and issuance and delivery of ADSs.

The Company covenants that all ADSs delivered upon conversion of the Securities, and all Class A Common Shares representing such ADSs, shall be validly issued, fully paid and non-assessable and shall be free of preemptive or similar rights and free of any lien or adverse claim that arises from the action or inaction of the Company except for any restrictions provided under applicable laws.

The Company shall list such ADSs on each national securities exchange or automated quotation system on which the ADSs is listed on the applicable Conversion Date.

The Company further covenants to take all actions and obtain all approvals and registrations required with respect to the conversion of the Securities into ADSs and the issuance, and deposit into the ADS facility, of the Class A Common Shares represented by such ADSs. The Company also undertakes to maintain, as long as any Securities are outstanding, the effectiveness of a registration statement on Form F-6 relating to the ADSs and an adequate number of ADSs available for issuance thereunder such that ADSs can be delivered in

accordance with the terms of this Indenture, the Securities and the Deposit Agreement, upon conversion of the Securities. In addition, the Company further covenants to provide Holders with a reasonably detailed description of the mechanics for the delivery of ADSs upon conversion of Securities as set forth in the Deposit Agreement upon request.

Section 10.06 *Adjustment of Conversion Rate*. If the number of Class A Common Shares represented by the ADSs is changed, after the date of this Indenture, for any reason other than one or more of the events described in this Section 10.06, the Company shall make an appropriate adjustment to the Conversion Rate such that the number of Class A Common Shares represented by the ADSs upon which conversion of the Securities is based remains the same.

Notwithstanding the adjustment provisions described in this Section 10.06, if the Company distributes to 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 a corresponding distribution is not made to holders of the ADSs, but, instead, the ADSs shall 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 10.06 shall not be made until and unless a corresponding distribution (if any) is made to holders of the ADSs, and 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 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 10.06(b) (in the case of Expiring Rights entitling holders of the Class A Common Shares for a period of not more than 45 calendar days after the announcement date of such issuance to subscribe for or purchase Class A Common Shares or ADSs) or Section 10.06(c) (in the case of all other Expiring Rights).

For the avoidance of doubt, if any event described in this Section 10.06 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 effect the relevant adjustment to the Conversion Rate on account of such event to the extent such change produces the same economic result as the adjustment to the Conversion Rate that would otherwise have been made on account of such event.

The Conversion Rate shall be subject to adjustment from time to time, without duplication, upon the occurrence of any of the following events on or after the date of this Indenture:

(a) In case the Company shall pay or make a dividend or other distribution on its Class A Common Shares consisting exclusively of Class A Common Shares, the Conversion Rate shall be increased by multiplying such Conversion Rate by a fraction of which the denominator shall be the number of Class A Common Shares outstanding immediately prior to the Open of Business on the Ex Date for such dividend or distribution, and the numerator shall be the number of Class A Common Shares outstanding immediately after such dividend or distribution, in the following formula:

$$CR' \models CR_0 \times \frac{OS'}{OS_0}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Open of Business on the Ex Date of such dividend or distribution;

CR' = the Conversion Rate in effect immediately after the Open of Business on the Ex Date for such dividend or distribution;

OS_0 = the number of Class A Common Shares outstanding immediately prior to the Open of Business on the Ex Date for such dividend or distribution; and

OS' = the number of Class A Common Shares outstanding immediately after giving effect to such dividend or distribution.

In case the Company shall effect a share split or share combination, the Conversion Rate shall be proportionally increased, in the case of a share split, and proportionally reduced, in the case of a share combination, as expressed in the following formula:

$$CR' = CR_0 \times \frac{OS'}{OS_0}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Open of Business on the effective date of such share split or share combination;

CR' = the Conversion Rate in effect immediately after the Open of Business on the effective date of such share split or share combination;

OS_0 = the number of Class A Common Shares outstanding immediately prior to the Open of Business on the effective date of such share split or share combination; and

OS' = the number of Class A Common Shares outstanding immediately after giving effect to such share split or share combination.

Any adjustment made under this Section 10.06(a) shall become effective immediately after the Open of Business on the Ex Date for such dividend or distribution, or immediately after the Open of Business on the effective date for such share split or share combination, as the case may be. If any dividend or distribution of the type described in this Section 10.06(a) is declared but not so paid or made, or any share split or share combination of the type described in this Section 10.06(a) is announced but the Class A Common Shares are not split or combined, as the case may be, then the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, or not to split or combine the Class A Common Shares, as the case may be, to the Conversion Rate that would

then be in effect if such dividend or distribution had not been declared or such share split or combination had not been announced.

(b) If the Company distributes to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs) any rights, options or warrants entitling them, for a period expiring not more than forty-five (45) days immediately following the date of such distribution, to purchase or subscribe for Class A Common Shares (directly or in the form of ADSs), at a price per Class A Common Share that is less than the average of the Closing Sale Prices of the Class A Common Shares or the ADSs, as the case may be (divided by, in the case of the ADSs, the number of Class A Common Shares then represented by one ADS) over the ten (10) consecutive Trading Day period ending on the Trading Day immediately preceding the date of announcement for such distribution, the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR0 = the Conversion Rate in effect immediately prior to the Open of Business on the Ex Date for such distribution;

CR' = the Conversion Rate in effect immediately after the Open of Business on such Ex Date;

OS_0 = the number of Class A Common Shares outstanding immediately prior to the Open of Business on such Ex Date;

X = the total number of Class A Common Shares (directly or in the form of ADSs) issuable pursuant to such rights, options or warrants; and

Y = the number of Class A Common Shares equal to (i) the aggregate price payable to exercise such rights, options or warrants, divided by (ii) the quotient of (a) the average of the Closing Sale Prices of the ADSs over the ten (10) consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such distribution, and (b) the number of Class A Common Shares then represented by one ADS.

Any increase made under this Section 10.06(b) shall be made successively whenever any such rights, options or warrants are distributed and shall become effective immediately after the Open of Business on the Ex Date for such distribution. To the extent that Class A Common Shares or ADSs are not delivered after expiration of such rights, options or warrants, the Conversion Rate shall be readjusted, effective as of the date of such expiration, to the Conversion Rate that would then be in effect had the increase with respect to the distribution of such rights, options or warrants been made on the basis of delivery of only the number of Class A Common Shares actually delivered (directly or in the form of ADSs). If such rights, options or warrants are not so distributed, the Conversion Rate shall be decreased, effective as of the date

the Board of Directors determines not to make such distribution, to the Conversion Rate that would then be in effect if such Ex Date for such distribution had not occurred.

In determining whether any rights, options or warrants entitle the holders to subscribe for or purchase Class A Common Shares (directly or in the form of ADSs) at less than such average of the Closing Sale Prices for the Class A Common Shares or the ADSs, as the case may be (divided by, in the case of the ADSs, the number of Class A Common Shares then represented by one ADS) for the ten (10) consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such distribution, and in determining the aggregate offering price of such Class A Common Shares or ADSs, 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 determined by the Board of Directors. Except in the case of a readjustment of the Conversion Rate pursuant to the immediately preceding paragraph, the Conversion Rate shall not be decreased pursuant to this Section 10.06(b).

(c) If the Company distributes shares of its Capital Stock, evidences of its indebtedness or other of its assets, securities or property or rights, options or warrants to acquire its Capital Stock or other securities, to all or substantially all holders of Class A Common Shares (directly or in the form of ADSs), but excluding (i) dividends or distributions as to which an adjustment was effected pursuant to Section 10.06(a) or Section 10.06(b), (ii) dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to Section 10.06(d), (iii) distributions of Reference Property in a transaction described in Section 10.11, (iv) rights issued pursuant to a rights plan of the Company (i.e., a poison pill), except to the extent provided by Section 10.13, and (v) Spin-Offs to which the provisions set forth in the latter portion of this Section 10.06(c) shall apply (any of such shares of Capital Stock, indebtedness or other assets, securities or property or rights, options or warrants to acquire its Capital Stock or other securities, the "**Distributed Property**"), then, in each such case the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Open of Business on the Ex Date for such distribution;

CR' = the Conversion Rate in effect immediately after the Open of Business on the Ex Date for such distribution;

SP_0 = the average of the Closing Sale Prices of the ADSs (divided by the number of Class A Common Shares then represented by one ADS) over the ten (10) consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex Date for such distribution; and

FMV = the fair market value (as determined by the Board of Directors) of the Distributed Property distributable with respect to each outstanding Class A Common Share (directly or in the form of ADSs) as of the Open of Business on the Ex Date for such distribution.

If the Board of Directors determines "FMV" for purposes of this Section 10.06(c) by reference to the actual or when issued trading market for any securities, it must in doing so consider the prices in such market over the same period used in computing the Closing Sale Prices of the ADSs over the ten (10) consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex Date for such distribution.

Notwithstanding the foregoing, if "FMV" (as defined above) is equal to or greater than the "SP0" (as defined above), in lieu of the foregoing increase, provision shall be made for each Holder of a Security to receive, for each $1,000 principal amount of Securities it holds, at the same time and upon the same terms as the holders of the Class A Common Shares (directly or in the form of ADSs), the amount and kind of Distributed Property that such Holder would have received if such Holder had owned a number of ADSs equal to the Conversion Rate in effect on the record date for such distribution.

Any increase made under the portion of this Section 10.06(c) above shall become effective immediately after the Open of Business on the Ex Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be decreased, effective as of the date the Board of Directors determines not to make such distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

With respect to an adjustment pursuant to this Section 10.06(c) where there has been a payment of a dividend or other distribution on the Class A Common Shares (directly or in the form of ADSs) of Capital Stock of any class or series, or similar equity interests, 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 consummation of the transaction) on a U.S. national securities exchange (a "**Spin-Off**"), the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Open of Business on the Ex Date for the Spin-Off;

CR' = the Conversion Rate in effect immediately after the Open of Business on the Ex Date for the Spin-Off;

FMV_0 = the average of the Closing Sale Prices of the Capital Stock or similar equity interest distributed to holders of the Class A Common Shares (directly or in the form of ADSs) applicable to one Class A Common Share over the ten (10) consecutive Trading Days immediately following, and including, the Ex Date for a Spin-Off (the "**Valuation Period**"); and

MP_0 = the average of the Closing Sale Prices of the ADSs (divided by the number of Class A Common Shares then represented by one ADS) 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 Date for such Spin-Off. For purposes of determining the Conversion Rate in respect of any conversion during the 10 Trading Days commencing on the Ex Date for such Spin-Off, references within the portion of this Section 10.06(c) related to "Spin-Offs" to ten (10) consecutive Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed from, and including, the Ex Date for such Spin-Off to, but excluding, the relevant Conversion Date.

Subject in all respects to Section 10.13, rights, options or warrants distributed by the Company to all holders of its Class A Common Shares (directly or in the form of ADSs) entitling the holders thereof 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 (directly or in the form of ADSs); (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Class A Common Shares (directly or in the form of ADSs), shall be deemed not to have been distributed for purposes of this Section 10.06(c) (and no adjustment to the Conversion Rate under this Section 10.06(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 10.06(c), as the case may be. 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 Ex Date with respect to new rights, options or warrants with such rights (and a termination or expiration of the existing rights, options or warrants 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 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 10.06(c), as the case may be, was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Class A Common Shares (directly or in the form of ADSs)

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 (directly or in the form of ADSs) as of the date of such redemption or repurchase, 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 or warrants had not been issued.

For purposes of Section 10.06(a), Section 10.06(b) and this Section 10.06(c), any dividend or distribution to which this Section 10.06(c) is applicable that also includes one or both of:

(A) a dividend or distribution of Class A Common Shares (directly or in the form of ADSs) to which Section 10.06(a) is applicable (the "**Clause A Distribution**"); or

(B) a dividend or distribution of rights, options or warrants to which Section 10.06(b) is applicable (the "**Clause B Distribution**"),

then (1) such dividend or distribution, other than the Clause A Distribution and Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 10.06(c) is applicable (the "**Clause C Distribution**") and any Conversion Rate adjustment required by this Section 10.06(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 Conversion Rate adjustment required by Section 10.06(a) and Section 10.06(b) with respect thereto shall then be made, except that, if determined by the Board of Directors, the Ex Date of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Ex Date of the Clause C Distribution and any Class A Common Shares (directly or in the form of ADSs) included in the Clause A Distribution or Clause B Distribution shall be deemed not to be "outstanding immediately prior to the Open of Business on the Ex Date for such dividend or distribution" or "outstanding immediately after the Open of Business on the effective date of such share split or share combination," as the case may be within the meaning of Section 10.06(a) or "outstanding immediately prior to the Open of Business on the Ex Date for such distribution" within the meaning of Section 10.06(b).

Except in the case of a readjustment of the Conversion Rate pursuant to the last sentence of either the fourth or seventh paragraph of this Section 10.06(c), the Conversion Rate shall not be decreased pursuant to this Section 10.06(c).

(d) If any cash dividend or distribution is made to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs), the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Open of Business on the Ex Date for such dividend or distribution;

CR' = the Conversion Rate in effect immediately after the Open of Business on the Ex Date for such dividend or distribution;

SP_0 = the average of the Closing Sale Prices of the ADSs (divided by the number of Class A Common Shares then represented by one ADS) over the ten (10) consecutive Trading Day period immediately preceding the Ex Date for such dividend or distribution (or, if the Company declares such dividend or distribution less than eleven (11) Trading Days prior to the Ex Date for such dividend or distribution the reference to ten (10) consecutive Trading Days shall be replaced with a smaller number of consecutive Trading Days that shall have occurred after, and not including, such declaration date and prior to, but not including, the Ex 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 (directly or in the form of ADSs).

Any adjustment made under this Section 10.06(d) shall become effective immediately after the Open of Business on the Ex Date for such dividend or distribution.

Notwithstanding the foregoing, in lieu of the foregoing increase, upon a written request from a Holder given to the Company within five (5) days of receipt of the notice provided to such Holder pursuant to Section 10.10(b)(i), the Company shall make provision for each such Holder of a Security to receive, for each $1,000 principal amount of Securities it holds, at the same time and upon the same terms as holders of the ADSs, the amount of cash such Holder would have received as if such Holder owned a number of ADSs equal to the Conversion Rate on the record date for such cash 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 pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

Except in the case of a readjustment of the Conversion Rate pursuant to the last sentence of the immediately preceding paragraph, the Conversion Rate shall not be decreased pursuant to this Section 10.06(d).

(e) If the Company or any of its Subsidiaries makes a payment in respect of a tender offer or exchange offer for the Class A Common Shares (directly or in the form of ADSs), if the cash and value of any other consideration included in the payment per Class A Common Share exceeds the average of the Closing Sale Prices of the ADSs (divided by the number of Class A Common Shares then represented by one ASD) over the ten (10) consecutive Trading Day period commencing 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 Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{AC + (SP' \times OS')}{OS_0 \times SP'}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the Close of Business on the last Trading Day of the ten (10) consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires;

CR' = the Conversion Rate in effect immediately after the Close of Business on the last Trading Day of the ten (10) consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires;

AC = the aggregate value of all cash and any other consideration (as determined by the Board of Directors) paid or payable for Class A Common Shares or ADSs, as the case may be, purchased in such tender or exchange offer;

OS_0 = the number of Class A Common Shares outstanding immediately prior to the time such tender or exchange offer expires (prior to giving effect to such tender offer or exchange offer);

OS' = the number of Class A Common Shares outstanding immediately after the time such tender or exchange offer expires (after giving effect to such tender offer or exchange offer); and

SP' = the average of the Closing Sale Prices of the ADSs (divided by the number of Class A Common Shares then represented by one ADS) over the ten (10) consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires.

The increase to the Conversion Rate under this Section 10.06(e) shall occur at the Close of Business on the tenth (10th) Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires; *provided* that, for purposes of determining the Conversion Rate, in respect of any conversion during the ten (10) Trading Days immediately following, but excluding, the date that any such tender or exchange offer expires, references in this Section 10.06(e) to ten (10) consecutive Trading Days shall be deemed to be replaced with such lesser number of consecutive Trading Days as have elapsed between the date such tender or exchange offer expires and the relevant Conversion Date. If the Company or one of its Subsidiaries is obligated to purchase the Class A Common Shares (directly or in the form of ADSs) pursuant to any such tender or exchange offer but the Company or such Subsidiary is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Rate shall be immediately decreased to the Conversion Rate that would be in effect if such tender or exchange offer had not been made.

Except in the case of a readjustment of the Conversion Rate pursuant to the last sentence of the immediately preceding paragraph, the Conversion Rate shall not be decreased pursuant to this Section 10.06(e).

(f) If the Company shall have completed any Qualified Equity Financing within six (6) months from the date of the Investment Agreement, or shall have entered into a binding agreement with respect to any Qualified Equity Financing during such period and such Qualified Equity Financing shall subsequently be completed, in any such case, with a Reference Price less than the then-current Conversion Price, then the Conversion Rate shall be adjusted to the Qualified Equity Financing Conversion Rate. In addition, if, at any time, the Reference Price applicable to the securities issued pursuant to such Qualified Equity Financing is reduced as contemplated by the proviso in the definition of Reference Price such that it is less than the then-current Conversion Price, then the Conversion Rate shall be adjusted to the Qualified Equity Financing Conversion Rate. For the avoidance of doubt, under no circumstances will the Conversion Rate be decreased pursuant to this clause (f).

(g) In addition to the foregoing adjustments in subsections (a), (b), (c), (d), (e) and (f) above, and to the extent permitted by applicable law and the rules of the Relevant Stock Exchange, the Company may, from time to time and to the extent permitted by law, increase the Conversion Rate by any amount for a period of at least twenty-five (25) Trading Days or any longer period as may be permitted or required by law, if the Board of Directors has made a determination, which determination shall be conclusive, that such increase would be in the best interests of the Company. Such Conversion Rate increase shall be irrevocable during such period. The Company shall give notice to the Trustee and cause notice of such increase, which notice will include the amount of the increase and the period during which the increase shall be in effect, to be sent to each Holder of Securities in accordance with Section 13.01, at least fifteen (15) days prior to the date on which such increase commences.

(h) All calculations under this Article 10 shall be made to the nearest cent or to the nearest 1/10,000th of an ADS, as the case may be. Adjustments to the Conversion Rate will be calculated to the nearest 1/10,000th.

(i) For purposes of this Section 10.06, "**effective date**" means the first date on which the ADSs trade on the Relevant Stock Exchange, regular way, reflecting the relevant share split or share combination, as applicable.

(j) For purposes of this Section 10.06, the number of Class A Common Shares at any time outstanding shall not include Class A Common Shares held in the treasury of the Company (directly or in the form of ADSs) but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of Class A Common Shares. The Company shall not pay any dividend or make any distribution on Class A Common Shares held in the treasury of the Company. The Company shall not pay any dividend or distribution on shares of Capital Stock of the Company held in the treasury of the Company to the extent such dividend or distribution would be made in an amount based on the amount of a dividend or distribution paid on the Class A Common Shares.

Section 10.07 *No Adjustment*. The Conversion Rate shall not be adjusted for any transaction or event other than for any transaction or event described in this Article 10. Without limiting the foregoing, 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 issuance of any Class A Common Shares or ADSs pursuant to any such options or other rights);

(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) above and outstanding as of the date the Securities were first issued;

(iv) for accrued and unpaid interest, if any;

(v) repurchases of Class A Common Shares or ADSs that are not tender offers or exchange offers pursuant to Section 10.06(e), including structured or derivative transactions such as accelerated share repurchase transactions or similar forward derivatives or share repurchase program approved by the Company's Board of Directors;

(vi) solely for a change in the par value of the Class A Common Shares; or

(vii) for the issuance of Class A Common Shares or ADSs or 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, except as described in Section 10.06.

No adjustment in the Conversion Rate less than one percent (1%) of the Conversion Rate as last adjusted (or, if never adjusted, the initial Conversion Rate) shall be made pursuant to Section 10.06(a) through Section 10.06(f); *provided*, *however*, that (i) the Company shall carry forward any adjustments that are not made as a result of the foregoing and make such carried forward adjustments with respect to the Conversion Rate when the cumulative effect of all adjustments not yet made will result in a change of one percent (1%) or more of the Conversion Rate as last adjusted (or, if never adjusted, the initial Conversion Rate) and (ii) notwithstanding the foregoing, all such deferred adjustments that have not yet been made shall be made (including any adjustments that are less than one percent (1%) of the Conversion Rate as last adjusted (or, if never adjusted, the initial Conversion Rate)) (1) on the effective date of any Fundamental Change or Make-Whole Fundamental Change and (2) on the Conversion Date.

No adjustment to the Conversion Rate need be made pursuant to Section 10.06 for a transaction (other than for share splits or share combinations pursuant to Section 10.06(a)) if the Company makes provision for each Holder to participate in the transaction, at the same time and upon the same terms as holders of Class A Common Shares (directly or in the form of ADSs) participate in such transaction, without conversion, as if such Holder held a number of Class A Common Shares (directly or in the form of ADSs) equal to the Conversion Rate in effect on the Ex Date or effective date, as applicable, of the transaction (without giving effect to any adjustment pursuant to Section 10.06 on account of such transaction), *multiplied by* principal amount (expressed in thousands) of Securities held by such Holder.

Section 10.08 *Other Adjustments*. Whenever any provision of this Indenture requires the computation of an average of the Closing Sale Prices or the Daily VWAPs over a period of multiple Trading Days (including the period for determining the Applicable Price for purposes of a Make-Whole Fundamental Change), the Board of Directors, in its good faith determination, shall appropriately adjust such average to account for any event requiring, pursuant hereto, an adjustment to the Conversion Rate where the effective date, Ex Date or expiration date of such event occurs at any time on or after the first Trading Day of such period and on or prior to the last Trading Day of such period.

Section 10.09 *Adjustments for Tax Purposes*. Except as prohibited by law, the Company may (but is not obligated to) make such increases in the Conversion Rate, in addition to those required by Section 10.06 hereof, as it considers to be advisable to avoid or diminish any income tax to any holders of Class A Common Shares (directly or in the form of ADSs) (or rights to purchase Class A Common Shares (directly or in the form of ADSs)) resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes or for any other reason.

Section 10.10 *Notice of Adjustment and Certain Events*. (a) Whenever the Conversion Rate is adjusted, the Company shall promptly file with the Trustee an Officers' Certificate describing in reasonable detail the adjustment and the method of calculation used and the Company shall promptly send to the Holders in accordance with Section 13.01 a notice of the adjustment setting forth the adjusted Conversion Rate and the calculation thereof. The certificate and notice shall be conclusive evidence of the correctness of such adjustment. In the absence of an Officers' Certificate being filed with the Trustee (and the Conversion Agent if not the Trustee), the Trustee may assume without inquiry that the Conversion Rate has not been adjusted and that the last Conversion Rate of which it has knowledge remains in effect.

(b) In case of any:

(i) action by the Company or one of its Subsidiaries that would require an adjustment to the Conversion Rate in accordance with Section 10.06 or Section 10.13;

(ii) Merger Event; or

(iii) voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then the Company shall at least ten days prior to the anticipated effective date of such transaction or event cause written notice thereof to be sent to the Trustee and the Holders in accordance with Section 13.01. Such notice shall also specify, as applicable, the date or expected date on which the holders of Class A Common Shares or ADSs, as the case may be, shall be entitled to a distribution and the date or expected date on which the holders of Class A Common Shares or ADSs, as the case may be, 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 reorganization, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up, as the case may be. 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 10.11 *Effect of Reclassifications, Consolidations, Mergers, Binding Share Exchanges or Sales on Conversion Privilege*. If on or after the date of this Indenture the Company:

(a) reclassifies the Class A Common Shares (other than a change as a result of a subdivision or combination of Class A Common Shares to which Section 10.06(a) applies);

(b) is party to a consolidation, merger or binding share exchange; or

(c) sells, transfers, leases, conveys or otherwise disposes of all or substantially all of the consolidated property or assets of the Company, its Subsidiaries and its Consolidated Affiliated Entities, taken as a whole,

in each case, pursuant to which the Class A Common Shares would be converted into or exchanged for, or would constitute solely the right to receive, cash, securities or other property (any such event, a "**Merger Event**"), each $1,000 principal amount of converted Securities will, from and after the effective time of such Merger Event, be convertible into the same kind, type and proportions of consideration that a holder of a number of ADSs equal to the Conversion Rate in effect immediately prior to such Merger Event would have received in such Merger Event ("**Reference Property**") and, prior to or at the effective time of such Merger Event, the Company or the successor or purchasing Person, as the case may be, shall execute with the Trustee a supplemental indenture permitted under Section 9.01(a) providing for such change in the right to convert the Securities; *provided, however*, that at and after the effective time of the Merger Event (A) any amount payable in cash for fractional ADSs upon conversion of the Securities in accordance with Section 10.03 shall continue to be payable in cash, (B) any ADSs that the Company would have been required to deliver upon conversion of the Securities in accordance with Section 10.02 shall instead be deliverable in the amount and type of Reference Property that a holder of that number of ADSs would have received in such Merger Event and (C) the Daily VWAP shall be calculated based on a unit of Reference Property.

If the Merger Event causes the Class A Common Shares to be converted into, or exchanged for, the right to receive more than a single type of consideration determined based in whole or in part upon any form of stockholder election, then (i) the Reference Property into which the Securities will be convertible shall be deemed to be the weighted average of the types and amounts of consideration actually received by the holders of Class A Common Shares 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, the Trustee and the Conversion Agent (if other than the Trustee) of such weighted average as soon as reasonably practicable after such determination is made. If the holders receive only cash in such Merger Event, then for all conversions that occur after the effective date of such Merger Event (A) the consideration due upon conversion of each $1,000 principal amount of Securities shall be solely cash in an amount equal to the Conversion Rate in effect on the Conversion Date (as may be increased pursuant to Section 10.14), multiplied by the price paid per ADS in such Merger Event and (B) the Company shall satisfy its Conversion Obligation by paying cash to converting Holders on the second Business Day immediately following the relevant Conversion Date.

The supplemental indenture referred to in the first sentence of this Section 10.11 shall provide for adjustments to the Conversion Rate that shall be as nearly equivalent as may be practicable to the adjustments of the Conversion Rate provided for in this Article 10 and for the delivery of cash by the Company in lieu of fractional securities or property that would otherwise be deliverable to holders upon conversion as part of the Reference Property, with such amount of cash determined by the Board of Directors in a manner as nearly equivalent as may be practicable to that used by the Company to determine the Closing Sale Price of the ADSs. The Company shall not become a party to any Merger Event unless its terms are consistent with the foregoing. If, in the case of any Merger Event, the stock or other securities and assets receivable thereupon by a holder of Class A Common Shares includes shares of stock or other securities and assets of a corporation other than the successor or purchasing corporation, as the case may be, in such Merger Event, then such supplemental indenture shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the Holders of the Securities as the Board of Directors shall reasonably consider necessary by reason of the foregoing, including to the extent practicable the provisions providing for the conversion rights set forth in this Article 10. The provisions of this Section 10.11 shall similarly apply to successive consolidations, mergers, binding share exchanges, sales, transfers, leases, conveyances or dispositions.

None of the foregoing provisions shall affect the right of a Holder to convert its Securities into ADSs (and cash in lieu of any fractional ADSs) as set forth in Section 10.01 and Section 10.02 prior to the effective date of such Merger Event.

In the event the Company shall execute a supplemental indenture in accordance with this Section 10.11, the Company shall promptly file with the Trustee an Officers' Certificate briefly stating the reasons therefor, the kind or amount of Reference Property receivable by Holders of the Securities upon the conversion of their Securities after any such Merger Event and any adjustment to be made with respect thereto.

Section 10.12 *Trustee's Disclaimer*. The Trustee and any other Conversion Agent shall have no duty to determine the Conversion Rate (or any adjustment thereto) or whether any facts exist that may require that any adjustment under this Article 10 should be made, how it should be made or what such adjustment should be, but may accept as conclusive evidence of the correctness of any such adjustment, and shall be protected in relying upon, the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant

to Section 10.10 hereof. Neither the Trustee nor any other Conversion Agent makes any representation as to the validity or value of any securities or assets issued upon conversion of Securities, and neither the Trustee nor any other Conversion Agent shall be responsible for the failure by the Company to comply with any provisions of this Article 10 or to monitor any Person's compliance with this Article 10.

The Trustee shall not be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture executed pursuant to Section 10.11, but may accept as conclusive evidence of the correctness thereof, and shall be protected in relying upon, the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 10.11 hereof.

Section 10.13 *Rights Distributions Pursuant to Shareholders' Rights Plans*. To the extent that on or after the date of this Indenture the Company adopts a rights plan (i.e., a poison pill) and such plan is in effect upon conversion of any Security or a portion thereof, the Company shall make provision such that each Holder thereof shall receive, in addition to, and concurrently with the delivery of, the ADSs due upon conversion, the rights described in such plan, unless the rights have separated from the Class A Common Shares underlying the ADSs before the time of conversion, in which 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 10.06(c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

Section 10.14 *Increased Conversion Rate Applicable to Certain Securities Surrendered in Connection with Make-Whole Fundamental Changes*. (a) Notwithstanding anything herein to the contrary, the Conversion Rate applicable to each Security that is surrendered for conversion, in accordance with this Article 10, at any time during the period (the "**Make-Whole Conversion Period**") from, and including, the effective date (the "**Effective Date**") of a Make-Whole Fundamental Change (which Effective Date the Company shall disclose in the written notice referred to in Section 10.14(e)) (A) if such Make-Whole Fundamental Change does not also constitute a Fundamental Change, to, and including, the Close of Business on the date that is thirty (30) Business Days after the later of (i) such Effective Date and (ii) the date the Company sends to Holders the relevant notice of the Effective Date or (B) if such Make-Whole Fundamental Change also constitutes a Fundamental Change, to, and including, the Close of Business on the Business Day immediately preceding the Fundamental Change Repurchase Date corresponding to such Fundamental Change (provided that the Repurchase Notice has not been delivered by the Holder or has been withdrawn), shall be increased to an amount equal to the Conversion Rate that would, but for this Section 10.14, otherwise apply to such Security pursuant to this Article 10, plus an amount equal to the Make-Whole Applicable Increase.

(b) As used herein, "**Make-Whole Applicable Increase**" shall mean, with respect to a Make-Whole Fundamental Change, the amount, set forth in the following table, which corresponds to the Effective Date and the Applicable Price of such Make-Whole Fundamental Change:

	Applicable Price											
Effective Date	**$$66.88**	**$$70.00**	**$$75.00**	**$$80.25**	**$$85.00**	**$$90.00**	**$$100.00**	**$$120.00**	**$$140.00**	**$$160.00**	**$$200.00**	**$$300.00**
[DATE]	33.7184	33.3661	22.8856	22.4710	22.1566	11.8778	11.4409	00.8839	00.5632	00.3683	00.1679	00.0199
February 1, 2022	33.7079	33.3318	22.8269	22.3938	22.0684	11.7812	11.3379	00.7856	00.4789	00.2996	00.1244	00.0093
February 1, 2023	33.5958	33.2018	22.6749	22.2268	21.8942	11.6034	11.1639	00.6364	00.3618	00.2096	00.0749	00.0013
February 1, 2024	33.3819	12.9675	22.4163	11.9539	11.6178	11.3301	00.9079	00.4373	00.2175	00.1096	00.0289	--
February 1, 2025	33.0171	52.5661	11.9749	11.4966	11.1636	00.8912	00.5229	00.1823	00.0647	00.0214	00.0024	--
February 1, 2026	22.4922	11.8247	00.8723	--	--	--	--	--	--	--	--	--

provided, however, that:

(i) if the actual Applicable Price of such Make-Whole Fundamental Change is between two (2) Applicable Prices listed in the table above under the row titled "**Applicable Price**," or if the actual Effective Date of such Make-Whole Fundamental Change is between two Effective Dates listed in the table above in the column immediately below the title "**Effective Date**," then the Make-Whole Applicable Increase for such Make-Whole Fundamental Change shall be determined by linear interpolation between the Make-Whole Applicable Increases set forth for such higher and lower Applicable Prices, or for such earlier and later Effective Dates based on a three hundred and sixty five (365) day year, as applicable;

(ii) if the actual Applicable Price of such Make-Whole Fundamental Change is greater than $300.00 per ADS (subject to adjustment in the same manner as the Applicable Prices pursuant to Section 10.14(b)(iii)), or if the actual Applicable Price of such Make-Whole Fundamental Change is less than $66.88 per ADS (subject to adjustment in the same manner as the Applicable Prices pursuant to Section 10.14(b)(iii)), then the Make-Whole Applicable Increase shall be equal to zero (0);

(iii) if an event occurs that requires, pursuant to this Article 10 (other than solely pursuant to this Section 10.14), an adjustment to the Conversion Rate, then, on the date and at the time such adjustment is so required to be made, each Applicable Price set forth in the table above under the column titled "**Applicable Price**" shall be deemed to be adjusted so that such Applicable Price, at and after such time, shall be equal to the product of (A) such Applicable Price as in effect immediately before such adjustment to

such Applicable Price and (B) a fraction the numerator of which is the Conversion Rate in effect immediately before such adjustment to the Conversion Rate and the denominator of which is the Conversion Rate to be in effect, in accordance with this Article 10, immediately after such adjustment to the Conversion Rate;

(iv) each Make-Whole Applicable Increase amount set forth in the table above shall be adjusted in the same manner, for the same events and at the same time as the Conversion Rate is required to be adjusted pursuant to Section 10.06 through Section 10.13; and

(c) Subject to Section 10.11, upon surrender of Securities for conversion in connection with a Make-Whole Fundamental Change, the Company shall satisfy the related Conversion Obligation in accordance with Section 10.02; *provided*, *however*, that if at the effective time of a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change the consideration for the Class A Common Shares (directly or in the form of ADSs) is composed entirely of cash, for any conversion of Securities following the Effective Date of such Make-Whole Fundamental Change, the Conversion Obligation shall be calculated based solely on the Applicable Price for the transaction and shall be deemed to be an amount equal to, per $1,000 principal amount of converted Securities, the Conversion Rate (including any Make-Whole Applicable Increase), multiplied by such Applicable Price. In such event, the Conversion Obligation will be determined and shall be paid to Holders in cash on the second Business Day following the Conversion Date.

(d) As used herein, "**Applicable Price**" shall have the following meaning with respect to a Make-Whole Fundamental Change: (i) if such Make-Whole Fundamental Change is a transaction or series of transactions described in clause (c) of the definition of Fundamental Change and the consideration (excluding cash payments for fractional ADSs or pursuant to statutory appraisal rights) for ADSs representing Class A Common Shares in such Make-Whole Fundamental Change consists solely of cash, then the "Applicable Price" with respect to such Make-Whole Fundamental Change shall be equal to the cash amount paid per ADS representing Class A Common Share in such Make-Whole Fundamental Change and (ii) in all other circumstances, the "Applicable Price" with respect to such Make-Whole Fundamental Change shall be equal to the average of the Closing Sale Prices per ADS for the five (5) consecutive Trading Days immediately preceding, but excluding, the Effective Date of such Make-Whole Fundamental Change, which average shall be appropriately adjusted by the Board of Directors, in its good faith determination, to account for any adjustment, pursuant hereto, to the Conversion Rate that shall become effective, or any event requiring, pursuant hereto, an adjustment to the Conversion Rate where the Ex Date of such event occurs, at any time during such five (5) consecutive Trading Days.

(e) The Company shall send to each Holder, in accordance with Section 13.01, written notice of the Effective Date of the Make-Whole Fundamental Change within ten (10) days after such Effective Date. Each such notice shall also state that, in connection with such Make-Whole Fundamental Change, the Company shall increase, in accordance herewith, the Conversion Rate applicable to Securities entitled as provided herein to such increase (along with a description of how such increase shall be calculated and the time periods during which

Securities must be surrendered in order to be entitled to such increase, including, without limitation, the last day of the Make-Whole Conversion Period).

(f) For avoidance of doubt, the provisions of this Section 10.14 shall not affect or diminish the Company's obligations, if any, pursuant to Article 3 with respect to a Make-Whole Fundamental Change that also constitutes a Fundamental Change.

(g) Nothing in this Section 10.14 shall prevent an adjustment to the Conversion Rate pursuant to Section 10.06 in respect of a Make-Whole Fundamental Change.

Section 10.15 *Applicable Stock Exchange Restrictions Termination of Depositary Share Program*. If the Class A Common Shares cease to be represented by American Depositary Shares issued under a depositary receipt program sponsored by the Company, all references in this Indenture to the ADSs shall be deemed to have been replaced by a reference to the number of Class A Common Shares (and other property, if any) represented by the ADSs on the last day on which the ADSs represented the Class A Common Shares and as if the Class A Common Shares and the other property had been distributed to holders of the ADSs on that day. In addition, all references to the Closing Sale Price of the ADSs will be deemed to refer to the Closing Sale Price of the Class A Common Shares, and other appropriate adjustments, including adjustments to the Conversion Rate, will be made to reflect such change. In making such adjustments, where currency translations between U.S. dollars and any other currency are required, the exchange rate in effect on the date of determination will apply.

ARTICLE 11
CONCERNING THE HOLDERS

Section 11.01 *Action by Holders*. Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Securities 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 (i) by any instrument or any number of instruments of similar tenor executed by Holders in person or by agent or proxy appointed in writing, (ii) 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 12 or (iii) by a combination of such instrument or instruments and any such record of such a meeting of Holders. Whenever the Company or the Trustee solicits the taking of any action by the Holders of the Securities, 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 (15) days prior to the date of commencement of solicitation of such action.

Section 11.02 *Proof of Execution by Holders*. Subject to the provisions of Section 12.05, 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 in such manner as shall be satisfactory to the Trustee. The holding of Securities shall be proved by the security register of the Registrar or by a certificate of the Registrar. The record of any Holders' meeting shall be proved in the manner provided in Section 12.06.

Section 11.03 *Persons Deemed Absolute Owners*. The Company, the Trustee, any authenticating agent, any Paying Agent, any Conversion Agent and any Registrar may deem the Person in whose name a Security shall be registered upon the security register of the Registrar to be, and may treat it as, the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon made by any Person other than the Company or any Registrar) for the purpose of receiving payment of or on account of the principal of and (subject to Section 2.12 and Section 4.01) accrued and unpaid interest on such Security, or the Fundamental Change Repurchase Price, if applicable, for conversion of such Security and for all other purposes; and neither the Company nor the Trustee nor any authenticating agent nor any Paying Agent nor any Conversion Agent nor any Registrar shall be affected by any notice to the contrary. All such payments so made to any Holder for the time being, or upon its order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for monies payable upon any such Security. Notwithstanding anything to the contrary in this Indenture or the Securities following an Event of Default, any holder of a beneficial interest in a Global Security may directly enforce against the Company, without the consent, solicitation, proxy, authorization or any other action of the Depository or any other Person, such holder's right to exchange such beneficial interest for a Physical Security in accordance with the provisions of this Indenture.

ARTICLE 12
HOLDERS' MEETINGS

Section 12.01 *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 12 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 9.02; 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 Securities under any other provision of this Indenture or under applicable law.

Section 12.02 *Call of Meetings by Trustee*. The Trustee may at any time call a meeting of Holders to take any action specified in Section 12.01, to be held at such time and at such place as the Trustee shall determine, including virtually. 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 11.01, shall be sent to Holders of such Securities at their addresses as they shall appear on the security register of the Registrar. Such notice shall also be sent to the Company. Such notices shall be

sent not less than twenty (20) nor more than ninety (90) days prior to the date fixed for the meeting.

Any meeting of Holders shall be valid without notice if the Holders of all Securities then outstanding are present in person or by proxy (including virtually) or if notice is waived before or after the meeting by the Holders of all Securities 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 12.03 *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 ten percent (10%) in aggregate principal amount of the Securities 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 sent the notice of such meeting within twenty (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 12.01, by sending notice thereof as provided in Section 12.02.

Section 12.04 *Qualifications for Voting*. To be entitled to vote at any meeting of Holders a Person shall (a) be a Holder of one or more Securities 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 Securities 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 12.05 *Regulations*. Notwithstanding any other provision 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 Securities 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 12.03, 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 aggregate principal amount of the outstanding Securities represented at the meeting and entitled to vote at the meeting.

Subject to the provisions of Section 2.09, at any meeting of Holders each Holder or proxyholder shall be entitled to one vote for each $1,000 principal amount of Securities held or represented by such Holder or proxyholder, as the case may be; *provided*, *however*, that no vote shall be cast or counted at any meeting in respect of any Security 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 Securities 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 12.02 or Section 12.03 may be adjourned from time to time by the Holders of a majority of the aggregate principal amount of outstanding Securities represented at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Section 12.06 *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 principal amount of the Securities 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 sent as provided in Section 12.02. The record shall show the principal amount of the Securities 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 12.07 *No Delay of Rights by Meeting*. Nothing contained in this Article 12 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 Securities. Nothing contained in this Article 12 shall be deemed or construed to limit any Holder's actions pursuant to the Applicable Procedures so long as the Securities are Global Securities.

ARTICLE 13
MISCELLANEOUS

Section 13.01 *Notices*. Any notice or communication by the Company or the Trustee to the other shall be deemed to be duly given if made in writing and delivered:

(a) by hand (in which case such notice shall be effective upon delivery);

(b) by facsimile or other electronic transmission (in PDF (as defined below) format) (in which case such notice shall be effective upon receipt thereof); or

(c) by overnight delivery by a nationally recognized courier service (in which case such notice shall be effective on the Business Day immediately after being deposited with such courier service),

in each case to the recipient party's address set forth in this Section 13.01; *provided*, *however*, that notices to the Trustee shall only be effective upon the Trustee's actual receipt thereof. The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication sent to a Holder shall be sent to the Holder at its address shown on the register kept by the Registrar. Any notice or communication to be delivered to a Holder of a Global Security shall be transmitted to the Depository in accordance with its Applicable Procedures. Failure to send or transmit 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 to a Holder is sent in the manner provided above, it is duly given, whether or not the addressee receives it.

If the Company sends or transmits a notice or communication to Holders, it shall send a copy to the Trustee and each Securities Agent at the same time. If the Trustee or the Securities Agent is required, pursuant to the express terms of this Indenture or the Securities, to send a notice or communication to Holders, the Trustee or the Securities Agent, as the case may be, shall also send a copy of such notice or communication to the Company.

All notices or communications shall be in writing.

The Company's address is:

[ADDRESS]

With a copy (which shall not constitute actual or constructive notice) to:

[COUNSEL ADDRESS]

The Trustee's address is:

Deutsche Bank Trust Company Americas
Trust and Agency Services
[ADDRESS]

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("**Instructions**"), given pursuant to this Indenture and delivered using the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder (collectively, "**Electronic Means**"); *provided*, *however*, that the Company shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("**Authorized Officers**") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Company whenever a person is to be added or deleted from the listing. If the Company elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions

shall be deemed controlling. The Company understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Company shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Company and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Company. The Trustee shall not be liable for any losses, costs or expenses (except to the extent attributable to the Trustee's gross negligence, willful misconduct or bad faith) arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Company agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Company; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 13.02 *Communication by Holders with Other Holders*. To the extent the TIA is then applicable: (A) The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c) and (B) Holders may communicate pursuant to TIA § 312(b) with other Holders with respect to their rights under this Indenture or the Securities.

Section 13.03 *Certificate and Opinion as to Conditions Precedent*. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate stating that, in the opinion of the signatories to such Officers' Certificate, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each signatory to an Officers' Certificate or an Opinion of Counsel may (if so stated) rely, effectively, upon an Opinion of Counsel as to legal matters and an Officers' Certificate or certificates of public officials or other representations or documents as to factual matters.

Section 13.04 *Statements Required in Certificate or Opinion*. Each Officers' Certificate or Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA § 314(a)(4)) shall comply with the provisions of TIA § 314(e) and shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

Section 13.05 *Rules by Trustee and Agents*. The Registrar, Paying Agent or Conversion Agent may make reasonable rules and set reasonable requirements for their respective functions.

Section 13.06 *Legal Holidays*. If a payment date is not a Business Day, payment may be made on the next succeeding day that is a Business Day, and no interest shall accrue on that payment for the intervening period.

Section 13.07 *Duplicate Originals*. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. Delivery of an executed counterpart by facsimile shall be effective as delivery of a manually executed counterpart thereof.

Section 13.08 *Facsimile and PDF Delivery of Signature Pages*. The exchange of copies of this Indenture and of signature pages by facsimile or portable document format ("**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. Facsimile, documents executed, scanned and transmitted electronically and electronic signatures, including those created or transmitted through a software platform or application, shall be deemed original signatures for purposes of this Indenture and all other related documents and all matters and agreements related thereto, with such facsimile, scanned and electronic signatures having the same legal effect as original signatures. The parties agree that this Indenture or any other related document or any instrument, agreement or document necessary for the consummation of the transactions contemplated by this Indenture or the other related documents or related hereto or thereto (including, without limitation, addendums, amendments, notices, instructions, communications with respect to the delivery of securities or the wire transfer of funds or other communications) ("**Executed Documentation**") may be accepted, executed or agreed to through the use of an electronic signature in accordance with applicable laws, rules and regulations in effect from time to time applicable to the effectiveness and enforceability of electronic signatures. Any Executed Documentation accepted, executed or agreed to in conformity with such laws, rules and regulations will be binding on all parties hereto to the same extent as if it were physically executed and each party hereby consents to the use of any third party electronic signature capture service providers as may be reasonably chosen by a signatory hereto or thereto. When any party hereto acts on any Executed Documentation sent by

electronic transmission, such party shall not be responsible or liable for any losses, costs or expenses arising directly or indirectly from its reliance upon and compliance with such Executed Documentation, notwithstanding that such Executed Documentation (a) may not be an authorized or authentic communication of the party involved or in the form such party sent or intended to send (whether due to fraud, distortion or otherwise) or (b) may conflict with, or be inconsistent with, a subsequent written instruction or communication; it being understood and agreed that any party hereto shall conclusively presume that Executed Documentation that purports to have been sent by an authorized officer of a Person has been sent by an authorized officer of such Person. The party providing Executed Documentation through electronic transmission or otherwise with electronic signatures agrees to assume all risks arising out of such electronic methods, including, without limitation, the risk of the Trustee acting on unauthorized instructions and the risk of interception and misuse by third parties.

Section 13.09 *Governing Law*. THIS INDENTURE AND THE SECURITIES, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS INDENTURE OR THE SECURITIES, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Each of the parties hereto hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating solely to this Indenture or the transactions contemplated hereby, to the general jurisdiction of the Supreme Court of the State of New York, County of New York or the United States Federal District Court sitting for the Southern District of New York (and appellate courts thereof);

(b) consents that any such action or proceeding may be brought in such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same to the extent permitted by applicable law;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the party, as the case may be, at its address set forth in Section 13.01 or at such other address of which the other party shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction for recognition and enforcement of any judgment or if jurisdiction in the courts referenced in the foregoing clause (a) are not available despite the intentions of the parties hereto;

(e) agrees that final judgment in any such suit, action or proceeding brought in such a court may be enforced in the courts of any jurisdiction to which such party is subject by a suit upon such judgment, *provided* that service of process is effected upon such party in the manner specified herein or as otherwise permitted by law;

(f) agrees that to the extent that such party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its

property, such party hereby irrevocably waives such immunity in respect of its obligations under this Indenture, to the extent permitted by law; and

(g) irrevocably and unconditionally waives trial by jury in any legal action or proceeding in relation to this Indenture or the Securities.

The Company irrevocably appoints Future International Education Center LLC, with its address at 800 West El Camino Real, Suite 180, Mountain View, CA 94040, 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 Future International Education Center LLC, 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 five and a half 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 ten Business Days of such acceptance. 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 13.10 *No Adverse Interpretation of Other Agreements*. This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or any of its Subsidiaries. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 13.11 *Successors*. All agreements of the Company in this Indenture and the Securities shall bind its successors and assigns. All agreements of the Trustee in this Indenture shall bind its successors.

Section 13.12 *Separability*. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and a Holder shall have no claim therefor against any party hereto.

Section 13.13 *Table of Contents, Headings, Etc.* The Table of Contents, Cross-Reference Table 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 13.14 *Calculations in Respect of the Securities*. The Company and its agents shall make all calculations under this Indenture and the Securities. These calculations include, but are not limited to, determinations of the Closing Sale Price of the Class A Common Shares or ADSs, the number of ADSs deliverable upon conversion, adjustments to the Conversion Price and the Conversion Rate, the Daily VWAPs, the Conversion Rate of the Securities, the amount

of conversion consideration deliverables in respect of any conversion and the amounts of interest payable on the Securities. The Company and its agents shall make all of these calculations in good faith, and, absent manifest error, such calculations shall be final and binding on all Holders. The Company shall provide a copy of such calculations to the Trustee (and the Conversion Agent if not the Trustee) as required hereunder, and, the Trustee shall be entitled to conclusively rely on the accuracy of any such calculation without independent verification. The Trustee will forward the Company's calculations to any Holder upon the request of that Holder at the sole cost and expense of the Company.

Section 13.15 *No Personal Liability of Directors, Officers, Employees or Shareholders*. None of the Company's past, present or future directors, officers, employees or stockholders, as such, shall have any liability for any of the Company's obligations under this Indenture or the Securities or for any claim based on, or in respect or by reason of, such obligations or their creation. By accepting a Security, each holder waives and releases all such liability. This waiver and release is part of the consideration for the issue of the Securities.

Section 13.16 *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, severe pandemic outbreaks, 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 which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 13.17 *Trust Indenture Act Controls*. If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required or deemed to be included in this Indenture by the TIA, such required or deemed provision shall control. If any provision of this Indenture modifies or excludes any provision of the TIA which may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

Section 13.18 *No Security Interest Created*. Nothing in this Indenture or in the Securities, 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 13.19 *Benefits of Indenture.* Nothing in this Indenture or in the Securities, expressed or implied, shall give to any Person, other than the Holders, the parties hereto, any Securities Agent and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 13.20 *Patriot Act.* In order to comply with the laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including, without limitation, those relating to the funding of terrorist activities and money laundering, including Section 326 of the USA PATRIOT Act of the United States ("**Applicable AML Law**"), the

Trustee is required to obtain, verify, record and update certain information relating to individuals and entities which maintain a business relationship with the Trustee. Accordingly, each of the parties agree to provide to the Trustee, upon its request from time to time such identifying information and documentation as may be available for such party in order to enable the Trustee to comply with Applicable AML Law.

[*The Remainder of This Page Intentionally Left Blank; Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first above written.

TAL EDUCATION GROUP

By: _____
Name:
Title:

[Signature Page to Indenture]

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Trustee, Registrar, Paying Agent and Conversion Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

[Signature Page to Indenture]

EXHIBIT A

[FORM OF FACE OF SECURITY]

[INSERT SECURITY PRIVATE PLACEMENT LEGEND AND GLOBAL SECURITY LEGEND, AS REQUIRED]

[THIS SECURITY IS A [NAME OF INVESTOR] SECURITY WITHIN THE MEANING OF THE INDENTURE][1]

[INSERT ORIGINAL ISSUE DISCOUNT LEGEND, AS REQUIRED]

TAL EDUCATION GROUP

Certificate No.

0.50% Convertible Senior Notes Due 2026 (the "**Securities**")

[CUSIP No. [_]
ISIN No. [____]][2]

TAL Education Group, a Cayman Islands company (the "**Company**," which term includes any successor corporation or other entity under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to [__][3] [Cede & Co.][4], or its registered

assigns, the principal sum [of [_____] dollars ($[___])][5] [as set forth in the "Schedule of Increases and Decreases in the Global Security" attached hereto, which amount, taken together with the principal amounts of all other outstanding Securities, shall not, unless permitted by the Indenture, exceed [AMOUNT] dollars ($[Amount]) in aggregate at any time, in accordance with the rules and procedures of the Depository][6], on February 1, 2026 (the "**Maturity Date**"), and to pay interest thereon, as provided on the reverse hereof, until the principal and any unpaid and accrued interest are paid or duly provided for.

Interest Payment Dates: February 1 and August 1.

Record Dates: January 15 and July 15.

The provisions on the back of this certificate are incorporated as if set forth on the face hereof.

---

[1] This is included for [Name of Investor] Securities.
[2] This is included for Global Securities. If assigned prior to closing, CUSIPs/ISINs for each type of Security to be included in a footnote.
[3] This is included for Physical Securities.
[4] This is included for Global Securities.
[5] This is included for Physical Securities.
[6] This is included for Global Securities.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly signed.

TAL EDUCATION GROUP

By: _____
Name:
Title:
Dated: _____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to
in the within-mentioned Indenture.

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Trustee

By: _____
Authorized Signatory
Dated: _____

[Authentication Page for TAL Education Group's 0.50% Convertible Senior Notes due 2026]

[FORM OF REVERSE OF SECURITY]

TAL EDUCATION GROUP

0.50% Convertible Senior Notes Due 2026

1. *Interest*. TAL Education Group, a Cayman Islands company (the "**Company**"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest, payable semi-annually in arrears, on February 1 and August 1 of each year, with the first payment to be made on August 1, 2021. Interest on the Securities will accrue on the principal amount from, and including, the most recent date to which interest has been paid or provided for or, if no interest has been paid, from, and including, [Issue Date], in each case to, but excluding, the next Interest Payment Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay, in cash, interest on any overdue amount (including, to the extent permitted by applicable law, overdue interest) at the rate borne by the Securities. In certain circumstances, Additional Interest and/or Special Interest will be payable in accordance with Section 4.03 and Section 6.01, respectively, of the Indenture (as defined below) and any reference to "interest" shall be deemed to include any such Additional Interest and/or Special Interest.

2. *Maturity*. The Securities will mature on the Maturity Date.

3. *Method of Payment.* Except as provided in the Indenture, the Company will pay interest on the Securities to the Persons who are Holders of record of Securities at the Close of Business on the Record Date set forth on the face of this Security immediately preceding the applicable Interest Payment Date. Holders must surrender Securities to a Paying Agent to collect the principal amount plus, if applicable, accrued and unpaid interest, if any, or the Fundamental Change Repurchase Price, payable as herein provided on the Maturity Date, or on any Fundamental Change Repurchase Date, as applicable.

4. *Paying Agent, Registrar, Conversion Agent*. Initially, Deutsche Bank Trust Company Americas (the "**Trustee**") will act as Paying Agent, Registrar and Conversion Agent. The Company may change any Paying Agent, Registrar or Conversion Agent without prior notice.

5. *Indenture*. The Company issued the Securities under an Indenture dated as of [Date] (the "**Indenture**") between the Company and the Trustee. The Securities are subject to all terms set forth in the Indenture, and Holders are referred to the Indenture for a statement of such terms. The Securities are unsecured senior obligations of the Company limited to [Amount] aggregate principal amount, except as otherwise provided in the Indenture (and except for Securities issued in substitution for destroyed, lost or wrongfully taken Securities). Terms used herein without definition and which are defined in the Indenture have the meanings assigned to them in the Indenture. In the event of any inconsistency between the terms of this Security and the terms of the Indenture, the terms of the Indenture shall control.

6. *Redemption*. No redemption or sinking fund is provided for the Securities.

7. *Repurchase at Option of Holder Upon a Fundamental Change*. Subject to the terms and conditions of the Indenture, in the event of a Fundamental Change, each Holder of the Securities shall have the right, at the Holder's option, to require the Company to repurchase such Holder's Securities, including any portion thereof which is $1,000 in principal amount or an integral multiple thereof, on the Fundamental Change Repurchase Date at a price payable in cash equal to the Fundamental Change Repurchase Price.

8. *Conversion*. The Securities shall be convertible into ADSs as specified in the Indenture. To convert a Security, a Holder must satisfy the requirements of Section 10.02(a) of the Indenture. A Holder may convert a portion of a Security if the portion is $1,000 principal amount or an integral multiple thereof.

Upon conversion of a Security, the Holder thereof shall be entitled to receive the ADSs and, if applicable, cash in lieu of any fractional ADSs payable upon conversion in accordance with Article 10 of the Indenture.

9. *Denominations, Transfer, Exchange.* The Securities are in registered form, without coupons, in denominations of $1,000 principal amount and integral multiples of $1,000 principal amount. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge that may be imposed in connection with certain transfers or exchanges as set forth in the Indenture. Each Holder shall pay any fees payable to ADS Custodian for the issuance of the ADSs and the Company shall procure ADS Custodian to reduce the ADS issuance fee by fifty percent (50%) from the standard issuance fee set forth in the Deposit Agreement. The Company or the Trustee, as the case may be, shall not be required to register the transfer of or exchange any Security for which a Repurchase Notice has been delivered, and not withdrawn, in accordance with the Indenture, except the unrepurchased portion of Securities being repurchased in part.

10. *Persons Deemed Owners.* The registered Holder of a Security will be treated as its owner for all purposes. Only registered Holders of Securities shall have the rights under the Indenture.

11. *Amendments, Supplements and Waivers*. The Indenture contains provisions permitting the Company and the Trustee in certain circumstances, without the consent of the Holders of the Securities, and in certain other circumstances, with the consent of the Holders of at least a majority in aggregate principal amount of the outstanding Securities and in other circumstances with consent of the Holders of one hundred percent (100%) of the aggregate principal amount of the outstanding Securities, to amend or supplement the Indenture or the Securities.

12. *Defaults and Remedies.* Subject to certain exceptions, if an Event of Default occurs and is continuing, the Trustee by notice to the Company or the Holders of at least twenty five percent (25%) in aggregate principal amount of the Securities then outstanding by notice to the Company and the Trustee may declare the principal of, and any accrued and unpaid interest on, all

Securities to be due and payable immediately. If any of certain bankruptcy or insolvency-related Events of Default occurs and is continuing, the principal of, and accrued and unpaid interest on, all the Securities shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. Subject to certain exceptions, the Holders of a majority in aggregate principal amount of the Securities then outstanding by written notice to the Trustee may rescind or annul an acceleration and its consequences if certain conditions specified in the Indenture are satisfied.

13. *Trustee Dealings with the Company.* The Trustee under the Indenture, or any banking institution serving as successor Trustee thereunder, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for, the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

14. *Authentication.* This Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent in accordance with the Indenture.

15. *Abbreviations.* Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entirety), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (Uniform Gifts to Minors Act).

16. *Ranking*. The Securities shall be senior unsecured obligations of the Company and will rank equal in right of payment to all senior unsecured indebtedness of the Company, and will rank senior in right of payment to any indebtedness that is contractually subordinated to the Securities.

THE COMPANY WILL FURNISH TO ANY HOLDER UPON WRITTEN REQUEST AND WITHOUT CHARGE A COPY OF THE INDENTURE. REQUESTS MAY BE MADE TO:

TAL Education Group
15/F, Danling SOHO
6 Danling Street, Haidian District
Beijing 100080
People’s Republic of China
Attention: Chief Financial Officer
Email: ir@tal.com

ATTACHMENT 1

FORM OF ASSIGNMENT

I or we assign to
PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER

(please print or type name and address)

the within Security and all rights thereunder, and hereby irrevocably constitute and appoint

Attorney to transfer the Security on the books of the Company with full power of substitution in the premises.

Dated:

NOTICE: The signature on this assignment must correspond with the name as it appears upon the face of the within Security in every particular without alteration or enlargement or any change whatsoever and be guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Registrar, or be notarized.

Signature Guarantee or Notarization:

In connection with any transfer of this Security occurring prior to the Resale Restriction Termination Date, the undersigned confirms that it is making, and it has not utilized any general solicitation or general advertising in connection with, the transfer:

[Check One]

(1) ____ to TAL Education Group or any Subsidiary thereof; or

(2) ____ pursuant to a registration statement which has become effective under the Securities Act of 1933, as amended (the "**Securities Act**");

(3) ____ to a Person that the undersigned reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) that purchases for its own account or for the account of a qualified institutional buyer and to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A;

(4) ____ outside the United States in accordance with Regulation S under the Securities Act;

(5) ____ pursuant to an exemption from registration provided by Rule 144 under the Securities Act; or

(6) ____ pursuant to any other available exemption from the registration requirements of the Securities Act.

Unless one of the items (1) through (5) is checked, the Registrar will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered Holder thereof; *provided*, *however*, that if item (4) or (5) is checked, the Company, the transfer agent or the Registrar may require, prior to registering any such transfer of the Securities, in their sole discretion, such written certifications and, in the case of item (5), such other evidence or legal opinions required by the Indenture to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, as amended.

If none of the foregoing items are checked, the Trustee or Registrar shall not be obligated to register this Security in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in the Indenture shall have been satisfied.

Dated: _____ Signed: _____

(Sign exactly as name appears on the other side of this Security)

Signature Guarantee or Notarization: _____

ATTACHMENT 2

FORM OF CONVERSION NOTICE

To convert this Security in accordance with the Indenture, check the box: ☐

To convert only part of this Security, state the principal amount to be converted (must be in

multiples of $1,000):

$_____

If you want the stock certificate representing the ADS issuable upon conversion made out in another person's name, fill in the form below:

_____

(Insert other person's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type other person's name, address and zip code)

[ ] CHECK IF APPLICABLE: The person in whose name the ADSs will be issued is not (and has not been for the three months preceding the applicable Conversion Date) an "affiliate" (as defined in Rule 144 under the Securities Act of 1933, as amended) of the Company, and the ADSs will upon issuance be freely tradable by such person.

Date: _____ Signature(s): _____

_____

_____

(Sign exactly as your name(s) appear(s) on the other side of this Security)

Signature(s) guaranteed / notarized

by: _____

(All signatures must be guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee, or be notarized.)

ATTACHMENT 3

FORM OF REPURCHASE NOTICE

Certificate No. of Security: _____
Principal Amount of this Security: $ _____-

If you want to elect to have this Security purchased by the Company pursuant to Section 3.01 of the Indenture, check the box: ☐

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 3.01 of the Indenture, state the principal amount to be so purchased by the Company:

$_____

(in an integral multiple of $1,000)

Date: Signature(s):_____

_____
(Sign exactly as your name(s) appear(s) on the other side of this Security)

Signature(s) guaranteed / notarized by: _____
(All signatures must be guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee, or be notarized.)

SCHEDULE A[7]

SCHEDULE OF INCREASES AND DECREASES IN THE GLOBAL SECURITY

TAL EDUCATION GROUP.

0.50% Convertible Senior Notes Due 2026

The initial principal amount of this Global Security is _____ DOLLARS ($_____). The following increases or decreases in this Global Security have been made:

Date of Increases and Decreases	**Amount of decrease in Principal Amount of this Global Security**	**Amount of increase in Principal Amount of this Global Security**	**Principal Amount of this Global Security following such decrease or increase**	**Signature of authorised signatory of Trustee or Custodian**

[7] This is included in Global Securities.

EXHIBIT B-1A

FORM OF SECURITIES PRIVATE PLACEMENT LEGEND

Each Global Security and Physical Security that constitutes a Restricted Security shall bear the following "**Security Private Placement Legend**":

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 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:

> AGREES FOR THE BENEFIT OF TAL EDUCATION GROUP (THE "**COMPANY**") THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED IN THE INDENTURE PURSUANT TO WHICH THIS SECURITY WAS ISSUED), EXCEPT:
>
> (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
>
> (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
>
> (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
>
> (D) 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 OF A SECURITY THAT DOES NOT BEAR A SECURITY PRIVATE PLACEMENT LEGEND IN ACCORDANCE WITH (D) ABOVE, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED BY THE COMPANY 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.

EXHIBIT B-1B

FORM OF COMMON SHARE PRIVATE PLACEMENT LEGEND

Each Class A Common Share that constitutes a Restricted Security shall bear the following "**Common Share Private Placement Legend**":

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE 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:

> AGREES FOR THE BENEFIT OF TAL EDUCATION GROUP (THE "**COMPANY**") THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED IN THE INDENTURE PURSUANT TO WHICH THIS SECURITY WAS ISSUED), EXCEPT:
>
> (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
>
> (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
>
> (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
>
> (D) 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 TO A SECURITY THAT DOES NOT BEAR A COMMON SHARE PRIVATE PLACEMENT LEGEND IN ACCORDANCE WITH (D) ABOVE, THE COMPANY RESERVES 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.

EXHIBIT B-2

FORM OF LEGEND FOR GLOBAL SECURITY

Any Global Security authenticated and delivered hereunder shall bear a legend (which would be in addition to any other legends required in the case of a Restricted Security) in substantially the following form:

> THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY OR A SUCCESSOR DEPOSITORY. THIS SECURITY IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.
>
> UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("**DTC**"), TO 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.
>
> TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTIONS 2.15 AND 2.16 OF THE INDENTURE.

[EXHIBIT B-3

FORM OF ORIGINAL ISSUE DISCOUNT LEGEND

Any Security issued with "original issue discount" for United States federal income tax purposes shall bear a legend in substantially the following form:

> THIS NOTE IS ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR PURPOSES OF SECTION 1271 ET SEQ. OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. A HOLDER MAY OBTAIN THE ISSUE PRICE, AMOUNT OF ORIGINAL ISSUE DISCOUNT, ISSUE DATE AND YIELD TO MATURITY FOR SUCH NOTE BY SUBMITTING A REQUEST FOR SUCH INFORMATION TO THE COMPANY AT THE FOLLOWING ADDRESS: [·], ATTENTION: [·]]

EXHIBIT C

Form of Notice of Transfer Pursuant to Registration Statement

EXHIBIT D

FORM OF CERTIFICATE OF TRANSFER

EXHIBIT E

FORM OF CERTIFICATE OF EXCHANGE

Schedule of Material Differences

TAL Education Group entered into indenture under this form with Deutsche Bank Trust Company Americas. Pursuant to Instruction ii to Item 601 of Regulation S-K, the Registrant may only file this form as an exhibit with a schedule setting forth the material details in which the executed indentures differ from this form:

No.	Investor	Amount	Execution/ Issue Date
1	[INVESTOR A]	$1,250,000,000	January 28, 2021
2	[INVESTOR B]	$1,050,000,000	January 29, 2021

Exhibit 8.1

List of the Registrant's Principal Subsidiaries and Consolidated Affiliated Entities

Name	Jurisdiction of Incorporation	Direct Parent Company of the Subsidiary and its Jurisdiction of Incorporation
Subsidiaries:		
TAL Holding Limited	Hong Kong	TAL Education Group(Cayman)
Firstleap Education	Cayman	TAL Education Group(Cayman)
Firstleap Education (HK) Limited	Hong Kong	Firstleap Education(Cayman)
Beijing Century TAL Education Technology Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Beijing Xintang Sichuang Education Technology Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Beijing Yizhen Xuesi Education Technology Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Yidu Huida Education Technology (Beijing) Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Beijing Huanqiu Zhikang Shidai Education Consulting Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Zhixuesi Education Consulting (Beijing) Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Pengxin TAL Industrial Investment (Shanghai) Co., Ltd.	PRC	Beijing Century TAL Education Technology Co., Ltd. (PRC)
Beijing Lebai Information Consulting Co., Ltd.	PRC	Firstleap Education (HK) Limited(Hong Kong)
Variable Interest Entities:		
Beijing Xueersi Education Technology Co., Ltd.**	PRC	
Beijing Xueersi Network Technology Co., Ltd.**	PRC	
Xinxin Xiangrong Education Technology (Beijing) Co., Ltd.**	PRC	
Beijing Lebai Education Consulting Co., Ltd.**	PRC	
Affiliated Entities:		
Shidai TAL Education Technology (Beijing) Co., Ltd.	PRC	Xinxin Xiangrong Education Technology (Beijing) Co., Ltd.(PRC)
TAL Education Technology (Jiangsu) Co., Ltd.	PRC	Xinxin Xiangrong Education Technology (Beijing) Co., Ltd.(PRC)

* Pengxin TAL Industrial Investment (Shanghai) Co., Ltd. had the following wholly owned subsidiaries as of February 28, 2021, all of which are formed in the PRC: (1) 24 schools; and (2) 7 subsidiaries that operate TAL's tutoring services under the brands Xueersi Peiyou, Mobby and IZhikang.

** Xueersi Education, Xueersi Network, Xinxin Xiangrong and Lebai Education had the following subsidiaries as of February 28, 2021 all of which are formed in the PRC: (1) 224 schools; and (2) 94 subsidiaries that operate TAL's tutoring services under the brands Xueersi Peiyou, Firstleap, Mobby and IZhikang, oversea study consulting service and test preparation course for major oversea exams in China. These four VIEs wholly owned 89 subsidiaries and owned majority equity of the remaining five subsidiaries.

Exhibit 11.1

TAL EDUCATION GROUP
CODE OF BUSINESS CONDUCT AND ETHICS

(Adopted by the Board of Directors of TAL Education Group on September 29, 2010, effective upon the effectiveness of the Company's Registration Statement on Form F-1 relating to the Company's initial public offering. The Document updated according to resolutions of TAL Education Group's Board of Directors adopted on April 22, 2011, April 14, 2017, and March 8, 2021)

I. PURPOSE

This Code of Business Conduct and Ethics (the "Code") contains general guidelines for conducting the business of TAL Education Group, a Cayman Islands company, and its subsidiaries and affiliate entity (collectively, the "Company") consistent with the highest standards of business ethics, and is intended to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations, we adhere to these higher standards.

This Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the U.S. Securities and Exchange Commission (the "SEC") and in other public communications made by the Company;
- compliance with applicable laws, rules and regulations;
- prompt internal reporting of violations of the Code; and
- accountability for adherence to the Code.

II. APPLICABILITY

This Code applies to all directors, officers and employees of the Company, whether they work for the Company on a full-time, part-time, consultative or temporary basis (each, an "employee" and collectively, the "employees"). Certain provisions of the Code apply specifically to our chief executive officer, chief financial officer, senior finance officer, controller, vice presidents and any other persons who perform similar functions for the Company (each, a "senior officer," and collectively, the "senior officers").

The Board of Directors of the Company (the "Board") has appointed the Company's chief financial officer as the Compliance Officer for the Company (the "Compliance Officer"). If you have any questions regarding the Code or would like to report any violation of the Code, please call the Compliance Officer at compliance@tal.com.

III. CONFLICTS OF INTEREST

Identifying Conflicts of Interest

A conflict of interest occurs when an employee's private interest interferes, or appears to interfere, in any way with the interests of the Company as a whole. An employee should actively avoid any private interest that may impact such employee's ability to act in the interests of the Company or that may make it difficult to perform the employee's work objectively and effectively. In general, the following should be considered conflicts of interest:

- Competing Business. No employee may be employed by a business that competes with the Company or deprives it of any business.

- Corporate Opportunity. No employee should use corporate property, information or his or her position with the Company to secure a business opportunity that would otherwise be available to the Company. If an employee discovers a business opportunity that is in the Company's line of business through the use of the Company's property, information or position, the employee must first present the business opportunity to the Company before pursuing the opportunity in your individual capacity.

- Financial Interests.

  (i) No employee may have any financial interest (ownership or otherwise), either directly or indirectly through a spouse or other family member, in any other business or entity if such interest adversely affects the employee's performance of duties or responsibilities to the Company, or requires the employee to devote time to it during such employee's working hours at the Company;

  (ii) No employee may hold any ownership interest in a privately held company that is in competition with the Company;

  (iii) An employee may hold up to 5% ownership interest in a publicly traded company that is in competition with the Company; provided that if the employee's ownership interest in such publicly traded company increases to more than 5%, the employee must immediately report such ownership to the Compliance Officer;

(iv) No employee may hold any ownership interest in a company that has a business relationship with the Company if such employee's duties at the Company include managing or supervising the Company's business relations with that company; and

(v) Notwithstanding the other provisions of this Code,

(a) a director or any immediate family member of such director (collectively, "Director Affiliates") or a senior officer or any immediate family member of such senior officer (collectively, "Officer Affiliates") may continue to hold his or her investment or other financial interest in a business or entity (an "Interested Business") that:

(1) was made or obtained either (x) before the Company invested in or otherwise became interested in such business or entity; or (y) before the director or senior officer joined the Company (for the avoidance of doubt, regardless of whether the Company had or had not already invested in or otherwise become interested in such business or entity at the time the director or senior officer joined the Company); or

(2) may in the future be made or obtained by the director or senior officer, provided that at the time such investment or other financial interest is made or obtained, the Company has not yet invested in or otherwise become interested in such business or entity;

provided that such director or senior officer shall disclose such investment or other financial interest to the Board;

(b) an interested director or senior officer shall refrain from participating in any discussion among senior officers of the Company relating to an Interested Business and shall not be involved in any proposed transaction between the Company and an Interested Business; and

(c) before any Director Affiliate or Officer Affiliate (i) invests, or otherwise acquires any equity or other financial interest, in a business or entity that is in competition with the Company; or (ii) enters into any transaction with the Company, the related director or senior officer shall obtain prior approval from the Audit Committee of the Board.

For purposes of this Code, a company or entity is deemed to be "in competition with the Company" if it competes with the Company's business of providing private educational services and/or any other business in which the Company is engaged.

· Loans or Other Financial Transactions. No employee may obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, any company that is a material customer, supplier or competitor of the

Company. This guideline does not prohibit arms-length transactions with recognized banks or other financial institutions.

- Service on Boards and Committees. No employee shall serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests could reasonably be expected to conflict with those of the Company. Employees must obtain prior approval from the Board before accepting any such board or committee position. The Company may revisit its approval of any such position at any time to determine whether an employee's service in such position is still appropriate.

The above is in no way a complete list of situations where conflicts of interest may arise. The following questions might serve as a useful guide in assessing a potential conflict of interest situation not specifically addressed above:

- Is the action to be taken legal?
- Is it honest and fair?
- Is it in the best interests of the Company?

Disclosure of Conflicts of Interest

The Company requires that employees fully disclose any situations that could reasonably be expected to give rise to a conflict of interest. If an employee suspects that he or she has a conflict of interest, or a situation that others could reasonably perceive as a conflict of interest, the employee must report it immediately to the Compliance Officer. Conflicts of interest may only be waived by the Board, or the appropriate committee of the Board, and will be promptly disclosed to the public to the extent required by law and applicable rules of the New York Stock Exchange.

Family Members and Work

The actions of family members outside the workplace may also give rise to conflicts of interest because they may influence an employee's objectivity in making decisions on behalf of the Company. If a member of an employee's family is interested in doing business with the Company, the criteria as to whether to enter into or continue the business relationship and the terms and conditions of the relationship must be no less favorable to the Company compared with those that would apply to an unrelated party seeking to do business with the Company under similar circumstances.

Employees should report any situation involving family members that could reasonably be expected to give rise to a conflict of interest to their supervisor or the Compliance Officer. For purposes of this Code, "family members" or "members of employee's family" include an employee's spouse, siblings, parents, in-laws and children.

IV. GIFTS AND ENTERTAINMENT

The giving and receiving of appropriate small gifts may be considered common business practice. Appropriate business gifts and entertainment are welcome courtesies designed to build relationships and understanding among business partners. However, gifts and entertainment should never compromise, or appear to compromise, counter-party and company employees' ability to make objective and fair business decisions.

It is the responsibility of employees to use good judgment in this area. Giving gifts, providing entertainment or applying for reimbursements of expenses to government officials, public school teachers, and customers should be more cautious. The amount and type should be within the scope allowed by the anti-corruption compliance policy of the Company and should not affect the relevant personnel to exercise their functions and powers, or seek improper benefits, and need to be approved in advance. All gifts and entertainment expenses made on behalf of the Company must be properly accounted for on expense report.

The premise for employees to accept gifts or entertainment from suppliers is that the gift or entertainment is in compliance with applicable law, insignificant in amount and not given in consideration or expectation of any action by the recipient.

We encourage employees to submit gifts received to the Company. While it is not mandatory to submit small gifts, gifts of over RMB200 must be submitted immediately to the administration department of the Company.

Bribes and kickbacks are suspected illegal or criminal acts, strictly prohibited by law. An employee must not offer, give, solicit or receive any form of bribe or kickback anywhere in the world.

V. FCPA COMPLIANCE

The U.S. Foreign Corrupt Practices Act ("FCPA") prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. A violation of FCPA does not only violate the Company's policy but also constitute a civil or criminal offense under FCPA which the Company is subject to after the Effective Time. No employee shall give or authorize directly or indirectly any illegal payments to government officials of any country (including public school teachers). While the FCPA does, in certain limited circumstances, allow nominal "facilitating payments" to be made, any such payment is prohibited by the Company.

In order to better comply with FCPA regulations and effectively detect and prevent violations of FCPA, the Company has formulated a complete anti-corruption compliance policy, and employees should strictly abide by the anti-corruption compliance policy requirements of the Company.

VI. PROTECTION AND USE OF COMPANY ASSETS

Employees should protect the Company's assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness and waste have a direct impact on the Company's profitability. Any use of the funds or assets of the Company, whether for personal gain or not, for any unlawful or improper purpose is strictly prohibited.

To ensure the protection and proper use of the Company's assets, each employee should:

- Exercise reasonable care to prevent theft, damage or misuse of Company property;
- Promptly report any actual or suspected theft, damage or misuse of Company property;
- Safeguard all electronic programs, data, communications and written materials from unauthorized access; and
- Use Company property only for legitimate business purposes.

Except as approved in advance by the Chief Executive Officer or Chief Financial Officer of the Company, the Company prohibits political contributions (directly or through trade associations) by any employee on behalf of the Company. Prohibited political contributions include:

- any contributions of the Company's funds or other assets for political purposes;
- encouraging individual employees to make any such contribution; and
- reimbursing an employee for any political contribution.

VII. INTELLECTUAL PROPERTY AND CONFIDENTIALITY

- All inventions, creative works, computer software, and technical or trade secrets developed by an employee in the course of performing the employee's duties or primarily through the use of the Company's assets or resources while working at the Company shall be the property of the Company.

- Employees should maintain the confidentiality of information entrusted to them by the Company or its customers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed.

- The Company maintains a strict confidentiality policy. During an employee's term of employment with the Company, the employee shall comply with any and all written or unwritten rules and policies concerning confidentiality and shall fulfill the duties and responsibilities concerning confidentiality applicable to the employee.

- In addition to fulfilling the responsibilities associated with his position in the Company, an employee shall not, without obtaining prior approval from the Company, disclose, announce or publish trade secrets or other confidential business information of the Company, nor shall an employee use such confidential information outside the course of his duties to the Company.

- Even outside the work environment, an employee must maintain vigilance and refrain from disclosing important information regarding the Company or its business, customers or employees.

- An employee's duty of confidentiality with respect to the confidential information of the Company survives the termination of such employee's employment with the Company for any reason until such time as the Company discloses such information publicly or the information otherwise becomes available in the public sphere through no fault of the employee.

- Upon termination of employment, or at such time as the Company requests, an employee must return to the Company all of its property without exception, including all forms of medium containing confidential information, and may not retain duplicate materials.

VIII. ACCURACY OF FINANCIAL REPORTS AND OTHER PUBLIC COMMUNICATIONS

Upon the completion of the IPO, the Company will be required to report its financial results and other material information about its business to the public and the SEC. It is the Company's policy to promptly disclose accurate and complete information regarding its business, financial condition and results of operations. Employees must strictly comply with all applicable standards, laws, regulations and policies for accounting and financial reporting of transactions, estimates and forecasts. Inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage the Company and result in legal liability.

Employees should be on guard for, and promptly report, any possibility of inaccurate or incomplete financial reporting. Particular attention should be paid to:

- Financial results that seem inconsistent with the performance of the underlying business;
- Transactions that do not seem to have an obvious business purpose; and
- Requests to circumvent ordinary review and approval procedures.

The Company's senior financial officers and other employees working in the finance department have a special responsibility to ensure that all of the Company's financial disclosures are full, fair, accurate, timely and understandable. Any practice or situation that might undermine this objective should be reported to the Compliance Officer.

Employees are prohibited from directly or indirectly taking any action to coerce, manipulate, mislead or fraudulently influence the Company's independent auditors for the purpose of rendering the financial statements of the Company materially misleading. Prohibited actions include but are not limited to:

- issuing or reissuing a report on the Company's financial statements that is not warranted in the circumstances (due to material violations of U.S. GAAP, generally accepted auditing standards or other professional or regulatory
  standards);
- not performing audit, review or other procedures required by generally accepted auditing standards or other professional standards;
- not withdrawing an issued report when withdrawal is warranted under the circumstances; or
- not communicating matters required to be communicated to the Company's Audit Committee.

IX. COMPANY RECORDS

Accurate and reliable records are crucial to the Company's business and form the basis of its earnings statements, financial reports and other disclosures to the public. The Company's records are a source of essential data that guides business decision-making and strategic planning. Company records include, but are not limited to, booking information, payroll, timecards, travel and expense reports, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of our business.

All Company records must be complete, accurate and reliable in all material respects. There is never an acceptable reason to make false or misleading entries. Undisclosed or unrecorded funds, payments or receipts are strictly prohibited. An employee is responsible for understanding and complying with the Company's record keeping policy. An employee should contact the Compliance Officer if he or she has any questions regarding the record keeping policy.

X. COMPLIANCE WITH LAWS AND REGULATIONS

Each employee has an obligation to comply with the laws of the cities, provinces, regions and countries in which the Company operates. This includes, without limitation, laws covering anti-corruption, commercial bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, offering or receiving gratuities, employment harassment, environmental protection, occupational health and safety, false or misleading financial information, and misuse of corporate assets and foreign currency exchange activities. Employees are expected to understand and comply with all laws, rules and regulations that apply to their positions at the Company. If any doubt exists about whether a course of action is lawful, the employee should seek advice immediately from the Compliance Officer.

XI. DISCRIMINATION AND HARASSMENT

The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment based on race, ethnicity, religion, gender, age, national origin or any other protected class. For further information, employees should consult the Compliance Officer.

XII. FAIR DEALING

Each employee should endeavor to deal fairly with the Company's customers, suppliers, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

XIII. HEALTH AND SAFETY

The Company strives to provide employees with a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for other employees by following environmental, safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence or threats of violence are not permitted.

Each employee is expected to perform his or her duty to the Company in a safe manner, not under the influence of alcohol, illegal drugs or other controlled substances. The use of illegal drugs or other controlled substances in the workplace is prohibited.

XIV. VIOLATIONS OF THE CODE

All employees have a duty to report any known or suspected violation of this Code, including any violation of laws, rules, regulations or policies that apply to the Company. Reporting a known or suspected violation of this Code by others will not be considered an act of disloyalty, but an action to safeguard the reputation and integrity of the Company and its employees.

If an employee knows of or suspects a violation of this Code, it is such employee's responsibility to immediately report the violation to the Compliance Officer, who will work with the employee to investigate his or her concern. All questions and reports of known or suspected violations of this Code will be treated with sensitivity and discretion. The Compliance Officer and the Company will protect the employee's confidentiality to the extent possible, consistent with the law and the Company's need to investigate the employee's concern.

It is the Company's policy that any employee who violates this Code will be subject to appropriate discipline, including termination of employment, based upon the facts and circumstances of each particular situation. An employee's conduct, if it does not comply with the law or with this Code, can result in serious consequences for both the employee and the Company.

The Company strictly prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. An employee inflicting reprisal or retaliation against another employee for reporting a known or suspected violation will be subject to disciplinary action, including termination of employment.

XV. WAIVERS OF THE CODE

Waivers of this Code will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this Code may be made only by the Board, or the appropriate committee of the Board, and may be promptly disclosed to the public if so required by applicable laws and regulations and rules of the New York Stock Exchange.

XVI. CONCLUSION

This Code contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. If employees have any questions about these guidelines, they should contact the Compliance Officer. We expect all employees to adhere to these standards. Each employee is separately responsible for his or her actions. Conduct that violates the law or this Code cannot be justified by claiming that it was ordered by a supervisor or someone in higher management positions. If an employee engages in conduct prohibited by the law or this Code, such employee will be deemed to have acted outside the scope of your employment. Such conduct will subject the employee to disciplinary action, including termination of employment.

*** * * * * * * * * * * ***

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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent 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 7, 2021

By: /s/ Bangxin Zhang
Name: Bangxin Zhang
Title: Director 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent 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 7, 2021

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, 2021 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 7, 2021

By:/s/ Bangxin Zhang
Name:Bangxin Zhang
Title: Director 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, 2021 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 7, 2021

By: /s/ Rong Luo
Name: Rong Luo
Title: Chief Financial Officer

Exhibit 15.1

[Letter Head 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 7, 2021

TAL Education Group
15/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 4. Information on the Company—B. Business Overview—VIE Contractual Arrangements," and "Item 5. Operating and Financial Review and Prospects—A. Operating Results" in the annual report on Form 20-F for the fiscal year ended February 28, 2021, which will be filed by TAL Education Group on May 7, 2021 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 Statements No. 333-172178 and 333-249518 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, 2021. 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 Statements No. 333-172178 and No. 333-249518 on Form S-8 of our reports dated May 7, 2021, relating to the financial statements of TAL Education Group and the effectiveness of TAL Education Group's internal control over financial reporting appearing in this Annual Report on Form 20-F for the year ended February 28, 2021.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China

May 7, 2021

Exhibit 15.3

[Letter Head of Maples and Calder (Hong Kong) LLP]

Our ref RDS/658302-000001/19820569v1
Direct tel +852 2971 3046
Email richard.spooner@maples.com

TAL Education Group
15/F, Danling SOHO
No. 6 Danling Street, Haidian District
Beijing 100080
People's Republic of China

7 May 2021

Dear Sirs

TAL Education Group

We consent to the reference to our firm under the heading "Item 4. Information on the Company—Organizational Structure" in the annual report on Form 20-F for the fiscal year ended February 28, 2021, which will be filed by TAL Education Group in May 2021 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 Statements No. 333-172178 and 333-249518 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, 2021.

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 (Hong Kong) LLP
Maples and Calder (Hong Kong) LLP