Table of Contents

As filed with the Securities and Exchange Commission on September 29, 2010

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

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

TAL Education Group

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Cayman Islands	**8200**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

18/F, Hesheng Building
32 Zhongguancun Avenue, Haidian District
Beijing 100080
People's Republic of China
+86 (10) 5292 6669

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Law Debenture Corporate Services Inc.
400 Madison Avenue, 4th Floor
New York, New York10017
(212) 750-6474

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Proposed maximum aggregate offering price(2)**	**Amount of registration fee**
Class A Common shares, par value $0.001 per share(1)(3)	$100,000,000	$7,130.00

(1) Includes Class A common shares that may be purchased by the underwriters to cover over-allotments, if any. Also includes Class A common shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public. These Class A common shares are not being registered for the purpose of sales outside the United States.

(2) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

(3) American depositary shares issuable upon deposit of the Class A common shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No. 333-). Each American depositary share represents Class A common shares.

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

determine.

Table of Contents

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

Subject to Completion. Dated , 2010.

TAL Education Group

American Depositary Shares
Representing
Class A Common Shares

This is an initial public offering of American depositary shares, or ADSs, of TAL Education Group. We are offering ADSs. Each ADS represents of our Class A common share(s), par value $0.001 per share.

Prior to this offering, there has been no public market for our ADSs or our common shares. We currently estimated that the initial public offering price per ADS will be between $ and $. We intend to list the ADSs on the New York Stock Exchange under the symbol "XRS."

See "Risk Factors" beginning on page 12 to read about risks you should consider before buying the ADSs.

PRICE $ PER ADS

	Price to public	Underwriting discounts and commissions	Proceeds, before expenses, to us
Per ADS	$	$	$
Total	$	$	$

The underwriters have an option to purchase up to an additional ADSs from us at the initial public offering price less underwriting discounts and commissions, within 30 days from the date of this prospectus.

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

The underwriters expect to deliver the ADSs to purchasers on or about , 2010.

Credit Suisse **Morgan Stanley**

Piper Jaffray **Oppenheimer & Co.**

The date of this prospectus is , 2010.

Table of Contents

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Education. Opportunity. Success.

学而思
www.xueersi.org

TABLE OF CONTENTS

Summary	1
Risk Factors	12
Special Note Regarding Forward-Looking Statements	40
Use of Proceeds	41
Dividend Policy	42
Capitalization	43
Dilution	44
Exchange Rate Information	46
Enforceability of Civil Liabilities	47
Our Corporate History and Structure	49
Selected Consolidated Financial Data	55
Management's Discussion and Analysis of Financial Condition and Results of Operations	58
Market Opportunity	85
Business	90
Regulation	103
Management	113
Principal Shareholders	119
Related Party Transactions	121
Description of Share Capital	122
Description of American Depositary Shares	130
Shares Eligible for Future Sale	140
Taxation	142
Underwriting	149
Expenses Related to This Offering	155
Legal Matters	156
Experts	157
Additional Information	158
Index to Consolidated Financial Statements	F-1
EX-3.1	
EX-4.1	
EX-4.4	
EX-5.1	
EX-8.1	
EX-8.3	
EX-10.1	
EX-10.2	
EX-10.3	
EX-10.4	
EX-10.5	
EX-10.6	
EX-10.7	
EX-10.8	
EX-10.9	
EX-10.10	
EX-10.11	
EX-21.1	
EX-23.1	
EX-23.4	
EX-23.5	
EX-23.6	
EX-23.7	
EX-99.1	

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, the ADSs only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is current only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the ADSs.

We have not taken any action to permit a public offering of the ADSs outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distribution of the prospectus outside the United States.

Through and including , 2010 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or

subscription.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in the ADSs, you should carefully read the entire prospectus, including our financial statements and related notes included in this prospectus and the information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." In addition, we commissioned iResearch Consulting Group, or iResearch, an independent market research firm, to prepare a report for the purpose of providing various industry and other information and illustrating our position in the K-12 after-school tutoring service market in China. Information from the report prepared by iResearch, or the iResearch Report, appears in "Summary", "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Market Opportunity," "Business" and other sections of this prospectus. We have taken such care as we consider reasonable in the reproduction and extraction of information from the iResearch Report and other third-party sources. Student enrollments in this prospectus refer to the cumulative total number of courses enrolled in and paid for by our students, including multiple courses enrolled in and paid for by the same student; if one student enrolls in two separate tutoring courses, we count that as two student enrollments.

Our Business

We are the largest K-12 after-school tutoring service provider in China in terms of revenues in 2009, according to iResearch. We offer comprehensive tutoring services to K-12 students covering core academic subjects, including mathematics, English, Chinese, physics, chemistry and biology. We have successfully established "Xueersi" as a leading brand in China's K-12 private education market closely associated with high teaching quality and academic excellence in China, as evidenced by our students' outstanding academic performance, our over 70% annual retention rate, our ability to recruit most of our students through word-of-mouth referrals as well as the numerous recognitions and awards we have received. The K-12 after-school tutoring service market in China is highly fragmented. In 2009, we had a 0.26% market share in China and a 4.5% market share in Beijing, in each case as measured by revenues for the year according to iResearch.

We deliver our tutoring services through small classes, personalized premium services (i.e., one-on-one tutoring) and online course offerings. Our extensive network consists of 109 learning centers and 87 service centers in Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin and Wuhan, as well as our online platform. Our student enrollments increased from 67,996 in the fiscal year ended February 29, 2008 to 382,505 in the fiscal year ended February 28, 2010, representing a compound annual growth rate, or CAGR, of 137.2%. Our student enrollment growth has been predominantly driven by new students.

We are committed to providing our students with high-quality services and an exceptional learning experience. Our commitment is reflected in our continual focus on recruiting, training and retaining teachers with strong academic credentials, relevant experience and a passion for education; our emphasis on developing, updating and improving our curricula and course materials; and our focus on standardizing operating procedures throughout our network. This in turn has led to a strong track record of outstanding student achievement. In 2010, 169 out of our 430 high school graduates were admitted to Peking University or Tsinghua University, the two most prestigious universities in China that collectively enroll only less than 0.1% of the high school graduates across the country. In the same year, approximately 5,700 of our students in Beijing and Shanghai were admitted to key high schools, representing over 60% enrollment rate in comparison to the regional average of approximately 30%; and more than 5,500 of our students in Beijing and Shanghai were admitted to key middle schools, representing over 80% enrollment rate in comparison to the regional average of 15-25%. In addition, our students have won a significant number of regional, national and international math competitions, including three gold medals in the International Mathematical Olympiad in 2008 and 2009.

Our online platform, www.eduu.com, hosts China's largest and most active online education community for our existing and potential students and their parents, and is the largest Internet education portal in China, based on the average monthly page views and average monthly unique visitors in the first six months of 2010. It provides our existing and potential students access to learning resources beyond our physical network,

increases student loyalty and stickiness and enhances our brand awareness. In addition, our online platform enables us to continue to roll out and expand our online course offerings. As word-of-mouth referrals and our online communities have contributed significantly to student recruitment, we have not incurred significant advertising expenses in the past. Revenues generated from our online course offerings have accounted for less than 1.5% of our total net revenues since we began offering online courses in 2010.

We have experienced significant growth in recent years. Our total net revenues increased from $8.9 million in the fiscal year ended February 29, 2008 to $69.6 million in the fiscal year ended February 28, 2010, representing a CAGR of 179.9%. Our net income increased from $1.5 million in the fiscal year ended February 29, 2008 to $14.2 million in the fiscal year ended February 28, 2010, representing a CAGR of 206.9%. Our total net revenues for the six months ended August 31, 2010 were $53.0 million, and our net income for the same period was $13.2 million.

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

Market Opportunity

We believe that the K-12 after-school tutoring market is the most attractive sector in China's private education market given the large addressable market it serves, its rapid growth rate and its highly fragmented nature. According to statistics published by the Ministry of Education of China, there were approximately 180 million students in primary, middle and high schools in China at the end of 2008, presenting a large addressable market for K-12 after-school tutoring services. The growth of the K-12 after-school tutoring market is also compelling. According to iResearch, the K-12 after-school tutoring market in China grew from RMB123.8 billion in 2007 to RMB189.7 billion ($27.8 billion) in 2009, representing a CAGR of 23.8%, and is projected to grow to RMB447.2 billion ($65.5 billion) in 2014, representing a CAGR of 18.7% from 2009. We believe that rising levels of disposable income, increasing spending on private education, and intense competition for quality education and job opportunities in China are among the key factors that will contribute to the future growth of the K-12 after-school tutoring market. Moreover, the K-12 after-school tutoring market in China is highly fragmented with no player holding over 1% market share. This fragmented market presents opportunities for private tutoring service providers that offer high-quality services and have a strong track record, brand and reputation to attract and retain more students and increase market share.

Our Competitive Strengths and Strategies

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

- largest K-12 after-school tutoring service provider in China;
- brand strength;
- outstanding student performance;
- high teaching quality, strong content development and efficient education management system;
- largest Internet education platform in China; and
- innovative and entrepreneurial management team with a passion for education.

We intend to pursue the following key growth strategies:

- further penetrate our existing markets;
- extend our geographic network into attractive new markets;

- expand our personalized premium services; and
- further develop our online course offerings.

Our Challenges

The successful execution of our strategies is subject to risks and uncertainties related to our business and industry, including those relating to:

- our ability to continue to attract students to enroll in our courses;
- our ability to continue to recruit, train and retain qualified teachers;
- our ability to improve the content of our existing course offerings and to develop new courses in a timely and cost-effective manner;
- our ability to maintain and enhance our brand;
- our historical financial and operating results, growth rates and profitability may not serve as an adequate basis to judge our future prospects and results of operations;
- our ability to maintain and continue to improve our teaching results in terms of student performance and the level of satisfaction with our services; and
- our ability to compete effectively against our competitors.

In addition, we are subject to risks and uncertainties related to our corporate structure and doing business in China, including, but not limited to:

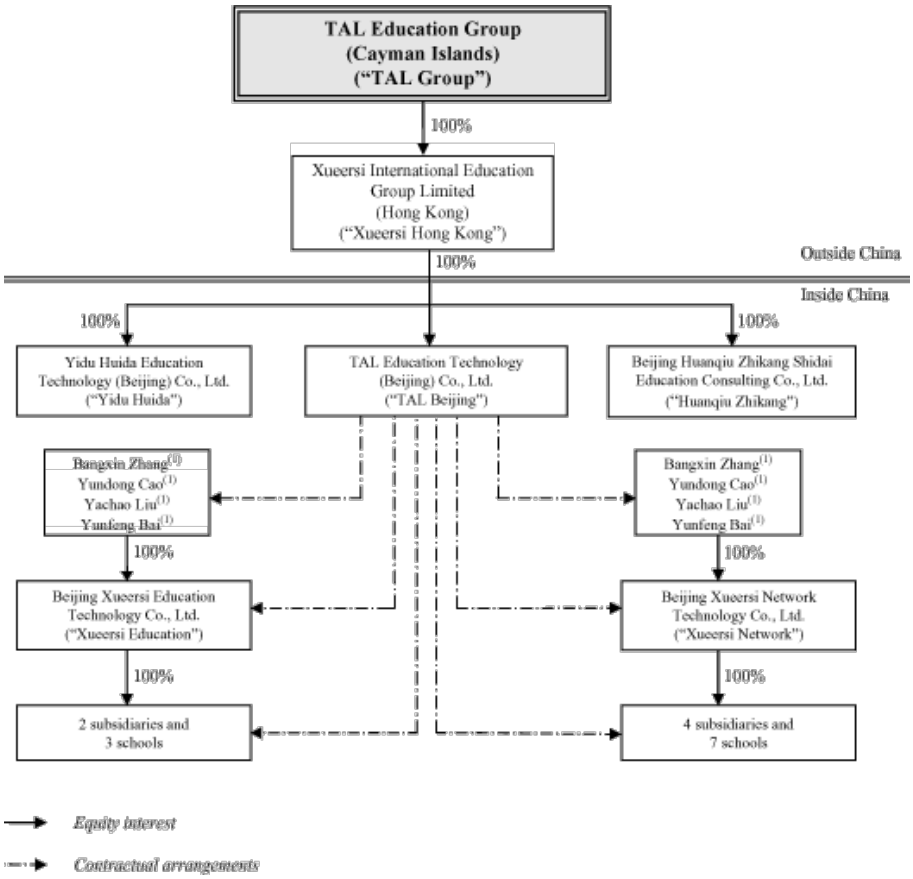
- risks associated with our control of our variable interest entities, which control is based upon contractual arrangements rather than equity ownership;
- risks associated with our ability to fund our expansion plan due to PRC legal restrictions on foreign currency conversion and restrictions on distribution of school profits, among others;
- uncertainties with respect to PRC regulatory restrictions on after-school tutoring services, including regulations issued by certain provincial governmental authorities prohibiting private schools from offering after-school tutoring classes to primary and secondary school students; and
- risks associated with our ability to obtain various operating licenses and permits and to make registrations and filings for all of our learning centers in China.

See “Risk Factors” and “Special Note Regarding Forward-Looking Statements” for a discussion of these and other risks and uncertainties associated with our business and investing in our ADSs.

Our Corporate History and Structure

Our founders, Mr. Bangxin Zhang and Mr. Yundong Cao, offered our first after-school mathematics tutoring class in August 2003 when they were still attending graduate school in Peking University. In 2005, our founders established a domestic company in China named Beijing Xueersi Education Technology Co., Ltd., or Xueersi Education. In order to facilitate foreign investment in our company, in January 2008, we incorporated TAL Education Group, or TAL Group, to become our offshore holding company under the laws of the Cayman Islands. TAL Group established Xueersi International Education Group Limited, or Xueersi Hong Kong, in Hong Kong in March 2008 as our intermediary holding company. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Taxation—PRC” for a discussion of tax implications of having Xueersi Hong Kong as our intermediary holding company. Xueersi Hong Kong subsequently established three wholly owned subsidiaries in China: TAL Education Technology (Beijing) Co., Ltd., or TAL Beijing, in May 2008; Beijing Huanqiu Zhikang Shidai Education Consulting Co., Ltd, or Huanqiu Zhikang, in September 2009; and Beijing Yidu Huida Education Technology Co., Ltd., or Yidu Huida, in November 2009.

The following diagram illustrates our current corporate structure:



(1) Each person is an ultimate beneficial owner and also a director or executive officer of TAL Group.

Due to the PRC legal restriction on foreign ownership and investment in the education business in China, we rely on a series of contractual arrangements among TAL Beijing, Beijing Xueersi Education Technology Co., Ltd., or Xueersi Education, Beijing Xueersi Network Technology Co., Ltd., or Xueersi Network, and their respective shareholders, subsidiaries and schools to conduct most of our tutoring services in China, while our personalized premium services in Beijing are offered through our subsidiary, Huanqiu Zhikang. These contractual arrangements enable us to:

- exercise effective control over Xueersi Education, Xueersi Network and their respective subsidiaries;
- receive substantially all of the economic benefits of Xueersi Education, Xueersi Network and their respective subsidiaries in consideration for the services provided by us; and
- have an exclusive option to purchase all of the equity interests in Xueersi Education and Xueersi Network when and to the extent permitted under PRC law.

We do not have equity interests in Xueersi Education and Xueersi Network; however, as a result of these contractual arrangements, we are the primary beneficiary of Xueersi Education and Xueersi Network and treat them as our variable interest entities under generally accepted accounting principles in the United States, or

U.S. GAAP. Accordingly, we refer to Xueersi Education and Xueersi Network collectively as our "variable interest entities," or "VIEs." We refer to our VIEs and the VIEs' direct and indirect subsidiaries and schools collectively as "affiliated entities." Moreover, in the contractual arrangements, the shareholders of the VIEs, in exchange for relinquishing effective control over the VIEs, received pro rata equity interests in TAL Group, which serves to align their interests with our company's in performing those contracts. For a more detailed discussion of the risk of potential conflicts of interest associated with our corporate structure, see "Risk Factors — Risks Related to Our Corporate Structure — The beneficial owners of Xueersi Education and Xueersi Network may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition."

We have consolidated the financial results of our VIEs and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. For the fiscal years ended February 29, 2008 and February 28, 2009 and 2010, $8.9 million, $37.5 million and $68.9 million, or 100%, 100% and 99.0% of our total net revenues, respectively, are attributable to our VIEs.

Huanqiu Zhikang operates our personalized premium services in Beijing. Except for our personalized premium services in Beijing, none of our existing services is conducted directly by our subsidiaries. Yidu Huida was formed as part of our corporate strategic planning and has yet to conduct any significant business operations. Yidu Huida may in the future provide information technology support to our other subsidiaries and affiliated entities, which is within the business scope of Yidu Huida.

For a more detailed description of our corporate history and structure, see "Our Corporate History and Structure." For a detailed description of the regulatory environment for private education that necessitates the adoption of our corporate structure, see "Regulation." For a detailed description of the risks associated with our corporate structure and the contractual arrangements that support our corporate structure, see "Risk Factors—Risks Related to Our Corporate Structure."

Our Corporate Information

Our principal executive offices are located at 18/F, Hesheng Building, 32 Zhongguancun Avenue, Haidian District, Beijing 100080, People's Republic of China. Our telephone number at this address is +86 (10) 5292 6669. 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.

Our corporate website address is www.xueersi.com. The information contained on our websites is not a part of this prospectus. Our agent for service of process in the U.S. is Law Debenture Corporate Services Inc.

Conventions Used in this Prospectus

In this prospectus, unless otherwise indicated or the context otherwise requires, references to:

- "we," "us," "our company," or "our" refers to TAL Education Group, its subsidiaries and its affiliated entities;
- "common shares" refers to our Class A and Class B common shares, par value US$0.001 per share;
- "preferred shares" or "Series A preferred shares" refers to our Series A convertible redeemable preferred shares, par value US$0.001 per share;
- "ADSs" refers to American depositary shares, each of which representing Class A common shares;
- "variable interest entities," or "VIEs," refer to Beijing Xueersi Network Technology Co., Ltd. and Beijing Xueersi Education Technology Co., Ltd., which are domestic PRC companies in which we do not have equity interests but whose financial results have been consolidated into our consolidated financial statements in accordance with U.S. GAAP due to our having effective control over, and our being the primary beneficiary of, these companies; and "affiliated entities" refers to our VIEs and the VIEs' direct and indirect subsidiaries and schools;
- "student enrollments" refers to the cumulative total number of courses enrolled in and paid for by our students, including multiple courses enrolled in and paid for by the same student;
- "annual retention rate" refers to the percentage of our students who subsequently enroll in one or more of our courses after enrolling in at least one course in the previous fiscal year;
- "China" or "PRC" refers to the People's Republic of China, excluding for purposes of this prospectus only, Taiwan, Hong Kong and Macau;
- "K-12" refers to the year before the first grade through the last year of high school;
- "Renminbi" or "RMB" refers to the legal currency of China; and
- ''$," "dollars" or "U.S. dollars" refers to the legal currency of the United States.

Except as otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional ADSs.

THE OFFERING

Offering price	We currently expect that the initial public offering price will be between $ and $ per ADS.
ADSs offered by us	ADSs.
ADSs outstanding immediately after this offering	ADSs.
Common shares outstanding immediately after this offering	shares, par value $0.001 per share, comprised of (i) Class A common shares, and (ii) Class B common shares.
ADSs to Class A common share ratio	
Proposed New York Stock Exchange symbol	XRS.
Common shares	Our common shares are divided into Class A common shares and Class B common shares. 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. 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.
Depositary	JPMorgan Chase Bank, N.A.
Over-allotment option	The underwriters have a 30-day option to purchase up to additional ADSs from us at the initial public offering price less underwriting discounts and commissions.
Reserved ADSs	At our request, the underwriters have reserved for sale, at the initial public offering price, up to 5% of the total number of ADSs offered in this offering (assuming no exercise of the over-allotment option) to some of our directors, officers, employees, business associates and related persons through a directed share program.
Use of proceeds	We plan to use the net proceeds received from this offering to expand our network of learning centers and service centers, build a national training center, pay a declared cash dividend conditional upon the completion of this offering, strengthen our curriculum and course material development capabilities and improve our existing facilities, and for other general corporate purposes, including strategic investments in and acquisitions of complementary businesses, although we are not currently negotiating any such investment or acquisition. See "Use of Proceeds" for more information.

Lock-up	We, our directors and executive officers and all of our existing shareholders have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or dispose of any ADSs, common shares or similar securities for a period of 180 days after the date this prospectus becomes effective. See "Underwriting" for more information.
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of risks you should carefully consider before investing in the ADSs.

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

- assumes that the underwriters do not exercise their over-allotment option to purchase additional ADSs;
- reflects the conversion of all outstanding Series A preferred shares into 5,000,000 Class B common shares immediately prior to the completion of this offering;
- excludes 5,419,500 Class A common shares issuable upon the vesting of restricted shares issued under our 2010 share incentive plan that are outstanding as of the date of this prospectus; and
- excludes Class A common shares reserved for future grants under our 2010 share incentive plan.

Summary Consolidated Financial Data and Operating Data

You should read the following information concerning us in conjunction with our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

The following summary consolidated statements of operations data for the three fiscal years ended February 29, 2008 and February 28, 2009 and 2010 and the summary consolidated balance sheet data as of February 28, 2009 and 2010 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated balance sheet data as of February 29, 2008 are derived from our audited financial statements, which are not included in this prospectus. Our audited consolidated financial statements are prepared in accordance with U.S. GAAP and have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm.

The summary consolidated statements of operations data for the six months ended August 31, 2009 and 2010 and the summary consolidated balance sheet data as of August 31, 2010 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited interim condensed consolidated financial information on the same basis as our audited consolidated financial statements. The unaudited financial information includes all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the periods presented. You should read the summary consolidated financial information in conjunction with our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. Our historical results are not necessarily indicative of results to be expected in any future period.

	For the Year Ended February 29/28,			For the Six Months Ended August 31,	
	2008	2009	2010	2009	2010
	(in thousands of $, except for shares, per share and per ADS data)				
Summary Consolidated Statements of Operations Data:					
Net revenues	$ 8,882	$ 37,476	$ 69,594	$ 32,983	$ 53,022
Total cost of revenues	(4,367)	(18,554)	(37,649)	(16,068)	(26,255)(1)
Gross profit	4,515	18,922	31,945	16,915	26,767
Operating expenses					
Selling and marketing	(370)	(2,353)	(5,608)	(1,958)	(4,184)(2)
General and administrative	(2,478)	(5,890)	(10,872)	(4,602)	(7,808)(3)
Impairment losses on intangible assets and goodwill	—	(1,615)	—	—	—
Total operating expenses	(2,848)	(9,858)	(16,480)	(6,560)	(11,992)
Income from operations	1,667	9,064	15,465	10,355	14,775
Interest income, net	11	77	283	103	162
Other expenses	—	(210)	(124)	(119)	(27)
Impairment loss on available-for-sale securities	—	(363)	—	—	—
Gain from sales of available-for-sale securities	—	—	—	—	6
Gain on extinguishment of liabilities	—	731	—	—	—
Income before income tax provision	1,678	9,299	15,624	10,339	14,916
Provision for income tax	(165)	(2,018)	(1,379)	(912)	(1,670)
Net income	$ 1,513	$ 7,281	$ 14,245	$ 9,427	$ 13,246
Deemed dividends on Series A convertible redeemable preferred shares	—	(4,113)	—	—	—
Net income attributable to common shareholders	$ 1,513	$ 3,168	$ 14,245	$ 9,427	$ 13,246
Net income per common share:					
Basic	$ 0.01	$ 0.03	$ 0.11	$ 0.08	$ 0.11
Diluted	$ 0.01	$ 0.03	$ 0.11	$ 0.08	$ 0.11
Net income per Series A convertible redeemable preferred share-basic	—	$ 17.69	$ 0.11	$ 0.08	$ 0.11
Net income per ADS:					
Basic					
Diluted					
Weighted average shares used in calculating net income per common share					
Basic	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000
Diluted	120,000,000	120,000,000	125,000,000	125,000,000	125,193,360

Notes:

(1) Includes share-based compensation expenses of $110 thousand.

(2) Includes share-based compensation expenses of $163 thousand.

(3) Includes share-based compensation expenses of $647 thousand.

(4) Each ADS represents Class A common shares.

	As of February 29/28,			As of August 31,	
	2008	2009	2010	2010	
				Actual	Pro Forma(1)
			(in thousands of $)		
Summary Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 5,704	$29,693	$ 50,752	$ 81,495	$ 81,495
Total assets	8,131	38,553	65,504	97,515	97,515
Deferred revenue	5,714	18,023	29,408	42,101	42,101
Convertible loan	—	—	500	500	500
Total liabilities	7,012	26,198	38,578	56,234	56,234
Net assets	1,119	12,355	26,926	41,281	41,281
Series A convertible redeemable preferred shares	—	9,000	9,000	9,000	—
Total equity	1,119	3,355	17,926	32,281	41,281

Note:

(1) Reflects the automatic conversion of all of our Series A preferred shares into 5,000,000 Class B common shares immediately prior to the completion of this offering.

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

	For the Year Ended February 29/28,			For the Six-Month Period Ended August 31,	
	2008	2009	2010	2009	2010
			(in thousands of $)		
Summary Consolidated Cash Flow Data:					
Net cash provided by operating activities	$ 6,324	$23,468	$27,175	16,198	30,955
Net cash provided by/(used in) investing activities	(1,470)	(5,116)	(5,250)	(696)	(214)
Net cash provided by/(used in) financing activities	132	5,252	(903)	(1,622)	(163)

The following table presents our selected operating data as of the dates and for the periods indicated:

	As of and for the Year Ended February 29/28,			As of and for the Six Months Ended August 31,	
	2008	2009	2010	2009	2010
Selected Operating Data:					
Student enrollments	67,996	215,080	382,505	175,638	236,919
Learning centers	30	73	98	83	108

RISK FACTORS

You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our ADSs. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition and results of operations. In any such case, the market price of our ADSs could decline, and you may lose all or part of your investment.

Risks Related to Our Business

If we are not able to continue to attract students to enroll in our courses, 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. Therefore, our ability to continue to attract students to enroll in our courses is critical to the continued success and growth of our business. This in turn will depend on several factors, including our ability to develop new programs and enhance existing programs to respond to changes in market trends and student demands, expand our geographic reach, manage our growth while maintaining 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 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 teachers, who are critical to the success of our business and effective delivery of our tutoring services to students.

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

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

Offering new courses or modifying existing courses may require us to make investments 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 and may need to modify our systems and strategies to incorporate new courses into our existing course offerings. If we are unable to improve the content of our existing courses,

offer new courses on a timely basis and in a cost-effective manner, our results of operations and financial condition could be adversely affected.

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

We believe that market awareness of our "Xueersi" brand has contributed significantly to the success of our business, and that maintaining and enhancing our brand is critical to maintaining our competitive advantage. If we are unable to successfully promote and market our brand and services, our ability to attract and enroll 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 marketing tools such as the Internet, public lectures, outdoor advertising campaigns 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. A number of factors could prevent us from successfully promoting our brand, including student dissatisfaction with our services and the failure of our marketing tools and strategies to attract prospective students. If we are unable to maintain and enhance our brand or utilize marketing tools in a cost-effective manner, our revenues and profitability may suffer.

Moreover, we offer a variety of courses to primary, middle and high school students in some of the largest 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 uniform standards of our services and to protect and promote our brand name.

We cannot provide assurance that our sales and marketing efforts will be successful in further promoting our brand in a competitive and 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.

Although we commenced operations in 2003, our significant growth in terms of employees, operations and revenues has occurred since 2008. Our total net revenues increased from $8.9 million in the fiscal year ended February 29, 2008 to $69.6 million in the fiscal year ended February 28, 2010. Any evaluation of our business and our prospects must be considered in light of the risks and uncertainties encountered by companies at our stage of development. In addition, the after-school tutoring service market in China is still at the early stage of development, which makes it difficult to evaluate our business and future prospects. Furthermore, our results of operations may vary from period to period in response to a variety of other factors beyond our control, including general economic conditions and regulations or government actions pertaining to the private education service sector in China, changes in spending on private education, our ability to control cost of revenues and operating expenses, and non-recurring charges incurred in connection with acquisitions or other extraordinary transactions or under unexpected circumstances. Due to the above factors, we believe that our historical financial and operating results, growth rates and profitability may not be indicative of our future performance and you should not rely on our past results or our historic growth rates as indications of our future performance.

If our students' level of performance falls or satisfaction with our services declines, our annual retention rate may decline and our business, financial condition, results of operations and reputation would be adversely affected.

The success of our business depends on our ability to deliver a satisfactory learning experience and improved academic results. Our tutoring services may fail to improve a student's academic performance and a student may perform below expectations even after completing our courses. Additionally, student and parent satisfaction with our services may decline. A student's learning experience may also suffer if his or her

relationship with our teachers does not meet expectations. We generally offer refunds for remaining classes to students who decide to withdraw from a course. Although we have not experienced any significant refunds in the past, if an increasing number of students request refunds, our revenues and results of operations may be adversely affected. In addition, if a significant number of students fail to improve their performance after attending our courses or if their learning experiences with us are unsatisfactory, they may decide not to continue to enroll in our courses, 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 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 in which we operate. Our competitors include New Oriental Education & Technology Group Inc., Juren Education, Ambow Education Holding Ltd., China Xueda Education Ltd., and ChinaEdu Corporation.

Our student enrollments may decrease due to intense competition. Some of our competitors may have more resources than we do. These competitors may be able to devote greater resources than we can to the development, promotion and sale of their programs, services and products and respond more quickly than we can to changes in student needs, testing materials, 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- and computer-related technologies, such as web video conferencing and online testing simulators, are eliminating geographic and physical facility-related entry barriers to providing private education services. As a result, smaller local companies may be able to use the Internet to quickly and cost-effectively offer their programs, services and products to a large number of students with less capital expenditure than previously required. Consequently, we may be required to reduce course fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities, which could result in a decrease in our revenues and profitability. We will also face increased competition as we expand our operations. We cannot assure you that we will be able to compete successfully against current or future competitors. If we are unable to maintain our competitive position or otherwise respond to competitive pressure effectively, we may lose our 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 significant growth in recent years. The number of our learning centers increased from 30 as of February 29, 2008 to 109 to date. We plan to continue to expand our operations in different geographic markets in China. Establishing 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. Our planned expansion will also place significant pressure on us to maintain the teaching quality and uniform standards, controls and policies to ensure that our brand does not suffer as a result of any decrease, whether actual or perceived, in the quality of our programs. To manage and support our expansion, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and management personnel as well as other administrative and marketing personnel. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, maintain or accelerate our current growth rate, recruit and retain qualified teachers and management personnel, successfully integrate new learning centers into our operations and otherwise effectively manage our growth. Our failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse impact on our financial condition and results of operations.

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

Our growth strategies include further penetrating our existing markets, extending the geographic scope of our network into attractive markets, expanding personalized premium services and further developing our online course 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 new cities with sufficient growth potential into which to expand our network;
- it may be difficult to increase the number of learning centers in more developed cities;
- we may fail to effectively market our services in new markets or promote new courses in existing markets;
- we may not be able to replicate our successful growth model in Beijing and Shanghai to other geographic markets;
- our analysis for selecting suitable new locations may not be accurate and the demand for our services at such new 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;
- we may not be able to continue to enhance our online course offerings, generate profits from online courses, or adapt online courses to changing student needs and technological advances; and
- we may fail to achieve the benefits we expect from our expansion.

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.

At present, we derive a majority of our revenues from Beijing and Shanghai. Any event negatively affecting the private education market in Beijing or Shanghai could have a material adverse effect on our overall business and results of operations.

Our services in Beijing and Shanghai currently contribute to most of our revenues. We derived approximately 98% and 97% of our total net revenues for the fiscal year ended February 28, 2010 and the six months ended August 31, 2010, respectively, from these two cities and we expect our services in Beijing and Shanghai to continue to represent the main sources of our income. If either city experiences an event negatively affecting its private education market, such as a serious economic downturn, natural disaster or outbreak of contagious disease, or if either city adopts regulations relating to private education that place additional restrictions or burdens on us, our overall business and results of operations may be materially and adversely affected.

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

One of our growth strategies is to further expand our personalized premium services in Beijing and replicate that model in other geographic regions in China. The expansion may entail significant investment of human capital, financial resources and management time and attention as such one-on-one tutoring services impose a different set of requirements on our teachers and many other aspects of our operations than small classes, which currently constitute the main format of our service offerings. If we fail to manage our expansion in personalized premium services efficiently and cost-effectively, it could have an adverse effect on our business and prospects.

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.

Even though we carry certain liability insurance for our students and their parents, in the event of accidents or injuries or other harm to students or other people on our premises, including those caused by or otherwise arising from the actions of our employees or contractors on our premises, our facilities may be perceived to be unsafe, which may discourage prospective students from attending our classes. We could also face claims alleging that we were negligent, provided inadequate supervision to our employees or contractors and therefore should be held jointly liable for harm caused by them or are otherwise liable for injuries suffered by our students or other people on our premises. For instance, in 2009, a student was injured while attending our classes in a learning center in Beijing and claimed that we were negligent and thus liable for the injury. Although that incident was resolved without any material damages to our reputation or business, there may be similar incidents in the future. A 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.

Failure to adequately and promptly respond to changes in examination systems, admission standards and technologies in China could render our courses and services less attractive to students.

Under China's education system, school admissions rely heavily on examination results. College and high school entrance examinations in most cases are mandatory for graduating seniors in high schools and middle schools in order to gain admission to colleges and high schools, respectively, and therefore, a student's performance in those examinations is critical to his or her education career and future employment prospects. Although examinations are not required for entering middle schools, many key middle schools administer their own assessment tests to disqualify prospective students. It is therefore common for students to take after-school tutoring classes to improve test performance, and the success of our business to a large extent depends on the continued use of assessment tests by schools and colleges in their admissions. However, such heavy emphasis on examination scores may decline or fall out of favor with educational institutions or education authorities in China. For example, education authorities in Yunnan Province stopped administering provincial-level middle school entrance examinations in 2010. Instead, high schools in Yunnan will start to admit students based on a combination of middle school examination results that have replaced raw scores with letter grades and comprehensive evaluations of students' aptitude and performance by their middle schools. Yunnan Province also prohibits subject competitions in primary and middle schools. Although we do not offer after-school tutoring services in the Yunnan Province, nor do we expect to do so in the near future, it is possible that the local governments in the areas where we have operations may adopt similar measures. Furthermore, approximately 80 universities in China have been allowed to recruit generally no more than 5% of their students through independently administered examinations and admission procedures in recent years. Candidates for admission to those universities are still required to take college entrance examinations and meet certain threshold requirements for minimum scores, but their college entrance exam scores are no longer the sole determining factor in the admission processes of those universities. If we fail to adjust our services to respond to any such material changes, our business may be materially and adversely affected. In addition, admission and assessment tests in China constantly undergo changes and development in terms of subject and skill focus, question type, examination format and the manner in which tests are administered. We therefore must continually update and improve our course materials and our teaching methods. A failure to track and respond to any such changes in a timely and cost-effective manner could make our courses and services less attractive to students, which may materially and adversely affect our reputation and ability to continue to attract students and in turn have a material adverse effect on our business, financial condition and results of operations.

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, testing materials, admission standards, market trends and technologies. While some of the courses and services that

we develop will expand our current offerings and increase student enrollment, others may compete with or render obsolete our existing offerings without increasing our total student enrollment. For example, our online courses might attract students away from our classroom-based courses. If we are unable to increase our total student enrollment and profitability as we expand our course and service offerings, our business and growth may be adversely affected.

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

Widespread use of the Internet for educational purposes is a relatively recent occurrence, and the market for Internet-based courses and services is characterized by rapid technological changes and innovations, as well as unpredictable product life cycles and user preferences. We have limited experience with generating revenues from online courses and services, and their results are largely uncertain. 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. We may not be able to use new technologies effectively or may fail to adapt to changes in the online education market on a timely and cost-effective basis. Revenues generated from our online course offerings have been insignificant, accounting for less than 1.5% of our total net revenues since we began offering online courses in 2010. 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 not gain market share and our growth prospects could be adversely affected.

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

Our future success depends heavily upon the continuing services of the members of our senior management team, which includes Bangxin Zhang, our chairman and chief executive officer, Yundong Cao, our director and president, Yachao Liu, our vice president, Yunfeng Bai, our vice president and Joseph Kauffman, our chief financial officer. If any member of our senior management team leaves us and we fail to effectively manage a transition to new personnel, or if we fail to attract and retain qualified and experienced professionals on acceptable terms, our business, financial conditions and results of operations could be adversely affected. Competition for experienced management personnel in the education industry is intense, and we may not be able to retain the services of our senior executives or key personnel, or to attract and retain high quality senior executives or key personnel in the future.

Our success also depends on our having highly trained financial, technical, human resource, sales and marketing staff, management personnel and qualified 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.

All of our offices and service and learning centers are presently located on leased premises. At the end of each lease term, which generally ranges from two to five years, we must negotiate an extension of the lease and if we are not able to negotiate an extension on terms acceptable to us, we will be forced to move to a different location, or the rent may increase significantly. This could disrupt our operations and adversely affect our profitability. All of our leases are subject to renewal at market prices, which could result in a substantial rent increase at each time of renewal. We compete with many other businesses for sites in certain highly desirable locations and some landlords may have entered into long-term leases with our competitors for prime locations. As a result, we may not be able to obtain new leases at desirable locations or renew our existing

leases on acceptable terms or at all, which could adversely affect our business. In addition, we have not been able to receive from our lessors copies of title certificates or proof of authorization to lease the properties to us for five of our leased properties of approximately 26,000 square feet in total involving aggregate annual rentals of approximately RMB2.3 million. Operations on these five leased properties contributed approximately 3.2% and 2.8% of our total net revenues for the fiscal year ended February 28, 2010 and the six months ended August 31, 2010, respectively. As of the date of this prospectus, we are not aware of any actions, claims or investigations threatened against us or our lessors with respect to the defects in our leasehold interests. However, if any of our leases are terminated as a result of challenges by third parties or governmental authorities for lack of title certificates or proof of authorization to lease, we do not expect to be subject to any fines or penalties but we may be forced to relocate the affected learning centers and incur additional expenses relating to such relocation. If we fail to find suitable replacement sites in a timely manner or on terms acceptable to us, our business and results of operations could be materially and adversely affected. We were aware of the defects when we entered into those leases. In many cases, we entered into leases upon promises from the lessors that relevant certificates and authorizations would be delivered at a later time, which did not eventually materialize. Our business and legal teams followed an internal guideline to identify and assess risks in connection with leasing the properties, and a final business decision was made after our analysis of the likely impact of the defects on the leasehold interests and the value of the properties to our expansion plan. However, there is no assurance that our decision would always lead to the favorable outcome we expected to achieve.

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 as a result.

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

We consider our copyrights, trademarks, trade names and Internet domain names invaluable to our ability to continue to develop and enhance our brand recognition. Unauthorized use of our copyrights, trademarks, trade names and domain names may damage our reputation and brand. Our major brand names and logos are registered trademarks in China. Our proprietary curricula and course materials are protected by copyrights. However, preventing copyright, trademark and trade name infringement or misuse could be difficult, costly and time-consuming, particularly in China. The measures we take to protect our copyrights, trademarks and other intellectual property rights are currently based upon a combination of trademark and copyright laws in China and 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 had been several incidents in the past where third parties used our brand "Xueersi" without our authorization and we had to resort to litigation to protect our intellectual property rights. These proceedings were all resolved in our favor and our brand and business were not materially harmed. However, if we are unable to adequately protect our trademarks, copyrights and other intellectual property rights in the future, we may lose these rights, our brand name may be harmed, and our business may suffer materially. Furthermore, our management's attention may be diverted by violations of our intellectual property rights, and we may be required to enter into costly litigation to protect our proprietary rights against any infringement or violation.

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

We cannot assure you that our course materials, online 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. Our teachers may, against our policies, use third-party copyrighted materials without proper authorization in our classes or our students may 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. Third parties may bring claims against us alleging our infringement of their intellectual property rights. Any such intellectual property infringement claim could result in costly litigation and divert our management attention and resources.

If we fail to integrate or negotiate successfully any future acquisitions, our business and operating results could be adversely affected.

We may acquire complementary businesses in the future. If we are unable to successfully integrate the acquired businesses, it could harm our business and operating results. In addition, we may revalue or write down the value of goodwill and other intangible assets in connection with future acquisitions which would harm our operating results. For example, we recognized an impairment loss on goodwill of $1.2 million in the fiscal year ended February 28, 2009 in connection with some of our acquisitions. In order to remain competitive or to expand our business, we may find it necessary or desirable to acquire other businesses and we may be unable to identify appropriate acquisition targets. If we identify an appropriate acquisition target, we may not be able to negotiate the terms of the acquisition successfully, finance the acquisition or integrate the acquired businesses into our existing business and operations. Furthermore, completing a potential acquisition and integrating an acquired business may strain our resources and require significant management time.

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

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

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 our major 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. In addition, we do not have any business disruption insurance. Any business disruption event could result in substantial cost to us and diversion of our resources.

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

The performance and reliability of our websites and computer systems is critical to our reputation and ability to retain students and increase student enrollment. Any system error or failure, or a sudden and significant increase in online traffic, could disrupt or slow access to our websites. We cannot assure you that we will be able to expand our online infrastructure in a timely and cost-effective manner to meet the increasing demands of our students and their parents. In addition, our computer systems store and process important information including, without limitation, class schedules, registration information and student data and could be vulnerable to interruptions or malfunctions due to events beyond our control, such as natural disasters and technology failures. For instance, we have in the past experienced interruptions to our operations due to temporary computer system failures. Although we have a daily backup system that runs on different servers for our operating data, we may still lose important student data or suffer disruption to our operations if there is a failure of the database system or the backup system. Moreover, we would suffer economic and reputational damages if a technical failure of our systems causes a leak of student data, including

identification or contact information, although there has not been any such leak in the past. Any disruption to our computer systems could therefore have a material adverse effect on our on-site operations and ability to retain students and increase student enrollments.

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

Our business could be materially and adversely affected by natural disasters or widespread epidemics. On May 12, 2008 and April 14, 2010, severe earthquakes affected parts of Sichuan province in southeastern China and parts of Qinghai province in western China, respectively, resulting in significant numbers of casualties and property damages. While we did not suffer any loss or experience any significant increase in costs as a result of the earthquakes, if a similar disaster were to occur in the future affecting any of the cities in which we have major operations, our business could be materially and adversely affected. In April 2009, a new strain of influenza A virus subtype H1N1, commonly known as "swine flu," was first discovered in North America and quickly spread to other parts of the world, including China. In early June 2009, the World Health Organization declared the outbreak to be a pandemic. Any outbreak of similar epidemics in China, including severe acute respiratory syndrome, could require temporary closure of our learning centers and have a material and adverse effect on our business operations.

In the course of preparing our consolidated financial statements, a material weakness in our internal control over financial reporting was identified. If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our ADSs may be adversely affected.

Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future. Prior to this offering, we have been a private company and have had limited accounting personnel and other resources with which to address our internal control over financial reporting. We and our independent registered public accounting firm, in connection with the preparation and external audit of our consolidated financial statements as of and for the fiscal year ended February 28, 2010, identified a material weakness in our internal control over financial reporting. The material weakness identified related to insufficient accounting personnel with appropriate U.S. GAAP knowledge. We have not undertaken a comprehensive assessment and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional material weakness and deficiencies may have been identified. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have taken measures and plan to continue to take measures to remedy these deficiencies. However, the implementation of these measures may not fully address the control deficiencies in our internal control over financial reporting. Our failure to address any control deficiency could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, effective internal control over financial reporting is important to prevent fraud. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected.

Upon completion of this offering, we will become subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act requires that we include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending February 29, 2012. In addition, beginning at the same time, our independent registered public accounting firm must report on the effectiveness of our internal control over financial reporting. Our management and our independent registered public accounting firm may conclude that our internal control over financial reporting is not effective. This could adversely impact the market price of

our ADSs due to a loss of investor confidence in the reliability of our reporting processes. We will need to incur significant costs and use significant management and other resources in order to comply with Section 404 of the Sarbanes-Oxley Act.

Implementation of the new labor laws in China may adversely affect our business operations.

On June 29, 2007, the Chinese government promulgated a new labor contract law which became effective on January 1, 2008, and subsequently issued the implementation rules of the new labor contract law. Pursuant to the new law, employers are subject to stricter requirements in terms of signing labor contracts, fixing compensation levels, setting lengths of employees' probation periods and unilaterally terminating labor contracts. The new law and the related implementation rules impose greater liabilities on employers and may significantly increase the costs to an employer if it decides to reduce its workforce. In the event we decide to significantly reduce our workforce, the new labor contract law could adversely affect our ability to downsize based on business needs or to do so in a timely and cost-effective manner, which in turn may materially and adversely affect our financial condition and results of operations.

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

Depending upon the value of our assets based on the market value of our common shares and ADSs and the nature of our assets and income over time, we could be classified as a passive foreign investment company or PFIC, for U.S. federal income tax purposes. Based on our current income and assets and projections as to the value of our common shares and ADSs pursuant to this offering, we do not expect to be classified as a PFIC for the current taxable year. While we do not anticipate becoming a PFIC for the current taxable year, fluctuations in the market price of our ADSs or common shares may cause us to become a PFIC for the current or any subsequent taxable year. We will make a separate determination for each taxable year as to whether we are a PFIC (after the close of each taxable year) and disclose such determination in our annual reports on Form 20-F to be filed with the SEC.

We will be classified as a PFIC for any taxable year if either (i) at least 75% of our gross income for the taxable year is passive income or (ii) at least 50% of the value of our assets (determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income. Although the law in this regard is unclear, we treat Xueersi Education, Xueersi Network and their respective subsidiaries as being owned by us for United States federal income tax purposes, not only because we control their management decisions but also because we are entitled to substantially all of the economic benefits associated with these entities, and, as a result, we consolidate these entities' operating results in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of Xueersi Education, Xueersi Network and their respective subsidiaries for United States federal income tax purposes, we would likely be treated as a PFIC for our taxable year ending on February 28, 2011 and any subsequent taxable year. Because of the uncertainties in the application of the relevant rules and because PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and the value of our active versus passive assets, there can be no assurance that we will not be a PFIC for the taxable year ending on February 28, 2011 or any future taxable year. The overall level of our passive assets will also be affected by how, and how quickly, we spend our liquid assets and the cash raised in this offering. Under circumstances 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 "Taxation—Material United States Federal Income Tax Considerations—General") may be subject to reporting requirements and may incur significantly increased United States 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 United States 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

United States federal income tax consequences of acquiring, holding, and disposing of ADSs or common shares if we are or become classified as a PFIC. For more information see "Taxation—Material United States Federal Income Tax Considerations—PFIC Considerations."

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

We adopted a share incentive plan in 2010 that permits granting of options to purchase our Class A common shares, restricted shares and restricted share units under the plan. The maximum aggregate number of Class A common shares that may be issued pursuant to all awards under our share incentive plan is 18,750,000. As of the date of this prospectus, we have granted 5,419,500 restricted shares under our share incentive plan to our employees. As a result of these grants and potential future grants under the plan, we have incurred and will continue to incur share-based compensation expenses. We had share-based compensation expenses of $0.9 million for the six months ended August 31, 2010. As of August 31, 2010, the unrecognized compensation expenses related to the non-vested restricted shares amounted to $22.8 million, which will be recognized over vesting periods up to 4 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. Our Cayman Islands holding company is not an educational institution and does not provide education services. We conduct our education business in China through contractual arrangements with Xueersi Education and Xueersi Network and their respective subsidiaries, schools and shareholders. Xueersi Education and Xueersi Network are directly owned by four of our directors or officers who are citizens of the PRC. To comply with PRC laws and regulations, we rely on a series of contractual arrangements entered into among TAL Beijing, Xueersi Network, Xueersi Education and their respective shareholders, subsidiaries and schools to conduct most of our tutoring services in China. We have been and are expected to continue to be dependent on our affiliated entities in China to operate our education business until we qualify for direct ownership of educational businesses in China. Pursuant to our contractual arrangements with our affiliated entities, we, through our wholly owned subsidiaries in China, provide exclusive teaching support, technical service support and other services to our affiliated entities in exchange for payments from them. In addition, we have entered into agreements with Xueersi Education and Xueersi Network, and each of their respective shareholders, which provide us with the ability to effectively control Xueersi Education and Xueersi Network and their respective existing and future subsidiaries and schools.

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 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 discretions, which actions could include:

- revoking the business and operating licenses of our PRC subsidiaries and affiliated entities;
- restricting or prohibiting related party transactions between our PRC subsidiaries and affiliated entities;
- imposing fines or other requirements with which we or our PRC subsidiaries and affiliated entities may find difficult or impossible to comply;

- requiring us or our PRC subsidiaries and affiliated entities to restructure the relevant ownership structure or operations; and
- restricting or prohibiting the use of any proceeds from our additional public offering to finance our business and operations in China.

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

We rely on contractual arrangements with our affiliated entities for our China operations, which may not be as effective in providing operational control as direct ownership.

We have relied and expect to continue to rely on contractual arrangements with our affiliated entities to operate our education business. For a description of these contractual arrangements, see "Our Corporate History and Structure—Contractual Arrangements with Our Consolidated Affiliated Entities." These contractual arrangements may not be as effective in providing us with control over these affiliated entities as direct ownership. If we had direct ownership of Xueersi Education and Xueersi Network, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of Xueersi Network or Xueersi Education, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, we rely on the performance by our affiliated entities and their respective shareholders of their obligations under the contracts to exercise control over our affiliated entities. In addition, we may not be able to renew these contracts with Xueersi Network, Xueersi Education and their respective subsidiaries or shareholders if the beneficial owners of Xueersi Network or Xueersi Education do not act in the best interests of our company when conflicts of interest arise. Therefore, our contractual arrangements with our affiliated entities may not be as effective in ensuring our control over our China operations as direct ownership would be.

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

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

All the material agreements under our contractual arrangements are governed by the 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 the PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our affiliated entities, and our ability to conduct our business may be negatively affected.

The beneficial owners of Xueersi Education and Xueersi Network may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The four beneficial owners of Xueersi Education and Xueersi Network are also beneficial owners, directors or officers of TAL Group. Among them, Mr. Bangxin Zhang and Mr. Yundong Cao are directors of TAL Group and also directors of Xueersi Education and Xueersi Network. Currently, these four individuals beneficially own an aggregate of 76% of the outstanding share capital of TAL Group on an as-converted basis. Upon the completion of this offering, these four shareholders will beneficially own an aggregate of % of the outstanding share capital of TAL Group assuming no exercise of the over-allotment option granted to the underwriters. As such, the beneficial owners of Xueersi Education and Xueersi Network may have potential conflicts of interest with us. 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 affiliated entities to breach, or refuse to renew, the existing contractual arrangements we have with them and our affiliated entities. Currently, we do not have any arrangements to address potential conflicts of interest between these individuals and our company. We rely on these individuals to abide by the laws of the Cayman Islands and China, which provide that directors 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 we cannot resolve any conflict of interest or dispute between us and the beneficial owners of Xueersi Network or Xueersi Education, 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.

Our affiliated entities may be subject to significant limitations on their ability to operate private schools or make payments to related parties, or otherwise be materially and adversely affected by changes in PRC laws governing private education providers.

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

Our schools are registered as schools that require reasonable returns in some cities and as schools that do not require reasonable returns in others. Unlike typical schools in China's K-12 system which grant diplomas to students upon graduation, we provide after-school tutoring services and do not grant any diploma or certification to our students. However, the current PRC laws and regulations governing private education may be amended or replaced by new laws and regulations that (i) impose significant limitations on the ability of our schools to operate their business, charge course fees or make payments to related parties for services, (ii) specify the formula for calculating "reasonable returns," or (iii) change the preferential tax treatment policies applicable to private schools. We cannot predict the timing and effects of any such amendments or new laws and regulations. Changes in PRC laws and regulations governing private education could materially and adversely affect our business prospects and results of operations.

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

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between our wholly owned subsidiaries in China and our affiliated entities do not represent an arm's-length price and consequently adjust our 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 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 affiliated entities for unpaid taxes. Our consolidated net income may be materially and adversely affected if our affiliated entities' tax liabilities increase or if they are subject to late payment fees or other penalties.

If any of our PRC subsidiaries, affiliated entities and their subsidiaries becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy 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 through contractual arrangements with our affiliated entities. As part of these arrangements, our 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. If any of our affiliated entities undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, our ability to generate revenue and the market price of our ADSs.

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

In 2009, the Ministry of Education, together with a few other PRC government agencies, issued implementation rules on administration of education-related fee collection, which provide, among other things, that schools that are part of the compulsory education system are not allowed to charge students additional fees for any type of after-school tutoring classes, and that public schools and their teachers, whether or not in cooperation with private schools, are prohibited from offering any type of after-school tutoring or training classes for a fee outside the school. Private schools, which are not part of the compulsory education system, generally are permitted to offer after-school tutoring services pursuant to their private school operating permits issued by the relevant PRC governmental authorities pursuant to the Law for Promoting Private Education and implementation rules promulgated thereunder. However, several provincial government agencies issued notices or rules applicable in their respective provinces expressly prohibiting even private schools from offering after-school tutoring classes to primary and secondary school students. Among the areas where we offer after-school tutoring services, local governments in Shanghai and Tianjin issued notices in 2004 and 2005, respectively, prohibiting private schools from offering after-school tutoring services to primary and secondary school students. Nevertheless, we are not aware of any instances in Shanghai or Tianjin where the governmental authorities took actions enforcing the aforementioned notices; nor have we received any notices, warnings or inquiries from these governmental authorities with respect to our tutoring services. Net revenues attributable to tutoring services in Shanghai and Tianjin accounted for less than 10% of our total net revenues for the fiscal year ended February 28, 2010 and the six months ended August 31, 2010. The aforementioned notices do not provide any monetary penalties for violations and thus we are not able to quantify the penalties that we may be subject to if we are deemed not to be in compliance with these notices. We are not aware of any imminent risks in connection with the aforementioned notices. However, since PRC regulatory authorities have significant discretion in interpreting and implementing rules and regulations and that regulatory enforcements can be inconsistent, we cannot assure you that we will not in the future be subject to the above mentioned regulations, fined or otherwise penalized by government authorities for offering such classes, in which case our business and operations could be materially and adversely affected.

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

We are required to obtain and maintain various licenses and permits and fulfill registration and filing requirements in order to conduct and operate our after-school tutoring business. For instance, to establish and operate a school to provide after-school tutoring services, we are required to obtain a private school operating permit and to make necessary filings for each learning center with the Ministry of Education and the Ministry of Civil Affairs or their local bureaus. As of the date of this prospectus, 26 of our 109 centers in operation may be subject to fines or other penalties due to their failure to obtain the requisite operating permits from, or make requisite filings with, the relevant governmental authorities. These 26 learning centers in the aggregate accounted for 15.3% of our total net revenues for the fiscal year ended February 28, 2010. We were unable to obtain certain requisite permits or make certain filings in some districts in Beijing because the local authorities discontinued granting permits or accepting filings for administrative reasons for a period of time. Some of these local authorities have recently begun to accept applications and filings, and we are in the process of preparing filings and applying for permits for these learning centers and expect to complete and obtain most filings and permits in the near future. In a few other cases, we were not able to obtain certain permits because we have not yet met all the detailed requirements set forth by the local authorities for granting the permits, and we are taking steps to meet these requirements. We intend to ensure compliance with applicable rules and regulations in establishing new learning centers. Our business and legal teams are required to follow an internal guideline to obtain all requisite permits and make necessary filings on a timely basis for our new learning centers. However, there is no assurance that our efforts will result in full compliance given the significant amount of discretion the PRC authorities have in interpreting, implementing or enforcing rules and regulations and due to other factors beyond our control. Although we have not been subject to any material fines or other penalties in relation to any non-compliance of licensing requirements in the past, if we fail to cure any non-compliance in a timely manner, we may be subject to fines, confiscation of the gains derived from our noncompliant

operations or the suspension of our noncompliant operations, which may materially and adversely affect our business and results of operations.

If the relevant PRC regulatory authorities subsequently determine that personalized premium services must be operated through registered schools or non-foreign-invested PRC companies, our personalized premium services business may be exposed to increased risks associated with the contractual arrangements.

We currently offer our personalized premium tutoring services in Beijing through Huanqiu Zhikang, our wholly owned subsidiary, which is a foreign-invested company under PRC laws and regulations. Huanqiu Zhikang's sole business is offering personalized premium tutoring services in Beijing, which contributed less than 1% of our total net revenues for the fiscal year ended February 28, 2010. In Shanghai, our personalized premium tutoring services are offered through our affiliated schools pursuant to the local legal requirements. We offer the personalized premium tutoring services in Beijing through Huanqiu Zhikang, as opposed to through our PRC affiliated entities, primarily because we believe that one-on-one tutoring services fall within the scope of "for-profit training activities" and are not "educational activities" under the jurisdiction of the Beijing Municipal Education Commission, based on telephone inquiries we and our PRC counsel made to the Beijing Municipal Education Commission, which is the local bureau of the Ministry of Education in Beijing. In addition, Huanqiu Zhikang has obtained a business license from Beijing Administration of Industry and Commerce, expressly permitting Huanqiu Zhikang to conduct "educational consulting services," which we believe covers our personalized premium services in Beijing. We also believe that providing personalized premium services through Huanqiu Zhikang, a wholly owned subsidiary, enhances our effective control over such business and improves management efficiency. To the extent we view that the benefits resulting from our current structure is greater than the risks associated with the legal uncertainties, we intend to continue to offer personalized premium services through Huanqiu Zhikang in Beijing in our future expansion plan for these services.

However, the differences between "educational activities," on the one hand, and "for-profit training activities" and "educational consulting services," on the other hand, remain unclear under the PRC laws and regulations. The Law for Promoting Private Education provides that "educational activities," which are required to be conducted through schools or educational institutions, shall be regulated by the Ministry of Education whereas "for-profit training activities" shall be regulated by the Administration of Industry and Commerce in accordance with separate regulations to be issued by the State Council. To date, the State Council has not promulgated any regulations with respect to "for-profit training activities" and in practice, regulators in different local jurisdictions may have different views and administrative policies on one-on-one tutoring activities. Therefore, we cannot be certain that the relevant government authorities will reach the same conclusion in the future as we have regarding one-on-one personalized premium tutoring services.

If the relevant PRC regulatory authorities subsequently determine that personalized premium services must be operated through registered schools or non-foreign-invested PRC companies, we may be required to restructure our operations to offer personalized premium services through our affiliated schools, which may expose our personalized premium services business to increased risks associated with the contractual arrangements with affiliated entities. See "—Risks Related to Our Corporate Structure." If we fail to cure our non-compliance in a timely manner, we may be subject to fines of up to RMB100,000, suspension of such operations or other penalties, which may materially and adversely affect our business and results of operations.

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products and services and materially and adversely affect our competitive position.

All of our business operations are conducted in China and all of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by

economic, political and legal developments in China. The economy in China differs from the economies of most developed countries in many respects, including:

- degree of government involvement;
- level of development;
- rate of economic growth;
- control of foreign exchange rates and currency conversion;
- access to financing; and
- allocation of resources.

Although China has been transitioning from a planned economy to a more market-oriented economy since the 1970s, the PRC government continues to exercise significant control over China's economy through resource allocation, foreign exchange control, monetary policies and administrative regulations of certain industries and entities. In recent years, the PRC government has implemented measures emphasizing the reliance on market forces to promote economic reform, reduce state ownership of productive assets and establish corporate governance structures in business enterprises. Nevertheless, a substantial portion of the productive assets in China are still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the government could materially and adversely affect our business.

While the Chinese economy has grown significantly in the past 30 years, the growth has been uneven geographically among various sectors of the economy, and during different periods. We cannot assure you that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on our business.

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, which are limited liability companies established in China. 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 general reserves until the accumulative amount of such reserves reaches 50% of their registered capital. These reserves are not distributable as cash dividends. In addition, PRC companies may allocate a portion of their after-tax profit to their staff welfare and bonus fund at the discretion of their boards of directors. Our PRC subsidiaries and VIEs historically have not allocated any of their after-tax profits to staff welfare and bonus funds, since there is no legal requirement to do so, but they may nevertheless decide to set aside such funds in the future. There is no maximum amount of after-tax profit that a company may contribute to such funds. Moreover, each of our affiliated schools is required to allocate certain amount of profits to its development fund for the construction or maintenance of school facilities or procurement or upgrade of educational equipment at the end of each fiscal year. See "Regulation—Regulation on Private Education—The Law for Promoting Private Education (2003) and the Implementation Rules for the Law for Promoting Private Education (2004)" 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 regulation of loans and direct investment by offshore holding companies to PRC entities may limit the use of the proceeds we receive from this offering for our expansion or operations.

In utilizing the proceeds we receive from this offering in the manner described in "Use of Proceeds," as an offshore holding company with PRC subsidiaries, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries or our VIEs, or (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

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

In addition, on August 29, 2008, SAFE promulgated Circular 142, a notice regulating the conversion by a foreign-invested company of its capital contribution in foreign currency into Renminbi. It requires that Renminbi converted from foreign currency-denominated capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the relevant government authority and may not be used to make equity investments in China, unless specifically provided otherwise. Moreover, the approved use of such Renminbi funds may not be changed without approval from SAFE. Renminbi funds converted from foreign exchange may not be used to repay loans in Renminbi if the proceeds of such loans have not yet been used. Any violation of Circular 142 may result in severe penalties, including substantial fines. We expect that if we convert the net proceeds from this offering into Renminbi pursuant to Circular 142, our use of Renminbi funds will be for purposes within the approved business scope of our PRC subsidiaries. However, we may not be able to use such Renminbi funds to make equity investments in the PRC through our PRC subsidiaries.

We expect that the PRC regulations of loans and direct investment by offshore holding companies to PRC entities may continue to limit our use of proceeds of this offering. There are no costs associated with registering loans or capital contributions with relevant PRC governmental authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals or registrations or deny our application within 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to our future plans to use the U.S. dollar proceeds we receive from this offering for our expansion and operations in China. If we fail to receive such registrations or approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business.

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

The State Administration of Foreign Exchange issued Circular 75, requiring PRC residents, including both legal persons and natural persons, to register with the relevant local branch of the State Administration of Foreign Exchange before establishing or controlling any company outside of China, referred to as an "offshore special purpose company," for the purpose of raising funds from overseas to acquire assets of, or equity interest in, PRC companies. In addition, any PRC resident that is the beneficial owner of an offshore special purpose company is required to amend his or her registration with the local branch of the State Administration

of Foreign Exchange, with respect to that offshore special purpose company in connection with any increase or decrease in its capital, transfer of shares, merger, division, equity investment or creation of any security interest over any assets located in China. Any failure to comply with the above registration requirements could result in PRC subsidiaries being prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to their offshore parent companies, offshore parent companies being restricted in their ability to contribute additional capital into their PRC subsidiaries, and other liabilities under PRC laws for evasion of foreign exchange restrictions.

We believe that all of our shareholders who are PRC citizens or residents have completed their required registrations with SAFE, or are otherwise in the process of registering with SAFE. However, we may not at all times be fully aware or informed of the identities of all of our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with Circular 75; nor can we ensure you that their registrations, if they choose to apply, will be successful. The failure or inability of our PRC resident beneficial owners to make any required registrations or comply with these requirements may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans (including using the proceeds from this offering) to our China operations, limit our PRC subsidiary's ability to pay dividends or otherwise distribute profits to us, or otherwise materially and adversely affect us.

Any requirement to obtain prior approval from the China Securities Regulatory Commission, or the CSRC, could delay this offering and a failure to obtain this approval, if required, could have a material adverse effect on our business, operating results, reputation and trading price of our ADSs.

On August 8, 2006, six PRC regulatory agencies, namely, the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC, and SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rule, which became effective on September 8, 2006. The M&A Rule purports to require, among other things, offshore special purpose vehicles, or SPVs, formed for the purpose of acquiring PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. While the application of the M&A Rule remains unclear, we believe, based on the advice of our PRC counsel, Tian Yuan Law Firm, that CSRC approval is not required in the context of this offering as we are not a special purpose vehicle formed for the purpose of acquiring domestic companies that are controlled by PRC individual shareholders, as we acquired contractual control of, rather than equity interest in, our domestic affiliated entities. However, we cannot assure you that the relevant PRC government agency, including the CSRC, would reach the same conclusion as our PRC counsel. If the CSRC or other PRC regulatory agency subsequently determines that we need to obtain the CSRC's approval for this offering, we may face sanctions by the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from this offering into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory agencies may also take actions requiring us to halt this offering before settlement and delivery of the ADSs offered by this prospectus.

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

Under the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008, the statutory enterprise income tax rate is 25%, except where a special preferential rate applies.

Our affiliated entity, Xueersi Education, was qualified as a "High and New Technology Enterprise," under the EIT Law effective January 1, 2008 and therefore was qualified for a preferential tax rate of 15%. In addition, since Xueersi Education is located in a high and new technology industrial zone in Beijing and qualified as a High and New Technology Enterprise, it was entitled to a three-year exemption from the enterprise income tax from calendar year 2006 to 2008 and a further tax reduction to a rate of 7.5% from

calendar year 2009 to 2011. Our wholly owned subsidiary, TAL Beijing, was qualified as a "Newly Established Software Enterprise" under the EIT Law and therefore entitled to a two-year exemption from the enterprise income tax from calendar year 2009 to 2010 and a further tax reduction to 50% of the applicable rate from calendar year 2011 to 2013. Our affiliated entities, Xueersi Network and Beijing Haidian District Xueersi Training School, were entitled to a one-year tax exemption in calendar year 2007 as newly established companies in that year.

On April 21, 2010, the State Administration of Taxation issued Circular 157, *Further Clarification on Implementation of Preferential EIT Rate during Transition Periods*, or Circular 157. Circular 157 seeks to provide additional guidance on the interaction of certain preferential tax rates under the transitional rules of the EIT Law. Prior to Circular 157, we interpreted the law to mean that if a "high and new technology enterprise strongly supported by the state" or "High and New Technology Enterprise" was in a tax holiday period that provides for "2-year exemption plus 3-year half rate" or "5-year exemption plus 5-year half rate" or other tax exemptions and reductions, where it was entitled to a 50% reduction in the tax rate and was also entitled to a 15% rate of tax due to its High and New Technology Enterprise status under the EIT Law, then it was entitled to pay tax at the rate of 7.5%. Circular 157 appears to have the effect that such an entity is entitled to pay tax at the lower of 15% and 50% of the standard PRC tax rate, which is currently 25%. It is unclear whether Circular 157 would apply retrospectively but we understand that the State Administration of Taxation has recently taken the position that Circular 157 applies only to tax years commencing from January 1, 2010.

Based on the interpretation of Circular 157 from the relevant local tax authority, we believe that entities that are qualified for "3-year exemption plus 3-year half rate" tax holiday as High and New Technology Enterprises and are registered in the Zhongguancun High and New Technology Industrial Zone of Beijing will continue to pay income tax at a rate of 7.5%. Since Xueersi Education enjoys "3-year exemption plus 3-year half rate" and is a High and New Technology Enterprise registered in the Zhongguancun High and New Technology Industrial Zone of Beijing, we believe that Xueersi Education will continue to pay income tax at the rate of 7.5%. We cannot assure you, however, that the tax authorities will not in the future change their position on our preferential tax treatments. The discontinuation of our preferential tax treatments may materially increase our future tax liabilities.

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

Under the EIT Law, an enterprise established outside of 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 Chinese enterprise for enterprise income tax purposes, although the dividends paid to one resident enterprise from another may qualify as "tax-exempt income." The implementing rules of the EIT Law define de facto management as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on April 22, 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with its "de facto management body" located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function are mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (iv) at least half of the enterprise's directors with voting right or senior management reside in the PRC.

We do not believe that either TAL Group or our Hong Kong subsidiary, Xueersi Hong Kong, meets all of the conditions above. Each of TAL Group and Xueersi Hong Kong is a company incorporated outside the PRC. As holding companies, these two entities' key assets and records, including resolutions of its board of directors and resolutions of its shareholders, are located and maintained outside of the PRC. 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 neither TAL

Group nor Xueersi Hong Kong 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 TAL Group and Xueersi Hong Kong are "resident enterprises" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules, dividend income between qualified resident enterprises is a "tax-exempt income," we cannot guarantee that dividends paid to TAL Group from our PRC subsidiaries through Xueersi Hong Kong would qualify as "tax-exempt income" and will not be subject to withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as "resident enterprises" for PRC enterprise income tax purposes. Finally, the new "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 uncertainties regarding how the new "resident enterprise" classification may apply, it is also possible that the rules may change in the future, possibly with retroactive effect.

Moreover, 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 subsidiary by our PRC subsidiaries are subject to withholding tax at a rate of 5%, provided that our Hong Kong subsidiary is deemed by the relevant PRC tax authorities to be a "non-resident enterprise" under the EIT Law and holds at least 25% of the equity interest of our PRC subsidiaries. The State Administration for Taxation promulgated the Notice on How to Understand and Determine the Beneficial Owners in Tax Agreement on October 27, 2009, or SAT Circular 601, which provides guidance for determining whether a resident of a jurisdiction with tax treaties with the PRC is the "beneficial owner" of an item of income under PRC tax treaties and tax arrangements. According to SAT Circular 601, a beneficial owner generally must engage in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. A conduit company normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. Although we may use Xueersi Hong Kong as a platform to expand our business in the future, Xueersi Hong Kong currently does not engage in any substantive business activities and thus it is possible that Xueersi Hong Kong may not be regarded as a "beneficial owner" for the purposes of SAT Circular 601 and the dividends it receives from our PRC subsidiaries would be subject to withholding tax at a rate of 10%.

We face uncertainties with respect to application of the Circular on Strengthening the Administration of Enterprise Income Tax for Share Transfer of Non-PRC Resident Enterprises.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the State Administration of Taxation on December 10, 2009, where a foreign investor transfers the equity interests of a PRC resident enterprise indirectly via disposition of the equity interests of an overseas holding company, or an "Indirect Transfer," and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report the Indirect Transfer to the competent tax authority. The PRC tax authority will examine the true nature of the Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an "abusive arrangement" in order to avoid PRC tax, it may disregard the existence of the overseas holding company and re-characterize the Indirect Transfer and as a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. Circular 698

is retroactively effective from January 1, 2008. The relevant PRC authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax in a foreign jurisdiction and how a foreign investor shall report to the competent tax authority an Indirect Transfer. Since Circular 698 was newly promulgated, there are uncertainties as to its application. It is possible that we or our non-resident investors may become at risk of being taxed under Circular 698 and may be required to expend valuable resources to comply with Circular 698 or to establish that we or our non-resident investors should not be taxed under Circular 698, which may have an adverse effect on our financial condition and results of operations or such non-resident investors' investment in us.

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

On December 20, 2007, the State Administration of Radio, Film and Television, or SARFT, and the Ministry of Industry and Information Technology, or MII, issued the *Administrative Measures Regarding Internet Audio-Video Program Services*, or the Internet Audio-Video Program Measures, which became effective on January 31, 2008. Among other things, the Internet Audio-Video Program Measures stipulate that no entities or individuals may provide Internet audio-video program services without a "License for Disseminating Audio-Video Programs through Information Network" issued by SARFT or its local bureaus or completing the relevant registration with SARFT or its local bureaus, and only entities wholly owned or controlled by the PRC government may engage in the production, editing, integration or consolidation, and transmission to the public through the Internet, of audio-video programs, or the provision of audio-video program uploading and transmission services. On February 3, 2008, SARFT and MII jointly held a press conference in response to inquiries related to the Internet Audio-Video Program Measures, during which SARFT and MII officials indicated that providers of audio-video program services established prior to the promulgation date of the Internet Audio-Video Program Measures that do not have any regulatory non-compliance records can re-register with the relevant government authorities to continue their current business operations. After the conference, the two authorities published a press release that confirmed the above guidelines. There are still significant uncertainties relating to the interpretation and implementation of the Internet Audio-Video Program Measures, in particular, the scope of "Internet Audio-Video Programs."

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

Since we began offering online courses in 2010, revenues derived from audio-video program services that may be subject to the Audio-Video Program Measures were less than 1.5% of our net revenue. In the course of offering online tutoring services, we transmit our audio-video educational courses and programs through the Internet only to enrolled course participants, not to the general public. The limited scope of our audience distinguishes us from general online audio-video broadcasting companies, such as companies operating user-generated content websites. In addition, we do not provide audio-video program uploading and transmission services. As a result, we believe that we are not subject to the Internet Audio-Video Program Measures. However, there is no further official or publicly available interpretation of these definitions, especially the scope of "Internet audio-video program service." If the governmental authorities determine that our provision of online tutoring services falls within the Internet Audio-Video Program Measures, we may not be able to obtain the License for Disseminating Audio-Video Programs through Information Network. If this occurs, we may become subject to significant penalties, fines, legal sanctions or an order to suspend our use of audio-video content.

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

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. The conversion of

the Renminbi into foreign currencies, including the U.S. dollar, has been based on exchange rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi solely to the U.S. dollar. Under this revised policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the U.S. dollar peg, the Renminbi appreciated approximately 21.5% against the U.S. dollar over the following three years. Since July 2008, however, the Renminbi has traded within a narrow range against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the Renminbi has fluctuated significantly since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the People's Bank of China announced that the PRC government will further reform the Renminbi exchange rate regime and enhance the Renminbi exchange rate flexibility. It is difficult to predict how this new policy may impact the Renminbi exchange rate going forward.

Significant revaluation of the Renminbi may have a material adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars we receive from this initial public offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our common shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

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

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under our current corporate structure, our income will be primarily derived from a share of the earnings from our PRC subsidiaries. Revenues of our PRC subsidiaries are all denominated in Renminbi. 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 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, cash generated from the operations of our subsidiaries in China may be used to pay dividends by our PRC subsidiaries to TAL Group through Xueersi Hong Kong 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 affiliated entities may be used to pay off debt in a currency other than the Renminbi owed by our subsidiaries and 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.

Risks Related to Our ADSs and This Offering

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

Prior to this initial public offering, there has been no public market for our common shares or ADSs. We have applied to list our ADSs on the New York Stock Exchange. Our common shares will not be listed on any exchange or quoted for trading on any over-the-counter trading system. If an active trading market for our

ADSs does not develop after this offering, the market price and liquidity of our ADSs will be materially and adversely affected.

The initial public offering price for our ADSs will be determined by negotiations between us and the underwriters and may bear no relationship to the market price for our ADSs after this initial public offering. We cannot assure you that an active trading market for our ADSs will develop or that the market price of our ADSs will not decline below the initial public offering price.

The market price for our ADSs may be volatile.

The market price for our ADSs is likely to be highly volatile and subject to wide fluctuations in response to factors such as:

- actual or anticipated fluctuations in our operating results,
- changes in financial estimates by securities research analysts,
- changes in the economic performance or market valuation of other education companies,
- announcements by us or our competitors of material acquisitions,
- strategic partnerships, joint ventures or capital commitments,
- addition or departure of our executive officers and key personnel,
- intellectual property litigation,
- release or expiration of lock-up or other transfer restrictions on our outstanding Class B common shares or ADSs, and
- economic, regulatory or political conditions in China.

In addition, the performance, and fluctuation in market prices, of other companies with business operations mainly located in China that have listed their securities in the United States may affect the volatility in the price and trading volume of our ADSs. Furthermore, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

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 will issue Class A common shares represented by our ADSs in this offering. All of our existing shareholders as of September 29, 2010, including our founders, hold our Class B common shares, and our outstanding preferred shares will be automatically converted into Class B common shares immediately prior to the completion of this offering. We intend to maintain the dual-class voting structure after the completion of this 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 Mr. Bangxin Zhang, Mr. Yundong Cao, Mr. Yachao Liu, Mr. Yunfeng Bai, Tiger Global Five China Holdings and KTB China Optimum Fund and their respective affiliates collectively own less than 5% of the total number of the issued and outstanding Class B common shares (taking into account all of the issued and outstanding preferred shares on an as-converted basis), each issued and outstanding Class B common share shall be automatically and immediately converted into one share of Class A common share, and we shall not

issue any Class B common shares thereafter. Due to the disparate voting powers attached to these two classes, we anticipate that our existing shareholders will collectively own approximately % of the voting power of our outstanding shares immediately after this offering and will 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. In particular, our founders and senior management, Mr. Bangxin Zhang, Mr. Yundong Cao, Mr. Yachao Liu and Mr. Yunfeng Bai and theirrespective affiliates, will beneficially own approximately % of our total outstanding shares, representing % of our total voting power immediately after this offering. 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, principal shareholders and their affiliated entities.

After this offering, our executive officers, directors and their affiliated entities will beneficially own approximately % of our total outstanding shares, representing % 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, including those who purchase ADSs in this offering.

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.

Because the initial public offering price is substantially higher than our net tangible book value per share, you will incur immediate and substantial dilution.

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by our existing shareholders for their Class A common shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately $ per ADS (assuming no exercise by the underwriters of their option to acquire additional ADSs), representing the difference between our net tangible book value per ADS as of August 31, 2010 after giving effect to this offering and an assumed initial public offering price of $ per ADS, the midpoint of the range shown on the front cover page of this prospectus. In addition, you may experience further dilution to the extent that our restricted shares are vested. See “Dilution” for a more complete description of how the value of your investment in our ADSs will be diluted upon completion of this offering.

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 or Class A common shares in the public market after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Upon completion of this offering, we will have Class A and Class B common shares outstanding, including Class A common shares represented by ADSs. All ADSs sold in this offering will be freely transferable without restriction or

additional registration under the U.S. Securities Act of 1933, as amended, or the Securities Act. The remaining common shares outstanding after this offering will be available for sale upon the expiration of the 180-day lock-up period beginning from the date of this prospectus and, in the case of the Class B common shares and Class A common shares that certain option holders will receive when they exercise their share options, subject to volume and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act. Any or all of these shares (other than those held by certain option holders) may be released prior to expiration of the lock-up period at the discretion of the underwriters. To the extent shares are released before the expiration of the lock-up period and these shares are sold into the market, the market price of our ADSs could decline.

In addition, several of our shareholders have the right to cause us to register the sale of their shares under the Securities Act upon the occurrence of certain circumstances. See "Description of Share Capital—Shareholders' Agreement and Registration Rights." 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 post-offering 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 that will become effective immediately upon the completion of this offering 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.

Certain actions require the approval of a supermajority of at least two-thirds of our board of directors which, among other things, would allow our non-independent directors to block a variety of actions or transactions, such as a merger or asset sale, even if all of our independent directors unanimously voted in favor of such action, thereby further depriving our shareholders of an opportunity to sell their shares at a premium. See "Description of Share Capital—Common Shares—Voting Rights."

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

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

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

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

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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

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

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

Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, the Cayman Islands Companies Law (as amended) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not

as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands.

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

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

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

We have not determined any specific use for a portion of the net proceeds to us from this offering and we may use such portion of the net proceeds in ways with which you may not agree.

We have not allocated a portion of the net proceeds from this offering to any specific purpose. Rather, our management will have considerable discretion in the application of such portion of the net proceeds. See "Use of Proceeds." You will not have the opportunity, as part of your investment decision, to assess whether such proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of such proceeds we receive from this offering. Such proceeds may be used for corporate purposes that do not improve our profitability or increase our ADS price. Such proceeds we receive from this offering may also be placed in investments that do not produce income or that may lose value.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that reflect our current expectations and views of future events. The forward looking statements are contained principally in the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Market Opportunity" and "Business." 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," "potential," "continue," "seek," "should," "predict," "anticipate" or negative versions of these words or other similar expressions, although not all forward-looking statement contain these words.

Forward-looking statements include, but are not limited to, statements relating to:

- our anticipated growth strategies;
- competition in the K-12 after-school tutoring market;
- our future business development, results of operations and financial condition;
- expected changes in our revenues and certain cost and expense items;
- our ability to increase student enrollments and course fees and expand course offerings;
- risks associated with the expansion of our geographic reach;
- the expected increase in spending on private education in China; and
- PRC laws, regulations and policies relating to private education and providers of after-school tutoring services.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Known and unknown risks, uncertainties and other factors, including those important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in "Summary—Our Challenges," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," "Regulation" and other sections in this prospectus. You should read thoroughly this prospectus and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements with these cautionary statements. Other sections of this prospectus include additional factors which could adversely impact our business and financial performance.

This prospectus contains statistical data that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. The market for K-12 after-school tutoring services in China may not grow at the rate projected by market data, or at all. The failure of this market to grow at the projected rate may have a material adverse effect on our business and the market price of our ADSs. Furthermore, if any one or more of the assumptions underlying the market data is later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. 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. You should read this prospectus and the documents that we refer to in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

USE OF PROCEEDS

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

The primary purposes of this offering are to create a public market for our shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives, and obtain additional capital. We plan to use the net proceeds from the offering as follows:

- approximately $ million to expand our network of learning centers and service centers;
- approximately $ million to build a national training center;
- approximately $30 million to pay a declared dividend conditional upon the completion of this offering (see "Dividend Policy");
- approximately $ million to strengthen curriculum and course material development capabilities;
- approximately $ million to improve our existing facilities; and
- the balance for general corporate purposes, including strategic investments in and acquisitions of complementary businesses, although we have not identified any near-term investment or acquisition targets.

The foregoing represents our current intentions based upon our present plans and business conditions to use and allocate the net proceeds of this offering. Our management, however, will have significant flexibility and discretion to apply the net proceeds of this offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus. To the extent that a certain portion or all of the net proceeds we receive from this offering are not immediately applied for the above purposes, we plan to invest the net proceeds in short-term interest-bearing debt instruments or bank deposits.

In using the proceeds of this offering, as an offshore holding company, we are permitted, under the PRC laws and regulations, to provide funding to our PRC subsidiaries only through loans or capital contributions and to our PRC affiliated entities only through loans, subject to satisfaction of applicable government registration and approval requirements. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals or registrations or deny our application within 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. See "Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans and direct investment by offshore holding companies to PRC entities may limit the use of the proceeds we receive from this offering for our expansion or operations."

DIVIDEND POLICY

On September 29, 2010, we declared a $30 million cash dividend payable to our shareholders of record as of that date, subject to the completion of this offering. However, we do not have any present plan to pay any other cash dividends on our common shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

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

Holders of our ADSs will be entitled to receive dividends, if any, subject to the terms of the deposit agreement, to the same extent as the holders of our Class A common shares. Cash dividends will be paid to the depositary of our ADSs in U.S. dollars, which will distribute them to the holders of ADSs 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. See "Description of American Depositary Shares."

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 regulations. See "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."

CAPITALIZATION

The following table sets forth our capitalization as of August 31, 2010:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all of our Series A preferred shares into 5,000,000 Class B common shares immediately upon the completion of this offering; and
- on a pro forma as adjusted basis to reflect (i) the pro forma adjustments above, (ii) the payment of a $30 million cash dividend declared to our then existing shareholders and payable upon the completion of this offering; and (iii) the sale of Class A common shares in the form of ADSs by us in this offering at an assumed initial public offering price of $ per share, the midpoint of the estimated range of our initial public offering price, after deducting the underwriting discounts and commissions and the estimated offering expenses payable by us.

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

	As of August 31, 2010		
	Actual	Pro forma	Pro forma as adjusted
Series A preferred shares ($0.001 par value, 5,000,000 shares authorized, issued and outstanding)	9,000,000	—	—
Equity:			
Class A common shares ($0.001 par value, 500,000,000 shares authorized and nil issued and outstanding, actual; 500,000,000 shares authorized, nil issued and outstanding, pro forma; 500,000,000 shares authorized, shares issued and outstanding, pro forma as adjusted)(1)			
Class B common shares ($0.001 par value, 495,000,000 shares authorized, 120,000,000 shares issued and outstanding, and 125,000,000 shares issued and outstanding on a pro forma basis)(1)	120,000	125,000	
Additional paid-in capital(2)	1,699,503	10,694,503	
Retained earnings(3)	30,173,018	30,173,018	
Accumulated other comprehensive income	288,226	288,226	
Total equity	32,280,747	41,280,747	
Total capitalization	32,280,747	41,280,747	

Note:

(1) Effective September 29, 2010, our share capital was re-designated into Class A and Class B common shares under our third amended and restated memorandum and articles of association.

(2) A $1.00 increase (decrease) in the assumed initial public offering price of $ would increase (decrease) each of additional paid-in capital, total shareholders equity and total capitalization by $.

(3) Includes $4.9 million in statutory reserves that are not available for distribution pursuant to PRC laws.

DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the conversion of our Series A preferred shares and the fact that the initial public offering price per ADS is substantially in excess of the book value per common share attributable to the existing shareholders for our presently outstanding common shares.

Our net tangible book value as of was approximately $ million, or $ per common share and $ per ADS as of that date. Net tangible book value represents the amount of our total consolidated tangible assets less the amount of our total consolidated liabilities. Dilution is determined by subtracting net tangible book value per common share, after giving effect to the conversion of all outstanding Series A preferred shares into Class B common shares upon the completion of this offering and the additional proceeds we will receive from this offering, from the assumed initial public offering price per ADS, which is the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Without taking into account any other changes in net tangible book value after , other than to give effect to (i) the conversion of all outstanding Series A preferred shares into Class B common shares upon the completion of this offering, (ii) our sale of the ADSs offered in this offering at the initial public offering price of $ per ADS after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us and (iii) the payment of a $30 million cash dividend previously declared to our then existing shareholders and payable upon the closing of this offering, our pro forma net tangible book value as of would have been $ million, or $ per outstanding common share and $ per ADS. This represents an immediate increase in net tangible book value of $ per common share and $ per ADS to the existing shareholders and an immediate dilution in net tangible book value of $ per common share and $ per ADS to investors purchasing ADSs in this offering. The following table illustrates such dilution:

	Per Common Share	Per ADS
Assumed initial public offering price	$	$
Net tangible book value per share as of	$	$
Pro forma net tangible book value per share after giving effect to the conversion of our Series A preferred shares	$	$
Pro forma net tangible book value per share after giving effect to the conversion of our Series A preferred shares and this offering	$	$
Amount of dilution in net tangible book value per share to new investors in the offering	$	$

The following table summarizes, on a pro forma basis as of , the differences between existing shareholders, including holders of our Series A preferred shares that will be automatically converted into Class B common shares immediately prior to the completion of this offering, and the new investors with respect to the number of Class A common shares (in the form of ADSs or shares) purchased from us, the total consideration paid and the average price per Class A common share/ADS paid before deducting the underwriting discounts and commissions and estimated offering expenses. The total number of common shares

does not include Class A common shares underlying the ADSs issuable upon the exercise of the over-allotment option granted to the underwriters.

	Common shares Purchased		Total Consideration		Average Price Per Common Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
	($ in thousands, except number of shares and percentages)					
Existing shareholders		%	$	%	$	$
New investors		%	$	%	$	$
Total		100%	$	100%		

A $1.00 increase (decrease) in the assumed public offering price of $ per ADS would increase (decrease) our pro forma net tangible book value after giving effect to the offering by $ million, the pro forma net tangible book value per common share and per ADS after giving effect to the automatic conversion of our Series A preferred shares and this offering by $ per Class A common share and $ per ADS and the dilution in pro forma net tangible book value per common share and per ADS to new investors in this offering by $ per common share and $ per ADS, assuming no charge to the number of ADSs offered by us as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and other offering expenses.

The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

The discussion and tables above also assume no vesting of any outstanding restricted shares. As of the date of this prospectus, there are 5,419,500 restricted shares granted to our directors, executive officers and employees that are outstanding and will be vested in accordance with vesting schedules ranging from one to four years. To the extent that any of these restricted shares are vested, there will be further dilution to new investors.

EXCHANGE RATE INFORMATION

Substantially all of our operations are conducted in China and substantially all of our revenues and expenses are denominated in RMB. This prospectus contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this prospectus were made at a rate of RMB6.8069 to $1.00, the exchange rate set forth in the Federal Reserve Statistical Release on August 31, 2010. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, the rates stated herein, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign currencies and through restrictions on international trade. On September 24, 2010, the certified exchange rate was RMB6.7035 to $1.00.

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

Period	Exchange Rate			
	Period End	Average(1)	Low	High
	(RMB per $1.00)			
2005	8.0702	8.1826	8.2765	8.0702
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010				
March	6.8258	6.8262	6.8270	6.8254
April	6.8247	6.8256	6.8275	6.8229
May	6.8305	6.8275	6.8310	6.8245
June	6.7815	6.8184	6.8323	6.7815
July	6.7735	6.7762	6.7807	6.7709
August	6.8069	6.7873	6.8069	6.7670
September (through September 24)	6.7035	6.7514	6.8102	6.7035

Source: Federal Reserve Statistical Release

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages are calculated by using the average of the daily rates during the relevant month.

ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the Cayman Islands in order to enjoy certain benefits, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of exchange control or currency restrictions, and the availability of professional and support services. However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include a less developed body of Cayman Islands securities laws that provide significantly less protection to investors as compared to the laws of the United States, and the potential lack of standing by Cayman Islands companies to sue before the federal courts of the United States.

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

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

We have appointed Law Debenture Corporate Services Inc., as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

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

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

Maples and Calder has further advised us that a final and conclusive judgment in a federal or state court of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, and which was neither obtained in a manner nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands, may be subject to enforcement proceedings as a debt in the courts of the Cayman Islands under the common law without any re-examination of the merits of the underlying dispute. However, the Cayman Islands courts are unlikely to enforce a punitive judgment of a United States court predicated upon the liabilities provision of the federal securities laws in the United States without retrial on the merits if such judgment gives rise to obligations to make payments that may be regarded as fines, penalties or similar charges.

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

In addition, it will be difficult for U.S. shareholders to originate actions against us in China based upon Cayman Islands laws, U.S. law or PRC laws, because we are incorporated under the laws of the Cayman Islands and it is difficult for U.S. shareholders, by virtue only of holding our ADSs or common shares, to establish a connection to the PRC as required by the PRC Civil Procedures Law in order for a PRC court to have jurisdiction. U.S. shareholders may be able to originate actions against us in the Cayman Islands based upon Cayman Islands laws. However, we do not have any substantial assets other than certain corporate documents and records in the Cayman Islands and it may be difficult for a shareholder to enforce a judgment obtained in a Cayman Islands court in China, where all of our operations are conducted.

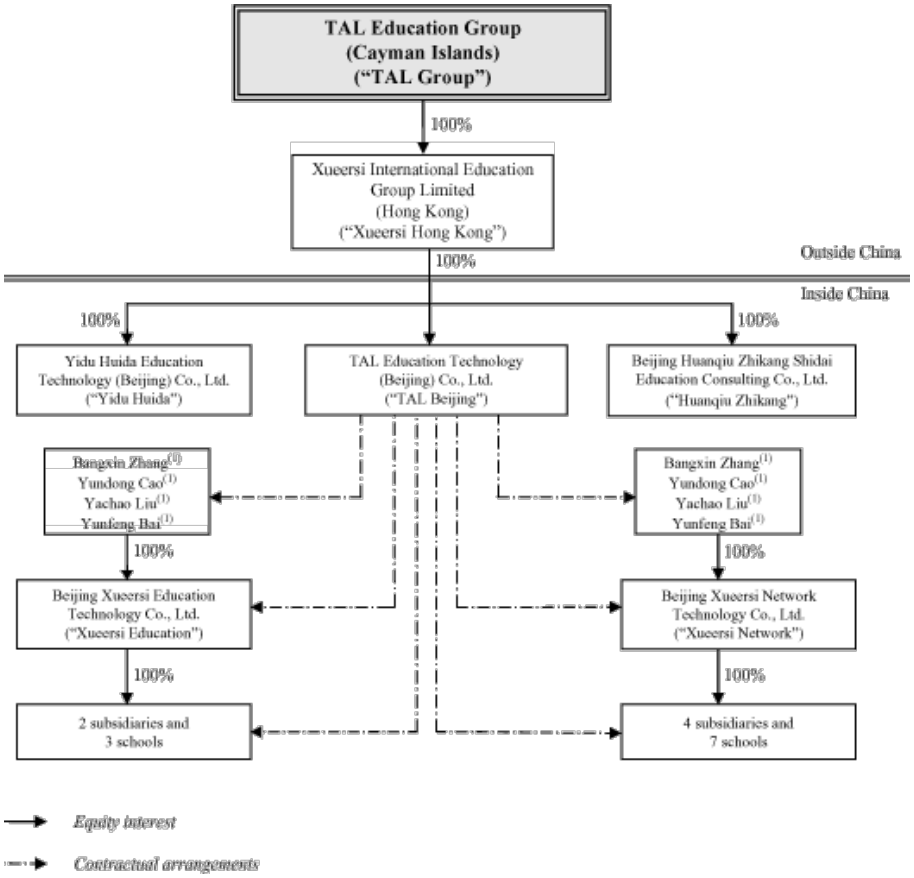
OUR CORPORATE HISTORY AND STRUCTURE

Our Corporate History

Our founders, Mr. Bangxin Zhang and Mr. Yundong Cao, offered our first after-school mathematics tutoring class in August 2003 when they were still attending graduate schools in Peking University. Two other members of our senior management, Dr. Yachao Liu and Mr. Yunfeng Bai, joined us as teachers in 2003 and 2005, respectively, and have risen to senior management positions due to their outstanding performance. In 2005, our founders established Xueersi Education, a domestic company in China. In order to facilitate foreign investment in our company, we incorporated TAL Group to become our offshore holding company under the laws of the Cayman Islands on January 10, 2008. TAL Group established Xueersi Hong Kong in Hong Kong in March 2008 as our intermediary holding company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Taxation—PRC" for a discussion of tax implications of having Xueersi Hong Kong as our intermediary holding company. Xueersi Hong Kong subsequently established three wholly owned subsidiaries in China: TAL Beijing in May 2008, Huanqiu Zhikang in September 2009 and Yidu Huida in November 2009.

Although we have expanded our business operations primarily through organic growth, we made five small business acquisitions in selected new geographic markets in 2008 to take advantage of the targets' existing student base and operating licenses. The five acquisitions were: (i) the purchase of assets and related business of a school in Tianjin in March 2008 for consideration of $0.2 million; (ii) the acquisition of a school in Jianli, Hubei Province in July 2008 for consideration of $0.2 million; (iii) the acquisition of a school in Qianjiang, Hubei Province in July 2008 for consideration of $0.2 million; (iv) the acquisition of a school in Wuhan, Hubei Province in July 2008 for consideration of $1.6 million; and (v) the acquisition of Shanghai Leihai and its 100% owned subsidiaries in Shanghai in August 2008 for total consideration of $1.0 million.

The following diagram illustrates our current corporate structure:



(1) Each person is an ultimate beneficial owner and also a director or executive officer of TAL Group.

Due to the PRC legal restrictions on foreign ownership and investment in the education business in China, we rely on a series of contractual arrangements among TAL Beijing, Xueersi Education, Xueersi Network and their respective shareholders, subsidiaries and schools to conduct most of our tutoring services in China, while our personalized premium services in Beijing are offered through our subsidiary, Huanqiu Zhikang. These contractual arrangements enable us to:

- exercise effective control over Xueersi Education, Xueersi Network and their respective subsidiaries;
- receive substantially all of the economic benefits of Xueersi Education, Xueersi Network and their respective subsidiaries in consideration for the services provided by us; and
- have an exclusive option to purchase all of the equity interests in Xueersi Education and Xueersi Network when and to the extent permitted under PRC law.

We do not have equity interests in Xueersi Education and Xueersi Network; however, as a result of these contractual arrangements, we are the primary beneficiary of Xueersi Network and Xueersi Education and treat them as our variable interest entities under U.S. GAAP. Accordingly, we refer to Xueersi Education and Xueersi Network collectively as our VIEs. We refer to our VIEs and the VIEs' direct and indirect subsidiaries

and schools collectively as "affiliated entities." Moreover, in the contractual arrangements, the shareholders of the VIEs, in exchange for giving up effective control over the VIEs, received pro rata equity interests in TAL Group, which serves to align their interests with ours in performing those contracts. For a more detailed discussion of the risk of potential conflicts of interest associated with our corporate structure, see "Risk Factors—Risks Related to Our Corporate Structure—The shareholders of Xueersi Education and Xueersi Network may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition."

We have consolidated the financial results of our VIEs and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. For the three fiscal years ended February 29, 2008 and February 28, 2009 and 2010, respectively $8.9 million, $37.5 million and $68.9 million, or 100%, 100% and 99.0% of our total net revenues are attributable to our affiliated entities.

We currently offer our personalized premium tutoring services in Beijing through Huanqiu Zhikang, our wholly owned subsidiary, which is a foreign-invested company under PRC laws. Except for our personalized premium services in Beijing, none of our existing business is conducted directly by our subsidiaries. Yidu Huida was formed as part of our corporate strategic planning and has yet to conduct any significant business operations. Yidu Huida may in the future provide information technology support to our other subsidiaries and affiliated entities, which is within the business scope of Yidu Huida. For a description of the risks associated with our offering personalized premium tutoring services in Beijing through Huanqiu Zhikang, see "Risk Factors—Risks Related to Doing Business in China—If the relevant PRC regulatory authorities determine that personalized premium services must be operated through registered schools or non-foreign-invested PRC companies, our personalized premium services business may be exposed to increased risks associated with the contractual arrangements."

The services provided or expected to be provided by TAL Beijing, Huanqiu Zhikang and Yidu Huida are within their respective business scopes as set forth in their business licenses. In particular, the business scope of TAL Beijing includes research, development and production of computer hardware and software, system integration, sale of self-produced goods, technological services, technology transfer, technology consulting and management consulting; the business scope of Huanqiu Zhikang includes education consulting, investment consulting, business consulting and management consulting; and the business scope of Yidu Huida includes (i) research, development and production of computer hardware and software, information technology and system integration, (ii) technology consulting and training, technology transfer and technological services, (iii) management consulting and (iv) sale of self-produced goods.

Contractual Arrangements with Our Consolidated Affiliated Entities

The following is a summary of the material provisions of the agreements between TAL Beijing, our wholly owned subsidiary, and our affiliated entities and the respective shareholders of Xueersi Education and Xueersi Network. For more complete information you should read these agreements in their entirety. Directions on how to obtain copies of these agreements are provided in this prospectus under "Additional Information."

Agreements that Transfer Economic Benefits to Us

Exclusive Business Cooperation Agreement. Pursuant to the Exclusive Business Cooperation Agreement entered into by and among TAL Beijing, the shareholders of Xueersi Education and Xueersi Network and each of our affiliated entities entered into in June 2010, which supersedes all agreements among parties with respect to subject matters thereof, TAL Beijing has the exclusive right to provide each of our affiliated entities comprehensive technical and business support services. Such services include educational software and course materials research and development, 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, sales of proprietary products, and software and trademark licensing and other additional services as the parties may mutually agree from time to time. Without the prior written consent of

TAL Beijing, none of the affiliated entities may accept services covered by the Exclusive Business Cooperation Agreement provided by any third party. TAL Beijing owns the exclusive intellectual property rights created as a result of the performance of this agreement. Our affiliated entities agree to pay annual service fees to TAL Beijing and adjust the service fee rates from time to time at TAL Beijing's discretion. The agreement will not expire unless terminated pursuant by a mutual agreement of parties. The Exclusive Business Cooperation Agreement entitles TAL Beijing to charge our affiliated entities annual service fees that amount to substantially all of the net income of the affiliated entities. TAL Beijing recognized service fees in the total amount of RMB183.3 million ($26.9 million), representing 100% of the net income before the service fees of the affiliated entities, as of August 31, 2010 in consideration for services provided to our affiliated entities; of this amount, which have been eliminated upon consolidation, RMB127.2 million ($18.7 million) has been paid. The payment of the annual service fees is determined by TAL Beijing based on our cash flow management. Under our current payment schedule, the unpaid balance of service fees is expected to be paid within next 12 to 24 months.

Call Option Agreement. Pursuant to a call option agreement, dated February 12, 2009, by and among TAL Beijing, Xueersi Education, Xueersi Network and the respective shareholders of Xueersi Education and Xueersi Network, the respective shareholders of Xueersi Education and Xueersi Network unconditionally and irrevocably granted TAL Beijing or its designated third 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 third 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 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.

Agreements that Provide Effective Control over Our Consolidated Affiliated Entities

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

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

Equity Pledge Agreement. Pursuant to an equity pledge agreement, dated February 12, 2009, by and among TAL Beijing, Xueersi Education, Xueersi Network and the respective shareholders of Xueersi Education and Xueersi Network, the respective shareholders of Xueersi Education and Xueersi Network unconditionally and irrevocably pledged all of their equity interests in Xueersi Education and Xueersi Network to TAL Beijing to guarantee performance of the obligations of Xueersi Education and Xueersi Network and their respective subsidiaries and schools under the technology support and service agreements with TAL Beijing. The shareholders of Xueersi Education and Xueersi Network agree that, without the prior written consent of TAL Beijing, they will not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice TAL Beijing's interest.

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

- the ownership structures of our affiliated entities and wholly owned subsidiaries in China, both currently and after giving effect to this offering, are in compliance with existing PRC laws and regulations; and
- the contractual arrangements among our wholly owned subsidiaries in China, our affiliated entities, the shareholders of Xueersi Education and the shareholders of Xueersi Network 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 legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC counsel that if the PRC government finds that the agreements that establish the structure for operating our PRC education business do not comply with PRC government restrictions on foreign investment in the education business, we could be subject to severe penalties, which could include:

- revoking the business and operating licenses of our PRC subsidiaries and affiliated entities;
- restricting or prohibiting related party transactions between our PRC subsidiaries and affiliated entities;
- imposing fines or other requirements with which we or our PRC subsidiaries and affiliated entities may find difficult or impossible to comply;
- requiring us or our PRC subsidiaries and affiliated entities to restructure the relevant ownership structure or operations; and
- restricting or prohibiting the use of any proceeds from our additional public offering to finance our business and operations in China.

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

PRC Regulation of Loans and Direct Investment by Offshore Holding Companies

In utilizing the proceeds we receive from this offering in the manner described in "Use of Proceeds," 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 affiliated entities, or (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- capital contributions to our subsidiaries in China, whether existing ones or newly established ones, must be approved by the PRC Ministry of Commerce or its local bureaus;
- 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 PRC State Administration of Foreign Exchange, or SAFE, or its local bureaus; and
- loans by us to our affiliated entities, which are domestic PRC entities, must be approved by the relevant government authorities and must also be registered with SAFE or its local bureaus.

In addition, on August 29, 2008, SAFE promulgated Circular 142, a notice regulating the conversion by a foreign-invested company of its capital contribution in foreign currency into Renminbi. It requires that Renminbi converted from foreign currency-denominated capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the relevant government authority and may not be used to make equity investments in China, unless specifically provided otherwise. Moreover, the approved use of such Renminbi funds may not be changed without approval from SAFE. Renminbi funds converted from foreign exchange may not be used to repay loans in Renminbi if the proceeds of such loans have not yet been used. Any violation of Circular 142 may result in severe penalties, including substantial fines. We expect that if we convert the net proceeds from this offering into Renminbi pursuant to Circular 142, our use of Renminbi funds will be for purposes within the business approved scope of our PRC subsidiaries. However, we may not be able to use such Renminbi funds to make equity investments in the PRC through our PRC subsidiaries.

We expect that the PRC regulation of loans and direct investment by offshore holding companies to PRC entities may continue to limit our use of proceeds of this offering. There are no costs associated with registering loans or capital contributions with relevant PRC governmental authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals or registrations or deny our application within a maximum of 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to our future plans to use the U.S. dollar proceeds we receive from this offering for our operations and expansion in China. If we fail to receive such registrations or approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business.

We expect that the PRC regulations of loans and direct investment by offshore holding companies to PRC entities may continue to limit our use of proceeds of this offering. 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 this offering for our expansion and operations in China. If we fail to receive such registrations or approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business.

SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following information concerning us in conjunction with our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

The following selected consolidated statements of operations data for our company for the three fiscal years ended February 29, 2008 and February 28, 2009 and 2010 and the selected consolidated balance sheet data as of February 28, 2009 and 2010 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated balance sheet data as of February 29, 2008 are derived from our audited financial statements, which are not included in this prospectus. Our audited consolidated financial statements are prepared in accordance with U.S. GAAP and have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm. The selected consolidated statements of operations data for the six months ended August 31, 2009 and 2010 and the selected consolidated balance sheet data as of August 31, 2010 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited interim condensed consolidated financial information on the same basis as our audited consolidated financial statements. The unaudited financial information includes all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the periods presented. You should read the summary consolidated financial information in conjunction with our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. Our historical results are not necessarily indicative of results to be expected in any future period.

We have not included financial information for the fiscal years ended February 28, 2006 and 2007, as such information is not available without unreasonable effort or expense.

	For the Year Ended February 29/28,			For the Six Months Ended August 31,	
	2008	2009	2010	2009	2010
	(in thousands of $, except for shares, per share and per ADS data)				
Consolidated Statements of Operations Data:					
Net revenues	$ 8,882	$ 37,476	$ 69,594	$ 32,983	$ 53,022
Total cost of revenues	(4,367)	(18,554)	(37,649)	(16,068)	(26,255)(1)
Gross profit	4,515	18,922	31,945	16,915	26,767
Operating expenses					
Selling and marketing	(370)	(2,353)	(5,608)	(1,958)	(4,184)(2)
General and administrative	(2,478)	(5,890)	(10,872)	(4,602)	(7,808)(3)
Impairment losses on intangible assets and goodwill	—	(1,615)	—	—	—
Total operating expenses	(2,848)	(9,858)	(16,480)	(6,560)	(11,992)
Income from operations	1,667	9,064	15,465	10,355	14,775
Interest income, net	11	77	283	103	162
Other expenses	—	(210)	(124)	(119)	(27)
Impairment loss on available-for-sale securities	—	(363)	—	—	—
Gain from sales of available-for-sale securities	—	—	—	—	6
Gain on extinguishment of liabilities	—	731	—	—	—
Income before income tax provision	1,678	9,299	15,624	10,339	14,916
Provision for income tax	(165)	(2,018)	(1,379)	(912)	(1,670)
Net income	$ 1,513	$ 7,281	$ 14,245	$ 9,427	$ 13,246
Deemed dividends on Series A convertible redeemable preferred shares	—	(4,113)	—	—	—
Net income attributable to common shareholders	$ 1,513	$ 3,168	$ 14,245	$ 9,427	$ 13,246
Net income per common share:					
Basic	$ 0.01	$ 0.03	$ 0.11	$ 0.08	$ 0.11
Diluted	$ 0.01	$ 0.03	$ 0.11	$ 0.08	$ 0.11
Net income per Series A convertible redeemable preferred share-basic	—	$ 17.69	$ 0.11	$ 0.08	$ 0.11
Net income per ADS:					
Basic					
Diluted					
Weighted average shares used in calculating net income per common share					
Basic	120,000,000	120,000,000	120,000,000	120,000,000	120,000,000
Diluted	120,000,000	120,000,000	125,000,000	125,000,000	125,193,360

Notes:

(1) Includes share-based compensation expenses of $110 thousand.

(2) Includes share-based compensation expenses of $163 thousand.

(3) Includes share-based compensation expenses of $647 thousand.

(4) Each ADS represents Class A common shares.

	As of February 29/28,			As of August 31, 2010	
	2008 Actual	2009 Actual	2010 Actual	Actual	Pro Forma(1)
			(in thousands of $)		
Selected Consolidated Balance Sheet Data					
Cash and cash equivalents	$ 5,704	$29,693	$ 50,752	$ 81,495	81,495
Total assets	8,131	38,553	65,504	97,515	97,515
Deferred revenue	5,714	18,023	29,408	42,101	42,101
Convertible loan	—	—	500	500	500
Total liabilities	7,012	26,198	38,578	56,234	56,234
Net assets	1,119	12,355	26,926	41,281	41,281
Series A convertible redeemable preferred shares	—	9,000	9,000	9,000	—
Total equity	1,119	3,355	17,926	32,281	41,281

Note:

(1) Reflects the automatic conversion of all of our Series A preferred shares into 5,000,000 Class B common shares immediately prior to the completion of this offering.

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

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

Overview

We are the largest K-12 after-school tutoring service provider in China in terms of revenues in 2009, according to iResearch. We offer comprehensive tutoring services to K-12 students, covering core academic subjects, including mathematics, English, Chinese, physics, chemistry and biology. The K-12 after-school tutoring service market in China is highly fragmented. In 2009, we had a 0.26% market share in China and a 4.5% market share in Beijing, in each case as measured by revenues for the year according to iResearch.

We deliver our tutoring services through small classes, personalized premium services (i.e., one-on-one tutoring) and online course offerings. Our extensive network consists of 109 learning centers and 87 service centers in Beijing, Shanghai Shenzhen, Guangzhou, Tianjin, and Wuhan, as well as our online platform. Our student enrollments increased from 67,996 in the fiscal year ended February 29, 2008 to 382,505 in the fiscal year ended February 28, 2010, representing a CAGR of 137.2%. Our student enrollment growth has been predominantly driven by new students.

We have experienced significant growth in our business in recent years. Our total net revenues increased from $8.9 million in the fiscal year ended February 29, 2008 to $69.6 million in the fiscal year ended February 28, 2010, representing a CAGR of 179.9%. Our net income increased from $1.5 million in the fiscal year ended February 29, 2008 to $14.2 million in the fiscal year ended February 28, 2010, representing a CAGR of 206.9%. Our total net revenues and net income was $53.0 million and $13.2 million, respectively, for the six months ended August 31, 2010.

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. We anticipate that the demand for K-12 after-school tutoring services will continue to grow. According to iResearch, the K-12 after-school tutoring market in China grew from RMB123.8 billion in 2007 to RMB189.7 billion ($27.8 billion) in 2009, representing a CAGR of 23.8%, and is projected to grow to RMB447.2 billion ($65.5 billion) in 2014, representing a CAGR of 18.7% from 2009. 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 after-school tutoring service market in China. Due to the PRC legal restrictions on foreign ownership and investment in education business in China, we rely on a series of contractual arrangements among TAL Beijing, Xueersi Education, Xueersi Network and their respective shareholders, subsidiaries and schools to conduct most of our tutoring services in China, while our personalized premium services in Beijing are offered through Huanqiu Zhikang. We do not have equity interests in Xueersi Education and Xueersi Network; however, as a result of these contractual arrangements, we are the primary beneficiary of Xueersi Education and Xueersi Network and treat them as our variable interest entities under U.S. GAAP. In the opinion of Tian Yuan Law Firm, our PRC legal counsel, the ownership structures of our affiliated entities and wholly owned subsidiaries in China, both currently and after giving effect to this offering, are in compliance with existing PRC laws and regulations. We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. See "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 "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, our annual retention rate, our ability to attract new students and the effectiveness of our cross-selling efforts.

We have, over the past three fiscal years, opened new learning centers to further penetrate our existing markets and enter new markets. The number of our learning centers grew from 30 in Beijing, Shanghai and Wuhan as of February 29, 2008, to 109 in Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin and Wuhan to date. We plan to open additional learning centers in these six 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, we have significantly expanded our course offerings to cover new subjects and additional grade levels over the past three fiscal years. 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 China's school curricula at each grade level of the K-12 system. We initially offered only small-class tutoring services, and then added personalized premium services in September 2007 and began offering online courses in January 2010. Our expansion of courses and service offerings allows us to better attract new students with different needs and provide us greater cross-selling opportunities with respect to our existing students.

To date, we have enjoyed a high annual retention rate of over 70%, as a result of our high quality services. A high annual retention rate coupled with our ability to cross-sell additional courses and service offerings to existing students has also contributed to our total student enrollment growth.

We expect our student enrollments will continue to grow and the tuition fees will remain relatively stable in the near term. We raised the hourly rates of our courses in the summer of 2010 and have no immediate plan for further increases. We believe that the K-12 after-school tutoring service market is not very sensitive to changes in economic conditions, and we therefore do not expect the current economic conditions to have any significant impact on our business.

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. Due to our high quality services and the outstanding performance track record of our students, we have been able to price above the market rates and increase our hourly rates in fiscal years 2009 and 2011.

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. Salaries and other compensation to our teachers accounted for approximately 25% of our net revenues in each of the two most recent fiscal years and 23% of our net revenues for the six months ended August 31, 2010. Another important

component of our cost of revenues is rental expenses for our learning and service centers, which have remained stable at approximately 14% of our net revenues in each of the two most recent fiscal years. Our cost of revenues as a percentage of our total net revenues was 49.2%, 49.5% and 54.1% for fiscal years 2008, 2009 and 2010, respectively. This increase was largely a result of the rapid expansion of our facilities and network, including our additional investments in human resources, course materials and leasehold improvements in anticipation of further student enrollment growth. Our operating expenses include two key components, selling and marketing expenses and general and administrative expenses. From fiscal year 2008 to fiscal year 2010, our total operating expenses as a percentage of our total net revenues decrease from 32.1% to 23.7%. During the same period, our selling and marketing expenses as a percentage of our total net revenues increased from 4.2% to 8.1%, mainly due to the expansion of our sales and marketing personnel in anticipation of future student enrollment growth. This increase in selling and marketing expenses was offset by the significant decline of our general and administrative expenses as a percentage of our total net revenues from 27.9% in fiscal year 2008 to 15.6% in fiscal year 2010, primarily as a result of our increasing economies of scale and improved operating efficiency. For the six months ended August 31, 2010, our cost of revenues as a percentage of our total net revenues was 49.5%, and each of our total operating expenses, selling and marketing expenses and general and administrative expenses as a percentage of our total net revenues was 22.6%, 7.9% and 14.7%, respectively. Going forward, we expect that our total costs and expenses will increase due to the expansion of our services and operations and additional costs and expenses associated with becoming a public company; however, such increase is likely to be partially offset by our increasing economies of scale and improved operating efficiency.

Key Components of Results of Operations

Net Revenues

In the fiscal years ended February 29, 2008 and February 28, 2009 and 2010 and for the six months ended August 31, 2010, we generated total net revenues of $8.9 million, $37.5 million, $69.6 million and $53.0 million, respectively. We derive substantially all of our revenues from tutoring services, including small classes and personalized premium services. We also generate a small amount of revenues from selling educational materials to students at our learning centers and most recently, from our online course offerings. Revenues generated from our online course offerings contributed less than 1.5% of our total net revenues since we began offering online courses in 2010. Our revenues are presented net of business tax.

We generally collect course fees in advance, which we initially record as deferred revenues. We recognize course fees as revenues proportionately as the tutoring courses are delivered. We had deferred revenues in the amounts of $18.0 million, $29.4 million and $42.1 million as of February 28, 2009 and 2010 and August 31, 2010, respectively.

For small-class courses consisting of more than seven classes per course, we offer tuition refunds for any remaining unattended classes to students who decide to withdraw from a course, provided that the course is less than two-thirds completed at the time of withdrawal. For personalized premium services, a student can withdraw at any time and receive a refund for the undelivered classes. Refunds are recorded as deductions to deferred revenues. We have not experienced significant refunds in the past.

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 Year Ended February 29/28,						For the Six Months Ended August 31,			
	2008		2009		2010		2009		2010	
	$	%	$	%	$	%	$	%	$	%
	(in thousands of $, except percentages)									
Net revenues	8,882	100.0%	37,476	100.0%	69,594	100.0%	32,983	100.0%	53,022	100.0%
Total cost of revenues	(4,367)	(49.2)	(18,554)	(49.5)	(37,649)	(54.1)	(16,068)	(48.7)	(26,255)(1)	(49.5)
Operating expenses:										
Selling and marketing	(370)	(4.2)	(2,353)	(6.3)	(5,608)	(8.1)	(1,958)	(5.9)	(4,184)(2)	(7.9)
General and administrative	(2,478)	(27.9)	(5,890)	(15.7)	(10,872)	(15.6)	(4,602)	(14.0)	(7,808)(3)	(14.7)
Impairment losses on intangible assets and goodwill	—	—	(1,615)	(4.3)	—	—	—	—	—	—
Total operating expenses	(2,848)	(32.1)%	(9,858)	(26.3)%	(16,480)	(23.7)%	(6,560)	(19.9)%	(11,992)	(22.6)%

Notes:

(1) Includes share-based compensation expenses of $110 thousand.

(2) Includes share-based compensation expenses of $163 thousand.

(3) Includes share-based compensation expenses of $647 thousand.

Cost of Revenues

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

Operating Expenses

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

Our selling and marketing expenses primarily consist of compensation and benefits to our personnel involved in sales and marketing, as well as expenses relating to our marketing and branding promotion activities. Our selling and marketing expenses also include expenses associated with the development and maintenance of our online platform, www.eduu.com, which is a key component of our marketing strategy to increase student loyalty and stickiness, and enhance our brand awareness. As word-of-mouth referrals and our online communities have contributed significantly to student recruitment, we have not incurred significant advertising expenses in the past. In anticipation of future growth, we increased the number of personnel in our selling and marketing functions in fiscal years 2009 and 2010, resulting in an increase in selling and marketing expenses as a percentage of net revenues from 4.2% in the fiscal year ended February 29, 2008 to 8.1% in the fiscal year ended February 28, 2010. Our selling and marketing expenses as a percentage of net revenues was 7.9% for the six months ended August 31, 2010. We do not expect that our selling and marketing expenses will significantly increase as a percentage of net revenues in the near future.

Our general and administrative expenses primarily consist of compensation and benefits paid to our management and administrative personnel, costs of third-party professional services, rental and utilities expenses relating to office and administrative functions and, to a lesser extent, depreciation and amortization of property and equipment used in our administrative activities. Our general and administrative expenses as a percentage of our total net revenues decreased from 27.9% in fiscal year 2008, to 15.7% in fiscal year 2009 and 15.6% in fiscal year 2010, primarily as a result of our increasing economies of scale and improved operating efficiency. For the six months ended August 31, 2010, our general and administrative expenses as a

percentage of our total net revenues was 14.7%. We expect that our general and administrative expenses will increase in the near term as we hire additional personnel and incur additional expenses in connection with the expansion of our business operations, with becoming a publicly traded company, enhancing our internal controls and providing share-based compensation to our employees.

Taxation

Cayman Islands

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

Hong Kong

Our wholly owned subsidiary in Hong Kong, Xueersi Hong Kong, is subject to Hong Kong profits tax on its activities conducted in Hong Kong. No provision for Hong Kong Profits tax has been made in the consolidated financial statements as Xueersi Hong Kong has no assessable income for the years ended February 28, 2009 and February 28, 2010.

PRC

Our subsidiaries in China are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws.

Pursuant to the EIT Law, which became effective on January 1, 2008, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies.

Our affiliated entity, Xueersi Education, was qualified as a "High and New Technology Enterprise," under the EIT Law effective January 1, 2008 and therefore was qualified for a preferential tax rate of 15%. In addition, since Xueersi Education is located in a high and new technology industrial zone in Beijing and qualified as a High and New Technology Enterprise, it was entitled to a three-year exemption from the enterprise income tax from calendar year 2006 to 2008 and a further tax reduction to a rate of 7.5% from calendar year 2009 to 2011. Our wholly owned subsidiary, TAL Beijing, was qualified as a "Newly Established Software Enterprise" under the EIT Law and therefore entitled to a two-year exemption from the enterprise income tax from calendar year 2009 to 2010 and a further tax reduction to 50% of the applicable rate from calendar year 2011 to 2013. Our affiliated entities, Xueersi Network and Beijing Haidian District Xueersi Training School, were entitled to a one-year tax exemption in calendar year 2007 as newly established companies in that year.

On April 21, 2010, the State Administration of Taxation issued Circular 157, *Further Clarification on Implementation of Preferential EIT Rate during Transition Periods*, or Circular 157. Circular 157 seeks to provide additional guidance on the interaction of certain preferential tax rates under the transitional rules of the EIT Law. Prior to Circular 157, we interpreted the law to mean that if a "high and new technology enterprise strongly supported by the state" or "High and New Technology Enterprise" was in a tax holiday period that provides for "2-year exemption plus 3-year half rate" or "5-year exemption plus 5-year half rate" or other tax exemptions and reductions, where it was entitled to a 50% reduction in the tax rate and was also entitled to a 15% rate of tax due to its High and New Technology Enterprise status under the EIT Law, then it was entitled to pay tax at the rate of 7.5%. Circular 157 appears to have the effect that such an entity is entitled to pay tax at the lower of 15% and 50% of the standard PRC tax rate, which is currently 25%. It is unclear whether Circular 157 would apply retrospectively but we understand that the State Administration of Taxation has recently taken the position that Circular 157 applies only to tax years commencing from January 1, 2010.

Based on the interpretation of Circular 157 from the relevant local tax authority, we believe that entities that are qualified for "3-year exemption plus 3-year half rate" tax holiday as High and New Technology

Enterprises and are registered in the Zhongguancun High and New Technology Industrial Zone of Beijing will continue to pay income tax at a rate of 7.5%. Since Xueersi Education enjoys "3-year exemption plus 3-year half rate" and is a High and New Technology Enterprise registered in the Zhongguancun High and New Technology Industrial Zone of Beijing, we do not believe that Circular 157 has any effect on our tax position.

Preferential tax treatments granted to our affiliated entities in the PRC by local governmental authorities are subject to review and may be adjusted or revoked at any time. In addition, if the government regulations or authorities were to phase out preferential tax benefits currently granted to a "High and New Technology Enterprise," Xueersi Education would be subject to the standard statutory tax rate, which currently is 25%. The discontinuation of any preferential tax treatments currently available to us, will cause our effective tax rate to increase, which could have a material adverse effect on our results of operations.

As a Cayman Islands holding company, substantially all of our income is derived from dividends we receive from our PRC operating subsidiaries through Xueersi Hong Kong. The EIT Law and its implementing rules provide that dividends paid by a PRC entity to a non-resident enterprise for income tax purposes is subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with the PRC. 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 State Administration for Taxation promulgated SAT Circular 601 on October 27, 2009, which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's tax treaties and tax arrangements. According to SAT Circular 601, a beneficial owner generally must engage in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. A conduit company normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. Although we may use Xueersi Hong Kong as a platform to expand our business in the future, Xueersi Hong Kong currently does not engage in any substantive business activities and thus it is possible that Xueersi Hong Kong may not be regarded as a "beneficial owner" for the purposes of SAT Circular 601 and the dividends it receives from our PRC subsidiaries would be subject to withholding tax at a rate of 10%. In addition, Xueersi Hong Kong may be considered a PRC resident enterprise for enterprise income tax purposes if the relevant PRC tax authorities determine that Xueersi Hong Kong's "de facto management bodies" are within the PRC, in which case dividends received by it 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 remains 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 "Risk Factors—Risks Related to Doing Business in China—Under the EIT Law, we may be classified as a "resident enterprise" of China. Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders."

Internal Control over Financial Reporting

In the course of preparing our consolidated financial statements, we and our independent registered public accounting firm identified a material weakness as defined in the U.S. Public Company Accounting Oversight Board Standard AU Section 325, Communicating Internal Control Related Matters Identified in an Audit, or AU325, in our internal control over financial reporting as of February 28, 2010. As defined in AU325, a "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified related to insufficient accounting personnel with appropriate U.S. GAAP knowledge. Following the

identification of the material weakness, we hired a chief financial officer with publicly listed company and securities regulation experience in June 2010.

Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control for purposes of identifying and reporting material weakness and other control deficiencies in our internal control over financial reporting as we and they will be required to do once we become a public company. It is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

We plan to take additional measures to improve our internal control over financial reporting in 2011 and 2012, including (1) hiring additional accounting personnel with extensive experience in U.S. GAAP and SEC reporting requirements and strong analytical skills; (2) providing regular training on an ongoing basis to our accounting personnel that cover a broad range of accounting and financial reporting topics; and (3) developing a more comprehensive manual with detailed step by step guidance on accounting policies and procedures and continuing to update the manual as needed. We are not able to estimate with reasonable certainty the costs that we will need to incur to implement these and other measures designed to improve our internal control over financial reporting. See "Risk Factors —Risks Related to Our Business—In the course of preparing our consolidated financial statements, a material weakness in our internal control over financial reporting was identified. If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our ADSs may be adversely affected."

Acquisitions

Although we have expanded our business operations primarily through organic growth, we made five small business acquisitions in selected new geographic markets in 2008 to take advantage of the targets' existing student base and operating licenses. The five acquisitions were: (i) the purchase of assets and related business of a school in Tianjin in March 2008 for consideration of $0.2 million; (ii) the acquisition of a school in Jianli, Hubei Province in July 2008 for consideration $0.2 million; (iii) the acquisition of a school in Qianjiang, Hubei Province in July 2008 for consideration $0.2 million; (iv) the acquisition of a school in Wuhan, Hubei Province in July 2008 for consideration $1.6 million; and (v) the acquisition of Shanghai Lehai and its 100% owned subsidiaries in Shanghai in August 2008 for total consideration of $1.0 million.

Critical Accounting Policies

We prepare our financial statements in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect our reporting of, among other things, assets and liabilities, contingent assets and liabilities and net revenues and expenses. 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.

Revenue recognition

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

A student subscribes for a course containing a fixed number of classes. A typical course consists of 15 to 16 classes during each of the school semesters and 7 to 12 classes during each of the summer and winter breaks. Tuition revenue is generally collected in advance and is initially recorded as deferred revenue. Tuition revenue is then recognized proportionately as the tutoring classes are delivered.

For small-class courses consisting of more than seven classes per course, we offer refunds for any remaining classes to students who decide to withdraw from a course, provided the course is less than two-thirds completed at the time of withdrawal. After two-thirds of a course is delivered, no refund is allowed. For small-class courses with less than seven classes, no refund will be provided after the commencement of the courses. For personalized premium services, a student can withdraw at any time and receive a refund for the undelivered classes. We have not experienced significant refunds in the past.

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

We sell educational materials to students at our learning centers. Revenue is recognized when the educational content or other educational materials are delivered and collection of the receivables is reasonably assured.

We began to offer online courses to students in 2010. Students enroll in online courses through the use of prepaid study cards. The proceeds collected from the online courses are initially recorded as deferred revenues. Revenues are recognized on a straight line basis over the subscription period from the date when the students activate the courses to the date when the subscribed courses end. We provide refunds for courses that are not taken to students who decide to withdraw from the subscribed courses within the course offer period, which generally ranges from one month to six months.

Goodwill and Intangible Assets

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

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

Goodwill is tested for impairment at least once each year on the last day of February. Impairment is tested using a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first

step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

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

We currently have 14 reporting units and only five reporting units carry assigned goodwill: Wuhan Jianghanqu Xiaoxinxing English Training School ("Wuhan School"), Hubei Qianjiang Xiaohafu English Training School ("Qianjiang School"), Hubei Jianli Hafu English Training School ("Jianli School"), Shanghai Lehai Science and Technology Information Co., Ltd. ("Shanghai Lehai"), and Xueersi Education.

We recorded an impairment of goodwill of approximately $1.2 million in the year ended February 28, 2009 in respect of Wuhan School and Qianjiang School because the post-acquisition performance of these reporting units was not in line with our expectations at the date of acquisition. We used the income approach as the primary approach in determining the impairment of goodwill on these reporting units as of February 28, 2009, and relied in part on a valuation report prepared by American Appraisal China Limited based on data we provided.

The projected cash flow estimate included, among other things, an analysis of projected revenue growth, gross margins, and long-term growth rates. The income approach involves applying appropriate discount rates, based on earnings forecasts, to estimated cash flows. The key assumptions of our cash flow forecasts we used in deriving the fair values of these two reporting units as of February 28, 2009 were consistent with the assumptions that we used in developing our business plan, which included:

- Net revenues of Wuhan School and Qianjiang School would grow at a CAGR of 10.4% and 9.4%, respectively, from 2009 to 2014 primarily through an increase in the number of students. The long-term growth rate of Wuhan School and Qianjiang School after 2014 was assumed to be 3% per year.
- Cost of revenues mainly consists of teacher salary and welfare, rent, and tutoring materials. Cost of revenues as a percentage of revenues of Wuhan School was expected to decrease from 91% in 2009 to 62% of sales in 2014 because staff cost and rental would not grow as fast as revenues. Cost of revenues as a percentage of revenues of Qianjiang School was expected to increase from 53% in 2009 to 60% of sales in 2014.
- Operating expenses as a percentage of revenues were expected to decrease from 2009 to 2014 as we anticipated that corporate overhead and administrative expense would not increase as fast as revenues during the period due to the improvement of operating efficiency.
- There would be no material changes in the existing political, legal, fiscal and economic conditions in China and in our ability to recruit and retain competent management, key personnel and technical staff to support our ongoing operations.
- There was no material deviation in industry trends and market conditions from economic forecasts.

These assumptions are inherently uncertain and subjective. The discount rates reflect the risks the management perceived as being associated with achieving the forecasts and are based on the estimated cost of capital of our reporting units, which was derived by using the capital asset pricing model, after taking into account systemic risks and non-systematic risks. The capital asset pricing model is a model commonly used by market participants for determining the fair values of assets that adds an assumed risk premium rate of return to an assumed risk-free rate of return. Using this method, we determined the discount rates of 20% and 30% to be appropriate for determining the fair values of Wuhan School and Qianjiang School. We considered the selected discount rates to properly reflect the uncertainty associated with the key assumptions of projected cash flows of these two reporting units as of February 28, 2009.

We evaluate intangible assets with a finite useful life impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment to be

recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Estimates of fair value result from a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions at a point in time. The judgments made in determining an estimate of fair value can materially impact our results of operations. The valuations are based on information available as of the impairment review date and are based on expectations and assumptions that have been deemed reasonable by management. Any changes in key assumptions, including unanticipated events and circumstances, may affect the accuracy or validity of such estimates and could potentially result in an impairment charge.

In the year ended February 28, 2009, we tested for impairment of the intangible and other long-lived assets recognized primarily in respect of Wuhan School and Qianjiang School because, as noted above, the performance of these acquisitions was not in line with our expectations. As a result, we recognized an impairment loss on intangible assets of $0.4 million.

Other-Than-Temporary Impairment of Investment in Available for Sale Securities

We value available for sale securities at fair value and take the unrealized changes in fair value to Accumulated Other Comprehensive Income, a component of equity. However, when an investment has a fair value below its original costs we are required to determine whether that impairment is other-than-temporary and, if so, it is required to be recognized in earnings. Determination of whether an impairment is other-than-temporary involves management's judgment as to the severity and duration of the decline in fair value. As at February 28, 2009, we had available for sale securities with the carrying value of $0.7 million and which then had a fair value of $0.3 million as at February 28, 2010. We determined that in the market conditions at that time there could be no assurance as to when and if the fair value would recover and consequently recognized an impairment loss in earnings of $0.4 million.

Income Taxes

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

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

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Group has concluded that there are no significant uncertain tax positions requiring recognition in financial statements for the years ended February 29, 2008, February 28, 2009 and 2010. The Group did not incur any 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 periods. The years 2007 to 2009 remain subject to examination by the PRC tax authorities.

Our affiliated entity, Xueersi Education, was qualified as a "High and New Technology Enterprise," under the EIT Law effective January 1, 2008 and therefore was qualified for a preferential tax rate of 15%. In

addition, since Xueersi Education is located in a high and new technology industrial zone in Beijing and qualified as a High and New Technology Enterprise, it was entitled to a three-year exemption from the enterprise income tax from calendar year 2006 to 2008 and a further tax reduction to a rate of 7.5% from calendar year 2009 to 2011. Our wholly owned subsidiary, TAL Beijing, was qualified as a "Newly Established Software Enterprise" under the EIT Law and therefore entitled to a two-year exemption from the enterprise income tax from calendar year 2009 to 2010 and a further tax reduction to 50% of the applicable rate from calendar year 2011 to 2013. Our affiliated entities, Xueersi Network and Beijing Haidian District Xueersi Training School, were entitled to a one-year tax exemption in calendar year 2007 as newly established companies in that year.

On April 21, 2010, the State Administration of Taxation issued Circular 157, *Further Clarification on Implementation of Preferential EIT Rate during Transition Periods*, or Circular 157. Circular 157 seeks to provide additional guidance on the interaction of certain preferential tax rates under the transitional rules of the EIT Law. Prior to Circular 157, we interpreted the law to mean that if a "high and new technology enterprise strongly supported by the state" or "High and New Technology Enterprise" was in a tax holiday period that provides for "2-year exemption plus 3-year half rate" or "5-year exemption plus 5-year half rate" or other tax exemptions and reductions, where it was entitled to a 50% reduction in the tax rate and was also entitled to a 15% rate of tax due to its High and New Technology Enterprise status under the EIT Law, then it was entitled to pay tax at the rate of 7.5%. Circular 157 appears to have the effect that such an entity is entitled to pay tax at the lower of 15% and 50% of the standard PRC tax rate, which is currently 25%. It is unclear as to whether Circular 157 would apply retrospectively but we understand that the State Administration of Taxation has recently taken the position that Circular 157 applies only to tax years commencing from January 1, 2010.

Based on the interpretation of Circular 157 from the relevant local tax authority, we believe that entities that are qualified for "3-year exemption plus 3-year half rate" tax holiday as High and New Technology Enterprises and are registered in the Zhongguancun High and New Technology Industrial Zone of Beijing will continue to pay income tax at a rate of 7.5%. Since Xueersi Education enjoys "3-year exemption plus 3-year half rate" and is a High and New Technology Enterprise registered in the Zhongguancun High and New Technology Industrial Zone of Beijing, we do not believe that Circular 157 has any effect on our tax position.

Uncertainties exist with respect to how the EIT Law applies to our overall operations, and more specifically, with regard to our tax residency status. The EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for PRC income tax purposes if their "de facto management bodies" are within the PRC. The Implementation Rules define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside of the PRC should be treated as residents under the EIT Law. Each of TAL Group and Xueersi Hong Kong is a company incorporated outside the PRC. As holding companies, these two entities' key assets, which are essentially corporate documents and records, are located and maintained outside of the PRC. In addition, we are not aware of any offshore holding companies with a similar corporate structure as the Company's ever having been deemed to be PRC "resident enterprises" by the PRC tax authorities. Therefore, we believe that neither TAL Group nor Xueersi Hong Kong should be treated as a "resident enterprise" for PRC tax purposes. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue. See "Risk Factors—Risks Related to Doing Business in China—Under the EIT Law, we may be classified as a "resident enterprise" of China. Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders."

Fair Value of Our Common Shares and Share-Based Compensation

In June 2010, we adopted the 2010 share incentive plan. The plan permits the grant of options to purchase Class A common shares, restricted shares, restricted share units, dividend equivalent rights and other awards as deemed appropriate by the administrator under the plan. The maximum aggregate number of

Class A common shares that may be issued pursuant to all awards under the plan is 18,750,000 Class A common shares. On July 26, 2010, we granted 5,419,500 restricted shares under this plan to some of our directors, executive officers and employees. These restricted shares will vest in accordance with the vesting schedule set out in the respective restricted share agreements with the grantees, which ranges from one to four years.

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

Prior to this offering, there have been no quoted market prices for our Class A common shares. We have therefore had to make an estimate of the fair value of our Class A common shares for the purposes of determining the fair value of our Class A common shares on the date of grant of share-based compensation awards to our employees.

The estimated fair value of our Class A common shares was $5.00 per share as of July 26, 2010.

Determining the fair value of our Class A common shares required us to make subjective judgments regarding our projected financial and operating results, our unique business risks, the liquidity of our Class A common shares and our operating history and prospects at the time the grants were made. The significant factors we considered include the following:

- our financial and operating results;
- the assumptions and basis of our financial projections;
- the nature of our business;
- the stage of development of our operations;
- our business plan;
- our business risks;
- the nature and prospects of the private education industry in China;
- the global economic outlook in general and the specific economic and competitive elements affecting our business, industry and market; and
- the market-derived investment returns of entities engaged in similar business.

We principally used the market approach. We considered the market profile and performance of comparable companies and used such information to derive market multiples.

Discount for lack of marketability, or DLOM, was also applied to reflect the fact that there is no ready public market for our shares as we are a closely held private company. The DLOM of 10% applied for valuation of our Class A common shares as of July 26, 2010 was determined with the assistance of American Appraisal using the Black-Scholes option pricing model. Under the option-pricing method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine DLOM.

In addition, we made other assumptions in assessing the fair value of our Class A common shares, including the following:

- that no material change will occur in the applicable future periods in the existing political, legal, fiscal or economic conditions and in the education industry in China;
- that no material change will occur in the current PRC law applicable to us and the applicable tax rates will remain unchanged;
- that exchange rates and interest rates in the applicable future periods will not differ materially from the current rates;

- that our future growth will not be constrained by lack of funding;
- that we have the ability to retain competent management and key personnel to support our ongoing operations; and
- that industry trends and market conditions for the education and related industries will not deviate significantly from current forecasts.

We have considered the guidance prescribed by the AICPA Audit and Accounting Practice Aid in determining the fair value of our Class A common shares as of July 26, 2010. A detailed description of the valuation method used in the fair value of our Class A common shares as of July 26, 2010 is set out above. Paragraph 113 of the Practice Aid states that "the ultimate IPO price itself also is generally not likely to be a reasonable estimate of the fair value for pre-IPO equity transactions of the enterprise." We therefore believe the ultimate initial public offering price itself is generally not likely to be a reasonable estimate of the fair value of our Class A common shares as of July 26, 2010.

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

	For the Year Ended February 29/28,						For the Six Months Ended August 31,			
	2008		2009		2010		2009		2010	
	$	%	$	%	$	%	$	%	$	%
	(in thousands of $, except percentages)									
Net revenues	$ 8,882	100.0%	$ 37,476	100.0%	$ 69,594	100.0%	$ 32,983	100.0	$ 53,022	100.0%
Cost of revenues	(4,367)	(49.2)	(18,554)	(49.5)	(37,649)	(54.1)	(16,068)	(48.7)	(26,255)(1)	(49.5)
Gross profit	4,515	50.8	18,922	50.5	31,945	45.9	16,915	51.3	26,767	50.5
Operating expenses										
Selling and marketing	(370)	(4.2)	(2,353)	(6.3)	(5,608)	(8.1)	(1,958)	(5.9)	(4,184)(2)	(7.9)
General and administrative	(2,478)	(27.9)	(5,890)	(15.7)	(10,872)	(15.6)	(4,602)	(14.0)	(7,808)(3)	(14.7)
Impairment losses on intangible assets and goodwill	—	—	(1,615)	(4.3)	—	—	—	—	—	—
Total operating expenses	(2,848)	(32.1)	(9,858)	(26.3)	(16,480)	(23.7)	(6,560)	(19.9)	(11,992)	(22.6)
Income from operations	1,667	18.7	9,064	24.2	15,465	22.2	10,355	31.4	14,775	27.9
Interest income, net	11	0.1	77	0.2	283	0.4	103	0.3	162	0.3
Other expenses	—	—	(210)	(0.6)	(124)	(0.2)	(119)	(0.4)	(27)	(0.1)
Impairment loss on available-for-sale securities	—	—	(363)	(1.0)	—	—	—	—	—	—
Gain from sales of available-for-sale securities	—	—	—	—	—	—	—	—	6	0.0
Gain on extinguishment of liabilities	—	—	731	2.0	—	—	—	—	—	—
Income before income tax provision	1,678	18.8	9,299	24.8	15,624	22.4	10,339	31.3	14,916	28.1
Provision for income tax	(165)	(1.8)	(2,018)	(5.4)	(1,379)	(1.9)	(912)	(2.7)	(1,670)	(3.1)
Net income	$ 1,513	17.0%	$ 7,281	19.4%	$ 14,245	20.5%	$ 9,427	28.6%	$ 13,246	25.0%

Notes:

(1) Includes share-based compensation expenses of $110 thousand.

(2) Includes share-based compensation expenses of $163 thousand.

(3) Includes share-based compensation expenses of $647 thousand.

Six Months Ended August 31, 2010 Compared to Six Months Ended August 31, 2009

Net Revenues

Our total net revenues increased by 60.8% from $33.0 million for the six months ended August 31, 2009 to $53.0 million for the six months ended August 31, 2010. This increase was primarily due to the additional student enrollments in our newly opened learning centers and increased student enrollments in our existing learning centers. The number of total student enrollments grew from 175,638 for the six months ended August 31, 2009 to 236,919 for the six months ended August 31, 2010, while the number of learning centers increased from 83 as of August 31, 2009 to 108 as of August 31, 2010.

Cost of Revenues

Our cost of revenues increased by 63.4% from $16.1 million for the six months ended August 31, 2009 to $26.3 million for the six months ended August 31, 2010. This increase was primarily due to an increase in our rental payments as we leased facilities for 108 learning centers and 86 service centers as of August 31, 2010, as compared to 83 learning centers and 65 service centers as of August 31, 2009. Also contributing to the increase of our cost of revenues included an increase in aggregate compensation paid to our full-time teachers as the number of full-time teachers increased from 631 as of August 31, 2009 to 1,067 as of August 31, 2010. This increased compensation to full-time teachers was partially offset by the decrease of the number of contract teachers from 2,587 as of August 31, 2009 to 1,455 as August 31, 2010. In addition, compensation paid to personnel providing educational service support increased as a result of the increase of such personnel from 730 as of August 31, 2009 to 912 as of August 31, 2010. The increase in our cost of revenues was also attributable to share-based compensation expenses and an increase in the cost of course materials, increased depreciation and amortization of property and equipment as a result of the expansion of our learning centers and service centers and our continued efforts to upgrade our classroom facilities and technology systems. The amount of share-based compensation expenses included in the cost of revenues for the six months ended August 31, 2010 was $110 thousand, compared to nil for the six months ended August 31, 2009.

Gross Profit

As a result of the foregoing, our gross profit increased by 58.2% from $16.9 million for the six months ended August 31, 2009 to $26.8 million for the six months ended August 31, 2010. Our gross profit margin was 50.5% for the six months ended August 31, 2010, as compared to 51.3% for the six months ended August 31, 2009.

Operating Expenses

Our operating expenses increased by 82.8% from $6.6 million for the six months ended August 31, 2009 to $12 million for the six months ended August 31, 2010. This increase resulted from increases in both our selling and marketing expenses and general and administrative expenses and, in particular, a $0.8 million share-based compensation charge.

Selling and Marketing Expenses. Our selling and marketing expenses increased by 113.7% from $2.0 million for the six months ended August 31, 2009 to $4.2 million for the six months ended August 31, 2010. This increase was primarily due to the related increase in compensation, office rental expenses and office expenses for an expanded sales and marketing force and, to a lesser extent, a share-based compensation charge of $163 thousand.

General and Administrative Expenses. Our general and administrative expenses increased by 69.7% from $4.6 million for the six months ended August 31, 2009 to $7.8 million for the six months ended August 31, 2010. This increase was primarily due to an increase of 117 employees for our corporate and administrative functions to support our expanded operations and, to a lesser extent, a share-based compensation charge of $647 thousand.

Interest Income, Net

We had net interest income of $0.2 million for the six months ended August 31, 2010, compared to $0.1 million for the six months ended August 31, 2009. Our interest income in both years consisted of interest earned on our cash and cash equivalents deposited in commercial banks, which, in the case of our net interest income for the six months ended August 31, 2010, was partially offset by the interest expenses incurred with respect to a convertible loan we borrowed in January 2010 and with respect to our acquisition payables.

Other Expenses, Net

We had other expenses of $27,000 for the six months ended August 31, 2010, compared to $0.1 million for the six months ended August 31, 2009. Our expenses in both periods were primarily attributable to our charitable donations to promote public education in rural areas.

Gain from Sales of Available-for-Sale Securities

We recognized a $6,000 gain from sales of available-for-sale securities for the six months ended August 31, 2010 related to disposal of certain available-for-sale securities in the open market, which we bought in December 2009.

Provision for Income Tax

Our provision for income tax increased by 83.1% from $0.9 million for the six months ended August 31, 2009 to $1.7 million for the six months ended August 31, 2010, primarily due to the increase in our taxable income and a higher effective income tax rate for the six months ended August 31, 2010. Our effective income rate was 11.2% in the six months ended August 31, 2010, compared to 8.8% in the six months ended August 31, 2009.

Net Income

As a result of the foregoing, our net income increased by 40.5% from $9.4 million for the six months ended August 31, 2009 to $13.2 million for the six months ended August 31, 2010.

Fiscal Year Ended February 28, 2010 Compared to Fiscal Year Ended February 28, 2009

Net Revenues

Our total net revenues increased by 85.7% from $37.5 million for the fiscal year ended February 28, 2009 to $69.6 million for the fiscal year ended February 28, 2010. This increase was primarily due to additional student enrollments in our newly opened learning centers and increased student enrollments in our existing learning centers in fiscal year 2010. The number of total student enrollments grew from 215,080 as of February 28, 2009 to 382,505 as of February 28, 2010, while the number of learning centers increased from 73 to 101 during the same period.

Cost of Revenues

Our cost of revenues increased by 102.9% from $18.6 million for the fiscal year ended February 28, 2009 to $37.6 million for the fiscal year ended February 28, 2010. This increase was primarily due to an increase in aggregate compensation paid to teachers as the number of our full-time teachers increased by 284 and the number of our contract teachers increased by 406 during the fiscal year ended February 28, 2010, and an increase in our rental payments as we leased facilities for 98 learning centers and 80 service centers as of

February 28, 2010, as compared to 73 learning centers and 54 service centers as of February 28, 2009. The increase was also due to the compensation increase attributable to our hiring of 303 additional personnel providing educational service support and the increase in the cost of course materials for some of our English courses. The increase was also attributable to the increased depreciation and amortization of property and equipment, which is a result of the expansion of our learning centers and services and our continual efforts to upgrade our classroom facilities technology systems.

Gross Profit

As a result of the foregoing, our gross profit increased by 68.8% from $18.9 million for the fiscal year ended February 28, 2009 to $31.9 million for the fiscal year ended February 28, 2010. Our gross profit margin was 45.9% for the fiscal year ended February 28, 2010, which decreased from 50.5% for the previous fiscal year. The decrease in our gross profit margin in the fiscal year ended February 28, 2010 was primarily due to the investments we made during the period in anticipation of further growth in student enrollments. We generally need to hire and train educational service support personnel and incur leasehold improvement and other costs ahead of the expected ramp-up in student enrollments at our new or expanded learning centers.

Operating Expenses

Our operating expenses increased by 67.2% from $9.9 million in the fiscal year ended February 28, 2009 to $16.5 million in the fiscal year ended February 28, 2010. This increase resulted from increases in both our selling and marketing expenses and general and administrative expenses in the fiscal year ended February 28, 2010, partially offset by the elimination of impairment losses on intangible assets and goodwill.

Selling and Marketing Expenses. Our selling and marketing expenses increased by 138.3% from $2.4 million in the fiscal year ended February 28, 2009 to $5.6 million in the fiscal year ended February 28, 2010. This increase was primarily due to an increase in the number of our sales and marketing personnel by 213 to support our selling and marketing efforts, as well as the expenses incurred relating to an outdoor advertisement campaign to promote our personalized premium services.

General and Administrative Expenses. Our general and administrative expenses increased by 84.6% from $5.9 million in the fiscal year ended February 28, 2009 to $10.9 million in the fiscal year ended February 28, 2010. This increase was primarily due to an increase in the number of employees for our corporate and administrative functions by 177 to support our expanded operations, rental expenses for increased office space for general corporate and administrative related functions and, to a lesser degree, professional service fees accrued during fiscal year 2010.

Impairment Losses on Intangible Assets and Goodwill. We recognized nil impairment loss on goodwill in the fiscal year ended February 28, 2010. In the fiscal year ended February 28, 2009, we recognized impairment losses on intangible assets and goodwill of $1.6 million relating to our acquisitions of two schools in the period.

Interest Income, net

We had an interest income, net of $0.3 million for the fiscal year ended February 28, 2010, compared to $0.1 million for the fiscal year ended February 28, 2009. Our interest income, net in both years consisted of interest earned on our cash and cash equivalents deposited in commercial banks, partially offset by the interest expense incurred with respect to a convertible loan we borrowed in January 2010 and the interest expense of our acquisition payables.

Other Expenses

We had other expenses of $0.1 million for the fiscal year ended February 28, 2010, compared to $0.2 million for the fiscal year ended February 28, 2009. Our other expenses in fiscal year 2010 were primarily attributable to our charity donations to promote public education in rural areas. Our other expenses in fiscal year 2009 were primarily attributable to our charity donations to Sichuan earthquake relief funds.

Impairment Loss on Available-for-Sale Securities

We recognized a $0.4 million impairment loss on available-for-sale securities for the fiscal year ended February 28, 2009 due to a decline in the fair value other than temporary impairment of our investment in certain available-for-sale securities, as compared to nil for the fiscal year ended February 28, 2010.

Gain on Extinguishment of Liabilities

We recognized a $0.7 million gain on extinguishment of liabilities for the fiscal year ended February 28, 2009 as a result of a renegotiation of the acquisition payable relating to the Wuhan School from $1.6 million to $0.9 million. We had nil gain on extinguishment of liabilities for the fiscal year ended February 28, 2010.

Provision for Income Tax

Our provision for income tax decreased by 31.7% from $2.0 million in the fiscal year ended February 28, 2009 to $1.4 million in the fiscal year ended February 28, 2010, primarily due to our lower effective income tax rate of 8.8% in the fiscal year ended February 28, 2010, compared to 21.7% in the prior fiscal year. We had a lower effective income tax rate in the fiscal year 2010 because of the preferential tax treatments received by one of wholly owned subsidiaries and one of our consolidated affiliated entities in China during the period.

Net Income

As a result of the foregoing, our net income increased by 95.7% from $7.3 million for the fiscal year ended February 28, 2009 to $14.2 million for the fiscal year ended February 28, 2010.

Fiscal Year Ended February 28, 2009 Compared to Fiscal Year Ended February 29, 2008

Net Revenues

Our total net revenues increased by 321.9% from $8.9 million for the fiscal year ended February 29, 2008 to $37.5 million for the fiscal year ended February 28, 2009. This increase was primarily attributable to additional student enrollments at our new learning centers and increased student enrollments at our existing learning centers. The number of total student enrollments grew from 67,996 in the fiscal year ended February 29, 2008 to 215,080 in the fiscal year ended February 28, 2009, and the number of learning centers increased from 30 to 73 during the same period. The increase in net revenue was also attributable to the fact that we increased the hourly rates for our courses during the fiscal year ended February 28, 2009.

Cost of Revenues

Our cost of revenues increased by 324.9% from $4.4 million for the fiscal year ended February 29, 2008 to $18.6 million for the fiscal year ended February 28, 2009. This increase was primarily due to the increase in the aggregate compensation paid to teachers as the number of our full-time teachers increased by 287 and the number of our contract teachers increased by 482 during fiscal year 2009 and an increase in our rental expenses as we leased facilities for 73 learning centers and 51 service centers as of February 28, 2009, as compared to 30 learning centers and 26 service centers as of February 29, 2008.

Gross Profit

As a result of the foregoing, our gross profit increased by 319.1% from $4.5 million for the fiscal year ended February 29, 2008 to $18.9 million for the fiscal year ended February 28, 2009. Our gross profit margin was 50.5% for the fiscal year ended February 28, 2009, which was slightly decreased from 50.8% for the previous fiscal year.

Operating Expenses

Our operating expenses increased by 246.1% from $2.8 million in the fiscal year ended February 29, 2008 to $9.9 million in the fiscal year ended February 28, 2009. This increase resulted from increases in all of our operating expense line items.

Selling and Marketing Expenses. Our selling and marketing expenses increased by 535.6% from $0.4 million in the fiscal year ended February 29, 2008 to $2.4 million in the fiscal year ended February 28, 2009. This increase was primarily due to an increase in the number of our sales and marketing personnel by 141 in connection with the expansion of our selling and marketing efforts.

General and Administrative Expenses. Our general and administrative expenses increased by 137.7% from $2.5 million in the fiscal year ended February 29, 2008 to $5.9 million in the fiscal year ended February 28, 2009. This increase was also due to an increase in the number of employees for our corporate and administrative functions by 196 to support our expanded operations in fiscal year 2009.

Impairment Losses on Intangible Assets and Goodwill. We recognized nil impairment loss on goodwill in the fiscal year ended February 29, 2008. In the fiscal year ended February 28, 2009, we recognized impairment losses on intangible assets and goodwill of $1.6 million relating to our acquisitions of two schools during that fiscal year.

Interest Income, net

We had interest income, net of $0.1 million for the fiscal year ended February 28, 2009, compared to $10,000 for the fiscal year ended February 29, 2008. Our interest income, net in the fiscal year ended February 28, 2009 consisted of interest earned on our cash and cash equivalents deposited in commercial banks, partially offset by the interest expense incurred for our payable for acquisition. Our interest income, net in the fiscal year ended February 29, 2008 consisted of interest earned on our cash and cash equivalents deposited in commercial banks.

Other Expenses

We had other expenses of $0.2 million for the fiscal year ended February 28, 2009, compared to nil for the fiscal year ended February 29, 2008. Our other expenses in fiscal year 2008 were primarily attributable to our charity donations to Sichuan earthquake relief funds.

Impairment Loss on Available-for-Sale Securities

We recognized a $0.4 million impairment loss on available-for-sale securities for the fiscal year ended February 28, 2009 due to a decline in the fair value other-than-temporary impairment of our investment in certain available-for-sale securities of a mutual fund, as compared to nil for the fiscal year ended February 29, 2008.

Gain on Extinguishment of Liabilities

We recognized a $0.7 million gain on extinguishment of liabilities for the fiscal year ended February 28, 2009 as a result of renegotiation of the acquisition payable relating to the Wuhan School, which performed below expectation after the acquisition, from $1.6 million to $0.9 million. We had nil gain on extinguishment of liabilities for the fiscal year ended February 29, 2008.

Provision for Income Tax

Our provision for income tax increased from $0.2 million in the fiscal year ended February 29, 2008 to $2.0 million in the fiscal year ended February 28, 2009, due to the higher income taxes incurred in the fiscal year 2009 as a result of our increasing taxable income for the period, as well as our higher effective income tax rate of 21.7% in the fiscal year ended February 28, 2009, compared to 9.8% in the fiscal year ended February 29, 2008.

Net Income

As a result of the above, our net income increased by 381.3% from $1.5 million for the fiscal year ended February 29, 2008 to $7.3 million for the fiscal year ended February 28, 2009.

Our Selected Quarterly Results of Operations

The following table sets forth our unaudited consolidated selected quarterly results of operations for the eight fiscal quarters ended August 31, 2010. You should read the following table in conjunction with our audited financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited consolidated financial information on the same basis as our audited consolidated financial statements. The unaudited consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the quarters presented.

	For the Three Months Ended															
	November 30, 2008		February 28, 2009		May 31, 2009		August 31, 2009		November 30, 2009		February 28, 2010		May 31, 2010		August 31, 2010	
	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues
	(In thousands of $, except percentages)															
Net revenues	**10,229**	**100.0%**	**14,203**	**100.0%**	**15,439**	**100.0%**	**17,544**	**100.0%**	**16,374**	**100.0%**	**20,237**	**100.0%**	**20,496**	**100.0%**	**32,526**	**100.0%**
Cost of revenues(1)	(5,200)	(50.8)%	(7,057)	(49.7)%	(7,215)	(46.7)%	(8,853)	(50.5)%	(9,133)	(55.8)%	(12,448)	(61.5)%	(12,062)	(58.9)%	(14,193)	(43.6)%
Gross profit	**5,029**	49.2%	**7,146**	50.3%	**8,224**	53.3%	**8,691**	49.5%	**7,241**	44.2%	**7,789**	38.5%	**8,434**	41.1%	**18,333**	56.4%
Operating expenses																
Selling and marketing expenses(2)	(567)	(5.6)%	(855)	(6.0)%	(750)	(4.9)%	(1,209)	(6.9)%	(1,654)	(10.1)%	(1,996)	(9.9)%	(1,674)	(8.1)%	(2,510)	(7.7)%
General and administrative expenses(3)	(1,803)	(17.6)%	(2,022)	(14.2)%	(2,223)	(14.4)%	(2,379)	(13.5)%	(3,075)	(18.8)%	(3,196)	(15.8)%	(3,752)	(18.3)%	(4,056)	(12.5)%
Impairment loss on intangible assets and goodwill	—	—	(1,615)	(11.4)%	—	—	—	—	—	—	—	—	—	—	—	—
Total operating expenses	**(2,370)**	(23.2)%	**(4,492)**	(31.6)%	**(2,973)**	(19.3)%	**(3,588)**	(20.4)%	**(4,729)**	(28.9)%	**(5,192)**	(25.7)%	**(5,426)**	(26.4)%	**(6,566)**	(20.2)%
Income from operations	**2,659**	26.0%	**2,654**	18.7%	**5,251**	34.0%	**5,103**	29.1%	**2,512**	15.3%	**2,597**	12.8%	**3,008**	14.7%	**11,767**	36.2%
Interest income, net	25	0.2%	39	0.3%	65	0.4%	38	0.2%	127	0.8%	54	0.3%	107	0.5%	55	0.2%
Other expenses	—	—	(25)	(0.2)%	(80)	(0.5)%	(38)	(0.2)%	(6)	(0.0)%	—	—	(33)	(0.1)%	6	0.0%
Impairment loss on available-for-sale securities	—	—	(363)	(2.6)%	—	—	—	—	—	—	—	—	—	—	—	—
Gain from sales of available-for-sale securities	—	—	—	—	—	—	—	—	—	—	—	—	6	0.0%	—	—
Income before income tax provision	**2,684**	26.2%	**2,305**	16.2%	**5,236**	33.9%	**5,103**	29.1%	**2,633**	16.1%	**2,651**	13.1%	**3,088**	15.1%	**11,828**	36.4%
Provision for income tax	(583)	(5.7)%	(499)	(3.5)%	(462)	(3.0)%	(450)	(2.6)%	(232)	(1.4)%	(234)	(1.2)%	(346)	(1.7)%	(1,324)	(4.1)%
Net income	**$ 2,101**	20.5%	**$ 1,806**	12.7%	**$ 4,774**	30.9%	**$ 4,653**	26.5%	**$ 2,401**	14.7%	**$ 2,417**	11.9%	**$ 2,742**	13.4%	**$ 10,504**	32.3%

Notes:

(1) Includes share-based compensation expenses of $110 thousand.

(2) Includes share-based compensation expenses of $163 thousand.

(3) Includes share-based compensation expenses of $647 thousand.

Our revenues and operating results typically fluctuate from quarter to quarter as a result of seasonal characteristics in our business. Our courses tend to have the largest enrollments in our second and fourth fiscal quarters each year, largely because many primary, middle, and high school students have a greater opportunity to enroll in our courses during their summer and winter vacations which take place in these two quarters. From our inception in 2003 through fiscal year 2009, this seasonality of our business was not apparent as each quarter had greater revenues than the prior quarter due to the exceptionally rapid growth we experienced in those years.

Our costs and expenses do not necessarily correspond directly to changes in our student enrollments and net revenues. We make expenditures on facility expansion and enhancement, hiring and training of teachers, student service and support, development of course materials, and marketing throughout the year. In particular, we generally make more significant expenditures on building new learning and service centers in the second half of our fiscal years in anticipation of future growth. In conjunction with this investment in our learning and service centers, we also generally incur greater teacher, sales and marketing, and general and administrative expenses in the second half than in the first half of each fiscal year to support our overall business expansion.

Our quarterly results of operations in the second quarter of fiscal year 2011 were affected by the allocation of share-based compensation expenses for restricted shares granted in that quarter under our 2010 share incentive plan and we will continue to incur share-based compensation expenses in future quarters. Also, we generally pay annual bonuses to our teachers and other employees before the Chinese New Year in our fourth fiscal quarter, which impacts costs and expenses in this quarter.

We expect our quarterly results to continue to be influenced by seasonal enrollment trends and our business expansion strategy. Our quarterly results of operations may also vary in the future as a result of potentially different student enrollment trends for new courses, programs and services we may offer and decisions we may make about the optimal timing for both center expansion and tuition increases over the course of the year.

Liquidity and Capital Resources

Cash Flows and Working Capital

Our principal sources of liquidity have been cash generated from operating activities and proceeds from the issuance and sale of Series A preferred shares. As of August 31, 2010, we had $81.5 million in cash and cash equivalents and we had no bank borrowings. Our cash and cash equivalents consist of cash on hand and bank deposits that are placed with banks and other financial institutions and which are either unrestricted as to withdrawal or use or have maturities of three months or less.

Although we consolidate the results of Xueersi Education and Xueersi Network and their respective subsidiaries and schools, our access to cash balances or future earnings of Xueersi Education and Xueersi Network and their respective subsidiaries and schools is only through our contractual arrangements with Xueersi Education and Xueersi Network and their respective shareholders, subsidiaries and schools. See “Our Corporate History and Structure—Contractual Arrangements with Our Consolidated Affiliated Entities.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Holding Company Structure.”

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months.

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

	For the Year Ended February 29/28,			For the Six Months Ended August 31,	
	2008	2009	2010	2009	2010
			(in thousands of $)		
Net cash provided by operating activities	$ 6,324	$ 23,468	$ 27,175	$16,198	$30,955
Net cash provided by (used in) investing activities	(1,470)	(5,116)	(5,250)	(696)	(214)
Net cash provided by (used in) financing activities	132	5,252	(903)	(1,622)	(163)
Effect of foreign exchange rate changes	315	385	37	26	165
Net increase (decrease) in cash and cash equivalents	5,301	23,989	21,059	13,906	30,743
Cash and cash equivalents at the beginning of the period	403	5,704	29,693	29,693	50,752
Cash and cash equivalents at end of the period	5,704	29,693	50,752	43,599	81,495

Operating Activities

Net cash provided by operating activities amounted to $31.0 million for the six months ended August 31, 2010, as compared to $16.2 million for the six months ended August 31, 2009.

Net cash provided by operating activities for the six months ended August 31, 2010 reflected net income of $13.2 million, adjusted by reconciliation items of $2.4 million, which included depreciation of property and equipment of $1.1 million, share-based compensation charge of $0.9 million and amortization of intangible assets of $0.4 million. Another major factor affecting operating cash flow for the six months ended August 31, 2010 included an increase in deferred revenues in the amount of $12.6 million due to the increased amount of course fees received during the period for courses that would continue into the second half of the year.

Net cash provided by operating activities for the six months ended August 31, 2009 reflected net income of $9.4 million, adjusted by a non-cash and non-operating charge of $0.7 million, which included depreciation of property and equipment of $0.4 million and amortization of intangible assets of $0.3 million. Additional major factors affecting operating cash flow for the six months ended August 31, 2009 included an increase in deferred revenues in the amount of $5.7 million due to the increased amount of course fees received during the period, an increase in accrued expenses and other current liabilities in the amount of $1.5 million in connection with accrued payroll and bonus and payable for business acquisitions.

Net cash provided by operating activities amounted to $27.2 million in the fiscal year ended February 28, 2010, as compared to $23.5 million in the fiscal year ended February 28, 2009 and $6.3 million in the fiscal year ended February 29, 2008.

Net cash provided by operating activities in the fiscal year ended February 28, 2010 reflected net income of $14.2 million, adjusted by a non-cash and non-operating charge of $2.1 million, which included depreciation of property and equipment of $1.3 million and amortization of intangible assets of $0.8 million. Additional major factors affecting operating cash flow in the fiscal year ended February 28, 2010 included an increase in deferred revenues in the amount of $11.3 million due to the increased amount of course fees received during the period, an increase in rental deposits in the amount of $1.2 million as a result of the additional premises we rented for our offices, learning centers and other services, an increase in accrued expenses and other current liabilities in the amount of $3.2 million in connection with accrued payroll and bonus and other taxes payables, and the decrease in our income tax payable in the amount of $2.1 million.

Net cash provided by operating activities in the fiscal year ended February 28, 2009 reflected net income of $7.3 million, adjusted by a non-cash and non-operating charge of $2.3 million, which primarily included impairment of intangible assets and goodwill of $1.6 million in connection with two acquisitions we made during the period, amortization of intangible assets in the amount of $0.6 million mainly in connection with acquisitions of domain names, gain on extinguishment of liabilities in the amount of $0.7 million attributable to a waiver of the same amount of acquisition payables as a result of renegotiations with the seller in one of our acquisitions. Additional major factors affecting operating cash flow in the fiscal year ended February 28,

2009 included an increase in the amount of $12.0 million paid upfront by the students due to the increased amount of course fees received during the period, the increase in our income tax payable in the amount of $2.3 million and an increase in accrued expenses and other current liabilities in the amount of $1.8 million in connection with accrued payroll and bonus and payable for business acquisitions.

Net cash provided by operating activities in the fiscal year ended February 29, 2008 was primarily attributable to net income of $1.5 million, and an increase in deferred revenues in the amount of $3.7 million due to the increased amount of course fees received during the period.

Investing Activities

We lease all of our facilities. Our cash used in investing activities is primarily related to leasehold improvements, investments in equipment, technology and operating systems, investments in certain available-for-sale securities, intangible assets and acquisitions.

Net cash used in investing activities amounted to $0.2 million for the six months ended August 31, 2010, as compared to net cash used in investing activities in the amount of $0.7 million for the six months ended August 31, 2009.

Net cash used in investing activities for the six months ended August 31, 2010 primarily related to leasehold improvements and purchases of equipment in the amount of $1.7 million in connection with the expansion of our network of learning centers and service centers, partially offset by our sale of available-for-sale securities we bought in December 2009 for proceeds of $1.5 million.

Net cash used in investing activities for the six months ended August 31, 2009 primarily related to leasehold improvements and purchases of equipment in the amount of $0.7 million in connection with the expansion of our network of learning centers and service centers.

Net cash used in investing activities amounted to $5.3 million in the fiscal year ended February 28, 2010, as compared to $5.1 million and $1.5 million in the fiscal years ended February 29, 2008 and February 28, 2009, respectively.

Net cash used in investing activities in the fiscal year ended February 28, 2010 primarily related to (i) leasehold improvements and purchases of equipment in the amount of $3.8 million in connection with the expansion of our network of learning centers and service centers, and (ii) our investment in the securities of a mutual fund in the amount of $1.5 million.

Net cash used in investing activities in the fiscal year ended February 28, 2009 primarily related to (i) leasehold improvements and purchases of equipment in the amount of $2.1 million in connection with the expansion of our network of learning centers and service centers, (ii) our acquisitions in separate transactions from unrelated third-parties in the amount of $1.6 million, and (iii) our purchase of intangible assets in the amount of $1.4 million in connection with the purchase of several domain names from unrelated third-parities.

Net cash used in investing activities in the fiscal year ended February 29, 2008 mainly related to (i) our investment in certain available-for-sale securities in the amount of $0.7 million, (ii) leasehold improvements and purchases of equipment in the amount of $0.5 million in connection with the expansion of our network of learning centers and service centers, and (iii) our purchase of intangible assets in the amount of $0.3 million in connection with the purchase of several domain names from unrelated third parities.

Financing Activities

Our financing activities consisted of issuance and sale of Series A convertible redeemable preferred shares to investors, a convertible loan, capital contributions from our founding shareholders, distributions to shareholders and acquisitions.

Net cash used in financing activities for the six months ended August 31, 2010 amounted to $0.2 million, as compared to net cash used in financing activities in the amount of $1.6 million for the six months ended August 31, 2009. Net cash used in financing activities for the six months ended August 31, 2010 was

primarily related to payment of certain deferred consideration in connection with our acquisition activities. Net cash used in financing activities for the six months ended August 31, 2009 was attributable to a distribution to our shareholders.

Net cash used in financing activities amounted to $0.9 million in the fiscal year ended February 28, 2010, as compared to net cash provided by financing activities in the amount of $5.3 million in the fiscal year ended February 28, 2009 and net cash provided by financing activities in the amount of $0.1 million in the fiscal year ended February 29, 2008. Net cash used in financing activities in the fiscal year ended February 28, 2010 was primarily attributable to the distribution payment by our consolidated affiliated entity in the amount of $1.4 million to its shareholders in connection with our corporate reorganization, our acquisition activities in the amount of $0.2 million, partially offset by the $0.5 million proceeds from a convertible loan and $0.2 million of capital contributions by our founding shareholders. Net cash provided by financing activities in the fiscal year ended February 28, 2009 was primarily attributable to the proceeds from our issuance and sale of Series A convertible redeemable preferred shares in the amount of $4.9 million and capital contributions by our founding shareholders in the amount of $0.4 million. Net cash used in financing activities in the fiscal year ended February 29, 2008 was primarily attributable to capital contributions by our founding shareholders in the amount of $0.1 million.

Capital Expenditures

Our capital expenditures are incurred primarily in connection with leasehold improvements, investments in computers, network equipment and software and business acquisitions. Our capital expenditures were $0.8 million, $5.1 million and $3.8 million in the fiscal years ended February 29, 2008 and February 28, 2009 and 2010. We expect to incur capital expenditures up to $10 million in the fiscal year ending February 28, 2011 in connection with our planned investments in facilities, equipment, technology and operating systems to meet the expected growth of our operations. We also expect to incur additional costs in connection with our becoming a public company, including costs to prepare for our first Sarbanes-Oxley Act of 2002 Section 404 compliance testing and additional compliance costs associated with being a public company. We are not able to estimate with reasonable certainty these additional expenses but expect that the additional costs will not exceed $2 million in the next two years. We intend to continue to utilize real estate leasing in order to allocate our capital resources cost-efficiently. We may make acquisitions of businesses and properties that complement our operations when suitable opportunities arise.

Contractual Obligations

The following table sets forth our contractual obligations as of February 28, 2010:

	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousand $)				
Operating lease obligations[1]	$42,674	13,155	20,159	9,347	13
Acquisition payables[2]	513	513	—	—	—
Convertible loan[3]	500	—	500	—	—

Notes:

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

(2) Represents outstanding consideration payable in connection with our acquisitions of Tianjin Education, Jianli School, Qianjiang School and Wuhan School as of February 28, 2010. $240,198 in acquisition cash consideration payable for the acquisition of Tianjin Education and Wuhan School was outstanding as of August 31, 2010.

(3) Represents the principal amount due to a third party pursuant to a convertible loan. The convertible loan has a principal amount of $500,000, bears an annual interest rate of 15% and will mature on January 30, 2012.

Holding Company Structure

We are a holding company with no material operations of our own. We conduct our operations primarily through our three wholly owned subsidiaries and our affiliated entities in China. As a result, our ability to pay dividends depends upon dividends paid by our wholly owned subsidiaries. If our wholly owned subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly owned subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries, VIEs and VIE's subsidiaries in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. 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. As a result of these PRC laws and regulations, as of August 31, 2010, we had $4.9 million in statutory reserves, or 15.0% of total equity, that are not distributable as cash dividends. Our PRC subsidiaries have not historically paid any dividends to our offshore entities from their accumulated profits. However, we do not expect that the statutory reserve requirement will materially limit our ability to pay dividends to our shareholders or our plan to expand our business because we are only required to set aside an additional $2.9 million to satisfy the maximum requirement of statutory reserves for all of our PRC subsidiaries, VIEs and VIEs' subsidiaries.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash invested in liquid investments with original maturities of three months or less. We have not used any derivative financial instruments to manage our interest risk exposure. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. However, our future interest income may be lower than expected due to changes in market interest rates.

Foreign Exchange Risk

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. The conversion of the Renminbi into foreign currencies, including the U.S. dollar, has been based on exchange rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi solely to the U.S. dollar. Under this revised policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the U.S. dollar peg, the Renminbi appreciated approximately 21.5% against the U.S. dollar over the following three years. Since July 2008, however, the Renminbi has traded within a narrow range against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the Renminbi has fluctuated significantly since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the People's Bank of China announced that the PRC government will further reform the

Renminbi exchange rate regime and enhance the Renminbi exchange rate flexibility. It is difficult to predict how this new policy may impact the Renminbi exchange rate going forward.

Substantially all of our earnings and cash assets are denominated in RMB and the net proceeds from this offering will be denominated in U.S. dollars, fluctuations in the exchange rate between the U.S. dollar and the RMB will affect the relative purchasing power of these proceeds and our balance sheet and earnings per share in U.S. dollars following this offering. In addition, appreciation or depreciation in the value of the RMB 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 after this offering 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 do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the foreign exchange rate between U.S. dollars and RMB because the value of our business is effectively denominated in RMB, while the ADSs will be traded in U.S. dollars.

Moreover, to the extent that we need to convert U.S. dollars we receive from this offering into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Assuming we had converted the U.S. dollar-denominated cash balance of $ million as of , 2010 into RMB at the exchange rate of $1.00 for RMB as of , 2010, this cash balance would have been RMB million. Assuming a 1.0% appreciation of the RMB against the U.S. dollar, this cash balance would have decreased to RMB million as of , 2010. We have not used any forward contracts or currency borrowings to hedge our exposure to foreign currency exchange risk.

Inflation Risk

Inflation in China has not had a significant effect on our business. According to the National Bureau of Statistics of China, the change in the Consumer Price Index in China was 4.8%, 5.9% and (0.7%) in the calender year 2007, 2008 and 2009, respectively.

Recent Accounting Pronouncements

In June 2009, the FASB issued an authoritative pronouncement to amend the accounting rules for variable interest entities, or VIEs. The amendments effectively replace the quantitative-based risks-and-rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has (1) the power to direct the activities of a variable interest entity that most significantly affect the entity's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. The new guidance also requires additional disclosures about a reporting entity's involvement with variable interest entities and about any significant changes in risk exposure as a result of that involvement.

The new guidance is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, and all interim and annual periods thereafter. The new VIE model requires that, upon adoption, a reporting entity should determine whether an entity is a VIE, and whether the reporting entity is the VIE's primary beneficiary, as of the date that the reporting entity first became involved with the entity, unless an event requiring reconsideration of those initial conclusions occurred after that date. When making this determination, a reporting entity must assume that new guidance had been effective from the date of its first involvement with the entity. We adopted the new guidance on March 1, 2010.

We have had two VIEs, which we have consolidated under the authoritative literature prior to the amendment discussed above because we were the primary beneficiary of those entities. Because we, through

our wholly owned subsidiary, have (1) the power to direct the activities of the two VIEs that most significantly affect their economic performance and (2) the right to receive benefits from the two VIES, we continue to consolidate the two VIEs upon the adoption of the new guidance which therefore, other than for additional disclosures, had no accounting impact.

In October 2009, the Financial Accounting Standards Board, or the FASB, issued an authoritative pronouncement regarding revenue arrangements with multiple deliverables. This pronouncement was issued in response to practice concerns related to the accounting for revenue arrangements with multiple deliverables under an existing pronouncement. Although the new pronouncement retains the criteria from an existing pronouncement for when delivered items in a multiple-deliverable arrangement should be considered separate units of accounting, it removes the previous separation criterion under existing pronouncements that objective and reliable evidence of the fair value of any undelivered items must exist for the delivered items to be considered a separate unit or separate units of accounting. The new pronouncement is effective for fiscal years beginning on or after June 15, 2010. Entities can elect to apply this pronouncement (1) prospectively to new or materially modified arrangements after the pronouncement's effective date or (2) retrospectively for all periods presented. Early application is permitted; however, if the entity elects prospective application and early adopts this pronouncement after its first interim reporting period, it must also do the following in the period of adoption: (1) retrospectively apply this pronouncement as of the beginning of that fiscal year; and (2) disclose the effect of the retrospective adjustments on the prior interim periods' revenue, income before taxes, net income, and earnings per share. We are in the process of evaluating the effect of adoption of this pronouncement.

In October 2009, the FASB issued an authoritative pronouncement regarding software revenue recognition. This new pronouncement amends an existing pronouncement to exclude from its scope all tangible products containing both software and non-software components that function together to deliver the product's essential functionality. That is, the entire product (including the software deliverables and non-software deliverables) would be outside the scope of software revenue recognition and would be accounted for under other accounting literature. The new pronouncement includes factors that entities should consider when determining whether the software and non-software components function together to deliver the product's essential functionality and are thus outside the revised scope of the authoritative literature that governs software revenue recognition. The pronouncement is effective for fiscal years beginning on or after June 15, 2010. Entities can elect to apply this pronouncement (1) prospectively to new or materially modified arrangements after the pronouncement's effective date or (2) retrospectively for all periods presented. Early application is permitted; however, if the entity elects prospective application and early adopts this pronouncement after its first interim reporting period, it must also do the following in the period of adoption: (1) retrospectively apply this pronouncement as of the beginning of that fiscal year; and (2) disclose the effect of the retrospective adjustments on the prior interim periods' revenue, income before taxes, net income, and earnings per share. We are in the process of evaluating the effect of adoption of this pronouncement.

In April 2010, the FASB issued an authoritative pronouncement on milestone method of revenue recognition. The scope of this pronouncement is limited to arrangements that include milestones relating to research or development deliverables. The pronouncement specifies guidance that must be met for a vendor to recognize consideration that is contingent upon achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The guidance applies to milestones in arrangements within the scope of this consensus regardless of whether the arrangement is determined to have single or multiple deliverables or units of accounting. The pronouncement will be effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early application is permitted. Companies can apply this guidance prospectively to milestones achieved after adoption. However, retrospective application to all prior periods is also permitted. We are in the process of evaluating the effect of adoption of this pronouncement.

MARKET OPPORTUNITY

We believe that the K-12 after-school tutoring market is the most attractive sector in China's private education market given the large addressable market it serves, its rapid growth rate and its highly fragmented nature. According to iResearch, the K-12 after-school tutoring market in China grew from RMB123.8 billion in 2007 to RMB189.7 billion ($27.8 billion) in 2009, representing a CAGR of 23.8%, and is projected to grow to RMB447.2 billion ($65.5 billion) in 2014, representing a CAGR of 18.7% from 2009. Moreover, the K-12 after-school tutoring market in China is highly fragmented with no player holding over a 1% market share. This fragmented market presents opportunities for private tutoring service providers that offer high-quality services and have a strong track record, brand and reputation to attract and retain more students and increase market share.

China's Education Market

China had one of the world's fastest growing economies in the past decade, with its per capita disposable income of urban households increasing at a CAGR of 12.2% from RMB6,280 ($920) in 2000 to RMB15,781 ($2,312) in 2008. This has led to increased disposable income and higher levels of consumer spending in China.

China's education market also grew rapidly around the same period between 2004 and 2008. The growth in education spending in China was primarily driven by rapid urbanization, a traditional and cultural emphasis on education, and wage premiums associated with better education.

According to China's National Bureau of Statistics, urban population as a percentage of China's total population increased from 36% in 2000 to 46% in 2008. Rising urbanization is a key growth driver in China's education spending as most employment opportunities in urban areas require higher levels of education than in rural areas. In addition, urban employment opportunities on average offer higher compensation packages, which tend to translate into higher disposable income per capita and a greater propensity to invest in education compared with rural areas.

Chinese culture has always placed great emphasis on education. In dynastic China, people spent years studying in the hope of passing the government-administered civil service examinations and entering governmental services, which was deemed to be a key to success and stature in society. This culture continues to penetrate contemporary China, and it is commonly believed that superior education may provide one with the ability to promote his or her family's fortune and social status. With the "one-child policy" being implemented in China since the 1980s and a rapid growth in household income in recent years, parents have become even more willing to invest heavily in their only child's education, with the hope of securing a better future for their child.

As in other countries, better education tends to lead to financial success and more career opportunities in China. Graduates from key universities earned 46% more than vocational high school graduates on average and 23% more than those from other universities on average in 2009, according to iResearch. Moreover, college graduates generally enjoy significantly better job prospects than high school graduates.

Despite the strong growth, the education market in China remains under-invested compared with other developed countries. According to iResearch, the PRC government's spending on education accounted for 3% of China's GDP in 2008, compared with the United States (5%) and the United Kingdom (5.25%). This has created opportunities for private education service providers to grow and prosper by catering to the unmet educational demands of Chinese students and parents.

China's K-12 After-School Tutoring Market

China's K-12 Education System

In China, the education system begins prior to the first grade, followed by nine years of compulsory education in primary and middle schools. Students may then choose to attend high schools, which are three years in length, followed by college and postgraduate studies. Examination results are the most important

criteria by which a student's performance is assessed and a key factor in determining how far a student's education can progress.

In order to be admitted to colleges in China, high school students are required to take the college entrance examinations, or the "Gaokao". The Gaokao is the most critical set of examinations in a student's education as the results determine whether a student will be able to attend a highly ranked college (or any at all), which in turn has a significant impact on the student's future job prospects. As of December 31, 2008, only 114 of the 2,263 higher educational institutions in China were deemed "key universities" by the Ministry of Education, or MOE. Among them, Peking University and Tsinghua University, which are regarded as the most prestigious universities in China, collectively recruit approximately 6,600 students each year, accounting for approximately 0.1% of the total number of students admitted by all universities each year in China. The average admission rate of the key universities in China is approximately 5%. Moreover, according to the MOE, the gross higher education enrollment rate, or the percentage of students that are enrolled in an undergraduate program of at least two years, was 23% among the Chinese population in the 18-to-22 age group in 2008. Low admission rates of universities in general, and of the top universities in particular, have resulted in fierce competition for quality undergraduate education in China.

To increase the probability of entering key universities, students compete in high school entrance examinations, or the "Zhongkao," to enter the best high schools in the cities or provinces in which they reside. Prior to the Zhongkao, they also compete to enter the best middle schools through a competitive selection process known as "Xiao Sheng Chu," which is typically based on the students' academic performance in primary schools. The number of key schools is very small relative to the total number of middle and high schools in China. In Beijing and Shanghai, which are endowed with the most educational resources among all municipalities in China, key schools accounted for only 15.7% and 17.7%, respectively, of the total number of middle schools and high schools in each city as of December 31, 2008. The key schools have better teaching quality and more educational resources, which generally result in better performance in college entrance examinations for their students. Therefore, in order to improve their chances of eventually gaining admission to key universities, many students start working very hard at a very young age in the hope of excelling in the Xiao Sheng Chu process and the Zhongkao, so as to be admitted to key middle schools and key high schools, respectively.

Moreover, among the K-12 school subjects, mathematics is usually given great emphasis by teachers and students, as it is a core subject at all levels in the K-12 system. Furthermore, math skills are considered very important in learning other core science subjects. Therefore, math ability is believed to be a highly significant contributor to a student's overall performance and is greatly emphasized throughout the K-12 system.

In China, most public schools have between 50 and 60 students in each class. Students at the same grade level in each province typically follow the same curricula and pace of study regardless of their individual learning curves, interests, progress or needs. Given the pressure to excel on every entrance exam, the inadequate personalized support received within the public school system and the limited supply of quality schools at every education level, an increasing number of parents and students turn to private after-school tutoring services to complement the public school education curriculum.

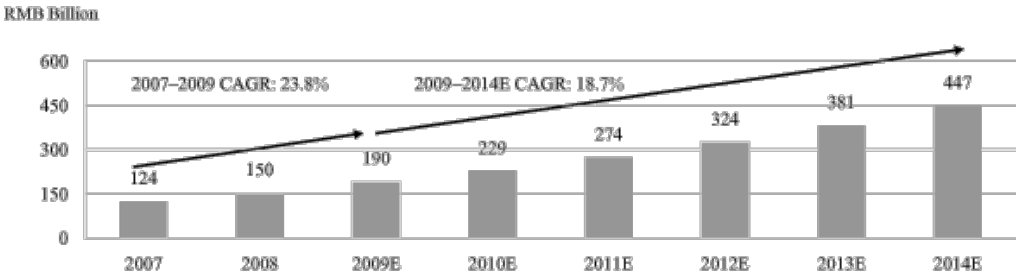
We believe the intense competition in China's K-12 education system is largely driven by the unbalanced supply and demand of quality education at all levels. On the one hand, students, facing intense competition, are under constant pressure throughout the K-12 system to achieve outstanding examination results. On the other hand, China's public education is under-invested and unable to meet all educational demands. Such an imbalance in supply and demand thereby creates tremendous opportunities for the growth of private educational services, including the after-school tutoring market.

China's K-12 After-School Tutoring Market

K-12 after-school tutoring targets persons between the ages of 5 and 19. According to MOE Statistics, there were approximately 180 million students studying in primary schools, middle schools and high schools by the end of 2008. The significant role K-12 education plays in a student's future has driven the rapid growth of the K-12 after-school tutoring market, which is one of the largest and fastest growing segments in China's

private education market. According to iResearch, the K-12 after-school tutoring market in China grew from RMB123.8 billion in 2007 to RMB189.7 billion ($27.8 billion) in 2009, representing a CAGR of 23.8%, and is projected to grow to RMB447.2 billion ($65.5 billion) in 2014, representing a CAGR of 18.7% from 2009. The following graph sets forth total revenues of China's K-12 after-school tutoring market for the periods indicated:

China K-12 After-School Tutoring Market:



Source: iResearch

K-12 after-school tutoring is particularly common in many East Asian countries. For example, in South Korea, 89% of primary school students, 75% of middle school students, and 55% of high school students used some form of after-school tutoring services, according to iResearch. By comparison, according to iResearch, there were approximately 54 to 63 million K-12 students in China receiving after-school tutoring services in 2009, representing 30% to 35% of the total K-12 population, which lagged behind the penetration rate in South Korea and other East Asian countries. We believe this is primarily due to the evolution of China's public education system and the fact that private education as an industry has a relatively short history in China. However, according to iResearch, the after-school tutoring service market penetration rate in Beijing, Shanghai, Guangzhou and Shenzhen is expected to reach approximately 70% in the next few years.

Word-of-mouth and the Internet are the two most important channels through which students and parents learn about and select K-12 after-school tutoring services in China. Word-of-mouth is traditionally regarded as one of the most reliable sources of recommendations for tutoring services. With the rapid growth of Internet use in China in recent years, new media has come to play an increasingly more significant role in spreading information regarding the after-school tutoring service market. According to iResearch, Internet is now the second most important factor after word-of-mouth referrals in the selection of tutoring service providers. China has the world's largest Internet population, according to China Internet Network Information Center. The current generation of K-12 students and their parents, especially those in the urban areas, are highly reliant on the Internet for educational information, as the Internet affords immediate access unconstrained by geographic location to a large reservoir of data and opinions.

iResearch projects the K-12 tutoring market to be especially attractive in the most developed cities in China such as Beijing and Shanghai, given the economic affluence and high spending on education in these cities. There were approximately 1.2 million K-12 students in each of Beijing and Shanghai in 2008. The disposable income per capita in Beijing and Shanghai in 2008 was RMB24,725 ($3,622) and RMB26,675 ($3,908), respectively, compared to the national average for urban households of RMB15,781 ($2,312). The relatively large number of key high schools and middle schools (101, as of December 31, 2008) in the two cities also promotes the overall quality of K-12 education. According to iResearch, the combined market size for Beijing and Shanghai is expected to reach RMB37.3 billion ($5.5 billion) in aggregate revenues by 2014.

Unlike many other private education services, such as language certification training, which focuses on preparing students for one-time tests on specific subjects, K-12 after-school tutoring service providers have the opportunity to develop multi-year relationships with students and their parents over the entire span of their K-12 education. Moreover, given the critical influence K-12 education often has over a student's future, the K-12

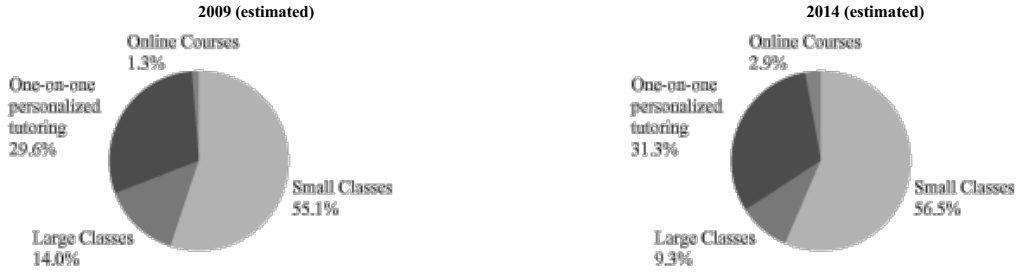
after-school tutoring market is less sensitive to economic cycles than some other segments of the private education market in China, such as post-secondary school or vocational training. According to iResearch, the K-12 after-school tutoring market in China grew by 26.4% during the economic downturn in 2009, exceeding the approximately 7% growth in China's overall education market in the same year.

According to iResearch, there are four types of K-12 after-school tutoring services currently available in China:

- *Large classes:* in-class teaching with typically more than 30 students per class. This is the traditional format of after-school tutoring. However, it is experiencing a declining trend due to its lower effectiveness compared to the other formats of after-school tutoring. In 2009, this segment represented an estimated market size of RMB26.5 billion, according to iResearch. iResearch expects the market share of large classes to continue to decline over time.
- *Small classes:* in-class teaching with typically 10-30 students per class. The smaller class size allows teachers to pay closer attention to individual students and better tailor the classes to their study needs. This class setting therefore has become the most popular format of after-school tutoring given its attractive balance between affordability and the amount of individual attention students are able to receive from their teachers. In 2009, this segment represented an estimated market size of RMB104.6 billion, according to iResearch. iResearch expects this segment to grow at a CAGR of 19.3% over the next five years.
- *One-on-one personalized tutoring.* This class format offers the most customized tutoring services based on a student's specific situations and study needs and has grown in popularity in recent years driven by the increasing demand for highly tailored tutoring services as well as an increase in the number of high-income households in China. In 2009, the one-on-one personalized tutoring segment represented an estimated market size of RMB56.2 billion, according to iResearch. iResearch expects this segment to grow at a CAGR of 20.0% over the next five years.
- *Online courses:* pre-recorded or live class videos coupled with interactive teaching and testing materials offered through educational websites. Online courses are able to reach a broader base of students as they are unconstrained by geographic location barriers and accessible on-demand by potential students whose schedules or location do not allow them to attend courses in person. In 2009, the online course segment represented an estimated market size of RMB2.4 billion, according to iResearch. iResearch expects this segment to grow at a CAGR of 40.2% over the next five years.

Among the four types of tutoring services, the small classes and one-on-one personalized tutoring services segments experienced high levels of growth in recent years and are expected to become the main formats of K-12 after-school tutoring services. The following graphs set forth the revenue breakdown by types of tutoring services for the periods indicated:

China K-12 After-School Tutoring Market By Format:



Source: iResearch

The K-12 after-school tutoring market in China is highly fragmented due to the large K-12 student population, the geographic dispersion of the student population and the relatively low entry barriers. iResearch estimates that there are currently over 100,000 companies or institutions providing after-school tutoring services in China, with no provider accounting for more than 1% of the total market. We believe that teaching quality, student performance and brand strength are key differentiators in this fragmented market.

BUSINESS

Overview

We are the largest K-12 after-school tutoring service provider in China in terms of revenues in 2009, according to iResearch. We offer comprehensive tutoring services to K-12 students covering core academic subjects, including mathematics, English, Chinese, physics, chemistry and biology. We have successfully established "Xueersi" as a leading brand in China's K-12 private education market closely associated with high teaching quality and academic excellence in China, as evidenced by our students' outstanding academic performance, our over 70% annual retention rate, our ability to recruit most of our students through word-of-mouth referrals as well as the numerous recognitions and awards we have received. The K-12 after-school tutoring service market in China is highly fragmented. In 2009, we had a 0.26% market share in China and a 4.5% market share in Beijing, in each case as measured by revenues for the year according to iResearch.

We deliver our tutoring services through small classes, personalized premium services (i.e., one-on-one tutoring) and online course offerings. Our extensive network consists of 109 learning centers and 87 service centers in Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin and Wuhan, as well as our online platform. Our student enrollments increased from 67,996 in the fiscal year ended February 29, 2008 to 382,505 in the fiscal year ended February 28, 2010, representing a compound annual growth rate, or CAGR, of 137.2%. Our student enrollment growth has been predominantly driven by new students.

We are committed to providing our students with high-quality services and an exceptional learning experience. Our commitment is reflected in our continual focus on recruiting, training and retaining teachers with strong academic credentials, relevant experience and a passion for education; our emphasis on developing, updating and improving our curricula and course materials; and our stress on standardizing operating procedures throughout our network. This in turn has led to a strong track record of outstanding student achievement. In 2010, 169 out of our 430 high school graduates were admitted to Peking University or Tsinghua University, the two most prestigious universities in China that collectively enroll only less than 0.1% of the high school graduates across the country. In the same year, approximately 5,700 of our students in Beijing and Shanghai were admitted to key high schools, representing over 60% enrollment rate in comparison to the regional average of approximately 30%; and more than 5,500 of our students in Beijing and Shanghai were admitted to key middle schools, representing over 80% enrollment rate in comparison to the regional average of 15-25%. In addition, our students have won a significant number of regional, national and international math competitions, including three gold medals in the International Mathematical Olympiad in 2008 and 2009.

Our online platform, www.eduu.com, hosts China's largest and most active online education community for our existing and potential students and their parents, and is the largest Internet education portal in China, based on the average monthly page views and average monthly unique visitors in the first six months of 2010. It provides our existing and potential students access to learning resources beyond our physical network, increases student loyalty and stickiness, and enhances our brand awareness. In addition, our online platform enables us to continue to roll out and expand our online course offerings. As word-of-mouth referrals and our online communities have contributed significantly to student recruitment, we have not incurred significant advertising expenses in the past. 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. Revenues generated from our online course offerings have accounted for less than 1.0% of our total net revenues since we began offering online courses in 2010.

We have experienced significant growth in recent years. Our total net revenues increased from $8.9 million in the fiscal year ended February 29, 2008 to $69.6 million in the fiscal year ended February 28, 2010, representing a CAGR of 179.9%. Our net income increased from $1.5 million in the fiscal year ended February 29, 2008 to $14.2 million in the fiscal year ended February 28, 2010, representing a CAGR of 206.9%. Our total net revenues for the six months ended August 31, 2010 were $53.0 million, and our net income for the same period was $13.2 million.

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

Our Strengths

We always seek to leverage on our competitive strengths to grow our business in an efficient and cost-effective manner. We believe the following are our key competitive strengths that have contributed significantly to our success and differentiate us from our competitors:

Largest K-12 After-School Tutoring Service Provider in China

We are China's largest K-12 after-school tutoring service provider in terms of revenue in 2009, and the after-school tutoring market we serve is one of the largest and fastest growing segments in China's private education sector. The K-12 after-school tutoring service market in China is highly fragmented. In 2009, we had a 0.26% market share in China and a 4.5% market share in Beijing, in each case as measured by revenues for the year according to iResearch. We have 109 learning centers and 87 service centers in six major cities in China, namely, Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin and Wuhan. We offer comprehensive tutoring services to K-12 students covering all core academic subjects through a variety of educational formats including small classes, personalized premium services and online courses. Our scale has enabled us to effectively leverage our brand, extensive existing network, proprietary curricula and course materials and high teaching quality to become a leading national player in a highly fragmented industry.

Being a market leader in China's K-12 after-school tutoring service market enables us to more efficiently introduce and promote new service offerings and to more effectively attract and retain talented personnel by providing them with career development and advancement opportunities.

Strong Brand

We believe that our "Xueersi" brand is closely associated with high teaching quality and academic excellence. This strong brand has enabled us to recruit students primarily through word-of-mouth referrals, and as a result, we have been able to keep our marketing costs low relative to our total revenues. It also contributed to our ability to develop a loyal student base, as evidenced by our over 70% annual retention rate and robust online community. Moreover, our strong brand allows us to attract high quality teachers and retain a pricing premium relative to our competitors. Furthermore, we are able to leverage our brand to expand into new markets and quickly establish a leading position in those markets.

We have received numerous awards such as, in 2009, the *Parents' Most Trusted After-School Educational Institution* award by Sina.com, the *Most Influential After-School Education Brand in the last 60 Years Since 1949* award by Sohu.com, the *Most Innovative Chinese Education Group* award by Beijing News and Media and *China's Most Influential Education Brand* award by Tencent.com.

Outstanding Student Performance

We have established an impressive track record of outstanding student performance. In Beijing and Shanghai in 2010, approximately 5,700 of our students were admitted to key high schools, representing over 60% enrollment rate in comparison to the regional average of approximately 30%; and more than 5,500 of our students were admitted to key middle schools, representing over 80% enrollment rate in comparison to the regional average of 15-25%. Key schools are selected public schools in China with the highest admission standards and best allocated educational resources from the government. Moreover, in 2010, 169 out of our 430 high school graduates were admitted to Peking University and Tsinghua University, the two most prestigious universities in China that collectively enroll only less than 0.1% of high schools graduates across

the country. In addition, our students have won a significant number of regional, national and international math competitions, including three gold medals in the International Mathematical Olympiad in 2008 and 2009.

High Teaching Quality, Strong Content Development and Efficient Education Management System

We believe our commitment to consistent high teaching quality and standards is a significant driving force behind our success. This commitment is reflected in our highly selective teacher hiring process, our emphasis on continued teacher training and rigorous evaluation, competitive performance-based compensation and opportunities for career advancement. We routinely recruit teachers from top tier universities in China. In the past three years, only approximately 5% of applicants to our teaching positions were hired by us. Each of our newly hired teachers is required to undergo months of training before teaching classes and must participate in our continued training programs and a regular and rigorous evaluation process. We believe that our performance-based compensation packages are among the highest in the K-12 tutoring market in China and have helped us retain our best teaching talent. Furthermore, we offer career advancement opportunities to our best teachers who are considered for management positions.

We have a dedicated team of over 217 full-time employees focusing on curriculum and course material development, updating and improvement. This team works closely with our education expert advisors to keep up with changing academic and examination requirements in China's K-12 education system and solicits feedback from our teachers based on their classroom experience. Substantially all of our course materials are designed and developed in house and tailored to different focuses of our students at each grade level.

We modularize each distinct function of our operating procedures to optimize efficiency. In addition, we have established a highly standardized set of procedures across our system with respect to course and service offerings. We believe standardization allows us to achieve consistency in curricula delivered across our network, our branding and marketing as well as our operating guidelines.

Largest Online Education Platform in China

Our online platform, www.eduu.com, hosts China's largest and most active online education community for our existing and potential students and their parents, and is the largest Internet education portal in China, based on the average monthly page views and the average monthly number of unique visitors in the first six months of 2010. In addition, it serves as a gateway to our online courses and seven other websites dedicated to specific topics, including college entrance examinations, high school entrance examinations, preschool & kindergarten education, personalized premium services, mathematics, English, and Chinese composition.

Our websites dedicated to specific topics provide an efficient platform for information exchange, resources sharing and social networking. On these websites, the large and growing online community of students and parents are able to receive the latest information on school admissions and examinations and access past exam questions and test analyses. In addition, they are able to share their experiences and views regarding our courses, public school education in general and various other topics that concern them. They can also obtain information on, and make purchases of, our classroom-based course offerings in these topic areas.

The online platform complements and extends our existing physical network to improve our students' learning experience, increases student loyalty and stickiness, facilitates ongoing parent participation and enhances our brand awareness. Additionally, our online platform enables us to leverage our high quality content and teachers to expand our addressable target market, facilitates direct and constant communications with our prospective students and parents and effectively lowers our student acquisition costs.

Innovative and Entrepreneurial Management Team with Passion for Education

We have an innovative and entrepreneurial management team with a passion for education. Our co-founders, Mr. Bangxin Zhang and Mr. Yundong Cao, started our first after-school tutoring class in 2003 when they were still attending graduate school at Peking University. Two additional members of our senior management team, Dr. Yachao Liu and Mr. YunfengBai, joined us as teachers in 2003 and 2005, respectively, and have risen to their current management positions because of their commitment to our company and

outstanding performance. Under the leadership of our senior management, we have successfully executed our growth strategies to focus exclusively on the K-12 after-school tutoring service market and have become the leader in this market in China. We take great pride in our entrepreneurial, motivated and student-oriented corporate culture.

Our Strategies

We intend to pursue the following key growth strategies to achieve our goal of maintaining and further strengthening our leading position in the after-school tutoring service market in China:

Further Penetrate Existing Markets

We intend to further penetrate our existing markets by leveraging our strong brand, economies of scale and content development and teaching prowess. We currently have learning centers in six of the most economically prosperous cities in China, but our share of the overall K-12 after-school tutoring market still remains relatively low. For example, in Beijing and Shanghai, where our largest operations are based, our students account for less than 3% of the K-12 student population. We plan to leverage our brand to significantly increase our market share in each of these markets through opening additional learning centers.

We also plan to grow revenues in our existing markets by offering more classes and subjects at various grade levels, expanding classes to additional grade levels in cities where we do not yet offer them at all grade levels, attracting our existing students to enroll in additional courses, attracting new students to enroll in our courses and service offerings.

Extend Geographic Network into Attractive New Markets

We intend to expand our geographic network into additional attractive markets in China. We have already identified several economically prosperous regions in China with high projected growth, which we expect to offer attractive returns on capital. We intend to rigorously analyze various competitive and demographic factors in those markets in order to align our course offerings with local needs while maintaining the efficiency of our operations through our centralized structure, standardized training, and content development processes.

Expand Personalized Premium Services

We believe there is strong growth potential in the personalized premium services market. Our personalized premium services offer customized curricula and education timelines to suit each student's educational focus and requirements. We started personalized premium services in 2007 and have since grown rapidly to become a market leader in this market segment in Beijing. We operate 19 learning centers and 20 service centers in Beijing that are devoted to personalized premium services. We intend to further expand our personalized premium services in Beijing and replicate our successful model to other geographic markets, particularly those where we already have a successful track record operating small classes, while maintaining our high teaching quality.

Further Develop Online Course Offerings

We plan to further develop our online course offerings to extend our market reach and maximize the potential of our services. Online courses offer a cost-effective means for us to reach a broader target student base and realize greater cross-selling opportunities with our existing students, more fully utilize our existing education resources and generate attractive returns on capital. They enable us to leverage our proprietary curricula and course materials as well as high-quality teachers to target markets beyond our physical network. They also enable students to access our courses through the Internet at times and places most convenient for them and greatly facilitate interactions among students, teachers and parents. We began to officially offer online courses in 2010 and revenues generated from our online course offerings have accounted for less than 1.5% of our total net revenues. We intend to continue to invest in the expansion of our online education courses and improve our online platform.

Our Motto and Educational Philosophy

Our approach to education is based is on our motto "Learning Changes Lives" and an educational philosophy reflected in four guiding principles:

- educate our students to become well-rounded people with integrity and high moral standards;
- motivate our students to set and achieve high long-term goals;
- nurture our students' passion for learning; and
- foster a loving and caring character in our students.

Our Tutoring Services

We deliver our tutoring services to our students through small class settings, personalized premium services (i.e., one-on-one tutoring) and online course offerings.

Small classes

Since our inception, we have been offering courses in small class settings, which remain our main form of service offering in terms of number of student enrollments. 90 of our 109 learning centers and 67 of our 87 service centers nationwide are devoted to offering small classes. A typical small class course consists of 15 or 16 sessions during each spring and fall school semester and 7 to 12 sessions during each summer and winter break. Each session typically lasts three hours with course fees ranging from RMB50 to RMB55 per hour.

We typically enroll a maximum of 15 students in each small class at primary school levels, a maximum of 25 students in each small class at middle school levels, and a maximum of 30 students in each small class at high school levels. We keep the size of our classes small so that students can receive more individual attention from teachers than what they would typically experience in a large class setting and are able to learn in an interactive group environment. Moreover, small classes allow our teachers to maintain frequent interactions with students and parents before and after classes to discuss their questions, address their concerns and provide feedback on students' progress.

We design curricula catering to our students' different educational requirements and needs. Many of our classes for the same subject and grade level are offered at different levels of difficulty to better cater to the different needs of our students. For instance, we offer math tutoring in the form of basic classes, advanced classes, which are taught at a faster pace than basic classes, intensive classes, which are conducted at an even more accelerated pace, and specialized classes, which cater to the needs of advanced students and focus on specialized training for math competitions. We periodically assess our students' progress, and based on the results of such assessment, reassign students to different classes on an as-needed basis such that each student's situation and needs are taken into consideration.

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

Personalized Premium Services

We began to offer personalized premium services in August 2007 under our "Zhikang" brand. We operate 19 learning centers and 20 services centers in Beijing that are devoted to personalized premium services. The course fees for our personalized premium services range from RMB220 to RMB1,000 per hour.

Our personalized premium services provide fully customized curricula and course materials and flexible schedules to suit each student's educational focus in a one-on-one student-teacher setting. We provide personalized premium services to cater to the specific requirements of our students, such as addressing

weaknesses in particular subjects or topics, providing intensive examination or competition preparation and tailoring the pace of learning to accommodate above- or below-average learning curves.

Key features of our personalized premium services include:

Completely customized tutoring solution. Each prospective student of our personalized premium services must meet with our course consultant and undergo a range of diagnostic tests to assess 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 specifically 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 our large pool of experienced teachers in every subject and at every grade level. A large majority of the teachers in our one-on-one personalized premium services are full-time teachers to ensure better quality control. Teachers are chosen by students and their parents based on the specific interests and needs of each student. Each of our personalized premium tutoring sessions is conducted in a one-on-one student-teacher setting.

Personalized attention. We assign each student a coordinator, who routinely communicates with the student and the student's parents to address their questions and concerns and to closely monitor the quality of our services. The coordinator normally communicates with students and parents within 24 hours of each session and solicits weekly and monthly feedback from students and parents. We also accommodate any request by students or parents to change teachers to the extent practicable.

We intend to further expand our personalized premium services in Beijing and replicate this model to our other geographic markets, particularly those where we already have a successful track record operating small classes.

Online Courses

We offer selected online courses in math, Chinese and English through one of our websites, www.eduu.cn, where we began to officially offer online courses in 2010. As of August 31, 2010, we had 22,009 accumulated student enrollments in our online courses and we delivered 10,237 recorded videos of online courses. The online course fees range from RMB50 to RMB55 per hour.

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.

Key features of our online courses include:

High quality audio-video lectures. All of our online courses feature high quality audio-video lectures by experienced teachers. They are delivered through a multimedia web interface using streaming media and other technologies. The audio-video lectures are accompanied by high resolution animated slides to create a stimulating learning environment for our students.

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

Quality course-related support. Our online courses are supplemented by our proprietary course materials, online assignments, exercises, mock examinations and other forms of course-related support. We require students of our online courses to complete exercise questions as homework. Students can post questions online through our websites, which our instructors usually respond to within 24 hours after a question is submitted.

Comprehensive student supports. Each student's performance is closely monitored by a class coordinator who communicates with the student and the student's parents to follow up on the student's progress, which we believe has contributed to the high completion rate of our online courses by our students.

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.

Student Services

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

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

We have two call centers in Beijing and Shanghai, the main functions of which include receiving enquiries, accepting registrations and addressing other course-related issues. In addition, we regularly reach out to students of our online courses through the call centers to keep track of their progress. Our call center in Beijing has 90 operators and is open between 8 a.m. and 7 p.m. Our call center in Shanghai has 14 operators and is open between 9 a.m. and 8 p.m. The call centers facilitate our communications with existing and prospective students, our monitoring of completion of online courses and our efficient resolution of any concerns raised by our students or their parents.

In addition, the online platform, among other things, provides an efficient channel for the students and parents to submit study questions to our subject experts, which are generally answered within 24 hours.

Our Curricula and Course Materials

Curricula

Our curricula cover the core K-12 subjects, which include mathematics, English, Chinese, physics, chemistry and biology.

We started our business in 2003 by offering tutoring classes in mathematics, which still remains one of our strongest subjects as evidenced by the outstanding performance of our students in mathematics examinations and competitions. We then gradually rolled out courses in other subjects over the past several years. In terms of grade levels, we initially focused on serving primary school students and over the time

expanded our course offerings into higher grade levels. The following table provides a list of our current course offerings in Beijing:

		Primary School						Middle School			High School		
	K	1	2	3	4	5	6	7	8	9	10	11	12
Mathematics	•	•	•	•	•	•	•	•	•	•	•	•	•
English	•	•	•	•	•	•	•	•	•	•	•	•	•
Chinese	•	•	•	•	•	•	•	•	•	•	•	•	•
Physics	–	–	–	–	–	–	–	–	•	•	•	•	•
Chemistry	–	–	–	–	–	–	–	–	–	•	•	•	•
Biology	–	–	–	–	–	–	–	–	–	–	•	•	•

• : Currently offered.

– : Not offered at the corresponding grade level in public schools in China.

Curriculum and Course Material Development

Substantially all of our education content is developed in-house. We have a dedicated team of over 217 full-time employees who are responsible for developing, updating and improving our curricula and course materials. The team is further divided based on subjects covered, with each subject team led by a director who has significant teaching experience in the subject. Our team works closely with our education advisors in different subject fields to keep up with changing academic and examination requirements in China's K-12 education system and solicits feedback from our teachers based on their classroom experience.

The development process of our curricula and course materials typically starts with reviewing and referencing recent teaching materials and teachers' training materials from leading public schools as well as any new examination requirements to analyze the latest market trends and needs. Our development team is able to identify subjects and concepts that are difficult for students and focuses on the most important and difficult concepts and skills in the curricula. To address different educational requirements and needs of our students at each grade level, we have also developed curricula and course materials tailored for classes of different difficulty levels based on that group of students' learning curves as well as their strengths and weaknesses. At the end of each class cycle, 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 are also in the process of modularizing course materials based on specific topics so that centrally developed content can be more easily adopted locally and make our services more scalable.

Our Teachers

As our teachers interact with our students on a daily basis, they are critical to maintaining the quality of our services and to promoting our brand and reputation. We have a team of dedicated and highly qualified teachers with a strong passion for education, whom we believe are essential to our success. We are committed to maintaining a consistent and high teaching quality. This commitment is reflected in our highly selective teacher hiring process, our emphasis on continued teacher training and rigorous evaluation, competitive performance-based compensation and opportunities for career advancement. We had 76, 363, 647 and 1,067 full-time teachers and 1,572, 2,054, 2,460 and 1,455 contract teachers as of February 29, 2008, February 28, 2009 and 2010 and August 31, 2010, respectively. We have experienced low attrition of our teachers. Our voluntary teacher attrition rate was 1.6% and 5.2% for the fiscal years ended February 28, 2009 and 2010, respectively. During the fiscal year ended February 28, 2010, we increased the number of full-time teachers as a percentage of our total teaching staff as part of our ongoing strategy to optimize our teacher management system. As a result, some lower-performing contract teachers were assigned fewer classes than

before, which led to a greater number of contract teachers discontinuing their employment with us and thus a higher voluntary attrition rate during the period than the previous fiscal year.

We routinely recruit teachers from top-tier universities in China. We also hire experienced teachers with a solid track record and strong reputation from other schools. Our hiring process is highly selective. In the past three years, only approximately 5% of applicants to our teaching positions were hired by us.

Each of our newly hired full-time teachers is required to undergo months of training before teaching classes and must continue to participate in periodic training programs that focus on education content, teaching skills and techniques as well as our corporate culture and values. In addition, our teachers are regularly evaluated for their classroom performance and teaching results. Our teachers' retention, compensation and promotion are to a large extent based on the results of such evaluations. The evaluation process is highly rigorous and based mainly on four factors: annual retention rate, refund rate, class enrollment rate and student and parent satisfaction rate.

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

When we open a school in a new city, we typically select the school head from a pool of our top teachers in Beijing who have demonstrated management talent in an effort to maintain a uniform standard of teaching quality and consistent company culture as we expand. We require managers for new schools to participate in training sessions at our Beijing headquarters, which are designed to share best practices and disseminate policies, guidelines and standards to each of our locations. These school managers are then responsible for ongoing training of our full-time teachers at new locations.

Our Network

Our extensive network consists of 109 learning centers and 87 service centers in Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin and Wuhan, two call centers in Beijing and Shanghai as well as our online platform. Our learning centers host teaching facilities and are physical locations where classes are being conducted. Our service centers offer consultation, course selection, registration and other services, most of which are also provided by our call centers.

The following table sets forth the number of learning centers and service centers in each of the six cities in our physical network.

City	Number of Learning Centers	Number of Service Centers
Beijing	80	61
Shanghai	14	12
Shenzhen	2	2
Guangzhou	3	3
Tianjin	4	3
Wuhan	6	6

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 for expansion of our learning centers or geographic markets. The decision on whether to open a new learning center is typically made at the corporate level and involves a well-established process requiring participation by different levels of management personnel within our organizational structure. In selecting the locations for new learning centers, we perform comprehensive studies of each location by gathering education statistics, demographic data, public transportation information and other data. Our process in identifying a new market involves additional steps and rigorous analyses, such as promoting our brand locally, recruiting teachers and other staff and commencing course offerings with an initial focus on certain core subjects.

As we add new centers, management has also taken steps to ensure that we do so in a consistent fashion, including center design and build-out, operating hours, cash collection procedures, and course materials distribution. Key data from each new school is recorded in our IT system, allowing our senior management at our headquarters to analyze the key metrics of the business and determine areas that require greater management attention. To establish proper controls as we expand, we also establish a local finance team in each new city with oversight from the finance team at our headquarters. The finance team at our headquarters regularly monitors and provides training to the finance team in each school to ensure that our key financial policies are implemented at the local level.

Moreover, our online platform, www.eduu.com, hosts China's largest and most active online education community for our existing and potential students and their parents, and is the largest Internet education portal in China, based on the average monthly page views and average monthly unique visitors in the first six months of 2010. In addition, it serves as a gateway to our online courses and seven other websites dedicated to specific topics, including college entrance examinations, high school entrance examinations, preschool education, personalized premium services, mathematics, English and Chinese composition.

Marketing and Student Recruitment

We recruit our students primarily through word-of-mouth referrals. Our excellent reputation and strong 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 fiscal years ended February 29, 2008, February 28, 2009 and 2010 and for the six months ended August 31, 2010, our selling and marketing expenses were $0.4 million, $2.4 million, $5.6 million and $4.2 million, respectively, accounting for 4.2%, 6.3%, 8.1% and 7.9% of our total net revenues, respectively.

Referrals

We believe the single greatest contributor to our success in student recruitment has been word-of-mouth referrals by our students and their parents who share their learning experiences at Xueersi 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 excellent reputation, strong brand and outstanding performance by our students.

Online Platform

Our online platform has contributed significantly to increasing student loyalty and stickiness and enhancing our brand awareness. It also facilitates direct and frequent communications with our prospective students and parents and effectively lowers our student recruitment costs.

Public Lectures, Seminars, Diagnostic Sessions and Media Interviews

We frequently offer free public lectures, seminars and diagnostic sessions to students and parents as a way of providing useful information to our prospective students and relevant experience for them to evaluate our offerings. In the fiscal year ended February 28, 2010, we offered more than 350 public lectures, seminars and diagnostic sessions and had more than 23,000 meetings with students and parents. In addition, our approach to high teaching quality and the track record of our outstanding student performance has captured the attention of many traditional and new media, which we believe further enhanced our reputation and brand.

Advertisement and Others

We advertise through leading search engines in China and our cooperative relationships with other education websites targeting Chinese students. We also have advertising arrangements with well-known newspapers in Beijing and use other advertising channels such as outdoor advertising campaigns. In addition, we distribute marketing materials such as brochures, posters and flyers to current and prospective students and

their parents in our learning centers, service centers and outside public school campuses. We also participate in various education services and products exhibitions and conventions.

Competition

The after-school tutoring service sector in China is rapidly evolving, highly fragmented and competitive. We face competition in each type of service we offer and each geographic market in which we operate. Our competitors at the national level include New Oriental Education & Technology Group Inc., Juren Education, Ambow Education Holding Ltd., Xueda Education Technology (Beijing) Co., Ltd. and ChinaEdu Corporation. We also face regional competition from various local players.

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

- brand;
- student achievements;
- price/value;
- type and quality of tutoring services offered; and
- ability to effectively tailor service offerings to specific 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 "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 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:

- 3 trademark registrations for our brand and logo in China and Hong Kong;
- registrations of 13 domain names;
- copyrights to substantially all of the course content we developed in house, including all of our online courses; and
- copyright registration certificates for 20 software programs developed by us relating to different aspects of our operations.

In particular, we have several domain names that are highly valued unique assets of our online platform as each domain name incorporates the Chinese spelling of the theme of the corresponding website, and is

therefore easy to remember. Listed below are nine domain names we have registered and the theme of the respective website under each domain name:

Website Domain Name	
www.eduu.com	Our main webpage which is linked to the websites listed below
www.eduu.cn	Online courses
www.gaokao.com	College entrance examinations
www.zhongkao.com	High school entrance examinations
www.jiajiaoban.com	Personalized premium services
www.aoshu.com	Mathematics for primary and middle schools; specialized training for competition mathematics
www.yingyu.com	English language
www.zuowen.com	Chinese composition
www.youjiao.com	Preschool and kindergarten education

To protect our brand and other intellectual property, we rely on a combination of trademark, copyright, 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 "Risk Factors—Risks Related to Our Business—If we fail to protect our intellectual property rights, our brand and business may suffer."

Facilities

Our headquarters are located in Beijing, China and occupy approximately 95,087 square feet under a lease which expires in October 2012. We also lease all of our learning centers and service centers, which occupy an aggregate of approximately 971,398 square feet in six cities in China. For more detailed information about the locations of our learning centers and service centers, see "—Our Network."

Employees

We had 395, 1,404, 2,342 and 2,827 full-time employees as of February 29, 2008, February 28, 2009 and 2010 and August 31, 2010, respectively. The following table sets forth the number of our employees by function as of August 31, 2010:

Functional Area	Number of Employees	% of Total
Teaching	1,067	37.7%
Customer service	912	32.3%
Sales and marketing	149	5.3%
Curriculum and course material development	217	7.7%
General and administrative	325	11.5%
Technology	157	5.6%
Total	**2,827**	**100.0%**

Of our total number of employees as of August 31, 2010, 2,390 were in Beijing, 267 were in Shanghai and 170 were in other locations in China.

From time to time, we also employ contract teachers, part-time employees 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. We believe that our employee relations are good.

We plan to hire additional teachers and other employees as we expand. Our employee recruiting channels include word-of-mouth referrals, on-campus recruiting, online recruiting and professional recruiters. We also partner with leading higher education institutions and employ other measures designed to bring us into contact with suitable candidates for employment.

Our full-time employees in China participate in a government mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, housing funds and other welfare benefits are provided to the employees. Chinese labor regulations require that our PRC subsidiaries make contributions to the government for these benefits based on a fixed percentage of the employees' salaries.

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased limited liability insurance for our students and their parents covering our learning centers in Beijing, Shanghai and Tianjin. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. We consider our insurance coverage to be in line with that of other private education providers of a similar size in China.

Legal Proceedings

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

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 Ministry of Education, the General Administration of Press and Publication, the Ministry of Information Industry, the State Administration for Industry and Commerce, the Ministry of Civil Affairs and their respective local offices.

Regulations on Private Education

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

Education Law of the PRC

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

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

The Law for Promoting Private Education (2003) became effective on September 1, 2003. The Implementation Rules for the Law for Promoting Private Education (2004) became effective on April 1, 2004. Under these regulations, "private schools" are defined as schools established by non-governmental organizations or individuals using non-government funds. In addition, under the regulations, private schools providing certifications, pre-school education, self-study aid and other academic education are subject to approval by the education authorities, while private schools engaging in occupational qualification training and occupational skill training are subject to approval by the authorities in charge of labor and social welfare. A duly approved private school will be granted a private school operating permit, and shall be registered with the Ministry of Civil Affairs or its local bureaus as a privately run non-enterprise institution. In addition, schools and their learning centers must make filings with the Ministry of Education and the Ministry of Civil Affairs or their local bureaus. Among our ten affiliated schools, two are in the process of renewing their private school operating permits and each of the remaining eight schools has obtained and maintained the private school operating permits.

Under the above regulations, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education that are of a special nature. Government-run schools that provide compulsory education are not permitted to be converted into private schools. In addition, operation of a private school is highly regulated. For example, the types and amounts of fees charged by a private school providing certifications shall be approved by the pricing authority and be publicly disclosed. A private school that does not provide certifications shall file its pricing information with the pricing authority and publicly disclose such information. We do not offer any degree or certification course and thus we shall file our pricing information with the relevant pricing authorities in the

school districts where we have operations. We disclose all our pricing information for all our services to public.

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

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

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

Regulations on Chinese-Foreign Cooperation in Operating Schools

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

The Regulations on Chinese—Foreign Cooperation in Operating Schools and its Implementing Rules encourage substantive cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education and Chinese educational organizations to jointly operate various types of schools in the PRC. Cooperation in the areas of higher education and occupational education is especially encouraged. Chinese-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 the PRC.

Permits for schools jointly operated by Chinese and foreign entities shall be obtained from the relevant education authorities or the authorities that regulate labor and social welfare in the PRC. We are not required

to apply for such permits as all of our schools are operated by Xueersi Network, Xueersi Education or their respective subsidiaries, which are Chinese entities.

Regulations on Online and Distance Education

Pursuant to the Administrative Regulations on Educational Websites and Online and Distance Education Schools issued by the Ministry of Education in 2000, educational websites and online education schools may provide education services in relation to higher education, primary education, preschool education, education for teachers, occupational education, adult education, other education and public educational information services. "Educational websites" refer to organizations providing education or education-related information services to website visitors by means of a database or online education platform connected via the Internet or an educational television station through an Internet service provider, or ISP. "Online education schools" refer to education websites providing academic education services or training services that issue education certificates.

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

According to the Administrative License Law promulgated by the Standing Committee of the National People's Congress, or NPC, on August 27, 2003, which became effective on July 1, 2004, only laws promulgated by NPC and regulations and decisions promulgated by the State Council may eliminate the requirement for any administrative license. According to a regulation promulgated by the State Council on June 29, 2004, and later amended on January 29, 2009, operators of "online education schools" must obtain administrative licenses from the government, while no administrative license is required to operate "educational websites." Accordingly, Xueersi Education and Xueersi Network, our affiliated entities engaging in online education-related services, are not required to obtain approval to operate "educational websites" from the Ministry of Education. In addition, Xueersi Education is not required to obtain a license to operate "online education schools", as it does not directly offer government accredited degrees or certifications through its online education or training services.

Regulations on Publishing and Distribution of Publications

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

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

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

in general distribution in the PRC. An entity engaged in retail distribution of publications shall obtain such permit from the local office of the Administration of Press and Publication and may not conduct general distribution or wholesaling of publications in the PRC.

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

During the term of the above-mentioned permits, the General Administration of Press and Publication or its local bureaus 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.

Xueersi Education and Xueersi Network, our affiliated entities engaging in retailing teaching materials and audio-video products to our students, have obtained the relevant Permits for Operating Publications Business for retail services and the relevant permits for retailing audio-video products.

Regulations on Internet Information Services

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

The Internet Information Measures require that commercial Internet content providers, or ICP providers, obtain a license for Internet information services, or ICP license, from the appropriate telecommunications authorities in order to offer any commercial Internet information services in the PRC. ICP providers shall display their ICP license number in a conspicuous location on their home page. In addition, the Internet Information Measures also provide that ICP providers that operate in sensitive and strategic sectors, including news, publishing, education, health care, medicine and medical devices, must obtain additional approvals from the relevant authorities regulating those sectors as well. The BBS Measures provide that any ICP provider engaged in providing online bulletin board services, or BBS, is subject to a special approval and filing requirement with the relevant telecommunications industry authorities.

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

Xueersi Education and Xueersi Network, engaging in providing Internet information services and providing online bulletin board services, have each obtained an ICP license from the Beijing bureau of MII, and Xueersi Network engaged in providing online BBS has obtained the approval for such services from the Beijing bureau of MII.

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

The State Administration of Radio, Film and Television, or SARFT, promulgated the Rules for Administration of Broadcasting of Audio-Video Programs through the Internet and Other Information Networks, or the Broadcasting Rules, in 2004, which became effective on October 11, 2004. The Broadcasting Rules apply to the activities of broadcasting, integration, transmission, downloading of audio-video programs

with computers, televisions or mobile phones as main terminals and through various types of information networks. Pursuant to the Broadcasting Rules, a Permit for Broadcasting Audio-Video Programs via Information Network is required for engaging in Internet broadcasting activities. On April 13, 2005, the State Council announced a policy on private investments in businesses in China that relate to cultural matters, which prohibits private investments in businesses relating to the dissemination of audio-video programs through information networks.

On December 20, 2007, SARFT and MII issued the Internet Audio-Video Program Measures, which became effective on January 31, 2008. Among other things, the Internet Audio-Video Program Measures stipulate that no entities or individuals may provide Internet audio-video program services without a License for Disseminating Audio-Video Programs through Information Network issued by SARFT or its local bureaus or completing the relevant registration with SARFT or its local bureaus and only entities wholly owned or controlled by the PRC government may engage in the production, editing, integration or consolidation, and transmission to the public through the Internet, of audio-video programs, and the provision of audio-video program uploading and transmission services. There are significant uncertainties relating to the interpretation and implementation of the Internet Audio-Video Program Measures, in particular, the scope of "Internet Audio-Video Programs." However, on April 1, 2010, SARFT promulgated the Tentative Categories of Internet Audio-Visual Program Service, or the Categories, which clarified the scope of Internet Audio-Video Programs. According to the Categories, there are four categories of Internet audio-visual program service which in turn are divided into seventeen sub-categories. The third sub-category of the second category covers the making and broadcasting of certain specialized audio-visual programs concerning art, culture, technology, entertainment, finance, sports, and education.

Our net revenues derived from audio-video program services that may be subject to the Audio-Video Program Measures were less than 1.5% of our total net revenues since we began offering online courses in 2010. In the course of offering online tutoring services, we transmit our audio-video educational courses and programs through the Internet only to enrolled course participants, not to the general public. The limited scope of our audience distinguishes us from general online audio-video broadcasting companies, such as companies operating user-generated content websites. In addition, we do not provide audio-video program uploading and transmission services. As a result, we believe that we are not subject to the Internet Audio-Video Program Measures. However, there is no further official or publicly available interpretation of these definitions, especially the scope of "Internet audio-video program service." If the governmental authorities determine that our provision of online tutoring services falls within the Internet Audio-Video Program Measures, we may not be able to obtain the License for Disseminating Audio-Video Programs through Information Network. If this occurs, we may become subject to significant penalties, fines, legal sanctions or an order to suspend our use of audio-video content.

Regulations on Protection of the Right of Dissemination through Information Networks

On May 18, 2006, the State Council promulgated the Regulations on Protection of the Right of Dissemination through Information Networks, which became effective on July 1, 2006. The new regulations require that every organization or individual who disseminates a third party's work, performance, audio or visual recording products to the public through information networks shall obtain permission from, and pay compensation to, the legitimate copyright owner of such products, unless otherwise provided under relevant laws 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 new regulations also provide that permission from and compensation to the copyright owner is not required in the case of limited dissemination to teaching or research staff for the purpose of school instruction or scientific research only.

Xueersi Education, Xueersi Network and Haidian School are the operators of our website engaged in the dissemination of educational content through the Internet and have obtained permission from, and paid compensation to, the legitimate copyright owners of such third party content except when the dissemination is limited to teaching or research purposes only.

Regulations on Copyright and Trademark Protection

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

Copyright. The National People's Congress amended the Copyright Law in 2001 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 MII jointly promulgated the Administrative Measures for Copyright Protection Related to the Internet on April 30, 2005. These measures became effective on May 30, 2005.

Trademark. The PRC Trademark Law, adopted in 1982 and revised in 2001, protects the proprietary rights to registered trademarks. The Trademark Office under the State Administration for Industry and Commerce handles trademark registrations and may grant a term of ten years for registered trademarks, which may be extended for another ten years upon request. Trademark license agreements must be filed with the Trademark Office for record. In addition, if a registered trademark is recognized as a well-known trademark, the protection of the proprietary right of the trademark holder may reach beyond the specific sector of the relevant products or services. We have registered two trademarks with the Trademark Office and one with the Trade Marks Registry, Intellectual Property Department of the Hong Kong government. We have filed applications for registration of 35 other trademarks and logos with the Trademark Office. We are in the process of registering additional marks and logos.

Domain names. On November 5, 2004, the MII amended the Measures for Administration of Domain Names for the Internet, or the Domain Name Measures. The Domain Name Measures regulate the registration of domain names. In February 2006, China Internet Network Information Center, or CNNIC, issued the Implementing Rules for Domain Name Registration and the Measures on Domain Name Dispute Resolution. We have registered many domain names with CNNIC.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents.

The Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Financing and Round Trip Investment via Overseas Special Purpose Vehicles, or Circular 75, issued by the State Administration of Foreign Exchange and effective on November 1, 2005, regulates foreign exchange matters in relation to the use of SPVs, by PRC residents to seek offshore equity financing and conduct "round trip investment" in China. Under Circular 75, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or PRC entities for the purpose of seeking offshore equity financing using assets or interests owned by such PRC residents or PRC entities in onshore companies, while "round trip investment" refers to the direct investment in China by PRC residents through SPVs, including, without limitation, establishing foreign-invested enterprises and using such foreign-invested enterprises to purchase or control onshore assets through contractual arrangements. Circular 75 requires that, before establishing or controlling an SPV, PRC residents and PRC entities are required to complete foreign exchange registration with the local bureaus of the State Administration of Foreign Exchange for their overseas investments.

Circular 75 applies retroactively. PRC residents who have established or acquired control of SPVs that have completed "round-trip investments" before the implementation of the Circular 75 shall register their ownership interests or control in such SPVs with the local bureaus of the State Administration of Foreign Exchange before March 31, 2006. An amendment to the registration is required if there is a material change in the SPV registered, such as increase or reduction of share capital or transfer of shares. Failure to comply with the registration procedures set forth in Circular 75 may result in restrictions on the foreign exchange activities of the relevant foreign-invested enterprises, including payment of dividends and other distributions, such as

proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

We believe that all of our shareholders who are PRC citizens or residents have completed their required registrations with SAFE, or are otherwise in the process of registering with SAFE.

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 on September 24, 1997 and the Interim Provisions on the Management of Foreign Debts, or the Provisions, promulgated by SAFE, the National Development and Reform Commission and the Ministry of Finance, which was effective from March 1, 2003, loans by foreign companies to their subsidiaries in China, which are foreign-invested enterprises, are considered foreign debt, and such loans must be registered with the local bureaus of SAFE. Under the Provisions, these foreign-invested enterprises must submit registration applications to the local bureaus 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 debt borrowed by a foreign-invested enterprise is limited to the difference between the total investment and the registered capital of the foreign-invested enterprise. Total investment of a foreign-invested enterprise is the total amount of capital that can be used for the operation of the foreign-invested enterprise, as approved by the Ministry of Commerce or its local bureau, and may be increased or decreased upon approval by the Ministry of Commerce or its local bureau. Registered capital of a foreign-invested enterprise is the total amount of capital contributions to the foreign-invested enterprise by its foreign holding company or owners, as approved by the Ministry of Commerce or its local bureau and registered at the State Administration for Industry and Commerce or its local bureau.

According to applicable PRC regulations on foreign-invested enterprises, capital contributions from a foreign holding company to its PRC subsidiaries, which are considered foreign-invested enterprises, may only be made when approval by the Ministry of Commerce or its local bureau has been obtained. In approving such capital contributions, the Ministry of Commerce or its local bureau examines the business scope of each foreign invested enterprise under review to ensure it complies with the Foreign-Investment Industrial Guidance Catalog, which classifies industries in China into three categories, namely "encouraged foreign investment industries," "restricted foreign investment industries" and "prohibited foreign investment industries."

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

Regulations on Employee Share Incentive Awards Granted by Listed Companies

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

foreign-listed companies must be remitted to bank accounts in China opened by their employers or PRC agents.

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

Following the completion of this offering, we intend to file registration with the local SAFE bureau for our employees who are PRC nationals and have been granted shares or share options under our share incentive plan and follow other procedures set forth in Circular 78 and other applicable regulations. These registrations and filings are a matter of foreign exchange control and tax procedure and the grant of share incentive awards to employees is not subject to the government's discretionary approval. We do not believe that compliance with PRC regulations on employee incentive plans will have any material adverse effect on the implementation of our share incentive plan.

M&A Regulations and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, namely, the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC, and SAFE, jointly adopted the M&A Rule which became effective on September 8, 2006. This M&A Rule purports to require, among other things, offshore special purpose vehicles, or SPVs, formed for the purpose of acquiring PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. While the application of the M&A Rule remains unclear, we believe, based on the advice of our PRC counsel, Tian Yuan Law Firm, that CSRC approval is not required in the context of this offering as we are not a special purpose vehicle formed for the purpose of acquiring domestic companies that are controlled by our PRC individual shareholders, as we acquired contractual control rather than equity interests in our domestic affiliated entities. However, we cannot assure you that the relevant PRC government agency, including the CSRC, would reach the same conclusion as our PRC counsel. If the CSRC or other PRC regulatory agency subsequently determines that we need to obtain the CSRC's approval for this offering or if CSRC or any other PRC government authorities will promulgate any interpretation or implementing rules before our listing that would require CSRC or other governmental approvals for this offering, we may face sanctions by the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from this offering into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory agencies may also take actions requiring us to halt this offering before settlement and delivery of the ADSs offered by this prospectus.

Regulations on Foreign Currency Exchange

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

Foreign exchange on the capital account can be retained or sold to financial institutions that have foreign exchange settlement and sales business with prior approval of SAFE, unless otherwise provided.

In utilizing the proceeds we receive from this offering in the manner described in "Use of Proceeds," 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 affiliated entities, or (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

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

In addition, on August 29, 2008, SAFE promulgated Circular 142, a notice regulating the conversion by a foreign-invested company of its capital contribution in foreign currency into Renminbi. Circular 142 restricts the use of Renminbi funds converted from foreign exchange. It requires that Renminbi converted from foreign currency-denominated capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the relevant government authority and may not be used to make equity investments in PRC, unless specifically provided otherwise. Moreover, the approved use of such Renminbi funds may not be changed without approval from SAFE. Renminbi funds converted from foreign exchange may not be used to repay loans in Renminbi if the proceeds of such loans have not yet been used. Any violation of Circular 142 may result in severe penalties, including substantial fines. We expect that if we convert the offering proceeds into Renminbi pursuant to Circular 142, the use of Renminbi funds will be for purposes within the business scope of the PRC subsidiaries as approved by the local bureau of Administration for Industry and Commerce. However, we may not be able to use such Renminbi funds to make equity investments in the PRC through our PRC subsidiaries. While we may not transfer the proceeds from this offering through our wholly owned subsidiaries for the purpose of domestic acquisitions, we may use the proceeds to acquire offshore entities with business operations in China. We may also use our cash flow from operations to fund our acquisitions as necessary.

We expect that the PRC regulations of loans and direct investment by offshore holding companies to PRC entities may continue to limit our use of proceeds of this offering. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC government authorities are required to process such approvals or registrations or deny our application within a maximum of 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to our future plans to use the U.S. dollar proceeds we receive from this offering for our expansion and operations in China. If we fail to receive such registrations or approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business.

Regulations on Dividend Distribution

Under applicable PRC laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises 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 wholly owned subsidiaries in China must comply with the foregoing regulations.

Under PRC law, each of our subsidiaries, VIEs and VIE's subsidiaries in China are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. 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. As a result of these PRC laws and regulations, as of August 31, 2010, we had $4.9 million in statutory reserves, or 15.0% of total equity, that are not distributable as cash dividends. Our PRC subsidiaries have not historically paid any dividends to our offshore entities from their accumulated profits. However, we do not expect that the statutory reserve requirement will materially limit our ability to pay dividends to our shareholders or our plan to expand our business because we are to date only required to set aside an additional $2.9 million to satisfy the maximum requirement of statutory reserves for all of our PRC subsidiaries, VIEs and VIEs' subsidiaries.

MANAGEMENT

Directors and Executive Officers

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

Directors and Executive Officers	Age	
Bangxin Zhang	29	Chairman of the Board of Directors and Chief Executive Officer
Yundong Cao	30	Director and President
Aieming Amy Yeh	48	Director
Jane Jie Sun	42	Independent Director Appointee*
Wai Chau Lin	45	Independent Director Appointee*
Yachao Liu	28	Vice President
Yunfeng Bai	28	Vice President
Joseph Kauffman	32	Chief Financial Officer

* Jane Jie Sun and Wai Chau Lin have accepted our appointment to be our independent directors, effective upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part.

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

Yundong Cao is one of our founders and has served as our director and president since our inception. Mr. Cao has been instrumental to the development and success of our business. Mr. Cao is also a vice chairman of the China Association of Private Education. Mr. Cao was named an *Influential Person in Chinese Education* by Beijing Evening News in 2010, and received an *Outstanding Principals in After-school Basic Education Sector* award from the China Association of Private Education in 2009. Mr. Cao received his bachelor's degree in Biology from Yantai University in 2002, his master's degree from Peking University in 2007 and his EMBA degree from Cheung Kong Graduate School of Business in 2010.

Aieming Amy Yeh has served as a director since February 2009. Ms. Yeh was elected to our board of directors by holder of Series A preferred shares pursuant to our amended and restated shareholders' agreement. Ms. Yeh is a managing director at KTB Capital. Prior to joining KTB Capital in 2007, Ms. Yeh was with Softbank China Venture Capital, or SBCVC. Prior to joining SBCVC in 2000, Ms. Yeh was a senior manager in business assurance services at PricewaterhouseCoopers. Ms. Yeh is a U.S. Certified Public Accountant. She received her bachelor's degree from National Chunghsing University and master's degree from University of Maryland.

Jane Jie Sun will serve as an independent director upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Ms. Sun has extensive experience in SEC reporting, finance and accounting. She has served as the chief financial officer of Ctrip.com International, Ltd, a NASDAQ-listed company, since December 2005. Prior to joining Ctrip, Ms. Sun served as the head of the SEC and External Reporting Division of Applied Materials, Inc., where she worked from 1997 to 2005. Prior to joining Applied Materials, Inc., Ms. Sun worked with KPMG LLP in Silicon Valley, California for five years. Ms. Sun is a member of the American Institute of Certified Public Accountants and a member of the State of California Certified Public Accountants. Ms. Sun received her bachelor's degree from the Business School of the University of Florida with High Honors. She also attended the undergraduate program at Beijing University Law School from 1987 to 1989.

Wai Chau Lin will serve as an independent director upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Mr. Lin is a founder of Longtop Financial Technologies Limited, or Longtop, an NYSE-listed company, and has served as its director and chief executive officer since its inception in June 1996. He has over 21 years of experience in China's IT industry. Prior to founding Longtop, Mr. Lin held various positions, including technology department manager, sales department manager, vice general manager and general manager, at Xiamen Xindeco Computer Company from 1985 to 1996. Mr. Lin has also won several industry awards, including Fujian Outstanding Young Entrepreneur Award, Xiamen Outstanding Young Entrepreneur Award and Fujian Software Talent Award. He served as the vice president of Xiamen Youth Chamber of Commerce and is currently a representative on the People's Congress for the Siming District of Xiamen City. He was a visiting professor at the Software School of Xiamen University. Mr. Lin received his bachelor's degree in Computer Science from Fudan University.

Yachao Liu has served as our vice president since January 2008. In this capacity, he is in charge of our online course offerings. Dr. Liu was director of our middle school division between September 2005 and January 2008. Dr. Liu received his bachelor's degree in Mechanics from Peking University in 2003 and Ph.D. from the Institute of Mechanics of the Chinese Academy of Science in 2008.

Yunfeng Bai has served as our vice president since June 2008. In this capacity, he oversees our personalized premium services. Mr. Bai founded our high school division in 2005 and was the director of our Beijing operations from June 2006 through May 2008. Mr. Bai received his bachelor's degree in Engineering Automation from Beijing University of Aeronautics and Astronautics in 2003, attended the CEO class of Guanghua Management School of Peking University between 2008 and 2009 and is currently in the EMBA program of China Europe International Business School.

Joseph Kauffman has served as our Chief Financial Officer since June 2010. Prior to joining us, Mr. Kauffman headed M&A and international business development at New Oriental Education & Technology Group Inc., where he joined the senior management team before its initial public offering on the New York Stock Exchange in 2006. Between 1999 and 2004, Mr. Kauffman was a senior manager at The Coca-Cola Company in China and held various operating, strategy and business development roles. Mr. Kauffman received his bachelor's degree from Williams College in 1999 and an MBA degree from the Harvard Business School in 2006.

Board of Directors

Our board of directors currently consists of three directors. Two additional independent directors will join the board upon completion of this offering. A director is not required to hold any shares in our company by way of qualification. A director may vote with respect to any contract or transaction in which he or she is materially interested provided the nature of the interest is disclosed prior to its consideration. Subject to our post-offering memorandum and articles of association, the directors may exercise all the powers of our company to borrow money, mortgage his or her undertaking, property and uncalled capital, and issue debentures or other securities whether outright or as security for any debt, liability or obligation of our company or of any third party. We intend to have a majority of independent directors serving on our board of directors within one year of this offering.

Committees of the Board of Directors

We have established three committees under the board of director, 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 will consist of Ms. Jane Jie Sun, Mr. Yundong Cao and Mr. WaiChau Lin. Ms. Sun and Mr. Lin 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. In addition, Ms. Sun and Mr. Lin meet the "independence" standards under Rule 10A-3 under the Exchange Act will be the chair of our audit committee. 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 will be 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. Bangxin Zhang, Mr. Wai Chau Lin and Ms. Jane Jie Sun. Mr. Lin and Ms. Sun 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. 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. Bangxin Zhang, Mr. Wai Chau Lin and Ms. Jane Jie Sun. Mr. Lin and Ms. Sun 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. 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.

Duties of Directors

Under Cayman Islands law, our directors have a duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. Our company has the right to seek damages if a duty owed by our directors is breached.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board of directors. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; or (ii) dies or is found by our company to be or becomes of unsound mind.

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. In such case, the executive officer will not be entitled to receive payment of any severance benefits or other amounts by reason of the termination, and the executive officer's right to all other benefits will terminate, except as required by any applicable law. We may also terminate an executive officer's employment without cause upon one-month advance written notice. In such case of termination by us, we are required to provide compensation to the executive officer, including severance pay, as expressly required by the applicable law of the jurisdiction where the executive officer is based. The executive officer may terminate the employment at any time with a one-month advance written notice, if there is any significant change in the executive officer's duties and responsibilities inconsistent in any material and adverse respect with his or her title and position or a material reduction in the executive officer's annual salary before the next annual salary review, or if otherwise approved by the board of directors.

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 secretes 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 one 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.

Compensation of Directors and Executive Officers

For the fiscal year ended February 28, 2010, the aggregate compensation we paid to our executive officers was approximately $0.5 million. Such amounts included the amounts we paid for pension, retirement or similar benefits for our executive officers in compliance with requirements under the PRC laws. No other pension, retirement or similar benefits has been set aside or accrued for our executive officers or directors. None of our non-executive directors has a service contract with us that provides for benefits upon termination of services. We do not pay our non-executive directors for their services on our board.

Share Incentive Plan

In June 2010, we adopted our 2010 Share Incentive Plan in order to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. The plans permit the grant of options to purchase our 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. The maximum aggregate number of Class A common shares that may be issued pursuant to all awards under our share incentive plan is 18,750,000 shares. As of the date of this prospectus, we have granted 5,419,500 restricted Class A common shares under this plan to our employees.

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

Name	Number of Class A Restricted Shares	Date of Grant	Vesting Commencement Date	Vesting Schedule
Yachao Liu	*	July 26, 2010	July 26, 2010	4 years
Yunfeng Bai	*	July 26, 2010	July 26, 2010	4 years
Joseph Kauffman	*	July 26, 2010	July 26, 2010	4 years
Directors and officers as a group	2,125,000	—	July 26, 2010	4 years
Other individuals as a group	3,294,500	—	July 26, 2010	1 to 4 years
Total	5,419,500	—	July 26, 2010	—

* Less than 1% of the outstanding common shares.

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

Plan Administration. The plan will be administered by a committee of one or more directors to whom the board shall delegate the authority to grant or amend awards to participants other than any of the committee members. The committee will determine the provisions and terms and conditions of each award grant.

Awards and Award Agreement. Pursuant to our 2001 Share Incentive Plan, we may grant options, restricted shares or restricted share units 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 shall be 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 shall be determined by our plan administrator, provided that the term shall not exceed 10 years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines, or the award agreement specifies, the vesting schedule. Restricted Share granted under our 2010 Share Incentive Plan have either a four-year, a two-year or a one-year 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 provided otherwise in an individual award agreement or any other written agreement entered into by a participant and us, in the event of a change-of-control or other corporate transactions, our plan administrator may determine to provide for one or more of the following: (i) each award outstanding under the plan to terminate at a specific time in the future and give each participant the right to exercise the vested portion of the awards during a period of time as determined by our plan administrator; or (ii) termination of any award in exchange for an amount of cash equal to the amount that could have been attained upon the exercise of the award; or (iii) the replacement of such award with other rights or property selected by our plan administrator; or (iv) the assumption of or substitution of such award by our successor, parent or subsidiary, with appropriate adjustments; or (v) payment of an award in cash based on the value of shares on the date of the corporate transaction plus reasonable interest on the award.

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

PRINCIPAL SHAREHOLDERS

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

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

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. 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 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.

	Shares Beneficially Owned Prior to This Offering		Shares Beneficially Owned after This Offering		
	Number	%(1)	Number	%(2)	% of Voting Power(3)
Directors and Executive Officers:					
Bangxin Zhang(4)	59,550,000	47.6%			
Yundong Cao(5)	20,300,000	16.2%			
Aieming Amy Yeh(6)	8,125,000	6.5%			
Jane Jie Sun	—	—			
Wai Chau Lin	—	—			
Yachao Liu(7)	8,812,500	7.1%			
Yunfeng Bai(8)	6,337,500	5.1%			
Joseph Kauffman	—	—			
All directors and executive officers as a group	103,125,000	82.5%			
Principal Shareholders:					
Bright Unison Limited(9)	59,550,000	47.6%			
Tiger Global Five China Holdings(10)	21,875,000	17.5%			
Central Glory Investments Limited(11)	14,550,000	11.6%			
KTB China Optimum Fund and affiliate fund(12)	8,125,000	6.5%			
Perfect Wisdom International Limited(13)	8,812,500	7.1%			
Excellent New Limited(14)	6,337,500	5.1%			

(1) 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 125,000,000, being the sum of the total number of common shares outstanding as of the date of the prospectus and the number of common shares issuable upon conversion of all outstanding series A preferred shares at the conversion rate of one preferred share to one Class B common share.

(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 , being the total number of common shares outstanding immediately after the closing of this offering, assuming that the underwriters do not exercise their over-allotment option.

(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. Each holder of our Class B common shares is entitled to ten votes per Class B common share and each holder of Class A common shares is entitled to one vote per Class A common share held by our shareholders on all matters submitted to them for a vote. Our Class A common shares and Class B common shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B common shares are convertible at any time by the holder into Class A common shares on a 1:1 basis.

(4) Consists of 59,550,000 Class B common shares held by Bright Unison Limited, a British Virgin Islands company. Bangxin Zhang is the sole shareholder and the sole director of Bright Unison Limited. Bangxin Zhang's business address is c/o 18/F, Hesheng Building, 32 Zhongguancun Avenue, Haidian District, Beijing 100080, People's Republic of China.

(5) Consists of (i) 14,550,000 Class B common shares held by Central Glory Investments Limited, a British Virgin Islands company, to which Yundong Cao is the sole shareholder and the sole director and (ii) 5,750,000 Class B common shares held by Passion Prance Limited, a British Virgin Islands company, to which Yundong Cao's spouse is the sole shareholder and the sole director. Mr. Cao disclaims beneficiary ownership of the shares held by Passion Prance Limited. Yundong Cao's business address is c/o 18/F, Hesheng Building, 32 Zhongguancun Avenue, Haidian District, Beijing 100080, People's Republic of China.

(6) Consists of (i) 3,125,000 Class B common shares held by KTB China Optimum Fund and (ii) 5,000,000 Class B common shares issuable upon the conversion of the Series A preferred shares held by KTB China Optimum Fund. See also note (11) below to this table. Aieming Amy Yeh is an executive director at KTB Capital, an affiliate of KTB China Optimum Fund. Ms. Yeh disclaims beneficiary ownership of the shares held by KTB China Optimum Fund except to the extent of her pecuniary interest therein. Aieming Amy Yeh's business address is 3504, SoHo Donghai Plaza, 299 Tongren Road, Shanghai, People's Republic of China.

(7) Consists of 8,812,500 Class B common shares held by Perfect Wisdom International Limited, a British Virgin Islands company. Yachao Liu is the sole shareholder and the sole director of Perfect Wisdom International Limited. Yachao Liu's business address is c/o 18/F, Hesheng Building, 32 Zhongguancun Avenue, Haidian District, Beijing 100080, People's Republic of China.

(8) Consists of 6,337,500 Class B common shares held by Excellent New Limited, a British Virgin Islands company. Yunfeng Bai is the sole shareholder and the sole director of Excellent New Limited. Yunfeng Bai's business address is c/o 18/F, Hesheng Building, 32 Zhongguancun Avenue, Haidian District, Beijing 100080, People's Republic of China.

(9) 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.

(10) Tiger Global Five China Holdings is a company organized under the laws of Mauritius and controlled by Tiger Global Five Parent Holdings, which is in turn controlled by Tiger Global Private Investment Partners V, L.P., or PIP V. PIP V is controlled by its general partner Tiger Global PIP Performance V, L.P., which is controlled by its general partner Tiger Global PIP Management V, Ltd., which is in turn controlled by Charles P. Coleman III. The registered office of Tiger Global Five China Holdings is Twenty Seven, Cybercity, Ebene, Mauritius.

(11) Central Glory Investments Limited is a company incorporated in the British Virgin Islands. Yundong Cao is the sole shareholder and the sole director of Central Glory Investments Limited. Its registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(12) Consists of (i) 3,125,000 Class B common shares held by KTB China Optimum Fund and (ii) 5,000,000 Class B common shares issuable upon the conversion of the Series A preferred shares held by KTB China Optimum Fund. KTB China Optimum Fund was formed in Korea, and its general partner is KTB Capital Co., Ltd. KTB Capital Co., Ltd., which is a wholly owned subsidiary of KTB Securities Co., Ltd., a listed company on Korea Stock Exchange, has the discretionary authority to vote and dispose of the shares held by KTB China Optimum Fund. KTB China Optimum Fund's registered office is at KTB network building 826-14 Yeoksam-dong Gangnam-gu, Seoul, Korea.

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

(14) Excellent New Limited is a company incorporated in the British Virgin Islands. Yunfeng Bai is the sole shareholder and the sole director of Excellent New Limited. Its registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

As of the date of this prospectus, none of our outstanding common shares or Series A preferred shares are held of record by any persons in the United States. None of our shareholders has informed us that it is a broker-dealer or an affiliate of a broker-dealer. 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 will issue Class A common shares represented by our ADSs in this offering. All of our shareholders as of September 29, 2010 hold our Class B common shares upon the closing of this offering and may choose to convert their Class B common shares into the same number of Class A common shares at any time. See "Description of Share Capital—Common Shares" for a more detailed description of our Class A common shares and Class B common shares. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

RELATED PARTY TRANSACTIONS

Contractual Arrangements with Our Affiliated Entities and Their Shareholders

See "Our Corporate History and Structure—Contractual Arrangements with Our Consolidated Affiliated Entities."

Private Placement

See "Description of Share Capital—History of Securities Issuances."

Shareholders' Agreement

See "Description of Share Capital—Shareholders' Agreement and Registration Rights."

Employment Agreement

See "Management—Employment Agreements."

Stock Incentives

See "Management—Share Incentive Plan."

DESCRIPTION OF SHARE CAPITAL

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

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

Common Shares

General. Our common shares are divided into Class A common shares and Class B common shares. Holders of Class A common shares and Class B common shares have the same rights except for voting and conversion rights. Our authorized share capital is $ divided into common shares, with a par value of $0.001 each, of which common shares are designated as Class A common shares and common shares are designated as Class B common shares. Certificates representing the common shares are issued in registered form. Our shareholders who are nonresidents of the Cayman Islands may freely hold and vote their shares.

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

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 Mr. Bangxin Zhang, Mr. Yundong Cao, Mr. YachaoLiu, Mr. Yunfeng Bai, Tiger Global Five China Holdings and KTB China Optimum Fund and their respective affiliates collectively own less than 5% of the total number of the issued and outstanding Class B common shares (taking into account all of the issued and outstanding preferred shares on an as-converted basis), each issued and outstanding Class B common share shall be automatically and immediately converted into one share of Class A common share, and we shall not issue any Class B common shares thereafter.

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 our board of directors or one or more shareholders holding at least 10% of the paid up voting share capital, present in person or by proxy.

A quorum required for a meeting of shareholders consists of at least one shareholder present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, who holds no less than 10% of our voting share capital. Shareholders' meetings are held annually and may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding in aggregate at least one-third of our voting share capital. Advance notice of at least ten days is required for the convening of our annual general meeting and other shareholders' meetings.

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

divide all or any of our share capital into shares of larger amount than our existing shares, and cancel any shares.

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

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

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

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

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

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

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking in priority to or pari passu with such previously existing shares.

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

Anti-Takeover Provisions. Some provisions of our post-offering memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

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

History of Securities Issuances

The following is a summary of our securities issuances since the inception of TAL Group:

Common Shares

In January 2008, in connection with our corporate restructuring and the incorporation of our offshore holding company, we issued 565 common shares to Bangxin Zhang, 260 common shares to Yundong Cao, 100 common shares to Yachao Liu and 75 common shares to Yunfeng Bai, the beneficial owners of Xueersi Education and Xueersi Network, based on their respective interests in these two companies, immediately prior to the restructuring.

In January 2009, we issued 67,799,435 common shares to Bangxin Zhang, 31,199,740 common shares to Yundong Cao, 11,999,900 common shares to Yachao Liu and 8,999,925 common shares to Yunfeng Bai based on their respective interests in our offshore holding company, immediately prior to this issuance. In May 2009, Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai transferred all the common shares they held to their respective personal holding companies incorporated in the British Virgin Islands.

Preferred Shares

In February 2009, we issued an aggregate of 5,000,000 preferred shares to KTB/UCI China Ventures II Limited in a private placement at $1.00 per share for an aggregate purchase price of $5 million. In August 2010, KTB/UCI China Ventures II Limited transferred 5,000,000 preferred shares to its affiliate KTB China Optimum Fund. We refer to KTB/UCI China Ventures II and KTB China Optimum Fund collectively as "KTB." Holders of our preferred shares are entitled to vote on an "as converted" basis together with the holders of common shares. Each preferred share will automatically convert into one common share upon completion of this offering.

Share Transfer to Tiger and KTB

In August 2009, Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai, or the Pre-IPO Individual Beneficial Owners, entered into an agreement to collectively sell an aggregate of 21,875,000 common shares for an aggregate price of $35 million to Tiger Global Five China Holdings, and an aggregate of 3,125,000 common shares for an aggregate price of $5 million to KTB China Optimum Fund.

Options

In connection with the sale of common shares to Tiger by the Pre-IPO Individual Beneficial Owners in August 2009, we and the Pre-IPO Individual Beneficial Owners granted an option to Tiger to acquire additional securities prior to our IPO at a fair market value to enable Tiger to increase its equity in our company to 25% on a fully diluted basis. If Tiger purchases additional shares from the Pre-IPO Individual Beneficial Owners, KTB has the right to purchase its pro rata portion of the shares offered by the Pre-IPO Individual Beneficial Owners calculated based on our shareholder agreement.

For options to be granted to certain of our directors, officers, employees and consultants under our share incentive plan, see "Management—Share Incentive Plan."

Each of the aforementioned issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act regarding sales by an issuer made outside the U.S. No underwriters were involved in the securities issuances described above.

Shareholders' Agreement and Registration Rights

In connection with the issuance and sale of our Series A preferred shares, we and our major shareholders entered into a shareholders' agreement, dated February 12, 2009, which was amended and restated on August 12, 2009 in connection with the sale by our then shareholders to Tiger and KTB China Optimum Fund.

Under the shareholders' agreement, KTB and Tiger were granted certain rights, including customary veto rights, tag-along rights, preemptive rights, rights of first refusal and co-sale, registration rights and the right to elect one director each. The holder of our Series A preferred shares was granted conversion rights and liquidation rights with respect to the Series A preferred shares. Except for the registration rights, all of the rights of KTB and Tiger under the shareholders' agreement will terminate upon the completion of this offering.

Under the terms of the agreement, from the date that is six months after the effective date of the registration statement for this offering, holders of at least 30% of the aggregate shares initially purchased by KTB and Tiger, together on an as-converted basis (collectively, the "Initial Holders"), may require us to effect the registration other than on Form F-3 (or a comparable form) for a public offering of their registrable securities with anticipated gross proceeds of at least $5 million in the aggregate.

Moreover, the Initial Holders may require us to effect the registration on Form F-3 for their registrable securities provided that Form F-3 (or a comparable form) is available for such offering and that the aggregate price to the public net of any underwriters' discounts or commissions is not less than $0.5 million. We are only obliged to effect up to two demand registrations other than on Form F-3 and up to two demand registrations on Form F-3 (if available) during any twelve-month period. We have the right to defer filing for a period of no more than 90 days if our board of directors in good faith determines that filing of such registration will be materially detrimental to us and our shareholders, but we cannot utilize this right more than once in any twelve-month period or register any securities of our company for our own account or for the account of any other shareholder during such 90-day period. In the case where the number of registrable securities included in an underwritten public offering is to be reduced, the securities other than registrable shares must be reduced before any registrable securities may be reduced.

The Initial Holders also have "piggyback" registration rights, pursuant to which they may require us to register all or any part of the registrable securities then held by such holders when we file any registration statements for purposes of effecting a public offering of our securities (including a registration statement we file for shareholders other than the Initial Holders). In the case where the number of registrable securities included in an underwritten public offering is to be reduced, the securities other than registrable shares must be reduced before any registrable securities may be reduced. However, in no event shall the amount of securities included in such registration be reduced below 30% of the total shares requested to be included in the offering.

The registration rights shall terminate after (a) the fifth anniversary following the completion of this offering, or (b) with respect to any shareholder, such earlier time after the offering at which such holder (i) can sell all shares held by it in compliance with Rule 144(b)(1)(i) or (ii) under the the Securities Act, holds 1% or less of our outstanding common shares and all registrable securities held by such holder can be sold in any 90-day period without registration under Rule 144 under the Securities Act.

Differences in Corporate Law

The Companies Law is modeled after companies legislation of the United Kingdom but does not follow recent United Kingdom statutory enactments. In addition, the Companies Law differs from laws applicable to

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

Mergers and Similar Arrangements. The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by either (a) a special resolution of the shareholders of each constituent company voting together as one class if the shares to be issued to each shareholder in the consolidated or surviving company will have the same rights and economic value as the shares held in the relevant constituent company, or (b) a shareholder resolution of each constituent company passed by a majority in number representing 75% in value of the shareholders voting together as one class. The plan must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

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

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

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

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

Shareholders' Suits. In principle, we will normally be the proper plaintiff and a derivative action may not be brought by a minority shareholder. However, based on English authority, which would in all likelihood be

of persuasive authority in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

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

Transactions with Directors. Under the Delaware General Corporation Law, or the DGCL, transactions with directors must be approved by disinterested directors or by the shareholders, or otherwise proven to be fair to the company as of the time it is approved. Such transaction will be void or voidable, unless (i) the material facts of any interested directors' interests are disclosed or are known to the board of directors and the transaction is approved by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; (ii) the material facts of any interested directors' interests are disclosed or are known to the shareholders entitled to vote thereon, and the transaction is specifically approved in good faith by vote of the shareholders; or (iii) the transaction is fair to the company as of the time it is approved.

Cayman Islands laws do not restrict transactions with directors, requiring only that directors exercise a duty of care and owe a fiduciary duty to the companies for which they serve. Under our post-offering memorandum and articles of association, subject to any separate requirement for audit committee approval under the NYSE rules or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement which he is interested in, such a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such a meeting.

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

Under Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company, and therefore it is considered that he or she owes the following duties to the company: a duty to act bona fide in the best interests of the company; a duty not to make a profit out of his or her position as director (unless the company permits him or her to do so); and a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interests or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, there are indications that the courts are moving towards an objective standard with regard to the required skill and care.

Under our post-offering memorandum and articles of association, directors who are in any way, whether directly or indirectly, interested in a contract or proposed contract with our company shall declare the nature of their interest at a meeting of the board of directors. Following such declaration, a director may vote in respect of any contract or proposed contract notwithstanding his interest.

Majority Independent Board. A domestic U.S. company listed on the New York Stock Exchange must comply with the requirement that a majority of the board of directors must be comprised of independent directors as defined under Section 303A of the Corporate Governance Rules of the New York Stock Exchange. As a Cayman Islands corporation, we are allowed to follow home country practices in lieu of certain corporate governance requirements under the NYSE rules where there is no similar requirement under the laws of the Cayman Islands. However, we have no present intention to rely on home country practice with respect to our corporate governance matters, and we intend to comply with the NYSE rules after the completion of this offering.

Shareholder Action by Written Consent. Under the DGCL, a corporation may eliminate the right of shareholders to act by written consent by inclusion of such a restriction in its certificate of incorporation. Cayman Islands law and our post-offering articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals and Meeting of Shareholders. The DGCL does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the certificate of incorporation or bylaws, but shareholders may be precluded from calling special meetings.

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 post-offering memorandum and articles of association allow our shareholders holding not less than one-third of our paid-up voting share capital to requisition a special meeting of the shareholders, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our articles 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.

As a Cayman Islands exempted company, we are not obliged by the Companies Law of the Cayman Islands to call shareholders' annual general meetings. Our post-offering 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.

Cumulative Voting. Under the DGCL, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director.

There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands, but our post-offering articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors. Under the DGCL, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our post-offering articles of association, directors can be removed by a special resolution of shareholders.

Transactions with Interested Shareholders. The DGCL contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by an amendment to its certificate of incorporation or bylaws that is approved by its shareholders,

it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns 15% or more of the corporation's outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among others, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware public corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

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

Amendment of Governing Documents. Under the DGCL, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. As permitted by Cayman Islands law, our post-offering memorandum and articles of association may be amended with a special resolution.

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

Indemnification. Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Under our post-offering memorandum and articles of association, we may indemnify our directors, officers, employees and agents against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such persons in connection with actions, suits or proceedings to which they are party or are threatened to be made a party by reason of their acting as our directors, officers, employees or agents, except through their own dishonesty, willful default or fraud. To be entitled to indemnification, these persons must have acted in good faith and in the best interest and not contrary to the interest of our company, and must not have acted in a manner willfully or grossly negligent and, with respect to any criminal action, they must have had no reasonable cause to believe their conduct was unlawful. Our post-offering memorandum and articles of association may also provide for indemnification of such person in the case of a suit initiated by our company or in the right of our company.

We intend to enter into indemnification agreements with our directors and executive officers to indemnify them to the fullest extent permitted by applicable law and our articles of association, from and against all costs, charges, expenses, liabilities and losses incurred in connection with any litigation, suit or proceeding to which such director is or is threatened to be made a party, witness or other participant.

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

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Receipts

JPMorgan Chase Bank, N.A., as depositary will issue the ADSs which you will be entitled to receive in this offering. Each ADS will represent an ownership interest in Class A common shares which we will deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as an ADR holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which they have not distributed directly to you. Unless specifically requested by you, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's office is located at 1 Chase Manhattan Plaza, Floor 58, New York, NY, 10005-1401.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Island law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all registered holders from time to time of ADSs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the Class A common shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement of which this prospectus forms a part. You may also obtain a copy of the deposit agreement at the SEC's Public Reference Room which is located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. You may also find the registration statement and the attached deposit agreement on the SEC's website at http://www.sec.gov.

Share Dividends and Other Distributions

How will I receive dividends and other distributions on the shares underlying my ADSs?

We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on shares, after converting any cash received into U.S. dollars and, in all cases, making any necessary deductions provided for in the deposit agreement. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- ***Cash.*** The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the

extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.

- ***Shares.*** In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.
- ***Rights to receive additional shares.*** In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not furnish such evidence, the depositary may:
  - sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or
  - if it is not practicable to sell such rights, do nothing and allow such rights to lapse, in which case ADR holders will receive nothing.

  We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.
- ***Other Distributions.*** In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable for such ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

Deposit, Withdrawal and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance. In the case of the ADSs to be issued under this prospectus, we will arrange with the underwriters named herein to deposit such shares.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation, including instruments showing that such shares have been properly transferred or endorsed to the person on whose behalf the deposit is being made.

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this prospectus relates) for the account of the depositary. ADR holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as "deposited securities".

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary's direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder's name. An ADR holder can request that the ADSs not be held through the depositary's direct registration system and that a certificated ADR be issued.

How do ADR holders cancel an ADS and obtain deposited securities?

When you turn in your ADR certificate at the depositary's office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. In the case of certificated ADSs, delivery will be made at the custodian's office. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

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

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Record Dates

The depositary may, after consultation with us if practicable, fix record dates for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of shares,
- to give instructions for the exercise of voting rights at a meeting of holders of shares,

- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR, or
- to receive any notice or to act in respect of other matters,

all subject to the provisions of the deposit agreement.

Voting Rights

How do I vote?

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the depositary will distribute to the registered ADR holders a notice stating such information as is contained in the voting materials received by the depositary and describing how you may instruct the depositary to exercise the voting rights for the shares which underlie your ADSs, including instructions for giving a discretionary proxy to a person designated by us. For instructions to be valid, the depositary must receive them in the manner and on or before the date specified. The depositary will try, as far as is practical, subject to the provisions of and governing the underlying shares, to vote or to have its agents vote the shares as you instruct. The depositary will only vote or attempt to vote as you instruct. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote. We allow the depositary as a shareholder on record to attend any shareholders' meeting and vote by its duly authorized representative or by proxy; however, we currently do not allow shareholders to vote electronically.

There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

The shares represented by the ADSs may only be voted through the depositary. ADR holders will not be able to attend and vote at meetings of shareholders other than through the depositary itself. To the extent an ADR holder wishes to attend and vote at any such meeting, such ADR holder would be required to cancel such ADR holder's ADSs and become a shareholder of the company prior to the record date established by us for such meeting. For information on how a shareholder of the company is able to vote, please see "Description of Share Capital — Common Shares."

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited securities, if we request the depositary to act, we will give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 30 days in advance of the meeting date.

Reports and Other Communications

Will ADR holders be able to view our reports?

The depositary will make available for inspection by ADR holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADR holders.

Fees and Expenses

What fees and expenses will I be responsible for paying?

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 stock dividend or stock 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 stock dividend or stock split declared by us or an exchange of stock 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, 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;
- stock 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.

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses and exchange application and listing fees. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the ADR program are not known at this time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide services to any holder until the fees and expenses owing by such holder for those services or otherwise are paid.

Payment of Taxes

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) to pay such taxes and distribute any remaining net proceeds to the ADR holders entitled thereto.

By holding an ADR or an interest therein, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

(1) amend the form of ADR;

(2) distribute additional or amended ADRs;

(3) distribute cash, securities or other property it has received in connection with such actions;

(4) sell any securities or property received and distribute the proceeds as cash; or

(5) none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least 30 days notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADR holders. Such notice need not describe in detail the specific amendments effectuated thereby, but must give ADR holders a means to access the text of such amendment. We will file such amendment with the Securities and Exchange Commission through its electronic filing system, which provides ADR holders with free access to the text of any such amendment and we will bear any expenses that may be incurred for such filing. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

How may the deposit agreement be terminated?

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 45 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 90th day after our notice of removal was first provided to the depositary. After termination, the depositary's only responsibility will be (i) to deliver deposited securities to ADR holders who surrender their ADRs, and (ii) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales (as long as it may lawfully do so), without liability for interest, in trust for the ADR holders who have not yet surrendered their ADRs. After making such sale, the depositary shall have no obligations except to account for such proceeds and other cash.

Limitations on Obligations and Liability to ADR holders

Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs

Prior to the issue, registration, registration of transfer, split-up, combination, or cancellation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time, we or the depositary or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship,

residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and

- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADRs register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdrawal shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents. Neither we nor the depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, the People's Republic of China (for this section only, including the Hong Kong Special Administrative Region) or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism or other circumstance beyond our, the depositary's or our respective agents' control shall prevent, delay or subject to any civil or criminal penalty, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or our respective agents (including, without limitation, voting);
- it exercises or fails to exercise discretion under the deposit agreement or the ADR;
- it performs its obligations under the deposit agreement and ADRs without gross negligence or bad faith;
- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depositary shall not be liable for the acts or omissions made by any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of deposited securities or otherwise. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of JPMorgan Chase Bank, N.A.

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid

against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. Neither the depositary nor any of its agents shall be liable to registered holders of ADRs or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

The depositary may own and deal in any class of our securities and in ADSs.

Disclosure of Interest in ADSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you will be agreeing to comply with such instructions.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders of ADRs may inspect such records at the depositary's office at all reasonable times, but solely for the purpose of communicating with other holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADRs.

Pre-release of ADSs

In its capacity as depositary, the depositary shall not lend shares or ADSs; provided, however, that the depositary may (i) issue ADSs prior to the receipt of shares and (ii) deliver shares prior to the receipt of ADSs for withdrawal of deposited securities, including ADSs which were issued under (i) above but for which shares may not have been received (each such transaction a "pre-release"). The depositary may receive ADSs in lieu of shares under (i) above (which ADSs will promptly be canceled by the depositary upon receipt by the depositary) and receive shares in lieu of ADSs under (ii) above. Each such pre-release will be subject to a written agreement whereby the person or entity (the "applicant") to whom ADSs or shares are to be delivered (a) represents that at the time of the pre-release the applicant or its customer owns the shares or ADSs that are to be delivered by the applicant under such pre-release, (b) agrees to indicate the depositary as owner of such shares or ADSs in its records and to hold such shares or ADSs in trust for the depositary until such shares or ADSs are delivered to the depositary or the custodian, (c) unconditionally guarantees to deliver to the depositary or the custodian, as applicable, such shares or ADSs, and (d) agrees to any additional restrictions or requirements that the depositary deems appropriate. Each such pre-release will be at all times fully collateralized with cash, U.S. government securities or such other collateral as the depositary deems appropriate, terminable by the depositary on not more than five (5) business days' notice and subject to such further indemnities and credit regulations as the depositary deems appropriate. The depositary will normally limit the number of ADSs and shares involved in such pre-release at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to ADSs outstanding under (i) above), provided, however, that the depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The

depositary may also set limits with respect to the number of ADSs and shares involved in pre-release with any one person on a case-by-case basis as it deems appropriate. The depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided pursuant to (b) above, but not the earnings thereon, shall be held for the benefit of the registered holders of ADRs (other than the applicant).

Appointment

In the deposit agreement, each registered holder of ADRs and each person holding an interest in ADSs, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs, and
- appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR and ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

Governing Law

The deposit agreement and the ADRs shall be governed by and construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf.

SHARES ELIGIBLE FOR FUTURE SALE

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

Lock-Up Agreements

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

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

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

The restrictions described in the preceding paragraphs will be automatically extended under certain circumstances. See "Underwriting."

Other than this offering, we are not aware of any plans by any significant shareholders to dispose of significant numbers of our ADSs or common shares. However, one or more existing shareholders or owners of securities convertible or exchangeable into or exercisable for our ADSs or common shares may dispose of significant numbers of our ADSs or common shares. We cannot predict what effect, if any, future sales of our ADSs or common shares, or the availability of ADSs or common shares for future sale, will have on the trading price of our ADSs from time to time. Sales of substantial amounts of our ADSs or common shares in the public market, or the perception that these sales could occur, could adversely affect the trading price of our ADSs.

Rule 144

All of our common shares outstanding prior to this offering are "restricted securities" as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are

subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirement such as those provided by Rule 144 and Rule 701 promulgated under the Securities Act. In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person (or persons whose shares are aggregated) who at the time of a sale is not, and has not been during the three months preceding the sale, an affiliate of us and has beneficially owned our restricted securities for at least six months will be entitled to sell the restricted securities without registration under the Securities Act, subject only to the availability of current public information about us, and will be entitled to sell restricted securities beneficially owned for at least one year without restriction. Persons who are our affiliates and have beneficially owned our restricted securities for at least six months may sell within any three-month period a number of restricted securities that does not exceed the greater of the following:

- 1% of the number of our common shares then outstanding, in the form of ADSs or otherwise, which will equal approximately million shares immediately after this offering, assuming the underwriters do not exercise their over-allotment option; and
- the average weekly trading volume of our ADSs on the New York Stock Exchange during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales by our affiliates under Rule 144 are also subject to certain requirements relating to manner of sale, notice and the availability of current public information about us.

Rule 701

In general, under Rule 701 under the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our common shares from us in connection with a compensatory stock plan or other written agreement executed prior to the completion of this offering is eligible to resell such common shares in reliance on Rule 144 under the Securities Act, but without compliance with some of the restrictions, including the holding period, contained in Rule 144 under the Securities Act. However, the Rule 701 shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

Registration Rights

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

TAXATION

The following summary of the material Cayman Islands, People's Republic of China and United States federal income tax consequences of an investment in our ADSs or common shares is based upon laws and relevant interpretations thereof in effect as of the date of this registration statement, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or common shares, such as the tax consequences under state, local and other tax laws. To the extent that the discussion relates to matters of Cayman Islands tax law, it is the opinion of Maples and Calder, our special Cayman Islands counsel; to the extent it relates to PRC tax law, it is the opinion of Tian Yuan Law Firm, our special PRC counsel; and to the extent that it sets forth specific legal conclusions under United States federal income tax law, except as otherwise provided, it represents the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, our special United States counsel.

Cayman Islands Taxation

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

People's Republic of China Taxation

PRC EIT Law

Under the PRC EIT Law, an enterprise established outside of 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 Chinese enterprise for enterprise income tax purposes, although the dividends paid to one resident enterprise from another may qualify as "tax-exempt income." The implementing rules of the EIT Law define de facto management as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on April 22, 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with its "de facto management body" located within China if the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function are mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (iv) at least half of the enterprise's directors with voting right or senior management reside in the PRC.

Based on the advice of our PRC counsel, Tian Yuan Law Firm, we do not believe that either TAL Group or Xueersi Hong Kong meets all of the conditions above. Each of TAL Group and Xueersi Hong Kong is a company incorporated outside the PRC. As holding companies, these two entities' key assets and records, including resolutions of its board of directors and resolutions of its shareholders, are located and maintained outside of the PRC. In addition, we are not aware of any offshore holding companies with a similar corporate structure as ours ever having been deemed to be PRC "resident enterprises" by the PRC tax authorities. Therefore, based on our PRC counsel's advice, we believe that neither TAL Group nor Xueersi Hong Kong 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 TAL Group and Xueersi Hong Kong are "resident enterprises," a number of unfavorable PRC tax consequences could follow. First, we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income. Second, although under the EIT Law and its implementing rules, dividend income between qualified resident enterprises is a "tax-exempt income," we cannot guarantee that dividends paid to TAL Group from our PRC subsidiaries through Xueersi Hong

Kong would qualify as "tax-exempt income" and will not be subject to withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as "resident enterprises" for PRC enterprise income tax purposes. Finally, the new "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 new "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 2011 tax year and are evaluating appropriate organizational changes to avoid this treatment, to the extent possible.

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

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the State Administration of Taxation on December 10, 2009, where a foreign investor transfers the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding company, or an "Indirect Transfer," and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report this Indirect Transfer to the competent tax authority. The PRC tax authority will examine the true nature of the Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an "abusive arrangement" in order to avoid PRC tax, it may disregard the existence of the overseas holding company and re-characterize the Indirect Transfer and as a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. Circular 698 is retroactively effective from January 1, 2008. The relevant PRC authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax in a foreign jurisdiction and how a foreign investor shall report to the competent tax authority this Indirect Transfer. Since Circular 698 was newly promulgated, there are uncertainties as to its application. It is possible that we or our non-resident investors may become at risk of being taxed under Circular 698 and may be required to expend valuable resources to comply with Circular 698 or to establish that we or our non-resident investors should not be taxed under Circular 698, which may have an adverse effect on our financial condition and results of operations or such non-resident investor's investment in us.

Material United States Federal Income Tax Considerations

The following is a summary of the material United States federal income tax consequences of the purchase, ownership and disposition of our ADSs or common shares by a U.S. Holder described below that will hold our ADSs or common shares as "capital assets" (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the "U.S. Tax Code"). This summary is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, financial institutions, insurance companies, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships and their partners, pension plans, regulated investment companies, real estate investment trusts, cooperatives, and tax-exempt organizations (including private foundations)), holders who are not U.S. Holders, holders who own (directly, indirectly, or constructively) 10% or more of our voting stock, investors that will hold their ADSs or common

shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, U.S. expatriates, persons liable for alternative minimum tax, or investors that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not discuss any non-United States, state, or local, or estate or gift tax considerations. Each U.S. Holder is urged to consult its tax advisor regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ADSs or common shares.

General

For purposes of this summary, a "U.S. Holder" is a beneficial owner of our ADSs or common shares that is, for United States 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 United States 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 United States 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 United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person under the U.S. Tax Code.

If a partnership (including any entity treated as a partnership for United States 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.

Based in part on the parties complying with the deposit agreement, for United States federal income tax purposes, a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. U.S. Holders should be aware, however, that the U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released before shares are delivered to the depositary, or intermediaries in the chain of ownership between holders of ADSs and the issuer of the security underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of ADSs. These actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the creditability of any PRC taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders, each described below, could be affected by actions taken by such parties or intermediaries.

PFIC Considerations

A non-United States corporation, such as our company, will be classified as a PFIC, for United States federal income tax purposes for any taxable year, if either (i) at least 75% of its gross income for such year consists of certain types of "passive" income or (ii) at least 50% of the value of its assets (determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. For this purposes, passive income means any income which would be foreign personal holding company income under the U.S. Tax Code, including, without limitation, dividends, interest, royalties, rent, annuities, net gains from the sale or exchange of property producing such income, net gains from commodity transactions, net foreign currency gains and income from notional principal contracts. For this purpose, cash is categorized as a passive asset and the company's unbooked intangibles are taken into account for determining the value of its assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Although the law in this regard is unclear, we treat Xueersi Education, Xueersi Network and their respective subsidiaries as being owned by us for United States federal income tax purposes, not only because we control their management decisions but also because we are entitled to substantially all of the economic

benefits associated with these entities, and, as a result, we consolidate these entities' results of operations in our consolidated, U.S. GAAP financial statements. If it were determined, however, that we are not the owner of Xueersi Education, Xueersi Network and their respective subsidiaries for United States federal income tax purposes, we would likely be treated as a PFIC for our taxable year ending on February 28, 2011 and any subsequent taxable year.

Accordingly, assuming that we are the owner of Xueersi Education, Xueersi Network and their respective subsidiaries for United States federal income tax purposes, we believe that we primarily operate an active after-school tutoring business in China and do not expect to be a PFIC for the current taxable year. Our expectation is based on assumptions as to our projections of the value of our ADSs and outstanding common shares during the year and our use of the proceeds from this offering the initial public offering of our ADSs and of the other cash that we will hold and generate in the ordinary course of our business throughout the current taxable year. Despite our expectation, there can be no assurance that we will not be a PFIC for the current taxable year and/or later taxable years, as PFIC status is retested each year and depends on the actual facts in such year. We could be a PFIC, for example, if we do not spend sufficient amounts of the proceeds from this offering, if our market capitalization at any time in the future is lower than projected, or if our business and assets evolve in ways that are different from what we currently anticipate. In addition, though we generally believe that our assets and the income derived from our assets do not generally constitute passive assets and income under the PFIC rules, there is no assurance that the U.S. Internal Revenue Service will agree with us. As they are inherently factual matters that cannot be determined until the close of any applicable taxable year, our special U.S. counsel expresses no opinion with respect to our expectations contained in this paragraph.

Furthermore, because there are uncertainties in the application of the relevant rules, it is possible that the Internal Revenue Service may successfully challenge our classification of certain income and assets as non-passive or our valuation of our tangible and intangible assets, each of which may result in our company becoming classified as a PFIC for the current or subsequent taxable years. Because PFIC status is a fact-intensive, we will make a separate determination for each taxable year as to whether we are a PFIC (after the close of each taxable year) on the basis of the composition of our assets and income and the value of our tangible and intangible assets. In connection with filing an annual report with the U.S. Securities and Exchange Commission, we expect to disclose to our shareholders whether or not we or our subsidiaries were and expect to be a PFIC for the relevant year. Accordingly, no assurance can be given that we are not or will not become classified as a PFIC. If we are classified as 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.

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 United States 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."

Dividends

Subject to the PFIC rules discussed below, any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or common shares out of our current or accumulated earnings and profits, as determined under United States 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 United States federal income tax principles, any distribution paid will generally be treated as a "dividend" for United States federal income tax purposes. Subject to the discussion above regarding concerns expressed by the U.S. Treasury, for taxable years beginning before January 1, 2011, a non-corporate recipient of dividend income generally will be subject to tax on dividend income from a "qualified foreign corporation" at a reduced United States federal tax rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met—generally, 61 days of ownership without risk of loss reduction during the 121 day period beginning 60 days before the

ex-dividend date. U.S. Holders should consult their tax advisors regarding the availability of the reduced tax rate on dividends in their particular circumstances. Dividends received on our ADSs or common shares will not be eligible for the dividends received deduction allowed to corporations under the U.S. Tax Code.

A non-United States 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. The U.S. Treasury Department has determined that the Agreement Between the Government of the United States of America and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with respect to Taxes on Income ("Treaty") meets the requirements described above. We have applied to list the ADSs on the New York Stock Exchange. Provided the listing is approved, we believe that we will be a qualified foreign corporation for United States federal income tax purposes because the ADSs would be readily tradable on the New York Stock Exchange, which is an established securities market in the United States. In addition, in the event that we are deemed to be a resident enterprise under the EIT Law, as discussed above under "Taxation — People's Republic of China Taxation," we believe that we would qualify for the benefits under the Treaty and that we are not currently and are not likely to become in the near future, a PFIC. However, the eligibility requirements for foreign corporations are technical and uncertain and therefore, each U.S. Holder is urged to consult its tax advisor regarding the impact of these provisions and the availability of the preferential rate in their particular circumstances.

Dividends generally will be treated as income from foreign sources for United States 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 "Taxation — People's Republic of China Taxation." Depending on the U.S. Holder's individual facts and circumstances, 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 United States federal income tax purposes, in respect of such withholdings, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the taxpayer's individual facts and circumstances. Each U.S. Holder is urged to consult its tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Common Shares

Subject to the PFIC rules discussed below, a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or common shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. Holder's adjusted tax basis in such ADSs or common shares. Any capital gain or loss will be long-term if the ADSs or common shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. 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 the PRC, such gain may be treated as PRC source gain for foreign tax credit purposes under the Treaty. If such gain is not treated as PRC source gain, however, a U.S. Holder generally will not be able to obtain a United States 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. 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. 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;
- 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, or pre-PFIC year, will be taxable as ordinary income;
- amount allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. Holder for that year; and
- interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than the current taxable year or a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or common shares and any of our non-United States subsidiaries is also a PFIC (i.e., a lower-tier PFIC), such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of shares of a lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. 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, as expected, listed on the New York Stock Exchange and that the ADSs are regularly traded. We anticipate that our ADSs should 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 only 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 only to the extent of the net amount previously included in income as a result of the mark-to-market election.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States 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 (and generally less adverse than) 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 file such reports as are 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 United States federal income tax consequences of purchasing, 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 QEF election.

Information Reporting and Backup Withholding

Pursuant to the Hiring Incentives to Restore Employment Act enacted on March 18, 2010, in taxable years beginning after the date of enactment, an individual U.S. Holder and certain entities may be required to submit to the Internal Revenue Service certain information with respect to his or her beneficial ownership of the ADSs or common shares, if such ADSs or common shares are not held on his or her behalf by a U.S. financial institution. This new law also imposes penalties if an individual U.S. Holder is required to submit such information to the Internal Revenue Service and fails to do so.

In addition, dividend payments with respect to the ADSs or common shares and proceeds from the sale, exchange or redemption of the ADSs or common shares may be subject to information reporting to the Internal Revenue Service and United States backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification, or who is otherwise exempt from backup withholding. We will make, or cause to be made, all withholdings to the extent required by applicable law. Each U.S. Holder is urged to consult its tax advisors regarding the application of the United States information reporting and backup withholding rules. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's United States federal income tax liability, and a U.S. Holder generally may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service in a timely manner and furnishing any required information.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. International plc are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, the number of ADSs indicated in the table below:

Underwriters	Number of ADSs
Credit Suisse Securities (USA) LLC	
Morgan Stanley & Co. International plc	
Piper Jaffray & Co.	
Oppenheimer & Co. Inc.	
Total	

The underwriters are offering the ADSs subject to their acceptance of the ADSs from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the ADSs offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated, severally and not jointly, to take and pay for all of the ADSs offered by this prospectus if any such ADSs are taken. However, the underwriters are not required to take or pay for the ADSs covered by the underwriters' over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

The underwriters initially propose to offer part of the ADSs directly to the public at the public offering price listed on the cover page of this prospectus and part of the ADSs to certain dealers at a price that represents a concession not in excess of $ per ADS under the public offering price. After the initial offering of the ADSs, the offering price and other selling terms may from time to time be varied by the representatives of the underwriters.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional ADSs at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the ADSs offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase additional ADSs approximately proportionate to each underwriter's initial amount reflected in the table above.

If the underwriters' option is exercised in full, the total price to the public of all the ADSs sold would be $ million, the total underwriting discounts and commissions would be $ million, the net proceeds to us would be $ million (after deducting the estimated offering expenses payable by us).

The following table shows the per ADS and total underwriting discounts and commissions to be paid by us in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option.

	Per ADS		Total	
Underwriting Discounts and Commissions To Be Paid by	No Exercise	Full Exercise	No Exercise	Full Exercise
TAL Education Group	$	$	$	$

The expenses of this offering payable by us, not including underwriting discounts and commissions, are estimated to be approximately $ million.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of ADSs offered by them.

Some of the underwriters are expected to make offers and sales both inside and outside the United States through their respective selling agents. Any offers or sales in the United States will be conducted by broker-

dealers registered with the SEC. We have been advised by the underwriters that Credit Suisse Securities (USA) LLC expects to make offers and sales outside the United States through its affiliate, Credit Suisse (Hong Kong) Limited, and that Morgan Stanley & Co. International plc expects to make offers and sales in the United States through its registered broker-dealer affiliate in the United States, Morgan Stanley & Co. Incorporated.

We have applied to list our ADSs on the New York Stock Exchange under the symbol "XRS."

We have agreed that, without the prior written consent of the representatives on behalf of the underwriters, we will not, for a period of 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any common shares or ADSs or any securities convertible into or exercisable or exchangeable for such common shares or ADSs or enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common shares or ADSs, whether any such transaction described above is to be settled by delivery of common shares or ADSs or such other securities, in cash or otherwise;
- file any registration statement with the SEC relating to the offering of any common shares or ADSs or any securities convertible into or exercisable or exchangeable for such common shares or ADSs; or
- publicly disclose the intention to make any such offer, pledge, sale or disposition, or enter into any such transaction, swap, hedge or other arrangement, or file any such registration statement.

The restrictions described in the preceding paragraph do not apply to:

- the sale of common shares or ADSs to the underwriters;
- the issuance of common shares or the grant of options to purchase common shares under our share incentive plan; and
- the issuance by us of common shares upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing or which is otherwise described in this prospectus.

Each of our directors, executive officers and all of our existing shareholders have agreed that, without the prior written consent of the representatives on behalf of the underwriters, he, she or it will not, for a period of 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any common shares or ADSs or any securities convertible into or exercisable or exchangeable for such common shares or ADSs or enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common shares or ADSs, whether any such transaction described above is to be settled by delivery of common shares or ADSs or such other securities, in cash or otherwise; or
- publicly disclose the intention to make any such offer, pledge, sale or disposition, or enter into any such transaction, swap, hedge or other arrangement.

The restrictions described in the preceding paragraph do not apply to transactions relating to common shares, ADSs or other securities acquired in open market transactions after the closing of this offering. In addition, the restrictions do not apply to transfers of common shares or ADSs to immediate family members of such persons, or trusts for the sole benefit of or entities wholly owned by such persons or their immediate

family members, so long as the transferee agrees in writing to be bound by such restrictions and such transfers do not involve a disposition for value.

In addition, each of our directors, executive officers and all of our existing shareholders have agreed that, without the prior written consent of the representatives on behalf of the underwriters, he, she or it will not, for a period of 180 days after the date of this prospectus, make any demand for, or exercise any right with respect to, the registration of any common shares or ADSs or any securities convertible into or exercisable or exchangeable for common shares or ADSs.

The 180-day restricted period described in the preceding paragraphs will be extended if:

- during the last 17 days of the 180-day restricted period we issue an earnings release or material news or a material event relating to our company occurs; or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period.

In each of the above cases, the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

In order to facilitate the offering of ADSs, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the ADSs. Specifically, the underwriters may sell more ADSs than they are obligated to purchase under the underwriting agreement, creating a short position in our ADSs for their own account. A short sale is "covered" if the short position is no greater than the number of ADSs available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing ADSs in the open market. In determining the source of ADSs to close out a covered short sale, the underwriters will consider, among other things, the open market price of ADSs compared to the price available under the over-allotment option. The underwriters may also sell ADSs in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our ADSs in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the underwriters may bid for, and purchase, our ADSs in the open market to stabilize the price of our ADSs. The underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing the ADSs in the offering, if the syndicate repurchases previously distributed ADSs to cover a syndicate short position or to stabilize the price of the ADSs. These activities may raise or maintain the market price of the ADSs above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

From time to time, certain of the underwriters may provide investment banking and other services to us, our affiliates and employees, for which they will receive customary fees and commissions.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or contribute to payments that an indemnified person may be required to make in respect of any of these liabilities.

At our request, the underwriters have reserved for sale, at the initial public offering price, up to 5% of the total number of ADSs being offered in this prospectus (assuming no exercise of the over-allotment option) for our directors, officers, employees, business associates and related persons. Any sale to these persons will be made by through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved ADSs, but any purchases they make will reduce the number of ADSs available for sale to the general public. Any reserved ADSs which are not so purchased will be offered by the underwriters to the general public on the same basis as the ADSs being offered in this prospectus.

Credit Suisse Securities (USA) LLC's address is Eleven Madison Avenue, New York, New York10010-3629. Morgan Stanley & Co. International plc's address is 25 Cabot Square, Canary Wharf, London

E14 4QA, United Kingdom. Piper Jaffray & Co.'s address is 800 Nicollet Mall, Suite 800, Minneapolis, Minnesota 55402. Oppenheimer & Co. Inc.'s address is 300 Madison Avenue, New York, New York 10017.

Pricing of the Offering

Prior to this offering, there has been no public market for our common shares or ADSs. The initial public offering price is determined by negotiations between us and the representatives of the underwriters. Among the factors considered in determining the initial public offering price are the future prospects of our company and our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to those of our company. The estimated initial public offering price range set forth on the cover of this preliminary prospectus is subject to change as a result of market conditions and other factors.

Electronic Offer, Sale and Distribution of ADSs

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. International plc may be facilitating Internet distribution for this offering to certain of their Internet subscription customers. An electronic prospectus may be available on the Internet websites maintained by Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. International plc. Other than the prospectus in electronic format, the information on the websites of Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. International plc is not part of this prospectus.

Selling Restrictions

The ADSs are offered for sale in those jurisdictions in the United States, Europe, Asia and elsewhere where it is lawful to make such offers.

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the ADSs, or the possession, circulation or distribution of this prospectus or any other material relating to us or the ADSs in any jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material relating to the ADSs may be distributed or published, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof.

European Economic Area. In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, which we refer to as a Relevant Member State, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, which we refer to as the Relevant Implementation Date, no offer of ADSs has been made and or will be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the ADSs which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of ADSs may be made to the public in that Relevant Member State at any time: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an "offer of ADSs to the public" in relation to any ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ADSs to be offered so as to enable an investor to decide to purchase or subscribe the ADSs, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that

Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/ EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom. No offer of ADSs has been made or will be made to the public in the United Kingdom within the meaning of Section 102B of the Financial Services and Markets Act 2000, as amended, or FSMA, except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by us of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority, or FSA. The underwriters: (i) have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which Section 21 of FSMA does not apply to us; and (ii) have complied with, and will comply with all applicable provisions of FSMA with respect to anything done by them in relation to the ADSs in, from or otherwise involving the United Kingdom.

Japan. The ADSs have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, and ADSs will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong. The ADSs may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

Singapore. This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our ADSs may not be circulated or distributed, nor may our ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or SFA, (ii) to a relevant person or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where our ADSs are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor; shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs under Section 275 of the SFA, except: (1) to an institutional investor (for

corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

People's Republic of China. Each underwriter will be deemed to have represented and agreed that it has not circulated or distributed, and will not circulate or distribute, this prospectus in the PRC and it has not offered or sold, and will not offer or sell, to any person for re-offering or resale, directly or indirectly, any ADSs to any resident of the PRC, except pursuant to applicable laws and regulations of the PRC. For the purpose of this paragraph, the PRC does not include Taiwan, Hong Kong and Macau.

Cayman Islands. This prospectus does not constitute a public offer of the ADSs or common shares, whether by way of sale or subscription, in the Cayman Islands. Each underwriter has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any ADSs or common shares in the Cayman Islands.

EXPENSES RELATED TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that are expected to be incurred in connection with the offer and sale of the ADSs by us. Except for the SEC registration fee, the Financial Industry Regulatory Authority, Inc. filing fee and the NYSE listing fee, all amounts are estimates.

Securities and Exchange Commission registration fee	$
NYSE listing fee	
Financial Industry Regulatory Authority, Inc. filing fee	
Printing and engraving expenses	
Accounting fees and expenses	
Legal fees and expenses	
Miscellaneous	
Total	$

LEGAL MATTERS

We are being represented by Skadden, Arps, Slate, Meagher & Flom LLP with respect to certain legal matters as to United States federal securities and New York State law. The underwriters are being represented by Shearman & Sterling LLP with respect to certain legal matters as to United States federal securities and New York State law. The validity of the common shares represented by the ADSs offered in this offering will be passed upon for us by Maples and Calder. Certain legal matters as to PRC law will be passed upon for us by Tian Yuan Law Firm and for the underwriters by Haiwen & Partners. Skadden, Arps, Slate, Meagher & Flom LLP may rely upon Maples and Calder with respect to matters governed by Cayman Islands law and Tian Yuan Law Firm with respect to matters governed by PRC law. Shearman & Sterling LLP may rely upon Haiwen & Partners with respect to matters governed by PRC law.

EXPERTS

The consolidated financial statements and the related financial statement schedule as of February 28, 2009 and 2010, and for each of the three years ended February 28, 2010, included in this prospectus have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements and financial statement schedule have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The offices of Deloitte Touche Tohmatsu CPA Ltd. are located at 8/F, Deloitte Tower, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing 100738, the People's Republic of China.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits and securities under the Securities Act with respect to underlying common shares represented by the ADSs, to be sold in this offering. We have also filed with the SEC a related registration statement on F-6 to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read the registration statement on Form F-1 and its exhibits and schedules for further information with respect to us and our ADSs.

Immediately upon completion of this offering we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. For the fiscal year ending February 28, 2011, our annual report on Form 20-F will be due within six months following the end of that year. For the fiscal years ending on or after December 15, 2011, we will be required to file our annual report on Form 20-F within 120 days after the end of each fiscal year. All information filed with the SEC can be obtained over the Internet at the SEC's website at *www.sec.gov* or inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 or visit the SEC website for further information on the operation of the public reference rooms.

As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish the depositary 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' meeting 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 written 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.

TAL Education Group

Index to Consolidated Financial Statements

Contents	Page(s)
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of February 28, 2009 and February 28, 2010	F-3
Consolidated Statements of Operations for the Years Ended February 29, 2008, February 28, 2009 and February 28, 2010	F-4
Consolidated Statements of Changes in Equity and Comprehensive Income for the Years Ended February 29, 2008, February 28, 2009 and February 28, 2010	F-5
Consolidated Statements of Cash Flows for the Years Ended February 29, 2008, February 28, 2009 and February 28, 2010	F-6–F-7
Notes to Consolidated Financial Statements	F-8–F-36
Schedule I	F-37–F-40
Unaudited Condensed Consolidated Balance Sheet as of August 31, 2010	F-41
Unaudited Condensed Consolidated Statements of Operations for the Six-Month Periods Ended August 31, 2009 and 2010	F-42
Unaudited Condensed Consolidated Statements of Changes in Equity and Comprehensive Income for the Six-Month Periods Ended August 31, 2009 and 2010	F-43
Unaudited Condensed Consolidated Statements of Cash Flows for the Six-Month Periods Ended August 31, 2009 and 2010	F-44
Notes to the Unaudited Condensed Consolidated Financial Statements for the Six-Month Periods Ended August 31, 2009 and 2010	F-45-F-58

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of TAL Education Group

We have audited the accompanying consolidated balance sheets of TAL Education Group (the "Company"), its subsidiaries, its variable interest entities (the "VIEs") and the VIEs' subsidiaries (collectively, the "Group") as of February 28, 2009 and 2010, and the related consolidated statements of operations, changes in equity and comprehensive income, and cash flows for each of the three years ended February 29, 2008, February 28, 2009 and 2010, and the related financial statement schedule included in Schedule I. These financial statements and the related financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of February 28, 2009 and 2010, and the results of its operations and its cash flows for each of the three years ended February 29, 2008, February 28, 2009 and 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to such consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

/s/ Deloitte Touche Tohmatsu CPA Ltd.

Beijing, the People's Republic of China
July 1, 2010, except for Note 23, as to which the date is September 29, 2010

TAL Education Group

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

	As of February 28, 2009	As of February 28, 2010
Assets		
Current assets		
Cash and cash equivalents	$ 29,692,901	$ 50,752,481
Available-for-sale securities	340,418	1,918,156
Amounts due from related parties	92,112	—
Inventory	1,063	121,819
Deferred tax assets-current	481,129	831,297
Prepaid expenses and other current assets	1,414,923	2,280,941
Total current assets	32,022,546	55,904,694
Property and equipment, net	2,471,337	4,991,490
Deferred tax assets-non-current	131,289	283,968
Rental deposit	939,207	2,170,548
Intangible assets, net	2,226,343	1,389,160
Goodwill	762,272	763,802
Total assets	$38,552,994	$ 65,503,662
Liabilities, Convertible Redeemable Preferred Shares and Equity		
Current liabilities		
Accounts payable (including accounts payable of the consolidated VIEs without recourse to TAL Education Group of nil and 915,408 as of February 28, 2009, and February 28, 2010, respectively)	$ —	$ 987,742
Deferred revenue (including deferred revenue of the consolidated VIEs without recourse to TAL Education Group of 18,022,550 and 24,631,648 as of February 28, 2009, and February 28, 2010, respectively)	18,022,550	29,407,994
Amounts due to related parties (including amounts due to related parties of the consolidated VIEs without recourse to TAL Education Group of 101,043 and 108,204 as of February 28, 2009 and February 28, 2010, respectively)	101,043	108,204
Distribution payable to shareholders (including distribution payable to shareholders of the consolidated VIEs without recourse to TAL Education Group of 1,462,095 and nil as of February 28, 2009 and February 28, 2010, respectively)	1,462,095	—
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities without recourse to TAL Education Group of 3,601,117 and 6,588,552 as of February 28, 2009 and February 28, 2010, respectively)	3,609,797	6,817,816
Income tax payable (including income tax payable of the consolidated VIEs without recourse to TAL Education Group of 2,636,095 and 2,653,324 as of February 28, 2009, and February 28, 2010, respectively)	2,636,095	580,225
Total current liabilities	25,831,580	37,901,981
Convertible loan	—	500,000
Deferred tax liabilities-non-current	203,776	175,610
Acquisition payable-non-current (including acquisition payable -non-current of the consolidated VIEs without recourse to TAL Education Group of 162,293 and nil as of February 28, 2009 and February 28, 2010, respectively)	162,293	—
Total liabilities	26,197,649	38,577,591
Commitments and contingencies (Note 16)		
Series A convertible redeemable preferred shares ($0.001 par value, 5,000,000 shares and 5,000,000 shares authorized, issued and outstanding as of February 28, 2009 and February 28, 2010, respectively, liquidation value $5,000,000)	9,000,000	9,000,000
Equity		
TAL Education Group Shareholders' Equity		
Class A common shares ($0.001 par value, 500,000,000 shares authorized, nil issued and outstanding as of February 28, 2009 and February 28, 2010)	—	—
Class B common shares ($0.001 par value, 495,000,000 shares authorized as of February 28, 2009 and February 28, 2010; 120,000,000 shares and 120,000,000 shares issued and outstanding as of February 28, 2009 and February 28, 2010, respectively)	120,000	120,000
Class B common shares subscription receivable	(120,000)	(120,000)
Additional paid-in capital	559,898	779,641
Statutory reserve	2,660,818	4,857,443
Retained earnings	21,400	12,069,734
Accumulated other comprehensive income	113,229	219,253
Total TAL Education Group's Equity	3,355,345	17,926,071
Total liabilities, convertible redeemable preferred shares and equity	$38,552,994	$ 65,503,662

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

TAL Education Group

Consolidated Statements of Operations
(In U.S. dollars, except share and share related data)

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Net revenues	$ 8,882,191	$ 37,475,583	$ 69,593,523
Cost of revenues	(4,367,086)	(18,554,255)	(37,648,875)
Gross profit	4,515,105	18,921,328	31,944,648
Operating expenses			
Selling and marketing	(370,185)	(2,353,011)	(5,608,116)
General and administrative	(2,478,092)	(5,889,370)	(10,871,866)
Impairment loss on intangible assets and goodwill	—	(1,615,455)	—
Total operating expenses	(2,848,277)	(9,857,836)	(16,479,982)
Income from operations	1,666,828	9,063,492	15,464,666
Interest income	10,485	119,922	323,861
Interest expense	—	(42,967)	(40,643)
Other expenses	—	(209,949)	(124,400)
Impairment loss on available-for-sale securities	—	(362,668)	—
Gain on extinguishment of liabilities	—	731,092	—
Income before income tax provision	1,677,313	9,298,922	15,623,484
Provision for income tax	(164,741)	(2,018,253)	(1,378,525)
Net income	1,512,572	7,280,669	14,244,959
Net income attributable to TAL Education Group	1,512,572	7,280,669	14,244,959
Deemed dividends on Series A convertible redeemable preferred shares —accretion of redemption premium	—	(4,113,035)	—
Net income attributable to common shareholders of TAL Education Group	1,512,572	3,167,634	14,244,959
Net income per common share			
Basic	$ 0.01	$ 0.03	$ 0.11
Diluted	$ 0.01	$ 0.03	$ 0.11
Net income per Series A convertible redeemable preferred share-Basic	$ —	$ 17.69	$ 0.11
Weighted average shares used in calculating net income per common share			
Basic	120,000,000	120,000,000	120,000,000
Diluted	120,000,000	120,000,000	125,000,000
Weighted average shares used in calculating net income per Series A convertible redeemable preferred share-basic	—	232,877	5,000,000

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

TAL Education Group

Consolidated Statements of Changes in Equity and Comprehensive Income
(In U.S. dollars, except share and share related data)

	Class B common shares		Class B common shares subscription receivable	Additional paid-in capital	Statutory reserve	(Accumulated deficit)/ retained earnings	Accumulated other comprehensive income (loss)	Total TAL Education Group shareholders' equity	Comprehensive income
	Shares	Amount							
Balance as of March 1, 2007	1,000	$ 1	$ (1)	$ 62,580	$ —	$ (555,968)	$ —	$ (493,388)	$ —
Capital contribution	—	—	—	131,810	—	—	—	131,810	—
Net income	—	—	—	—	—	1,512,572	—	1,512,572	1,512,572
Provision for statutory reserve	—	—	—	—	494,040	(494,040)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	42,102	42,102	42,102
Net unrealized (losses) on available-for-sale securities, net of tax effect of $24,296	—	—	—	—	—	—	(49,327)	(49,327)	(49,327)
Balance as of February 29, 2008	1,000	1	(1)	194,390	494,040	462,564	(7,225)	1,143,769	$ 1,505,347
Capital contribution	—	—	—	365,508	—	—	—	365,508	—
Net income	—	—	—	—	—	7,280,669	—	7,280,669	7,280,669
Issuance of Class B common shares	119,999,000	119,999	(119,999)	—	—	—	—	—	—
Provision for statutory reserve	—	—	—	—	2,166,778	(2,166,778)	—	—	—
Distribution to shareholders	—	—	—	—	—	(1,442,020)	—	(1,442,020)	—
Accretion for Series A convertible redeemable preferred shares redemption premium	—	—	—	—	—	(4,113,035)	—	(4,113,035)	—
Foreign currency translation adjustment	—	—	—	—	—	—	71,127	71,127	71,127
Net unrealized (losses) on available-for-sale securities, net of tax effect of $72,261	—	—	—	—	—	—	(216,784)	(216,784)	(216,784)
Transfer to the statements of operations of other-than-temporary impairment, net of tax effect of ($96,557)	—	—	—	—	—	—	266,111	266,111	266,111
Balance as of February 28, 2009	120,000,000	120,000	(120,000)	559,898	2,660,818	21,400	113,229	3,355,345	$ 7,401,123
Capital contribution	—	—	—	219,743	—	—	—	219,743	—
Net income	—	—	—	—	—	14,244,959	—	14,244,959	14,244,959
Provision for statutory reserve	—	—	—	—	2,196,625	(2,196,625)	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	21,493	21,493	21,493
Net unrealized gains on available- for-sale securities, net of tax effect of ($28,177)	—	—	—	—	—	—	84,531	84,531	84,531
Balance as of February 28, 2010	120,000,000	$120,000	$ (120,000)	$ 779,641	$4,857,443	$ 12,069,734	$ 219,253	$ 17,926,071	$14,350,983

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

TAL Education Group

Consolidated Statements of Cash Flows
(In U.S. dollars, except share and share related data)

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Cash flows from operating activities			
Net income	$1,512,572	$ 7,280,669	$14,244,959
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation of property and equipment	46,416	452,009	1,272,074
Amortization of intangible assets	114,536	565,300	841,193
Impairment loss on intangible assets and goodwill	—	1,615,455	—
Impairment loss on available-for-sale securities	—	362,668	—
Gain on extinguishment of liabilities	—	(731,092)	—
Changes in operating assets and liabilities			
Amounts due from related parties	(41,914)	(91,458)	92,247
Inventory	(4,270)	3,603	(120,688)
Prepaid expenses and other current assets	425,014	(802,788)	(862,708)
Deferred income taxes	(139,879)	(602,485)	(557,895)
Rental deposit	(235,756)	(635,096)	(1,228,785)
Accounts payable	—	—	987,204
Deferred revenue	3,701,239	11,995,607	11,343,086
Amounts due to related parties	—	(36,135)	6,954
Accrued expenses and other current liabilities	644,389	1,805,910	3,217,670
Income tax payable	302,689	2,285,218	(2,060,038)
Net cash provided by operating activities	6,325,036	23,467,385	27,175,273
Cash flows from investing activities			
Purchase of property and equipment	(532,814)	(2,142,362)	(3,785,897)
Purchase of intangible assets	(277,022)	(1,422,679)	—
Purchase of available-for-sale securities	(660,519)	—	(1,464,231)
Acquisitions of subsidiaries, net of cash acquired of $186,336	—	(1,551,362)	—
Net cash used in investing activities	(1,470,355)	(5,116,403)	(5,250,128)

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

TAL Education Group

Consolidated Statements of Cash Flows
(In U.S. dollars, except share and share related data)

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Cash flows from financing activities			
Proceeds from issuance of Series A convertible redeemable preferred shares, net of issuance cost of $113,035	—	4,886,965	—
Capital contributed from shareholders	131,810	365,508	219,743
Payment of deferred consideration	—	—	(180,345)
Distribution to shareholders	—	—	(1,442,020)
Convertible loan	—	—	500,000
Net cash provided by (used in) financing activities	131,810	5,252,473	(902,622)
Effect of exchange rate changes	315,097	384,961	37,057
Net increase in cash and cash equivalents	5,301,588	23,988,416	21,059,580
Cash and cash equivalents at the beginning of year	402,897	5,704,485	29,692,901
Cash and cash equivalents at the end of year	5,704,485	29,692,901	50,752,481
Supplement disclosure of cash flow information:			
Income tax paid	$ 1,931	$ 335,439	$ 3,997,584

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

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

1. Organization and Principal Activities

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

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

As of February 28, 2010, details of the Group's subsidiaries, its VIEs and VIEs' subsidiaries are as follows:

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of economic ownership	
Subsidiaries:				
Xueersi International Education Group Limited ("Xueersi Hong Kong")	March 11, 2008	Hong Kong	100%	Holding company
TAL Education Technology (Beijing) Co., Ltd. ("TAL Beijing")	May 8, 2008	Beijing	100%	Software sales, and consulting service
Beijing Huanqiu Zhikang Shidai Education Consulting Co., Ltd. ("Huanqiu Zhikang")	September 17, 2009	Beijing	100%	Education and management consulting service
Beijing Yidu Huida Education Technology Co., Ltd. ("Yidu Huida")	November 11, 2009	Beijing	100%	Software sales and consulting service
Variable interest entities:				
Beijing Xueersi Education Technology Co., Ltd. ("Xueersi Education")	December 31, 2005	Beijing	100%	Sales of educational materials and products
Beijing Xueersi Network Technology Co., Ltd. ("Xueersi Network")	August 23, 2007	Beijing	100%	On-line education
VIEs' subsidiaries:				
Beijing Haidian District Xueersi Training School ("Haidian Xueersi")	July 3, 2006	Beijing	100%	After-school tutoring for primary and secondary school students
Beijing Dongcheng District Xueersi Training School ("Dongcheng Xueersi")	March 21, 2008	Beijing	100%	After-school tutoring for primary and secondary school students
Beijing Zhikang Culture Distribution Co., Ltd. ("Zhikang")	June 30, 2008	Beijing	100%	After- school tutoring for primary and secondary school students
Hubei Jianli Hafu English Training School ("Jianli School")	July 1, 2008	Hubei	100%	Language education
Hubei Qianjiang Xiaohafu English Training School ("Qianjiang School")	July 1, 2008	Hubei	100%	Language education
Wuhan Jianghanqu Xiaoxinxing English Training School ("Wuhan School")	July 1, 2008	Hubei	100%	Language education
Shanghai Lehai Science and Technology Information Co., Ltd. ("Shanghai Lehai")	August 1, 2008	Shanghai	100%	Technology development and consulting service
Shanghai Changning District Xueersi-Lejiale School ("Changning School")	August 1, 2008	Shanghai	100%	After-school tutoring for primary and secondary school students
Shanghai Minhang District Lejiale School ("Minhang School")	August 1, 2008	Shanghai	100%	Language education
Beijing Xicheng District Xueersi Training School ("Xicheng Xueersi")	April 2, 2009	Beijing	100%	After-school tutoring for primary and secondary school students

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of economic ownership	
Shanghai Xueersi Education Information Consulting Co., Ltd. ("Shanghai Education")	July 2, 2009	Shanghai	100%	Educational information consulting and educational software development
Tianjin Xueersi Education Information Consulting Co., Ltd. ("Tianjin Education")	August 14, 2009	Tianjin	100%	Educational information consulting service
Guangzhou Xueersi Education Technology Co., Ltd. ("Guangzhou Education")	August 16, 2009	Guangzhou	100%	Educational technology research and development
Shenzhen Xueersi Education Technology Co., Ltd. ("Shenzhen Education")	December 22, 2009	Shenzhen	100%	Teaching software research and development

History of the Group

The Group began its operations in the PRC in 2003 through Beijing Aosai Culture Distribution Co., Ltd. ("Beijing Aosai"). Beijing Aosai was incorporated by the founding shareholders in August 2003 and liquidated in January 2008 after its business was transferred to Xueersi Education.

Xueersi Education was incorporated in the PRC in 2005 by the founding shareholders with the same ownership percentage as the Company. Xueersi Education was established to provide high quality after-school tutoring and other related services to primary and secondary school students, including mathematics and English.

Haidian Xueersi, Xueersi Network and Zhikang were established by the founding shareholders in 2006, 2007 and 2008, respectively. In November 2008, Xueersi Network acquired Haidian Xueersi and Zhikang.

The reorganization

PRC laws and regulations currently require any foreign entity that invests in the education business in China to be an educational institution with relevant experience in providing education services outside China. As a Cayman Islands company, the Company is deemed a foreign legal person under the PRC laws.

To comply with the PRC laws and regulations, the Group provides substantially all of its services in the PRC through its VIEs, Xueersi Education and Xueersi Network, and their subsidiaries. To provide the Company the ability to receive the majority of the expected residual returns of the VIEs and their subsidiaries, the Company's wholly owned subsidiary, TAL Beijing entered into a series of contractual arrangements with Xueersi Education and Xueersi Network on February 12, 2009.

- Agreements that transfer economic benefits to TAL Beijing

Series of technology support and service agreements: Pursuant to a series of technology support and service agreements, TAL Beijing retains exclusive right to provide to the VIEs the technology support and consulting services included but not limited to the system technology support service, website development service, human resource and information management service, exclusive management consulting service, and curriculum research and development service. TAL Beijing owns the intellectual property rights developed in the performance of these agreements. As consideration for these services, TAL Beijing is entitled to charge the VIEs annual service fees and adjust the service fee rates from time to time at its discretion.

Call option agreement: Pursuant to the call option agreement, the shareholders of VIEs unconditionally and irrevocably granted TAL Beijing or its designated third party an exclusive option to purchase from VIEs' shareholders, to the extent permitted under PRC law, part of or all the equity interests in the VIEs, as the case

may be, for the minimum amount of consideration permitted by the applicable law without any other conditions. TAL Beijing has sole discretion to decide when to exercise the option, whether in part or in full.

- Agreements that provide TAL Beijing effective control over the VIEs

Power of attorney: The shareholders of the VIEs have executed an irrevocable power of attorney appointing TAL Beijing, or any person designated by TAL Beijing as their attorney-in-fact to vote on their behalf on all matters of the VIEs requiring shareholder approval under PRC laws and regulations and the articles of association of the VIEs. The power of attorney remains effective during the periods of their shareholding.

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

Equity pledge agreement: Pursuant to the equity pledge agreement, the shareholders of the VIEs unconditionally and irrevocably pledged all of their equity interests, including the right to receive declared dividends and the voting rights, in the VIEs to TAL Beijing to guarantee VIEs' performance of their obligations under the technology support and service agreements. The shareholders of the VIEs agree that, without prior written consent of TAL Beijing, they will not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice TAL Beijing's interest.

Through the above contractual arrangements, TAL Beijing has the rights to receive substantially all of the VIEs' expected residual returns and holds variable interests in the VIEs.

Since the Company and the VIEs prior to entering into the above contractual arrangements were under the common control, the conclusion of the contractual arrangements is a reorganization of entities under common control and has been accounted for in a manner akin to a pooling as if the Company had been in existence throughout the period of the VIEs' existence and it was the primary beneficiary of the VIEs from their inception.

The following financial statement balances and amounts of the Company's VIEs were included in the accompanying consolidated financial statements:

	As of February 28, 2009	As of February 28, 2010
Total current assets	$ 27,027,498	$ 45,171,584
Total non-current assets	6,452,080	8,792,445
Total assets	33,479,578	53,964,029
Total current liabilities	25,822,900	34,897,136
Total non-current liabilities	366,069	175,610
Total liabilities	$ 26,188,969	$ 35,072,746

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Net revenues	$ 8,882,191	$ 37,475,583	$ 68,884,665
Net income	$ 1,512,572	$ 7,312,960	$ 14,260,357

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Net cash provided by operating activities	$ 6,325,036	$ 24,956,771	$ 21,611,823
Net cash used in investing activities	$ (1,470,355)	$ (5,066,464)	$ (5,250,128)
Net cash provided by/ (used in) financing activities	$ 131,810	$ 365,508	$ (1,402,622)

2. Significant Accounting Policies

Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America ("US GAAP").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its wholly owned subsidiaries and its VIEs and their subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue 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 valuation allowance for deferred tax assets, the useful lives of property and equipment and intangible assets, impairment of available-for-sale securities, intangible assets, long-lived assets and goodwill.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, 7-days-notice bank deposits and principal-secured floating rate financial instruments which are unrestricted as to withdrawal or use, and which have original maturities of three months or less when purchased.

Available-for-sale securities

Available-for-sale securities are carried at their fair value. Unrealized gains and losses excluded from the changes in fair value are included in accumulated other comprehensive income.

The Group reviews its available-for-sale securities for other-than-temporary impairment in accordance with authoritative guidance based on the specific identification method. The Group considers available quantitative and qualitative evidence in evaluating the potential impairment of its available-for-sale securities. If the cost of

an investment exceeds the investment's fair value, the Group considers, among other factors, general market conditions, expected future performance of the investees, the duration and the extent to which the fair value of the investment is less than the cost, and the Group's intent and ability to hold the investment. Other-than-temporary impairments below costs are recognized as a loss in the consolidated statements of operations.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives:

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

Acquired intangible assets, net

Acquired intangible assets other than goodwill consist of domain names, partnership agreement, trade name, student base, non-compete agreement, and educational license, and are carried at cost, less accumulated amortization and impairment. Amortization of acquired intangible assets, except student base, is calculated on a straight-line basis over the shorter of the contractual terms or the expected useful lives of the acquired assets. Student base is amortized using the estimated attrition pattern and graduation rates of the acquired schools. The amortization periods by major intangible asset classes are as follows:

Trade name	10.0 years
Student base	3.5 years
Partnership agreement	2.6-3.5 years
Domain names	3.0 years
Non-compete agreement	2.0-3.0 years
Educational license	0.9-2.0 years

Impairment of long-lived assets

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

Impairment of goodwill

Goodwill is not amortized but tested for impairment on an annual basis and between annual tests in certain circumstances. Goodwill impairment is tested using a two-step approach. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit is greater than its carrying amount, goodwill is not considered impaired and the second step is not required. If the fair value of the reporting unit is less than its carrying amount, the second step of the impairment test measures the amount of the impairment loss, if any, by comparing the implied fair value of goodwill to its

carrying amount. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized equal to that excess. The implied fair value of goodwill is calculated in the same manner that goodwill is calculated in a business combination, whereby the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit, with the excess purchase price over the amounts assigned to assets and liabilities representing the implied fair value of goodwill. The Group determines each individual school as a reporting unit and performs its annual goodwill impairment test on the last day of each fiscal year.

Revenue recognition

Revenue is recognized when earned and is reported net of business tax.

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

(a) Educational programs and services

The educational programs and services primarily consist of after-school group tutoring and after-school one-on-one tutoring. Tuition revenue is generally collected in advance and is initially recorded as deferred revenue. Tuition revenue is recognized proportionately as the tutoring sessions are delivered.

For small-class courses consisting of more than seven classes per course, the Group offers refunds for any remaining classes to students who decide to withdraw from a course, provided the course is less than two-thirds completed at the time of withdrawal. After two-thirds of a course is delivered, no refund is allowed. For small-class courses with less than seven classes, no refund will be provided after the commencement of the courses. For personalized premium services, a student can withdraw at any time and receive a refund for the undelivered classes. The refund is recorded as a reduction of deferred revenue and has no impact on the recognized revenue. The Group has not experienced significant refunds in the past.

The Group sends out coupons to attract both existing and prospective students to enroll in its courses. The coupon has fixed dollar amounts and can only be used against future courses. The coupon is accounted for as a reduction of revenue when the relevant revenue is recognized in the consolidated statements of operations.

(b) Educational materials and others

The Group sells educational materials to students at the Group's training centers. Revenue is recognized after a service contract is signed, the price is fixed or determinable, educational materials are delivered and collection of the receivables is reasonably assured.

Value added tax

TAL Beijing is subject to value added tax, VAT, for theinter-company sales of self-developed software in accordance with the PRC tax laws. For small scale VAT payer, the VAT ratis 3% of the gross sales and for general VAT payer, the VAT ratis 17% of the gross sales. TAL Beijing is deemed as general VATpayer since October 2009. As the entity sells self-developed software, it is eligible for VAT refund at the rate of 14% from the calendar year 2010.

For the calendar year 2009, TAL Beijing filed its VAT return atthe rate of 3%. For the calendar year 2010, it files its VAT return at a rate of 17% and enjoys a 14% VAT refund.

Operating leases

Leases where substantially all the rewards and risks of the ownership of the assets remain with the leasing companies are accounted for as operating leases. Payments made for the operating leases are charged to the consolidated statements of operations on a straight-line basis over the lease term and have been included in the operating expenses in the consolidated statements of operations.

Advertising costs

The Group expenses advertising costs as incurred. Total advertising costs incurred were $58,520, $119,081, and $487,333 for the years ended February 29, 2008, February 28, 2009 and 2010, respectively, and have been included in selling and marketing expenses in the consolidated statements of operations.

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 in the PRC is Renminbi ("RMB").

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the year are converted into the functional currencies at the applicable rates of exchange prevailing at the transaction dates. Transaction gains and losses are recognized in the consolidated statements of operations.

For translating 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.

Income taxes

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net of operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws and regulations applicable to the Group as enacted by the relevant tax authorities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on the characteristics of the underlying assets and liabilities.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

Comprehensive income

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

Concentration of credit risk

Financial instruments that potentially expose the Company to significant concentration of credit risk consist primarily of cash and cash equivalents. As of February 28, 2010, substantially all of the Group's cash and cash equivalents were managed by financial institutions with high-credit ratings and quality.

Fair value of financial instruments

The Group's financial instruments consist primarily of cash and cash equivalents, available-for-sale securities, amounts due from related parties, accounts payables, amounts due to related parties and convertible loan. The fair value of cash and cash equivalents, amounts due from related parties, accounts payables, and amounts due to related parties approximate their carrying amounts reported in the consolidated balance sheets due to the short-term maturity of these instruments. All highly liquid debt instruments purchased with original maturity of three months or less at the date of acquisition are included in cash and cash equivalents, which are reported at fair value.

Net income per share

Basic net income per share is computed by dividing net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year using the two-class method. Under the two-class method, net income is allocated on a pro rata basis to each class of common shares and other participating securities based on their participating rights.

The holders of Series A convertible redeemable preferred shares are entitled to share dividends on a pro rata basis, as if their shares had been converted into Class B common shares. Accordingly, the Company has used the two-class method in computing net income per share.

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

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

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Beneficial conversion feature

For convertible instruments, a beneficial conversion feature is recognized when the conversion price is less than the fair value of the common stock into which the instrument is converted. For convertible instruments that have a stated redemption date (such as debt and mandatorily redeemable preferred stock), the discount resulting from recording a beneficial conversion option is accreted from the date of issuance to the stated redemption date of the convertible instrument, regardless of when the earliest conversion date occurs.

In circumstances in which the instrument is converted prior to amortization of the full amount of the discount, the remaining unamortized discount at the date of conversion is immediately recognized as interest expense or as a dividend, as appropriate.

Recently issued accounting standards

In June 2009, the FASB issued an authoritative pronouncement to amend the accounting rules for variable interest entities (VIEs). The amendments effectively replace the quantitative-based risks-and-rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has (1) the power to direct the activities of a variable interest entity that most significantly affect the entity's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. The new guidance also requires additional disclosures about a reporting entity's involvement with variable interest entities and about any significant changes in risk exposure as a result of that involvement.

The new guidance is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, and all interim and annual periods thereafter. The new VIE model requires that, upon adoption, a reporting entity should determine whether an entity is a VIE, and whether the reporting entity is the VIE's primary beneficiary, as of the date that the reporting entity first became involved with the entity, unless an event requiring reconsideration of those initial conclusions occurred after that date. When making this determination, a reporting entity must assume that new guidance had been effective from the date of its first involvement with the entity. The Group adopted the new guidance on March 1, 2010.

The Company has had two VIEs, which it has consolidated under the authoritative literature prior to the amendment discussed above because it was the primary beneficiary of those entities. Because the Company, through its wholly owned subsidiary, has (1) the power to direct the activities of the two VIEs that most

significantly affect the entity's economic performance and (2) the right to receive benefits from the two VIES, it will continue to consolidate the two VIEs upon the adoption of the new guidance which therefore, other than for additional disclosures including those for prior periods, had no accounting impact.

In October 2009, the Financial Accounting Standards Board ("FASB") issued an authoritative pronouncement regarding revenue arrangements with multiple deliverables. This pronouncement was issued in response to practice concerns related to the accounting for revenue arrangements with multiple deliverables under an existing pronouncement. Although the new pronouncement retains the criteria from an existing pronouncement for when delivered items in a multiple-deliverable arrangement should be considered separate units of accounting, it removes the previous separation criterion under existing pronouncements that objective and reliable evidence of the fair value of any undelivered items must exist for the delivered items to be considered a separate unit or separate units of accounting. The new pronouncement is effective for fiscal years beginning on or after June 15, 2010. Entities can elect to apply this pronouncement (1) prospectively to new or materially modified arrangements after the pronouncement's effective date or (2) retrospectively for all periods presented. Early application is permitted; however, if the entity elects prospective application and early adopts this pronouncement after its first interim reporting period, it must also do the following in the period of adoption: (1) retrospectively apply this pronouncement as of the beginning of that fiscal year; and (2) disclose the effect of the retrospective adjustments on the prior interim periods' revenue, income before taxes, net income, and earnings per share. The Group is in the process of evaluating the effect of adoption of this pronouncement.

In October 2009, the FASB issued an authoritative pronouncement regarding software revenue recognition. This new pronouncement amends an existing pronouncement to exclude from its scope all tangible products containing both software and non-software components that function together to deliver the product's essential functionality. That is, the entire product (including the software deliverables and non-software deliverables) would be outside the scope of software revenue recognition and would be accounted for under other accounting literature. The new pronouncement includes factors that entities should consider when determining whether the software and non-software components function together to deliver the product's essential functionality and are thus outside the revised scope of the authoritative literature that governs software revenue recognition. The pronouncement is effective for fiscal years beginning on or after June 15, 2010. Entities can elect to apply this pronouncement (1) prospectively to new or materially modified arrangements after the pronouncement's effective date or (2) retrospectively for all periods presented. Early application is permitted; however, if the entity elects prospective application and early adopts this pronouncement after its first interim reporting period, it must also do the following in the period of adoption: (1) retrospectively apply this pronouncement as of the beginning of that fiscal year; and (2) disclose the effect of the retrospective adjustments on the prior interim periods' revenue, income before taxes, net income, and earnings per share. The Group is in the process of evaluating the effect of adoption of this pronouncement.

In April 2010, the FASB issued an authoritative pronouncement on milestone method of revenue recognition. The scope of this pronouncement is limited to arrangements that include milestones relating to research or development deliverables. The pronouncement specifies guidance that must be met for a vendor to recognize consideration that is contingent upon achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The guidance applies to milestones in arrangements within the scope of this consensus regardless of whether the arrangement is determined to have single or multiple deliverables or units of accounting. The pronouncement will be effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early application is permitted. Companies can apply this guidance prospectively to milestones achieved after adoption. However, retrospective application to all

prior periods is also permitted. The Group is in the process of evaluating the effect of adoption of this pronouncement.

In April 2010, the FASB issued an authoritative pronouncement on effect of denominating the exercise price of a share-based payment award in the currency of the market in which the underlying equity securities trades and that currency is different from (1) entity's functional currency, (2) functional currency of the foreign operation for which the employee provides services, and (3) payroll currency of the employee. The guidance clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should be considered an equity award assuming all other criteria for equity classification are met. The pronouncement will be effective for interim and annual periods beginning on or after December 15, 2010, and will be applied prospectively. Affected entities will be required to record a cumulative catch-up adjustment for all awards outstanding as of the beginning of the annual period in which the guidance is adopted. The Group is in the process of evaluating the effect of adoption of this pronouncement.

3. Acquisitions

In the year ended February 28, 2009, the Group made five business acquisitions. Each acquisition has been recorded using the purchase method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of purchase. The results of these acquired entities' operations have been included in the consolidated financial statements since the date of purchase.

Acquisition in Wuhan

On July 1, 2008, Xueersi Network acquired 100% equity interest in Wuhan School. Pursuant to the original acquisition agreement, $918,260 would be paid by cash (of which $712,745 was paid by February 28, 2010), while $393,540 would be settled by cash or the Class B common shares of the Company on the closing of a qualified IPO at the discretion of the target, provided such qualified IPO occurred within two years. Absent an IPO in the specified period, $393,540 would be increased to $787,080 and be settled in cash.

Since the completion of a qualified IPO is beyond the Company's control, the Company accounted for $787,080 as a liability incurred upon the acquisition.

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

The purchase price of Wuhan School was allocated as follows:

			Amortization period
Cash and cash equivalents		$ 12,504	
Property and equipment		3,189	
Intangible assets acquired:			
Student base		177,822	3.50 years
Partnership agreement		97,656	3.50 years
Non-compete agreement		2,915	2.00 years
Education license		2,915	1.50 years
Goodwill		1,338,753	
Deferred tax liabilities		(70,327)	
Payable for business acquisition-current	550,956		
Payable for business acquisition-non-current	367,304		
Obligation absent of IPO	787,080		
Total acquisition obligation	1,705,340		
Less			
Discount to present value at date of acquisition	(139,913)		
Total purchase consideration		$1,565,427	

The purchase price allocation described above was based on a valuation analysis provided by American Appraisal China Limited, a third party valuation firm. The valuation analysis utilizes and considers generally accepted valuation methodologies such as the income, market and cost approach. The Company has incorporated certain assumptions, which include projected cash flows. The company renegotiated the above acquisition agreement (See Note 4).

Acquisition in Shanghai

On August 1, 2008, Xueersi Network acquired 100% equity interest in Shanghai Lehai and its two 100% owned subsidiaries, Minhang School and Changning School. According to the acquisition agreements, $1,027,577, or 50% of the total consideration is contingent upon the two original shareholders' continuing employment with Shanghai Lehai for at least three years after the acquisition. As the contingent consideration arrangement would be automatically forfeited if any of these two original shareholders terminates his/her employment with Shanghai Lehai, the amount has been accounted for as employment compensation for post-combination services of the original shareholders. As of February 28, 2010, the purchase price was paid in full.

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

The purchase price of Shanghai Lehai was allocated as follows:

		Amortization period
Cash and cash equivalents	$ 173,832	
Prepaid expense and other current assets	102,010	
Property and equipment	157,523	
Accrued expense and other current liabilities	(344,380)	
Income tax payable	(1,585)	
Intangible assets acquired:		
Partnership agreement	330,865	3.50 years
Trade name	262,360	10.00 years
Student base	164,704	3.50 years
Non-compete agreement	16,033	3.00 years
Education license	3,207	1.67 years
Goodwill	357,300	
Deferred tax liabilities	(194,292)	
Total consideration	$1,027,577	

The purchase price allocation described above was based on a valuation analysis provided by American Appraisal China Limited, a third party valuation firm. The valuation analysis utilizes and considers generally accepted valuation methodologies such as the income, market and cost approach. The Company has incorporated certain assumptions, which include projected cash flows.

The Group also made other acquisitions during the fiscal year ended February 28, 2009 in Tianjin, Qianjiang, and Jianli, for a total consideration of $605,754.

The results of operations for the 100% equity interest of all these acquired entities have been included in the Group's consolidated financial statements from their respective acquisition date. The acquired goodwill is not deductible for tax purposes.

Pro forma

The following summary of unaudited pro forma results of operations of five acquired businesses for the years ended February 29, 2008 and February 28, 2009 was presented with the assumption that all the five acquisitions described above during the year ended February 28, 2009 occurred as of March 1, 2007 and 2008, respectively. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which would have resulted had the significant acquisitions occurred as of March 1, 2007 and 2008, nor are they indicative of future operating results.

	For the years ended	
	February 29, 2008 (unaudited)	February 28, 2009 (unaudited)
Net revenues	$9,517,600	$ 37,876,116
Net income attributable to TAL Education Group	$ 1,546,449	$ 6,598,516
Net income per common share		
Basic	$ 0.01	$ 0.02
Diluted	$ 0.01	$ 0.02
Net income per Series A convertible redeemable preferred share—Basic	—	$ 17.68

4. Extinguishment of Liabilities

In January 2009, the performance of Wuhan School was not in line with expectations at the time of the purchase. Since the Company had not yet fully paid the acquisition obligation, Xueersi Network renegotiated with the original shareholders of Wuhan School to adjust the remaining payments.

The acquisition payable at that time was $1,605,625 and was reduced to $874,533 and will be settled in cash. As a result, Xueersi Network's acquisition payables of $731,092 were waived. This amount was treated as a gain on extinguishment of liabilities for the year ended February 28, 2009.

5. Available-for-Sale Securities

In August 2007 and December 2009, the Group bought two securities in mutual funds named Wan Jia He Xie Financing Fund and Guo Du No. 1 An Xin Shou Yi, respectively. The securities were classified as available-for-sale securities and reported at fair value.

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

The available-for-sale securities measured and recorded at fair value on a recurring basis were as follows:

Balance as of March 1, 2007	$ —
Purchase	660,519
Foreign exchange difference	42,567
Changes in fair value(1)	(73,623)
Balance as of February 29, 2008	629,463
Changes in fair value(1)	(289,045)
Balances as of February 28, 2009	340,418
Purchase	1,464,231
Changes in fair value	112,708
Foreign exchange difference	799
Balance as of February 28, 2010	$1,918,156

(1) The Group determined the decline to be other-than temporary due to the continuing challenging global financial markets, poor performance of the equity markets, as well as the duration and the extent to which the fair value of the securities had continued to be less than the cost and therefore booked an impairment loss in the income statement of $266,111, net of tax effect of $96,557.

The Group values the mutual funds using quoted price in active market to determine the fair value of available-for-sale securities (Level 1 valuation). The following provides additional information concerning the Group's available-for-sale securities:

	As of February 28, 2009				As of February 28, 2010			
	Cost	Gross unrealized gains	Gross unrealized (losses)	Fair value	Cost	Gross unrealized gains	Gross unrealized (losses)	Fair value
Mutual fund	$ 340,418	$ —	$ —	$ 340,418	$ 1,805,448	$120,678	$ (7,970)	$1,918,156

6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	As of February 28, 2009	As of February 28, 2010
Prepaid rent	$ 797,674	$ 1,344,238
Prepayments to suppliers	391,049	305,782
Staff advances	165,257	450,705
Others	60,943	180,216
	$ 1,414,923	$2,280,941

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

7. Property and Equipment, Net

Property and equipment, net, consisted of the following:

	As of February 28, 2009	As of February 28, 2010
Leasehold improvement	$1,280,185	$ 3,399,250
Computer, network equipment and software	869,600	2,293,808
Vehicles	458,412	624,296
Office equipment and furniture	377,318	462,112
Less: accumulated depreciation and amortization	(514,178)	(1,787,976)
	$ 2,471,337	$ 4,991,490

For the years ended February 29, 2008, February 28, 2009 and 2010, depreciation expenses were $46,416, $452,009, and $1,272,074, respectively.

8. Intangible Assets, Net

Intangible assets, net, consisted of the following:

	As of February 28, 2009	As of February 28, 2010
Domain names	$1,846,858	$ 1,846,858
Partnership agreement	425,576	425,576
Student base	348,566	348,566
Trade name	262,360	262,360
Non-compete agreement	19,200	19,200
Education license	9,902	9,902
Less: accumulated amortization	(696,148)	(1,537,341)
Add: foreign exchange difference	10,029	14,039
	$ 2,226,343	$ 1,389,160

Domain names were acquired from third parties. The rest of intangible assets were recorded as a result of the acquisitions of the five businesses in the year ended February 28, 2009 (see Note 3).

The Group recorded amortization expense of $114,536, $565,300, and $841,193 for the years ended February 29, 2008, February 28, 2009, and 2010, respectively.

Estimated amortization expenses of the existing intangible assets for the next five years are $717,070, $502,879, $26,371, $26,371 and $26,371, respectively.

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	As of February 28, 2009	As of February 28, 2010
Accrued payroll and bonus	$ 2,303,069	$ 3,893,895
Social insurance payable	38,791	453,081
Payable for business acquisitions	533,035	513,062
Other taxes payable	634,397	1,343,425
Others	100,505	614,353
Total	$ 3,609,797	$ 6,817,816
Payable for the acquisition of a school in Tianjin		$ 76,760
Payable for the acquisition of Jianli School		137,257
Payable for the acquisition of Qianjiang School		137,257
Payable for the acquisition of Wuhan School		161,788
Payable for business acquisitions		$ 513,062

10. Convertible Loan

On January 30, 2010, a third party agreed to provide the Company a $500,000 convertible loan, which bears an annual interest rate of 15% and will mature on January 30, 2012. The interest is payable annually. Subject to mutual agreement, the date of maturity may be extended to January 30, 2015.

The loan is convertible at the option of the holder, at any time, into such number of Class B common shares of the Company as determined by dividing $500,000 by the conversion price. The conversion price was initially set at $50 per share and then subject to adjustments for dilution, including but not limited to issuance of additional Class B common shares and share split.

As of the balance sheet date, the conversion option of the convertible loan does not meet the criteria for an embedded derivative. If the conversion option survives an IPO, it would be required to be bifurcated and accounted for separately as a derivative.

As of February 28, 2010, the fair value of the convertible loan approximated its carrying amount since the effective interest rate did not fluctuate significantly during its one month outstanding period.

11. Income Taxes

Cayman Islands

The Company is a tax-exempted company incorporated in the Cayman Islands.

Hong Kong

Xueersi Hong Kong was established in Hong Kong in March 2008. Xueersi Hong Kong is subject to Hong Kong Profits Tax on its activities conducted in Hong Kong. It was subject to Hong Kong profit tax at

16.5%. No provision for Hong Kong Profits tax has been made in the consolidated financial statements as it has no assessable income for the years ended February 28, 2009, and 2010.

PRC

The subsidiaries incorporated in the PRC were generally subject to a corporate income tax rate of 33% prior to January 1, 2008 except for those subsidiaries that enjoyed tax holidays or preferential tax treatment. Xueersi Network and Haidian Xueersi were entitled to a one year tax exemption in calendar year 2007 as they were newly established companies in calendar year 2007.

Effective from January 1, 2008, a new Enterprise Income Tax Law, or ("the New EIT Law"), combined the previous income tax laws for foreign invested and domestic invested enterprises in the PRC by the adoption a unified tax rate of 25% for most enterprises with the following exceptions.

Certain qualified high and new technology enterprises that meet the definition of "high and new technology enterprise strongly supported by the state" ("HNTE") could benefit from a preferential tax rate of 15%. Xueersi Education qualified as a HNTE under the New EIT Law effective from January 1, 2008 and therefore for a preferential tax rate of 15%. In addition, since the entity is located in a high technology zone in Beijing and qualified as a high-tech company, it was entitled to a three-year exemption from the enterprise income tax from calendar year 2006 to 2008 and a further tax reduction to a rate of 7.5% from calendar year 2009 to 2011.

Accordingly, in calculating deferred tax assets and liabilities, the Group assumed Xueersi Education will continue to renew the new HNTE status at the conclusion of the initial three-year period. If Xueersi Education failed to obtain such renewals after 2010, then the deferred tax assets as of February 28, 2010 would increase by $29,259.

TAL Beijing was qualified as "Newly Established Software Enterprise" and therefore it was entitled to a two-year exemption from EIT from calendar year 2009 to 2010 and a further reduction to 12.5% from calendar year 2011 to 2013.

Provision (credit) for income tax consisted of the following:

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Current —			
PRC income tax expenses	$ 304,620	$ 2,620,738	$ 1,936,420
Deferred —			
PRC income tax expenses	(139,879)	(602,485)	(557,895)
Total	$ 164,741	$ 2,018,253	$ 1,378,525

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Group's deferred tax assets and liabilities were as follows:

	As of February 28, 2009	As of February 28, 2010
Current deferred tax assets:		
Undistributed payroll	$ 510,275	$ 903,939
Less: valuation allowance	(29,146)	(72,642)
Current deferred tax assets, net	481,129	831,297
Non-current deferred tax assets:		
Property and equipment	35,434	134,915
Intangible assets	70,558	163,003
Tax losses carry-forward deferred tax assets	137,639	303,909
Less: valuation allowance	(112,342)	(317,859)
Non-current deferred tax assets, net	131,289	283,968
Non-current deferred tax liabilities:		
Intangible assets	203,776	147,433
Unrealized gain on available-for-sale securities	—	28,177
Non-current deferred tax liabilities	$ 203,776	$ 175,610

As of February 28, 2010, tax loss carry-forward amounted to $1,251,685 and would expire by the end of calendar year 2015. The Group operates its business through its subsidiaries, its VIEs and their subsidiaries. The Group does not file combined or consolidated tax returns, therefore, losses from individual subsidiaries or the VIEs and their subsidiaries may not be used to offset other subsidiaries' or VIEs' earnings within the Group. Valuation allowance is considered on each individual subsidiary and VIE basis. A valuation allowance of $390,501 had been established as of February 28, 2010, 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 US 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.

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 29, 2008, February 28, 2009 and 2010. The Group did not incur any 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 periods. The years 2007 to 2009 remain subject to examination by the PRC tax authorities.

Reconciliation between the provision for income taxes computed by applying the PRC EIT rates of 33% in calendar year 2007, and 25% in calendar year 2008 and 2009 to income before income taxes and the actual provision for income tax was as follows:

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Net income before provision for income tax	$ 1,677,313	$ 9,298,922	$ 15,623,484
PRC statutory tax rate	33% (1)	25%	25%
Income tax at statutory tax rate	553,513	2,324,731	3,905,871
Expenses not deductible for tax purposes:			
Salaries and employees' benefits	64,410	214,023	—
Other expenses not deductable	23,593	257,357	289,945
Effect of income tax exemptions	(476,775)	(923,868)	(3,070,154)
Effect of income tax rate difference in other jurisdictions	—	5,527	3,850
Change in valuation allowance	—	140,483	249,013
Provision for income tax	$ 164,741	$ 2,018,253	$ 1,378,525

(1) PRC statutory tax rate was 33% for the period between March 1, 2007 and December 31, 2007 and 25% for the period between January 1, 2008 and February 29, 2008.

If Xueersi Education, Xueersi Network and Haidian Xueersi were not in a tax holiday period for the years ended February 29, 2008, February 28, 2009 and 2010, the provision for income tax and earnings per share amounts would be as follows:

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Provision for income tax	$ 476,775	$ 923,868	$ 3,070,154
Net income per common share-basic	$ 0.01	$ 0.02	$ 0.09
Net income per Series A preferred share-basic	$ —	$ 17.68	$ 0.09
Net income per common share-diluted	$ 0.01	$ 0.02	$ 0.09

New EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for Chinese Income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the New EIT Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc, occurs within the PRC. Despite the present

uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed a resident enterprise, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25%.

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%.

Aggregate undistributed earnings of the Company's subsidiaries located in the PRC that are available for distribution to the Company of approximately $4,311,088 and $18,202,179 as of February 28, 2009 and 2010, respectively, are considered to be indefinitely reinvested and accordingly, no provision has been made for the Chinese dividend withholding taxes that would be payable upon the distribution of those amounts to the Company. The Chinese tax authorities have also clarified that distributions made out of pre January 1, 2008 retained earnings will not be subject to the withholding tax.

12. Impairment Loss on Intangible Assets and Goodwill

Impairment loss on intangible assets

For the year ended February 28, 2009, the performance of Qianjiang School, Jianli School and Wuhan School was not in line with expectations. As a result, partnership agreement, student base, non-compete agreement and education license generated from the acquisitions of these three schools with a total carrying amount of $591,747 were written down to their fair value of $232,376.

Impairment loss on intangible assets for the years ended February 29, 2008, February 28, 2009 and 2010 was $nil, $359,371 and $nil, respectively.

Impairment loss on goodwill

Changes in the carrying amount of goodwill for the years ended February 28, 2009 and 2010 consisted of the following:

	As of February 28,	
	2009	2010
Goodwill		
Beginning balance	$ —	$ 762,272
Goodwill recognized in business acquisition	2,021,450	—
Impairment	(1,256,084)	—
Foreign exchange difference due to translation	(3,094)	1,530
Ending balance	$ 762,272	$ 763,802
Accumulated goodwill impairment		
Beginning balance	$ —	$ (1,256,084)
Impairment	(1,256,084)	—
Ending balance	$ (1,256,084)	$ (1,256,084)

As the performance of Wuhan School was not in line with expectations at the time of the purchase, the Group determined this to be a triggering event to perform the goodwill impairment test before the annual impairment test. On January 31, 2009, the Group recognized an impairment loss of $1,187,830 for the goodwill arising from the acquisition of Wuhan School.

The Group recognized a $68,254 impairment loss for the goodwill arising from the acquisition of Qianjiang School for the year ended February 28, 2009.

The Group incurred $nil, $1,256,084 and $nil impairment loss on goodwill for the years ended February 29, 2008, February 28, 2009 and 2010, respectively.

13. Convertible Redeemable Preferred Shares

In February 2009, the Company issued 5,000,000 Series A convertible redeemable preferred shares to an investor at an issuance price of $1 per share for total cash proceeds of $5,000,000 before issuance cost of $113,035.

The rights, preferences, privileges and restriction granted to and imposed on the Series A convertible redeemable preferred shares are as follows.

Conversion

Each Series A convertible redeemable preferred share may, at the option of the holders, be converted at any time into one fully-paid and non-assessable Class B common share of the Company, or is automatically converted into one fully-paid and non-assessable Class B common share upon the closing of a qualified IPO. The Conversion Price for the Series A convertible redeemable preferred shares ("Conversion Price") shall initially equal the original issue price and shall be adjusted from time to time for share splits and combinations, Class B common share dividends and distributions, other dividends; reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions and sales of shares below the Conversion Price.

The share purchase agreement of the Series A convertible redeemable preferred shares has a down-round provision which requires the conversion price of Series A convertible redeemable preferred shares to be subject to adjustment by the Company of equity or any instrument or securities convertible into equity at a purchase price less than the then-effective conversion price. This provision may potentially cause the conversion price to be lower than the fair value of the common stock at the commitment date, which may result a contingent beneficial conversion feature.

The Company has determined that there was no embedded beneficial conversion feature attributable to the Series A convertible redeemable preferred shares because the initial effective conversion price was higher than the fair value of the Class B common shares at the commitment date.

Dividend participation rights

The holders of Series A convertible redeemable preferred shares are entitled to receive dividends ratably according to the number of Class B common shares that each preferred share may be converted into. Dividends shall be non-cumulative.

Liquidation preference

Before any distribution or payment shall be made to the holders of any common shares, the holder of Series A convertible redeemable preferred shares shall be entitled to receive an amount equal to 100% of the

original issue price (adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions), plus any accrued but unpaid dividends with respect thereto (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) per Series A convertible redeemable preferred share then held by such holder. All arrears or accruals of dividends due to the holders of Series A convertible redeemable preferred share is in priority to the holders of all other shares.

After distribution or payment in full of the amount distributable or payable on the Series A convertible redeemable preferred shares, the remaining assets of the Company available for distribution to shareholders shall be distributed ratably among the holders of outstanding common shares and holders of Series A convertible redeemable preferred shares on an as-converted basis.

Voting rights

The holder of Series A convertible redeemable preferred shares has the voting rights determined based on the equivalent number of the Company's Class B common shares into which their preferred shares are converted.

Redemption

The Company is obligated to redeem all the Series A convertible redeemable preferred shares after December 31, 2011, or at any time when there is a material breach of any of the Company warranties at a price equaled 180% of the original issue price. The Group recognized changes in the redemption value $4,113,035 as deemed dividend upon issuance in the year ended February 28, 2009.

14. Common Shares

On January 10, 2008, the Company issued 1,000 Class B common shares at par value of $0.001.

As a result of the reorganization relating to the incorporation of the Company, the outstanding Class B common shares have been deemed to be 1,000 shares for the year ended February 29, 2008. The accompanying consolidated financial statements have been prepared as if the current share structure had been in existence throughout the periods presented.

On February 12, 2009, the Company issued 119,999,000 additional Class B common shares proportionally to the existing founding shareholders at par value. This issuance is considered as an issuance with nominal consideration and has been therefore treated in a manner akin to a stock split and the computations of basic and diluted net income per share were adjusted retroactively for all periods presented.

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

15. Net Income per Share

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Net income attributable to TAL Education Group	$ 1,512,572	$ 7,280,669	$ 14,244,959
Deemed dividend on Series A convertible redeemable preferred shares-accretion of redemption premium	—	4,113,035	—
Undistributed net income to TAL Education Group shareholders	1,512,572	3,167,634	14,244,959
Numerator used in basic and diluted net income per share:			
Net income attributable to TAL Education Group shareholders allocated for computing net income per common share-basic	1,512,572	3,161,499(i)(ii)	13,675,161(i)
Net income attributable to TAL Education Group shareholders allocated for computing net income per Series A convertible redeemable preferred shares-basic	—	4,119,170(i)(iii)	569,798(i)
Net income attributable to TAL Education Group shareholders allocated for computing net income per common share-diluted	1,512,572	3,161,499	14,244,959
Shares (denominator):			
Weighted average shares outstanding used in computing net income per common share—basic	120,000,000	120,000,000	120,000,000
Weighted average shares outstanding used in computing net income per Series A convertible redeemable preferred shares—basic	—	232,877	5,000,000
Weighted average shares outstanding used in computing net income per common share—diluted	120,000,000	120,000,000	125,000,000
Net income per common share attributable to TAL Education Group shareholders-basic	$ 0.01	$ 0.03	$ 0.11
Net income per Series A convertible redeemable preferred share-basic	$ —	$ 17.69	$ 0.11
Net income per common share attributable to TAL Education Group shareholders-basic-diluted	$ 0.01	$ 0.03	$ 0.11

(i) In 2009 and 2010, undistributed net income was allocated between common shares and preferred shares on pro rata basis on the dividend participating rights. Since each Series A convertible redeemable preferred share has the same participating right as each common share, the allocation was based on the weighted average numbers of common shares and Series A convertible redeemable preferred shares. The net income allocated for computing net income per preferred share-basic also contains the deemed dividend for accretion of the redemption premium.

(ii) For the year ended February 28, 2009, $3,167,634 of undistributed net income was allocated between the weighted average numbers of 120,000,000 common shares and 232,877 Series A convertible redeemable preferred shares. Therefore, undistributed net income allocated for common shares was $3,161,499 and $6,135 for Series A convertible redeemable preferred shares.

(iii) For the year ended February 28, 2009, net income allocated for computing net income per Series A convertible redeemable preferred shares-basic was $4,119,170 of which $6,135 was undistributed net income allocated between the weighted average numbers of common shares and Series A convertible redeemable preferred shares and $4,113,035 was deemed dividend on Series A convertible redeemable preferred shares.

16. Commitments and Contingencies

Lease commitment

The Group leases certain office premises under non-cancellable leases, the term of which are ten years or less and are renewable upon negotiation. Rental expenses under operating leases for the years ended February 29, 2008, February 28, 2009 and 2010 were $1,176,223, $4,858,363 and $9,862,702, respectively.

Future minimum payments under non-cancellable operating leases as of February 28, 2010 were as follows:

Fiscal year ending	
February 2011	$ 13,154,964
February 2012	12,113,895
February 2013	8,044,734
February 2014	6,134,223
February 2015 and after	3,226,231
Total	$ 42,674,047

17. Segment Information

Segment information

The Group is mainly engaged in after-school tutoring in the PRC. The Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer who reviews financial information of separate operating segments based on US GAAP amounts when making decisions about allocating resources and assessing performance of the Group. The business is now organized and monitored on the basis of geographic locations. The CODM now reviews results analyzed by service line and geographic location. This analysis is only presented at the revenue level with no allocation of direct or indirect costs. Consequently, the Group has determined that it has only one operating segment.

Geographic information

The Group primary operates in the PRC and all of the Group's long-lived assets are located in the PRC.

Major customers

For the years ended February 29, 2008, February 28, 2009 and 2010, there was no customer who accounted for 10% or more of the Group's revenues.

Components of revenues are presented in the following table:

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Revenues:			
Educational programs and services	$ 8,882,191	$ 37,152,739	$ 69,138,216
Educational materials and others	—	322,844	455,307
Total revenues	$ 8,882,191	$ 37,475,583	$ 69,593,523

18. Mainland China Contribution Plan

Full time employees of the Group in the PRC participate in a government-mandated 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 contributions for such employee benefits were $49,633, $668,433, and $1,819,178 for the years ended February 29, 2008, February 28, 2009 and 2010, respectively.

19. Statutory Reserves

As stipulated by the relevant PRC laws and regulations applicable to the Group's entities in the PRC, the Group is required to make appropriations from net income as determined in accordance with the PRC GAAP to non-distributable reserves, which include a statutory surplus reserve and a statutory welfare reserve. 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 reserve fund, and in private school sector, the PRC laws and regulations require that annual appropriations of 25% of after-tax income should be set aside prior to payments of dividend as development fund. The appropriations to statutory surplus reserve are required until the balance reaches 50% of the PRC entity registered capital.

The statutory reserve may be applied against prior year losses, if any, and may be used for general business expansion and production or increase in registered capital of the entities. For the years ended February 28, 2009 and 2010, the Group made apportions of $728,067 and $1,616,067 to the statutory surplus reserve fund, respectively, and $1,438,711 and $580,558 to the development fund, respectively. As a result of these PRC laws and regulations, the PRC entities are restricted from transferring a portion of their net assets to the Group. As of February 28, 2009 and 2010, such restricted net assets were $2,660,818 and $4,857,443, respectively.

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

20. Related Party Transactions

The Group had the following balances with related parties as of February 28, 2009 and 2010, respectively:

(a) Amounts due from the founding shareholders-non-trading

	As of February 28, 2009	As of February 28, 2010
Founding shareholders	$ 92,112(i)	$ —

i. The amounts represent cash advances to the founding shareholders for business expansion.

(b) Amount due to the founding shareholders-non-trading

	As of February 28, 2009	As of February 28, 2010
Founding shareholders	$ 101,043(ii)	$ 108,204(ii)

ii. The amount represents rental deposits and acquisition consideration paid by the founding shareholder on behalf of the Group.

Amounts due from (to) shareholders are non-interest bearing and unsecured with no fixed repayment terms. There was no right to offset the amounts due to and due from the same shareholders.

21. Capital Contribution

The founding shareholders contributed $131,810, $365,508 and $219,743 capital to establish new entities (see Note 1) during the years ended February 29, 2008, February 28, 2009 and 2010, respectively.

22. Distribution to Shareholders

In November 2008, Xueersi Network declared $1,442,020 (RMB10,000,000) cash distribution to its founding shareholders, prior to a series of contractual arrangements entered into on February 12, 2009 (see Note 1). As of February 28, 2009, the amount was $1,462,095 due to the change in the foreign exchange rate. The amount was paid in full in April 2009. No further distribution was declared afterwards.

23. Subsequent Events

The Company has evaluated all events subsequent to the balance sheet date of February 28, 2010 through September 29, 2010, the date when the consolidated financial statements were available to be issued.

On April 21, 2010, the State Administration of Taxation issued Circular 157 Further Clarification on Implementation of Preferential EIT Rate during Transition Periods ("Circular 157"). Circular 157 seeks to provide additional guidance on the interaction of certain preferential tax rates under the transitional rules of the New EIT Law. Prior to Circular 157, we interpreted the law to mean that if an HNTE entity was in a tax holiday period, including "2-year exemption plus 3-year half rate", "5-year exemption plus 5-year half rate" and other tax exemptions and reductions, where it was entitled to a 50% reduction in the tax rate and was also entitled to a 15% rate of tax due to HNTE status under the New EIT Law, then it was entitled to pay tax at the rate of 7.5%. Circular 157 appears to have the effect that such an entity is entitled to pay tax at either the lower of 15% or 50% of the standard PRC tax rate (i.e. currently 25%). Circular 157 was unclear as to

whether its effect is retrospective but Xueersi Education understands that the State Administration of Taxation has recently taken the position that the Circular applies only to tax years commencing from January 1, 2010.

Based on the interpretation of Circular 157 from the relevant local tax district, Xueersi Education believes that entities that qualify for "3-year exemption plus 3-year half rate" tax holiday as HNTEs and which are registered in the Zhongguancun High and New Technology industrial Zones of Beijing, will continue to pay tax at the rate of 7.5%. Since Xueersi Education enjoys "3-year exemption plus 3-year half rate" and is a HNTE status registered in the Zhongguancun High and New Technology industrial Zones of Beijing, Xueersi Education does not believe that Circular 157 has any effect on its tax position.

New established entity

In March 2010, Xueersi Education established a wholly owned subsidiary, Beijing Haidian Lejiale Training School ("Haidian Lejiale"). The principle activities of Haidian Lejiale are to provide after-school tutoring for primary and secondary school students and language education and training in Beijing.

Class B common share subscription receivable

The Class B common shares subscription receivable was fully paid by the founding shareholders in June 2010.

2010 Share Incentive Plan

In June 2010, the Company adopted the 2010 Share Incentive Plan. The plans permit the grant of options to purchase the Class A common shares, share appreciation rights, restricted shares, restricted share units, dividend equivalent rights and other instruments as deemed appropriate by the administrator under the plans. The maximum aggregate number of Class A common shares that may be issued pursuant to all awards under the stock incentive plan is 18,750,000 shares.

On July 26, 2010, the Group granted 5,419,500 nonvested shares under this share incentive plan to directors, executive officers and employees. The estimated fair value of the Class A common share on the grant date was $5 per share. The nonvested shares will vest in accordance with the vesting schedule set out in the award agreement, which is (1) 100% of 945,100 nonvested shares at the first anniversary of the date of grant, or (2) 1/2 of 831,400 nonvested shares on each of the anniversaries since the date of grant, or (3) 1/4 of 3,643,000 nonvested shares on each of the anniversaries since the date of grant.

Declaration of Dividend

On September 29, 2010, the Group declared a $30 million cash dividend to the Group's then existing shareholders conditional upon the completion of the initial public offering.

Amendment to Memorandum and Articles of Association

On September 29, 2010, the Company adopted the Third Amended and Restated Memorandum and Articles of Association (M&AA). The share capital of the Company is US$1,000,000.00 divided into (i) 500,000,000 Class A common shares of par value US$0.001 each, (ii) 495,000,000 of Class B common shares of par value US$0.001 each, and (iii) 5,000,000 Series A preferred shares of par value US$0.001 each. All issued and outstanding common shares of the Company as of September 29, 2010 are re-designated as Class B common shares. The outstanding preferred shares will be automatically converted into Class B common shares immediately prior to the closing of the initial public offering.

TAL Education Group

Notes to Consolidated Financial Statements
For the Years Ended February 29, 2008, February 28, 2009
and February 28, 2010
(In U.S. dollars, except share and share related data)

Holders of Class A common shares and Class B common shares have the same rights except for voting and conversion rights. 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. 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 an equal number of Class A common shares.

Upon adoption of the amended and restated M&AA, all shares and per share information presented in the accompanying consolidated financial statements have been revised on a retroactive basis to reflect the re-designation of outstanding common shares as Class B common shares as if the amended and restated M&AA had been in place throughout the periods presented.

TAL Education Group

Additional Information—Financial Statement Schedule I
Condensed Financial Information of Parent Company Balance Sheets
(In US$, except share and share related data)

	As of February 28, 2009	As of February 28, 2010
Assets		
Current assets		
Cash and cash equivalents	$ 5,000,000	$ 500,000
Total current assets	5,000,000	500,000
Amounts due from subsidiaries, VIEs and VIEs' subsidiaries	—	5,000,000
Investments in subsidiaries, VIEs and VIEs' subsidiaries	7,490,488	22,076,253
Total assets	$ 12,490,488	$27,576,253
Liabilities, Convertible Redeemable Preferred Shares and Equity		
Current liabilities		
Amounts due to subsidiaries, VIEs and VIEs' subsidiaries	$ 126,463	$ 135,233
Accrued expenses and other current liabilities	8,680	14,949
Total current liabilities	135,143	150,182
Convertible loan	—	500,000
Total liabilities	135,143	650,182
Series A convertible redeemable preferred shares ($0.001 par value, 5,000,000 shares and 5,000,000 shares authorized, issued and outstanding as of February 28, 2009 and February 28, 2010, respectively, liquidation value $5,000,000)	9,000,000	9,000,000
Equity		
Class A common shares ($0.001 par value, 500,000,000 shares authorized, nil issued and outstanding as of February 28, 2009 and February 28, 2010)	—	—
Class B common shares ($0.001 par value, 495,000,000 shares authorized as of February 28, 2009 and February 28, 2010; 120,000,000 shares and 120,000,000 shares issued and outstanding as of February 28, 2009 and February 28, 2010, respectively)	120,000	120,000
Class B common shares subscription receivable	(120,000)	(120,000)
Retained earnings	2,682,218	16,927,177
Additional paid-in capital	559,898	779,641
Accumulated other comprehensive income	113,229	219,253
Total equity	3,355,345	17,926,071
Total liabilities, convertible redeemable preferred shares and equity	$ 12,490,488	$27,576,253

TAL Education Group

Additional Information—Financial Statement Schedule I
Condensed Financial Information of Parent Company Statements of Operations
(In US$, except share and share related data)

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Total operating expenses	$ —	$ (22,126)	$ (8,834)
Operating loss	—	(22,126)	(8,834)
Interest income	—	18	43
Interest expense	—	—	(6,248)
Equity in earnings of subsidiaries, VIEs and VIEs' subsidiaries	1,512,572	7,302,777	14,259,998
Net income	$ 1,512,572	$ 7,280,669	$ 14,244,959

TAL Education Group

Additional Information—Financial Statement Schedule I
Consolidated Statements of Changes in Equity and Comprehensive Income
(In U.S. dollars, except share and share related data)

	Class B common shares		Class B common share subscription receivable	Additional paid-in capital	(Accumulated deficit) Retained earnings	Accumulated other comprehensive Income (loss)	Total equity	Comprehensive income
	Shares	Amount						
Balance as of March 1, 2007	**1,000**	**$ 1**	**$ (1)**	**$ 62,580**	**$ (555,968)**	**$ —**	**$ (493,388)**	**$ —**
Capital contribution	—	—	—	131,810	—	—	131,810	—
Net income		—	—	—	1,512,572	—	1,512,572	1,512,572
Foreign currency translation adjustment	—	—	—	—	—	42,102	42,102	42,102
Net unrealized (losses) on available-for-sale securities, net of tax effect of $24,296	—	—	—	—	—	(49,327)	(49,327)	(49,327)
Balance as of February 29, 2008	**1,000**	**1**	**(1)**	**194,390**	**956,604**	**(7,225)**	**1,143,769**	**$ 1,505,347**
Capital contribution	—	—	—	365,508	—	—	365,508	—
Net income	—	—	—	—	7,280,669	—	7,280,669	7,280,669
Issuance of Class B common shares	119,999,000	119,999	(119,999)	—	—	—	—	—
Distribution to shareholders	—	—	—	—	(1,442,020)	—	(1,442,020)	—
Accretion for Series A convertible redeemable preferred shares redemption premium	—	—	—	—	(4,113,035)	—	(4,113,035)	—
Foreign currency translation adjustment	—	—	—	—	—	71,127	71,127	71,127
Net unrealized (losses) on available-for-sale securities, net of tax effect of $72,261	—	—	—	—	—	(216,784)	(216,784)	(216,784)
Transfer to the statements of operation of other-than-temporary-impairment, net of tax effect of ($96,557)	—	—	—	—	—	266,111	266,111	266,111
Balance as of February 28, 2009	**120,000,000**	**120,000**	**(120,000)**	**559,898**	**2,682,218**	**113,229**	**3,355,345**	**$ 7,401,123**
Capital contribution	—	—	—	219,743	—	—	219,743	—
Net income	—	—	—	—	14,244,959	—	14,244,959	14,244,959
Foreign currency translation adjustment	—	—	—	—	—	21,493	21,493	21,493
Net unrealized gains on available-for-sale securities, net of tax effect of ($28,177)	—	—	—	—	—	84,531	84,531	84,531
Balance as of February 28, 2010	**120,000,000**	**$120,000**	**$ (120,000)**	**$ 779,641**	**$16,927,177**	**$ 219,253**	**$17,926,071**	**$14,350,983**

TAL Education Group

Additional Information—Financial Statement Schedule I
Condensed Financial Information of Parent Company Cash Flow Statements
(In US$, except share and share related data)

	For the year ended February 29, 2008	For the year ended February 28, 2009	For the year ended February 28, 2010
Cash flows from operating activities			
Net income	$ 1,512,572	$ 7,280,669	$ 14,244,959
Equity in subsidiaries, VIEs and VIEs' subsidiaries	(1,512,572)	(7,302,777)	(14,259,998)
Changes in operating assets and liabilities			
Amounts due to subsidiaries, VIEs and VIEs' subsidiaries	—	126,463	8,770
Accrued expenses and other current liabilities	—	8,680	6,269
Net cash provided (used in) by operating activities	—	113,035	—
Cash flows from financing activities			
Proceeds from issuance of Series A convertible redeemable preferred shares, net of issuance cost of $113,035	—	4,886,965	—
Convertible loan	—	—	500,000
Loan provided to subsidiaries, VIEs and VIEs' subsidiaries	—	—	(5,000,000)
Net cash provided by (used in) financing activities	—	4,886,965	(4,500,000)
Net increase in cash and cash equivalents	—	5,000,000	(4,500,000)
Cash and cash equivalents at beginning of year	—	—	5,000,000
Cash and cash equivalents at end of year	$ —	$ 5,000,000	$ 500,000

Basis of presentation

The condensed financial information of the parent company, TAL Education Group, has been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that the parent company used the equity method to account for investments in its subsidiaries and variable interest entities.

The Company records its investment in its subsidiaries and variable interest entities under the equity method of accounting. Such investment is presented on the balance sheets as "Investment in subsidiaries, VIEs and VIEs' subsidiaries" and share of their earnings as "Equity in subsidiaries, VIEs and VIEs' subsidiaries" on the statements of operations.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted.

Convertible loan

On January 30, 2010, a third party agreed to provide the Company a $500,000 convertible loan, which bears an annual interest rate of 15% and will mature on January 30, 2012. The interest is payable annually. Subject to mutual agreement, the date of maturity may be extended to January 30, 2015.

TAL EDUCATION GROUP

Unaudited Condensed Consolidated Balance Sheets
(In U.S. dollars, except share and share related data)

	As of February 28, 2010	As of August 31, 2010	As of August 31, 2010 Pro forma (unaudited) (Note 2)
Assets			
Current assets			
Cash and cash equivalents	$ 50,752,481	$81,494,598	$81,494,598
Available-for-sale securities	1,918,156	448,277	448,277
Inventory	121,819	252,268	252,268
Deferred costs in connection with initial public offering	—	437,152	437,152
Deferred tax assets-current	831,297	1,226,469	1,226,469
Prepaid expenses and other current assets	2,280,941	3,838,203	3,838,203
Total current assets	55,904,694	87,696,967	87,696,967
Property and equipment, net	4,991,490	5,550,290	5,550,290
Deferred tax assets-non-current	283,968	167,989	167,989
Rental deposit	2,170,548	2,308,268	2,308,268
Intangible assets, net	1,389,160	1,025,325	1,025,325
Goodwill	763,802	765,923	765,923
Total assets	$ 65,503,662	$ 97,514,762	$ 97,514,762
Liabilities, Convertible Redeemable Preferred Shares and Equity			
Current liabilities			
Accounts payable (including accounts payable of the consolidated VIEs without recourse to TAL Education Group of 915,408 and 485,115 as of February 28, 2010, and August 31, 2010, respectively)	$ 987,742	$ 712,710	$ 712,710
Deferred revenue (including deferred revenue of the consolidated VIEs without recourse to TAL Education Group of 24,631,648 and 31,858,213 as of February 28, 2010 and August 31, 2010, respectively)	29,407,994	42,100,775	42,100,775
Amounts due to related parties (including amounts due to related parties of the consolidated VIEs without recourse to TAL Education Group of 108,204 and 100,571 as of February 28, 2010 and August 31, 2010, respectively)	108,204	100,571	100,571
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities without recourse to TAL Education Group of 6,588,552 and 7,652,977 as of February 28, 2010 and August 31, 2010, respectively)	6,817,816	9,618,867	9,618,867
Income tax payable (including income tax payable of the consolidated VIEs without recourse to TAL Education Group of 2,653,324 and 2,841,863 as of February 28, 2010, and August 31, 2010, respectively)	580,225	3,054,408	3,054,408
Total current liabilities	37,901,981	55,587,331	55,587,331
Convertible loan	500,000	500,000	500,000
Deferred tax liabilities-non-current	175,610	146,684	146,684
Total liabilities	38,577,591	56,234,015	56,234,015
Commitments and contingencies (Note 12)			
Series A convertible redeemable preferred shares ($0.001 par value, 5,000,000 shares and 5,000,000 shares authorized, issued and outstanding as of February 28, 2010 and August 31, 2010, respectively, liquidation value $5,000,000)	9,000,000	9,000,000	—
Equity			
TAL Education Group Shareholders' Equity			
Class A common shares ($0.001 par value, 500,000,000 shares authorized, nil issued and outstanding as of February 28, 2010 and August 31, 2010)	—	—	—
Class B common shares ($0.001 par value, 495,000,000 shares authorized as of February 28, 2010 and August 31, 2010; 120,000,000 shares and 120,000,000 shares issued and outstanding as of February 28, 2010 and August 31, 2010, respectively)	120,000	120,000	125,000
Class B common shares subscription receivable	(120,000)	—	—
Additional paid-in capital	779,641	1,699,503	10,694,503
Statutory reserve	4,857,443	4,857,443	4,857,443
Retained earnings	12,069,734	25,315,575	25,315,575
Accumulated other comprehensive income	219,253	288,226	288,226
Total TAL Education Group's Equity	17,926,071	32,280,747	41,280,747
Total liabilities, convertible redeemable preferred shares and equity	$ 65,503,662	$ 97,514,762	$ 97,514,762

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

TAL Education Group

Unaudited Condensed Consolidated Statements of Operations
(In U.S. dollars, except share and share related data)

	Six-Month Period Ended August 31, 2009	Six-Month Period Ended August 31, 2010
Net revenues	$ 32,983,005	$ 53,022,037
Cost of revenues (included share-based compensation nil and 109,413 for the periods ended August 31, 2009 and 2010, respectively)	16,067,926	26,254,975
Gross profit	16,915,079	26,767,062
Operating expenses		
Selling and marketing (included share-based compensation nil and 162,998 for the periods ended August 31, 2009 and 2010, respectively)	1,958,295	4,183,992
General and administrative (included share-based compensation nil and 647,451 for the periods ended August 31, 2009 and 2010, respectively)	4,601,514	7,807,640
Total operating expenses	6,559,809	11,991,632
Income from operations	10,355,270	14,775,430
Interest income	102,839	205,340
Interest expense	—	(43,452)
Other expenses, net	(118,730)	(27,373)
Gain from sales of available-for-sale securities	—	6,429
Income before income tax provision	10,339,379	14,916,374
Provision for income tax	912,268	1,670,533
Net income	9,427,111	13,245,841
Net income attributable to TAL Education Group	9,427,111	13,245,841
Net income attributable to common shareholders of TAL Education Group	9,427,111	13,245,841
Net income per common share		
Basic	$ 0.08	$ 0.11
Diluted	$ 0.08	$ 0.11
Net income per Series A convertible redeemable preferred share-Basic	$ 0.08	$ 0.11
Weighted average shares used in calculating net income per common share		
Basic	120,000,000	120,000,000
Diluted	125,000,000	125,193,360
Weighted average shares used in calculating net income per Series A convertible redeemable preferred share-basic	5,000,000	5,000,000

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

TAL Education Group

Unaudited Condensed Consolidated Statements of Changes in Equity and Comprehensive Income
(In U.S. dollars, except share and share related data)

	Class B common shares		Class B common shares subscription receivable	Additional paid-in capital	Statutory reserve	Retained earnings	Accumulated other comprehensive income	Total TAL Education Group shareholders' equity	Comprehensive income
	Shares	Amount							
Balance as of February 28, 2009	120,000,000	$120,000	$(120,000)	$ 559,898	$2,660,818	$ 21,400	$ 113,229	$ 3,355,345	$ —
Net income	—	—	—	—	—	9,427,111	—	9,427,111	9,427,111
Foreign currency translation adjustment	—	—	—	—	—	—	19,702	19,702	19,702
Net unrealized gains on available-for-sale securities, net of tax effect of $(18,528)	—	—	—	—	—	—	41,739	41,739	41,739
Balance as of August 31, 2009	120,000,000	$120,000	$(120,000)	$ 559,898	$2,660,818	$ 9,448,511	$ 174,670	$12,843,897	$ 9,488,552
Balance as of February 28, 2010	120,000,000	$120,000	$(120,000)	$ 779,641	$4,857,443	$ 12,069,734	$ 219,253	$ 17,926,071	$ —
Subscription received	—	—	120,000	—	—	—	—	120,000	—
Net income	—	—	—	—	—	13,245,841	—	13,245,841	13,245,841
Share-based compensation	—	—	—	919,862	—	—	—	919,862	—
Foreign currency translation-adjustment	—	—	—	—	—	—	72,615	72,615	72,615
Transfer to statements of operations of realized losses on available-for-sale securities, net of tax effect of $(1,997)	—	—	—	—	—	—	5,973	5,973	5,973
Net unrealized (losses) on available-for-sale securities, net of tax effect of $3,204	—	—	—	—	—	—	(9,615)	(9,615)	(9,615)
Balance as of August 31, 2010	120,000,000	$120,000	$ —	$1,699,503	$4,857,443	$25,315,575	$ 288,226	$32,280,747	$13,314,814

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

TAL Education Group

Unaudited Condensed Consolidated Statements Of Cash Flows
(In U.S. dollars, except share and share related data)

	Six-Month Periods Ended August 31, 2009	Six-Month Periods Ended August 31, 2010
Cash flows from operating activities		
Net income	$ 9,427,111	$ 13,245,841
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment	438,369	1,140,156
Amortization of intangible assets	335,783	367,471
Share-based compensation	—	919,862
Changes in operating assets and liabilities		
Amounts due from related parties	92,223	—
Inventory	(48,578)	(130,501)
Prepaid expenses and other current assets	(705,149)	(1,690,015)
Deferred costs in connection with initial public offering	—	(274,942)
Deferred income taxes	(369,207)	(308,730)
Rental deposit	(393,576)	(157,500)
Accounts payable	84,417	(258,742)
Deferred revenue	5,672,499	12,577,482
Amounts due to related parties	283,209	(7,948)
Accrued expenses and other current liabilities	1,480,818	3,054,910
Income tax payable	(99,657)	2,477,391
Net cash provided by operating activities	16,198,262	30,954,735
Cash flows from investing activities		
Purchase of property and equipment	(695,551)	(1,684,984)
Sales of available-for-sale securities	—	1,470,660
Net cash (used in) investing activities	(695,551)	(214,324)
Cash flows from financing activities		
Payment of deferred consideration	(180,345)	(283,180)
Distribution to shareholders	(1,442,020)	—
Subscription received	—	120,000
Net cash (used in) financing activities	(1,622,365)	(163,180)
Effect of exchange rate changes	25,399	164,886
Net increase in cash and cash equivalents	13,905,745	30,742,117
Cash and cash equivalents at the beginning of period	29,692,901	50,752,481
Cash and cash equivalents at the end of period	43,598,646	81,494,598
Supplement disclosure of cash flow information		
Income tax paid	1,381,236	1,369,739

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

TAL Education Group

Notes to the Unaudited Condensed Consolidated Financial Statements
For the Six-Month Periods Ended August 31, 2009 and 2010
(In U.S. Dollars, Except Share and Share Related Data)

1. Basis of Preparation

The accompanying unaudited condensed consolidated financial statements include the financial information of TAL Education Group (the "Company" or "TAL"), its subsidiaries , its Variable Interest Entities ("VIEs") and VIEs' subsidiaries (collectively, the "Group"). All significant intercompany balances and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Security and Exchange Commission and U.S. generally accepted accounting standards for interim financial reporting. The results of operations for the six-month periods ended August 31, 2009 and 2010 are not necessarily indicative of the results for the full years. The Group believes that the disclosures are adequate to make the information presented not misleading.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the financial statements, accounting policies and financial notes thereto included in the Group's audited consolidated financial statements for each of the three years ended February 29, 2008 and February 28, 2009 and 2010. In opinion of the management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments), which are necessary for a fair representation of financial results for the interim periods presented.

The financial information as of February 28, 2010 presented in the unaudited condensed financial statements is derived from our audited consolidated financial statements for the year ended February 28, 2010.

The accompanying unaudited condensed consolidated financial statements have been prepared using the same accounting policies as used in the preparation of our consolidated financial statements for each of the three years ended February 29, 2008 and February 28, 2009 and 2010, except for the additional accounting policy adopted with respect to a new revenue stream and share-based compensation as follows.

Revenue recognition

Online education services

The online education services provided by the Group to its customers include audio-video course content.

Customers enroll for online courses through the use of prepaid study cards. The proceeds collected from the online course education are initially recorded as deferred revenue. Revenues are recognized on a straight line basis over the subscription period from the date in which the students activate the courses to the date in which the subscribed courses end. Refund is provided to the students who decide to withdraw from the subscribed courses within the course offer period, which generally ranges from one month to six months, and a proportional refund is based on the percentage of untaken courses to the total courses offered.

Share-based compensation

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument issued and recognized as compensation expense net of a forfeiture rate on a straight-line basis, over the requisite service period, with a corresponding impact reflected in additional paid-in capital.

The estimate of forfeiture rate will be adjusted over the requisite service period to the extent that actual forfeiture rate differs, or is expected to differ, from such estimates. Changes in estimated forfeiture rate will be recognized through a cumulative catch-up adjustment in the period of change.

TAL Education Group

Notes to the Unaudited Condensed Consolidated Financial Statements
For the Six-Month Periods Ended August 31, 2009 and 2010
(In U.S. Dollars, Except Share and Share Related Data)

The VIE arrangements

The following financial statement balances and amounts of the Company's VIEs were included in the accompanying unaudited condensed consolidated financial statements:

	As of February 28, 2010	As of August 31, 2010
Total current assets	$ 45,171,584	$ 55,158,850
Total non-current assets	8,792,445	8,366,390
Total assets	53,964,029	63,525,240
Total current liabilities	34,897,136	42,938,739
Total non-current liabilities	175,610	146,684
Total liabilities	$ 35,072,746	$ 43,085,423

	Six-Month Periods Ended August 31, 2009	Six-Month Periods Ended August 31, 2010
Net revenues	$ 32,983,005	$ 46,589,727
Net income	$ 10,385,657	$ 14,324,095

	Six-Month Periods Ended August 31, 2009	Six-Month Periods Ended August 31, 2010
Net cash provided by operating activities	$ 16,902,677	$ 9,329,391
Net cash (used in)/ provided by investing activities	$ (1,137,634)	$ 635,540
Net cash (used in) financing activities	$ (1,622,365)	$ (283,180)

In June 2009, the FASB issued an authoritative pronouncement to amend the accounting rules for variable interest entities (VIEs). The amendments effectively replace the quantitative-based risks-and-rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has (1) the power to direct the activities of a variable interest entity that most significantly affect the entity's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. The new guidance also requires additional disclosures about a reporting entity's involvement with variable interest entities and about any significant changes in risk exposure as a result of that involvement.

The new guidance is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, and all interim and annual periods thereafter. The new VIE model requires that, upon adoption, a reporting entity should determine whether an entity is a VIE, and whether the reporting entity is the VIE's primary beneficiary, as of the date that the reporting entity first became involved with the entity, unless an event requiring reconsideration of those initial conclusions occurred after that date. When making this determination, a reporting entity must assume that new guidance had been effective from the date of its first involvement with the entity. The Group adopted the new guidance on March 1, 2010.

TAL Education Group

Notes to the Unaudited Condensed Consolidated Financial Statements
For the Six-Month Periods Ended August 31, 2009 and 2010
(In U.S. Dollars, Except Share and Share Related Data)

The Company has had two VIEs, which it has consolidated under the authoritative literature prior to the amendment discussed above because it was the primary beneficiary of those entities. Because the Company, through its wholly owned subsidiary, has (1) the power to direct the activities of the two VIEs that most significantly affect the entity's economic performance and (2) the right to receive benefits from the two VIES, it continues to consolidate the two VIEs upon the adoption of the new guidance which therefore, other than for additional disclosures, including those for prior periods, had no accounting impact.

2. Unaudited Pro Forma Information

The unaudited pro forma balance sheet information as of August 31, 2010 assumes the conversion of the Series A convertible redeemable preferred shares outstanding into Class B common shares using a conversion ratio of 1:1 as of that date.

Pro forma net income per share is not presented because the effect of the conversion of the outstanding Series A convertible redeemable preferred shares using a conversation ratio of one for one would not result in dilution to earnings applicable to Class B common shareholders and would have resulted in a pro forma net income per share equal to the historical basic net income per share for the year ended August 31, 2010.

3. Recently Issued Accounting Standards

Not yet adopted

In October 2009, the FASB issued an authoritative pronouncement regarding the revenue arrangements with multiple deliverables. Although the new pronouncement retains the criteria from existing authoritative literature for when delivered items in a multiple-deliverable arrangement should be considered separate units of accounting, it removes the previous separation criterion that objective and reliable evidence of the fair value of any undelivered items must exist for the delivered items to be considered separate units of accounting. The new pronouncement is effective for fiscal years beginning on or after June 15, 2010. Entities can elect to apply this pronouncement (1) prospectively to new or materially modified arrangements after the pronouncement's effective date or (2) retrospectively for all periods presented. Early application is permitted; however, if the entity elects prospective application and early adopts this pronouncement after its first interim reporting period, it must also do the following in the period of adoption: (1) retrospectively apply this pronouncement as of the beginning of that fiscal year and (2) disclose the effect of the retrospective adjustments on the prior interim periods' revenue, income before taxes, net income, and earnings per share. The Group is in the process of evaluating the effect of adoption of this pronouncement.

In October 2009, the FASB issued an authoritative pronouncement regarding software revenue recognition. This new pronouncement amends existing pronouncement to exclude from their scope all tangible products containing both software and non software components that function together to deliver the product's essential functionality. That is, the entire product (including the software deliverables and non software deliverables) would be outside the scope of software revenue recognition and would be accounted for under other accounting literature. The new pronouncement include factors that entities should consider when determining whether the software and non software components function together to deliver the product's essential functionality and are thus outside the revised scope of the authoritative literature that governs software revenue recognition. The pronouncement is effective for fiscal years beginning on or after June 15, 2010. Entities can elect to apply this pronouncement (1) prospectively to new or materially modified arrangements after the pronouncement's effective date or (2) retrospectively for all periods presented. Early application is permitted; however, if the entity elects prospective application and early adopts this pronouncement after its first interim reporting period, it must also do the following in the period of adoption:

(1) retrospectively apply this pronouncement as of the beginning of that fiscal year and (2) disclose the effect of the retrospective adjustments on the prior interim periods' revenue, income before taxes, net income, and earnings per share. The Group is in the process of evaluating the effect of adoption of this pronouncement.

In January 2010, the FASB issued authoritative guidance to improve disclosures about fair value measurements. This guidance amends previous guidance on fair value measurements to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurement on a gross basis rather than as a net basis as currently required. This guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This guidance is effective for annual and interim periods beginning after December 15, 2009, except for the requirement to provide the level 3 activities of purchases, sales, issuances, and settlements on a gross basis, which will be effective for annual and interim periods beginning after December 15, 2010. Early application is permitted and in the period of initial adoption, entities are not required to provide the amended disclosures for any previous periods presented for comparative purposes. The Group does not expect the adoption of this pronouncement will have a significant effect on its consolidated financial position or results of operations.

In April 2010, the FASB issued an authoritative pronouncement regarding the milestone method of revenue recognition. The scope of this pronouncement is limited to arrangements that include milestones relating to research or development deliverables. The pronouncement specific guidance that must be met for a vendor to recognize consideration that is contingent upon achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The guidance applies to milestones in arrangements within the scope of this pronouncement regardless of whether the arrangement is determined to have single or multiple deliverables or units of accounting. The pronouncement will be effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early application is permitted. Companies can apply this guidance prospectively to milestones achieved after adoption. However, retrospective application to all prior periods is also permitted. The Group is in the process of evaluating the effect of adoption of this pronouncement.

In April 2010, FASB issued an authoritative pronouncement regarding the effect of denominating the exercise price of a share-based payment award in the currency of the market in which the underlying equity securities trades and that currency is different from (1) entity's functional currency, (2) functional currency of the foreign operation for which the employee provides services, and (3) payroll currency of the employee. The guidance clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should be considered an equity award assuming all other criteria for equity classification are met. The pronouncement will be effective for interim and annual periods beginning on or after December 15, 2010, and will be applied prospectively. Affected entities will be required to record a cumulative catch-up adjustment for all awards outstanding as of the beginning of the annual period in which the guidance is adopted. The Group is in the process of evaluating the effect of adoption of this pronouncement.

In July 2010, the FASB issued an authoritative pronouncement on disclosure about the credit quality of financing receivables and the allowance for credit losses. The objective of this guidance is to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. The guidance requires an entity to provide disclosures on a disaggregated basis on two defined levels: (1) portfolio segment; and (2) class of financing receivable. The guidance includes additional disclosure requirements about financing receivables, including: (1) Credit quality indicators of financing receivables at the end of the reporting period by class of financing receivables; (2) The aging of

past due financing receivables at the end of the reporting period by class of financing receivables; and (3) The nature and extent of troubled debt restructurings that occurred during the period by class of financing receivables and their effect on the allowance for credit losses. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The Group is in the process of evaluating the effect of adoption of this pronouncement.

4. Available-For-Sale Securities

In August 2007 and December 2009, the Group bought two securities in mutual funds named Wan Jia He Xie Financing Fund and Guo Du No. 1 An Xin Shou Yi, respectively. The securities were classified as available-for-sale securities and reported at fair value. In March 2010, the Group sold the security named Guo Du No. 1 An Xin Shou Yi that had a carrying value of $1,456,261 for proceeds of $1,470,660 and transferred the previously unrecognized loss of $5,973 (net of tax of $1,997) from the accumulated other comprehensive income to the statements of operations.

The available-for-sale securities measured and recorded at fair value on a recurring basis were as follows:

Balance as of March 1, 2010	1,918,156
Disposed	(1,456,261)
Changes in fair value	(12,819)
Foreign exchange difference	(799)
Balance as of August 31, 2010	$ 448,277

The Group values the mutual funds using quoted price in active market to determine the fair value of available-for-sale securities (Level 1 valuation). The following provides additional information concerning the Group's available-for-sale securities:

	As of February 28, 2010				As of August 31, 2010			
	Cost	Gross unrealized gains	Gross unrealized (losses)	Fair value	Cost	Gross unrealized gains	Gross unrealized (losses)	Fair value
Mutual fund	$1,805,448	$120,678	$ (7,970)	$1,918,156	$340,418	$107,859	—	$448,277

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	As of February 28, 2010	As of August 31, 2010
Prepaid rent	$ 1,344,238	$2,262,829
Prepayments to suppliers	305,782	247,566
Staff advances	450,705	197,781
VAT refund receivable	—	603,146
Others	180,216	526,881
	$2,280,941	$ 3,838,203

TAL Education Group

Notes to the Unaudited Condensed Consolidated Financial Statements
For the Six-Month Periods Ended August 31, 2009 and 2010
(In U.S. Dollars, Except Share and Share Related Data)

6. Property and Equipment, Net

Property and equipment, net, consisted of the following:

	As of February 28, 2010	As of August 31, 2010
Leasehold improvement	$ 3,399,250	$ 3,931,921
Computer, network equipment and software	2,293,808	3,252,549
Vehicles	624,296	757,688
Office equipment and furniture	462,112	541,560
Less: accumulated depreciation and amortization	(1,787,976)	(2,933,428)
	$ 4,991,490	$ 5,550,290

The Group recognized depreciation expenses of $438,369 and $1,140,156 for the six-month periods ended August 31, 2009 and 2010, respectively.

7. Intangible Assets, Net

Intangible assets, net, consisted of the following:

	As of February 28, 2010	As of August 31, 2010
Domain names	$ 1,846,858	$ 1,846,858
Partnership agreement	425,576	425,576
Student base	348,566	348,566
Trade name	262,360	262,360
Non-compete agreement	19,200	19,200
Education license	9,902	9,902
Less: accumulated amortization	(1,537,341)	(1,904,812)
Add: foreign exchange difference	14,039	17,675
	$ 1,389,160	$ 1,025,325

Domain names were acquired from third parties. The rest of intangible assets were recorded as a result of the acquisitions of the five businesses in the year ended February 28, 2009.

The Group recorded amortization expense of $335,783 and $367,471 for the six-month periods ended August 31, 2009 and 2010, respectively.

Estimated amortization expenses of the existing intangible assets are $351,138, $505,663, $26,493, $26,493 and $117,011 for the six-month periods ending February 28, 2011 and for the fiscal year 2012, 2013, 2014 and 2015 and thereafter, respectively.

TAL Education Group

Notes to the Unaudited Condensed Consolidated Financial Statements
For the Six-Month Periods Ended August 31, 2009 and 2010
(In U.S. Dollars, Except Share and Share Related Data)

8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	As of February 28, 2010	As of August 31, 2010
Accrued payroll and bonus	$ 3,893,895	$ 5,509,769
Social insurance payable	453,081	705,402
Payable for business acquisitions	513,062	240,198
Other taxes payable	1,343,425	2,250,961
Others	614,353	912,537
Total	$ 6,817,816	$ 9,618,867
Payable for the acquisition of a school in Tianjin	$ 76,760	$ 77,128
Payable for the acquisition of Jianli School	137,257	—
Payable for the acquisition of Qianjiang School	137,257	—
Payable for the acquisition of Wuhan School	161,788	163,070
Payable for business acquisitions	$ 513,062	$ 240,198

9. Income Taxes

Cayman Islands

The Company is a tax-exempted company incorporated in the Cayman Islands.

Hong Kong

Xueersi Hong Kong was established in Hong Kong in March 2008. Xueersi Hong Kong is subject to Hong Kong Profits Tax on its activities conducted in Hong Kong. It was subject to Hong Kong profit tax at 16.5%. No provision for Hong Kong Profits tax has been made in the unaudited condensed consolidated financial statements as it has no assessable income for the period from its establishment to August 31, 2010.

PRC

The subsidiaries incorporated in the PRC were generally subject to a corporate income tax rate of 33% prior to January 1, 2008 except for those subsidiaries that enjoyed tax holidays or preferential tax treatment. Xueersi Network and Haidian Xueersi were entitled to a one year tax exemption in calendar year 2007 as they were newly established companies in calendar year 2007.

Effective from January 1, 2008, a new Enterprise Income Tax Law, or ("the New EIT Law"), combined the previous income tax laws for foreign invested and domestic invested enterprises in the PRC by the adoption a unified tax rate of 25% for most enterprises with the following exceptions.

Certain qualified high and new technology enterprises that meet the definition of "high and new technology enterprise strongly supported by the state" ("HNTE") could benefit from a preferential tax rate of 15%. Xueersi Education qualified as a HNTE under the New EIT Law effective from January 1, 2008 and therefore for a preferential tax rate of 15%. In addition, since the entity is located in a high technology zone

in Beijing and qualified as a high-tech company, it was entitled to a three-year exemption from EIT from calendar year 2006 to 2008 and a further tax reduction to a rate of 7.5% from calendar year 2009 to 2011.

On April 21, 2010, the State Administration of Taxation issued Circular 157 Further Clarification on Implementation of Preferential EIT Rate during Transition Periods ("Circular 157"). Circular 157 seeks to provide additional guidance on the interaction of certain preferential tax rates under the transitional rules of the New EIT Law. Prior to Circular 157, the Group interpreted the law to mean that if an HNTE entity was in a tax holiday period, including "2-year exemption plus 3-year half rate", "5-year exemption plus 5-year half rate" and other tax exemptions and reductions, where it was entitled to a 50% reduction in the tax rate and was also entitled to a 15% rate of tax due to HNTE status under the New EIT Law, then it was entitled to pay tax at the rate of 7.5%. Circular 157 appears to have the effect that such an entity is entitled to pay tax at either the lower of 15% or 50% of the standard PRC tax rate (i.e. currently 25%). Circular 157 was unclear as to whether its effect is retrospective but Xueersi Education understands that the State Administration of Taxation has recently taken the position that the Circular applies only to tax years commencing from January 1, 2010.

Based on the interpretation of Circular 157 from the relevant local tax district, Xueersi Education believes that entities that qualify for "3-year exemption plus 3-year half rate" tax holiday as HNTEs and which are registered in the Zhongguancun High and New Technology industrial Zones of Beijing, will continue to pay tax at the rate of 7.5%. Since Xueersi Education enjoys "3-year exemption plus 3-year half rate" and is a HNTE status registered in the Zhongguancun High and New Technology industrial Zones of Beijing, Xueersi Education does not believe that Circular 157 has any effect on its tax position.

In calculating deferred tax assets and liabilities, the Group assumed Xueersi Education will continue to renew the new HNTE status at the conclusion of the initial three-year period. If Xueersi Education failed to obtain such renewals, then the deferred tax assets as of August 31, 2010 would increase by $23,165.

TAL Beijing was qualified as "Newly Established Software Enterprise" and therefore it was entitled to a two-year exemption from EIT from calendar year 2009 to 2010 and a further tax reduction to a rate of 12.5% from calendar year 2011 to 2013.

Provision (credit) for income tax consisted of the following:

	Six-Month Periods ended August 31, 2009	Six-Month Periods ended August 31, 2010
Current —		
PRC income tax expenses	$ 1,281,475	$ 1,973,863
Deferred —		
PRC income tax benefits	(369,207)	(303,330)
Total	$ 912,268	$ 1,670,533

TAL Education Group

Notes to the Unaudited Condensed Consolidated Financial Statements
For the Six-Month Periods Ended August 31, 2009 and 2010
(In U.S. Dollars, Except Share and Share Related Data)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Group's deferred tax assets and liabilities were as follows:

	As of February 28, 2010	As of August 31, 2010
Current deferred tax assets:		
Undistributed payroll	$ 903,939	$ 1,299,540
Less: valuation allowance	(72,642)	(73,071)
Current deferred tax assets, net	831,297	1,226,469
Non-current deferred tax assets:		
Property and equipment	134,915	196,579
Intangible assets	163,003	162,914
Tax losses carry-forward deferred tax assets	303,909	587,294
Less: valuation allowance	(317,859)	(778,798)
Non-current deferred tax assets, net	283,968	167,989
Non-current deferred tax liabilities:		
Intangible assets	147,433	120,127
Unrealized gain on available-for-sale securities	28,177	26,557
Non-current deferred tax liabilities	$ 175,610	$ 146,684

As of August 31, 2010, tax loss carry-forward amounted to $2,429,825 and would expire through the calendar year 2016. The Group operates its business through its subsidiaries, its VIEs and their subsidiaries. The Group does not file combined or consolidated tax returns, therefore, losses from individual subsidiaries or the VIEs and their subsidiaries may not be used to offset other subsidiaries' or VIEs' earnings within the Group. Valuation allowance is considered on each individual subsidiary and VIE basis. A valuation allowance of $851,869 had been established as of August 31, 2010, 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 US 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.

The Group has concluded that there are no significant uncertain tax positions requiring recognition in financial statements. The Group has made its assessment of the level of tax authority for each tax position (including the potential application of interest and penalties) based on the technical merits, and has measured the unrecognized tax benefits associated with the tax positions. The Group has no material unrecognized tax benefits which would favourably affect the effective income tax rate in future periods. The Group classifies

interest and/or penalties related to income tax matters in income tax expense. As of August 31, 2010, there was no interest and penalties related to uncertain tax positions. The Group does not anticipate any significant increases or decreases in unrecognized tax benefits in the next 12 months.

New EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for Chinese Income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the New EIT Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc, occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed a resident enterprise, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25%.

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%.

Aggregate undistributed earnings of the Company's subsidiaries located in the PRC that are available for distribution to the Company of approximately $32,694,990 as of August 31, 2010, are considered to be indefinitely reinvested and accordingly, no provision has been made for the Chinese dividend withholding taxes that would be payable upon the distribution of those amounts to the Company. The Chinese tax authorities have also clarified that distributions made out of pre January 1, 2008 retained earnings will not be subject to the withholding tax.

10. Goodwill

Changes in the carrying amount of goodwill for the year ended February 28, 2010 and six-month periods ended August 31, 2010 consisted of the following:

	As of February 28, 2010	As of August 31, 2010
Goodwill		
Beginning balance	$ 762,272	$ 763,802
Foreign exchange difference due to translation	1,530	2,121
Ending balance	$ 763,802	$765,923

No impairment charges have been recorded for the six-month periods ended August 31, 2010.

TAL Education Group

Notes to the Unaudited Condensed Consolidated Financial Statements
For the Six-Month Periods Ended August 31, 2009 and 2010
(In U.S. Dollars, Except Share and Share Related Data)

11. Net Income Per Share

	Six-Month Periods ended August 31, 2009	Six-Month Periods ended August 31, 2010
Net income attributable to TAL Education Group	$ 9,427,111	$ 13,245,841
Undistributed net income to TAL Education Group shareholders	9,427,111	13,245,841
Numerator used in basic and diluted net income per share:		
Net income attributable to TAL Education Group shareholders allocated for computing net income per common share-basic	9,050,027(i)	12,716,007(i)
Net income attributable to TAL Education Group shareholders allocated for computing net income per Series A convertible redeemable preferred shares-basic	377,084(i)	529,834(i)
Net income attributable to TAL Education Group shareholders allocated for computing net income per common share-diluted	9,427,111	13,245,841
Shares (denominator):		
Weighted average shares outstanding used in computing net income per common share — basic	120,000,000	120,000,000
Weighted average shares outstanding used in computing net income per Series A convertible redeemable preferred shares — basic	5,000,000	5,000,000
Dilutive effect of nonvested share awards	—	193,360(ii)
Weighted average shares outstanding used in computing net income per common share — diluted	125,000,000	125,193,360
Net income per common share attributable to TAL Education Group shareholders-basic	$ 0.08	$ 0.11
Net income per Series A convertible redeemable preferred share-basic	$ 0.08	$ 0.11
Net income per common share attributable to TAL Education Group shareholders-diluted	$ 0.08	$ 0.11

(i) Undistributed net income was allocated between common shares and preferred shares prorated on the dividend participation rights. Since each Series A convertible redeemable preferred share has the same participating right as each common share, the allocation was based on the numbers of common shares and Series A convertible redeemable preferred shares.

(ii) The Group has nonvested shares outstanding which could diluted basic net income per share in the future.

12. Commitments and Contingencies

Lease commitment

The Group leases certain office premises under non-cancellable leases, the term of which are ten years or less and are renewable upon negotiation. Rental expenses under operating leases for the six-month periods ended August 31, 2009 and 2010 were $3,881,347 and $7,168,452, respectively.

Future minimum payments under non-cancellable operating leases as of August 31, 2010 were as follows:

Six-month periods ending February 28, 2011	$ 7,590,469
Fiscal years ending	
February 2012	13,602,220
February 2013	9,882,230
February 2014	7,128,243
February 2015 and after	4,071,011
Total	$ 42,274,173

13. Segment Information

Segment information

The Group is mainly engaged in after-school tutoring in the PRC. The Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer who reviews financial information of separate operating segments based on US GAAP amounts when making decisions about allocating resources and assessing performance of the Group. The business is now organized and monitored on the basis of geographic locations. The CODM now reviews results analyzed by service line and geographic location. This analysis is only presented at the revenue level with no allocation of direct or indirect costs. Consequently, the Group has determined that it has only one operating segment.

Geographic information

The Group primary operates in the PRC and all of the Group's long-lived assets are located in the PRC.

Major customers

For the six-month periods ended August 31, 2009 and 2010, there was no customer who accounted for 10% or more of the Group's revenues.

Components of revenues are presented in the following table:

	Six-Month Periods Ended August 31, 2009	Six-Month Periods Ended August 31, 2010
Revenues:		
Educational programs and services	$ 32,829,477	$52,859,699
Educational materials and others	153,528	162,338
Total revenues	$ 32,983,005	$ 53,022,037

14. Mainland China Contribution Plan

Full time employees of the Group in the PRC participate in a government-mandated 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 contributions for such

employee benefits were $545,309 and $1,615,374 for the six-month periods ended August 31, 2009 and 2010, respectively.

15. Related Party Transactions

The Group had the following balances with related parties as of February 28, 2010 and August 31, 2010, respectively:

(a) Amount due to the founding shareholders-non-trading

	As of February 28, 2010	As of August 31, 2010
Founding shareholders	$ 108,204(i)	$ 100,571(i)

i. The amount represents rental deposits and acquisition consideration paid by the founding shareholder on behalf of the Group.

Amounts due to shareholders are non-interest bearing and unsecured with no fixed repayment terms. There was no right to offset the amounts due to and due from the same shareholders.

16. Share-Based Compensation

Nonvested shares

2010 Share Incentive Plan

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 plan. The maximum aggregate number of Class A common shares that may be issued pursuant to all awards under the stock incentive plan is 18,750,000 shares.

On July 26, 2010, the Group granted 5,419,500 nonvested shares under this share incentive plan to directors, executive officers and employees. The estimated fair value of the Class A common share on the grant date was $5 per share. The nonvested shares will vest in accordance with the vesting schedule set out in the award agreement, which is (1) 100% of 945,100 nonvested shares at the first anniversary of the date of grant, or (2) 1/2 of 831,400 nonvested shares on each of the anniversaries since the date of grant, or (3) 1/4 of 3,643,000 nonvested shares on each of the anniversaries since the date of grant.

The total compensation expense is recognized on a straight-line basis over the respective vesting periods. The Group recorded a related compensation expense of $919,862 for the six months ended August 31, 2010.

	Number of nonvested shares
Outstanding as of March 1, 2010	—
Granted	5,419,500
Forfeited	—
Vested	—
Outstanding as of August 31, 2010	5,419,500

As of August 31, 2010, the unrecognized compensation expense related to the nonvested share awards amounted to $22,803,948, which will be recognized over their respective requisite service periods up to 4 years.

17. Subsequent Events

The Group has evaluated events subsequent to the balance sheet date of August 31, 2010 through September 29, 2010, the date the unaudited condensed consolidated financial statements were available to be issued.

On September 29, 2010, the Company adopted the Third Amended and Restated Memorandum and Articles of Association (M&AA). The share capital of the Company is US$1,000,000.00 divided into (i) 500,000,000 Class A common shares of par value US$0.001 each, (ii) 495,000,000 of Class B common shares of par value US$0.001 each, and (iii) 5,000,000 Series A preferred shares of par value US$0.001 each. All issued and outstanding common shares of the Company as of September 28, 2010 are re-designated as Class B common shares. The outstanding preferred shares will be automatically converted into Class B common shares immediately prior to the closing of the initial public offering.

Holders of Class A common shares and Class B common shares have the same rights except for voting and conversion rights. 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. 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 an equal number of Class A common shares.

Upon adoption of the amended and restated M&AA, all shares and per share information presented in the accompanying consolidated financial statements have been revised on a retroactive basis to reflect the re-designation of outstanding common shares as Class B common shares as if the amended and restated M&AA had been in place throughout the periods presented.

On September 29, 2010, the Group declared a $30 million cash dividend to the Group's then existing shareholders conditional upon the completion of the initial public offering.

Table of Contents

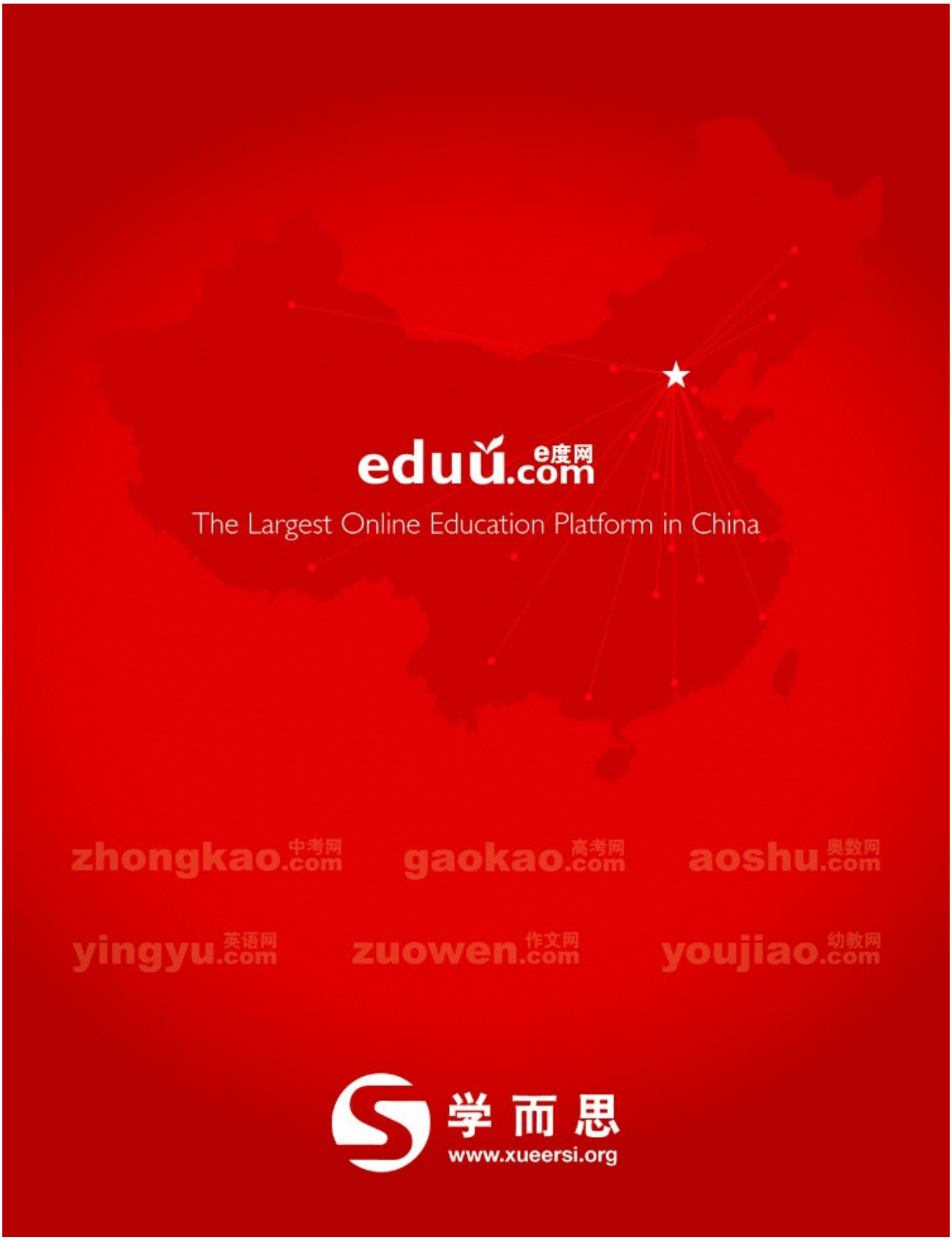


Table of Contents

TAL EDUCATION GROUP

American Depositary Shares
Representing
Class A Common Shares

Credit Suisse **Morgan Stanley**

Piper Jaffray **Oppenheimer & Co.**

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our post-offering articles of association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except through their own dishonesty, willful default or fraud.

Pursuant to the indemnification agreements the form of which will be filed as Exhibit 10.2 to this Registration Statement, we will agree to indemnify our directors and officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The underwriting agreement, the form of which will be filed as Exhibit 1.1 to this Registration Statement, will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.

During the past three years, we have issued the following securities (including restricted shares and options to acquire our common shares, if any). We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions.

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
Bangxin Zhang	January 24, 2008	565 common shares	Par Value	N/A
Yundong Cao	January 24, 2008	260 common shares	Par Value	N/A
Yachao Liu	January 24, 2008	100 common shares	Par Value	N/A
Yunfeng Bai	January 24, 2008	75 common shares	Par Value	N/A
Bangxin Zhang	January 22, 2009	67,799,435 common shares	Par Value	N/A
Yundong Cao	January 22, 2009	31,199,740 common shares	Par Value	N/A
Yachao Liu	January 22, 2009	11,999,900 common shares	Par Value	N/A
Yunfeng Bai	January 22, 2009	8,999,925 common shares	Par Value	N/A
KTB/UCI China Ventures II Limited	February 12, 2009	5,000,000 Series A preferred shares	$5,000,000	N/A
Employees	July 26, 2010	5,419,500 restricted shares	Par Value	N/A

ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

See the Exhibit Index for a complete list of all exhibits filed as part of this registration, which Exhibit Index is incorporated herein by reference.

The agreements included as exhibits to this registration statement contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may apply contract standards of "materiality" that are different from "materiality" under the applicable securities laws; and (iii) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

We acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, we are responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this registration statement not misleading.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

ITEM 9. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) For the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it

is first used after effectiveness; *provided, however,* that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(4) For the purpose of determining any liability under the Securities Act of 1993 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Beijing, People's Republic of China, on September 29, 2010.

TAL Education Group

By: /s/ Bangxin Zhang
Name: Bangxin Zhang
Title: Chairman and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints each of Bangxin Zhang and Joseph Kauffman as attorneys-in-fact with full power of substitution, for him or her in any and all capacities, to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of common shares of the registrant (the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1 (the "Registration Statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on September 29, 2010.

Signature	
/s/ Bangxin Zhang Bangxin Zhang	Chairman and Chief Executive Officer (principal executive officer)
/s/ Yundong Cao Yundong Cao	Director and President
/s/ Joseph Kauffman Joseph Kauffman	Chief Financial Officer (principal financial and accounting officer)
/s/ Aieming Amy Yeh Aieming Amy Yeh	Director

Table of Contents

SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act, the undersigned, the duly authorized representative in the United States of TAL Education Group, has signed this Registration Statement or amendment thereto in New York, on September 29, 2010.

Authorized U.S. Representative

By: /s/ Kate Ledyard
Name: Kate Ledyard, on behalf of
Law Debenture Corporate Services Inc.
Title: Manager

Table of Contents

TAL EDUCATION GROUP

EXHIBIT INDEX

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement
3.1	Third Amended and Restated Memorandum and Articles of Association of the Registrant as currently in effect
3.2*	Fourth Amended and Restated Memorandum and Articles of Association of the Registrant as effective upon closing of this offering
4.1	Form of Class A common share certificate
4.2*	Form of American depositary receipt evidencing American depositary shares (included in Exhibit 4.3)
4.3*	Form of Deposit Agreement between the Registrant and the depositary
4.4	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
5.1	Form of Opinion of Maples and Calder, the Cayman Islands counsel to the Registrant, regarding the issue of shares being registered
8.1	Form of Opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding certain U.S. federal tax matters
8.2	Form of Opinion of Maples and Calder regarding certain Cayman Islands tax matters (included in Exhibit 5.1)
8.3	Form of Opinion of Tian Yuan Law Firm regarding certain PRC law matters
10.1	2010 Share Incentive Plan
10.2	Share Purchase Agreement among the Registrant, the Series A preferred holder and other parties thereto, dated February 12, 2009
10.3	Share Purchase Agreement among the Registrant, KTB China Optimum Fund, Tiger Global Five China Holdings and other parties thereto, dated August 12, 2009
10.4	Assumption Agreement between the Registrant and KTB China Optimum Fund, dated September 4, 2009
10.5	Form of Indemnification Agreement with the Registrant's directors and officers
10.6	Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant
10.7	English translation of Exclusive Business Cooperation Agreement 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, dated June 25, 2010
10.8	English translation of Call Option Agreement 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, dated February 12, 2009
10.9	English translation of Equity Pledge Supplemental Agreement among TAL Education Technology (Beijing) Co., Ltd., Beijing Xueersi Education Technology Co., Ltd., Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai, dated June 25, 2010
10.10	English translation of Equity Pledge Supplemental Agreement among TAL Education Technology (Beijing) Co., Ltd., Beijing Xueersi Network Technology Ltd., Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai, dated June 25, 2010
10.11	English translation of Powers of Attorney by Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai, dated August 12, 2009
21.1	Subsidiaries of the Registrant
23.1	Consent of Deloitte Touche Tohmatsu CPA Ltd.
23.2	Form of Consent of Maples and Calder (included in Exhibit 5.1)
23.3	Form of Consent of Tian Yuan Law Firm (included in Exhibit 8.3)
23.4	Consent of iResearch Consulting Group
23.5	Consent of American Appraisal China Limited
23.6	Consent of Jane Jie Sun, an independent director appointee

Exhibit Number	Description of Document
23.7	Consent of Wai Chau Lin, an independent director appointee
24.1	Powers of Attorney (included on the signature page of this registration statement)
99.1	Code of Business Conduct and Ethics of the Registrant

* To be filed by amendment.

Exhibit 3.1

Company No.: 203047

AMENDED AND RESTATED on 29 September, 2010

THIRD AMENDED AND RESTATED MEMORANDUM

AND

THIRD AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

TAL EDUCATION GROUP

Incorporated on the 10th day of January, 2008

IN THE CAYMAN ISLANDS

THE COMPANIES LAW (2010 Revision)
Company Limited by Shares

THIRD AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

OF

TAL EDUCATION GROUP

1. The name of the Company is TAL Education Group.

2. The Registered Office of the Company shall be at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands or at such other place as the Directors may from time to time decide.

3. The objects for which the Company is established are unrestricted and shall include, but without limitation, the following:

   (a) (i) To carry on the business of an investment company and to act as promoters and entrepreneurs and to carry on business as financiers, capitalists, concessionaires, merchants, brokers, traders, dealers, agents, importers and exporters and to undertake and carry on and execute all kinds of investment, financial, commercial, mercantile, trading and other operations.

   (ii) To carry on whether as principals, agents or otherwise howsoever the business of realtors, developers, consultants, estate agents or managers, builders, contractors, engineers, manufacturers, dealers in or vendors of all types of property including services.

   (b) To exercise and enforce all rights and powers conferred by or incidental to the ownership of any shares, stock, obligations or other securities including without prejudice to the generality of the foregoing all such powers of veto or control as may be conferred by virtue of the holding by the Company of some special proportion of the issued or nominal amount thereof, to provide managerial and other executive, supervisory and consultant services for or in relation to any company in which the Company is interested upon such terms as may be thought fit.

   (c) To purchase or otherwise acquire, to sell, exchange, surrender, lease, mortgage, charge, convert, turn to account, dispose of and deal with real and personal property and rights of all kinds and, in particular, mortgages, debentures, produce, concessions, options, contracts, patents, annuities, licenses, stocks, shares, bonds, policies, book debts, business concerns, undertakings, claims, privileges and choses in action of all kinds.

   (d) To subscribe for, conditionally or unconditionally, to underwrite, issue on commission or otherwise, take, hold, deal in and convert stocks, shares and securities of all kinds and to enter into partnership or into any arrangement for sharing profits, reciprocal concessions or cooperation with any person or company and to promote and aid in promoting, to constitute, form or organize any company, syndicate or partnership of any kind, for the purpose of acquiring and undertaking any property and liabilities of the Company or of advancing, directly or indirectly, the objects of the Company or for any other purpose which the Company may think expedient.

(e) To stand surety for or to guarantee, support or secure the performance of all or any of the obligations of any person, firm or company whether or not related or affiliated to the Company in any manner and whether by personal covenant or by mortgage, charge or lien upon the whole or any part of the undertaking, property and assets of the Company, both present and future, including its uncalled capital or by any such method and whether or not the Company shall receive valuable consideration thereof.

(f) To engage in or carry on any other lawful trade, business or enterprise which may at any time appear to the Directors of the Company capable of being conveniently carried on in conjunction with any of the aforementioned businesses or activities or which may appear to the Directors or the Company likely to be profitable to the Company.

In the interpretation of this Memorandum of Association in general and of this Article 3 in particular no object, business or power specified or mentioned shall be limited or restricted by reference to or inference from any other object, business or power, or the name of the Company, or by the juxtaposition of two or more objects, businesses or powers and that, in the event of any ambiguity in this clause or elsewhere in this Memorandum of Association, the same shall be resolved by such interpretation and construction as will widen and enlarge and not restrict the objects, businesses and powers of and exercisable by the Company.

4. Except as prohibited or limited by the Companies Law (2010 Revision), the Company shall have full power and authority to carry out any object and shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate in doing in any part of the world whether as principal, agent, contractor or otherwise whatever may be considered by it necessary for the attainment of its objects and whatever else may be considered by it as incidental or conducive thereto or consequential thereon, including, but without in any way restricting the generality of the foregoing, the power to make any alterations or amendments to this Memorandum of Association and the Articles of Association of the Company considered necessary or convenient in the manner set out in the Articles of Association of the Company, and the power to do any of the following acts or things, viz: to pay all expenses of and incidental to the promotion, formation and incorporation of the Company; to register the Company to do business in any other jurisdiction; to sell, lease or dispose of any property of the Company; to draw, make, accept, endorse, discount, execute and issue promissory notes, debentures, bills of exchange, bills of lading, warrants and other negotiable or transferable instruments; to lend money or other assets and to act as guarantors; to borrow or raise money on the security of the undertaking or on all or any of the assets of the Company including uncalled capital or without security; to invest monies of the Company in such manner as the Directors determine; to promote other companies; to sell the undertaking of the Company for cash or any other consideration; to distribute assets in specie to Members of the Company; to make charitable or benevolent donations; to pay pensions or gratuities or provide other benefits in cash or kind to Directors, officers, employees, past or present and their families; to purchase Directors and officers liability insurance and to carry on any trade or business and generally to do all acts and things which, in the opinion of the Company or the Directors, may be conveniently or profitably or usefully acquired and dealt with, carried on, executed or done by the Company in connection with the business aforesaid provided that the Company shall only carry on the businesses for which a license is required under the laws of the Cayman Islands when so licensed under the terms of such laws.

5. The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.

6. The share capital of the Company is US$1,000,000.00 divided into (i) 500,000,000 Class A Common Shares of par value US$0.001 each, (ii) 495,000,000 of Class B Common Shares of par value US$0.001 each, and (iii) 5,000,000 Series A Preferred Shares of par value US$0.001 each, with power for the Company insofar as is permitted by applicable law and the Articles of Association (including without limitation Schedule A thereto), to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (2010 Revision) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained provided always that, notwithstanding any provision to the contrary contained in this Memorandum of Association, the Company shall have no power to issue bearer shares, warrants, coupons or certificates.

7. If the Company is registered as exempted, its operations will be carried on subject to the provisions of Section 174 of the Companies Law (2010 Revision) and, subject to the provisions of the Companies Law (2010 Revision) and the Articles of Association, it shall have the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

THE COMPANIES LAW (2010 Revision)
Company Limited by Shares

AMENDED AND RESTATED on 29 September 2010

THIRD AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

TAL EDUCATION GROUP

1. In these Articles Table A in the Schedule to the Statute does not apply and, unless there be something in the subject or context inconsistent therewith.

"**Additional Transfer Notice**"	has the meaning ascribed to it in Clause 9.1(c)(i) of Schedule A.
"**Affiliate**"	means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including, without limitation, any partner, officer, director, member or employee of such Person and any venture capital fund now or hereafter existing that is controlled by or under common control with one or more general partners or managing members of, or shares the same management company with, such Person;
"**Articles**" or "**Articles of Association**"	means the articles of association of the Company as originally framed or as from time to time altered by Special Resolution.
"**Auditors**"	means the persons for the time being performing the duties of auditors of the Company.
"**Board**"	means the board directors for the time being of the Company.
"**Business Day**"	means a day (other than a Saturday or Sunday) on which licensed banks are open for general banking business in Hong Kong and the PRC.
"Chairman"	means the chairman of the Board of the Company.
"Class A Common Share"	means a Class A Common Share in the capital of the Company with a par value of US$0.001 per share.
"Class B Common Share"	means a Class B Common Share in the capital of the Company with a par value of US$0.001 per share.
"**Closing**"	means the closing of the Series A Preferred Share financing.
"**Common Shareholders**"	means the persons registered in the Company's register of members as the holder of Common Shares, and the permitted transferees and assigns of any Common Shareholder.
"**Common Shares**"	means Class A Common Shares and Class B Common Shares collectively.

"**Common Share Equivalents**"	means warrants, options and rights exercisable for Common Shares and instruments convertible or exchangeable for Common Shares.
"**Company**"	means the above named Company.
"**Conversion Price**"	shall have the meaning set forth in Clause 7.3 of Schedule A.
"**Co-Sale Participant**"	shall have the meaning set forth in Clause 9.2(a) of the Schedule A.
"**debenture**"	means debenture stock, mortgages, bonds and any other such securities of the Company whether constituting a charge on the assets of the Company or not.
"**Directors**" or "**Director**"	means the directors or a director of the Company.
"**Effective Conversion Price**"	with respect to any Common Shares Equivalent at a given time, an amount equal to the quotient of (i) the sum of any consideration, if any, received by the Company with respect to the issuance of such Common shares Equivalent and the consideration receivable by the Company, if any, upon the exercise, exchange, or conversion of the Common Share Equivalent over (ii) the number of Common Shares issuable upon the exercise, conversion or exchange of the Common Share Equivalent.
"**Equity Securities**"	means any Common Shares or Common Share Equivalents.
"**Exchange Act**"	means United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.
"**Existing Holder"**	The holder of the Series A Preferred Shares as of 29 September 2010.
"**Founders**" and "**Founder**"	includes ZHANG Bangxin, CAO Yundong, LIU Yachao and BAI Yunfeng,each a "**Founder**".
"**Fully-Exercising Shareholder**"	has the meaning as set forth in Clause 10.2 of Schedule A.
"**Fully Participating Shareholder**"	has the meaning as set forth in Clause 9.1(b) of Schedule A.
"**Future Issuance Price**"	has the meaning as set forth in Clause 7.3(v)(A) of the Schedule A.
"Group Entities"	means the Company, TAL Group Limited, TAL Education Technology (Beijing) Co., Ltd. (泰阿尔教育科技(北京)有限公司), Beijing Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司), Beijing Xueersi Network Technology Co., Ltd. (北京学而思网络科技有限公司) and their Subsidiaries (including the schools and company branches under the direct and indirect control of the above Companies), each a "**Group Entity**".
"**Hong Kong**"	means the Hong Kong Special Administrative Region of the PRC.

"**IPO**"	means an initial public offering by the Company of its Common Shares on a public stock exchange of the United States that has been registered under the Securities Act, or in a similar public offering of Common Shares in a jurisdiction and on a recognized securities exchange outside of the United States, provided such an initial public offering in terms of price, offering proceeds and regulatory approval is reasonably equivalent to the aforesaid public offering in the United States.
"**Issuance Notice**"	has the meaning as set forth in Clause 10.1 of the Schedule A.
"**Liquidation Event**"	has the meaning as set forth in Clause 2.1 of Schedule A.
"**Member**"	shall bear the meaning as ascribed to it in the Statute.
"**Memorandum of Association**"	means the memorandum of association of the Company as originally framed or as from time to time altered by Special Resolution.
"**month**"	means calendar month.
"**New Securities**"	means any Equity Securities of the Company; provided that the term "New Securities" does not include (i) securities issued upon conversion of the Preferred Shares; (ii) securities issued to employees, professional consultants, officers or directors of the Company pursuant to any stock option, stock purchase or stock bonus plan, agreement or arrangement approved by the Board; (iii) securities issued in a Qualified Public Offering; (iv) securities issued in connection with any stock split, stock dividend or re-capitalization of the Company; and (v) securities issued upon the exercise of that certain set forth in Section 6.6 of the Purchase Agreement;
"**Non-Selling Shareholders**" or "**Non-Selling Shareholder**"	has the meaning ascribed to it under Clause 9.1(a) of Schedule A.
"**Observer**"	has the meaning ascribed to it in Article 97 of these Articles.
"**Original Issue Price**"	means US$1.00 for each Series A Preferred Share, or the aggregate amount of issue price based on such price per share.
"**Over-allotment Notice**"	has the meaning ascribed to it in Clause 9.1(b)(vi) of Schedule A.
"**Over-allotment Shares**"	has the meaning ascribed to it in Clause 9.1(b)(vi) of Schedule A.
"**paid-up**"	means paid-up and/or credited as paid-up.
"**Participating Shareholders**"	has the meaning ascribed to it in Clause 9.1(b)(vi) of Schedule A.
"**Person**"	means any individual, person corporate, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or enterprise or entity.

"**PRC**"	means the People's Republic of China.
"**Purchase Agreement**"	means the agreement entered into by and among the Company, the Sellers, the Founders, Tiger and other parties thereto dated August 12, 2009, setting forth the sale and purchase of certain number of Common Shares by Tiger from the Sellers.
"**Qualified Public Offering**" or "**Qualified IPO**"	means an initial public offering by the Company of its Common Shares on a public stock exchange of the United States that has been registered under the Securities Act, with the net proceeds to the Company of at least US$50,000,000 (excluding the underwriting discounts, selling commissions and expenses) and an implied market capitalization of the Company of at least US$300,000,000 or in a similar public offering of Common Shares in a jurisdiction and on a recognized securities exchange outside of the United States, provided such an initial public offering in terms of price, offering proceeds and regulatory approval is reasonably equivalent to the aforesaid public offering in the United States.
"**registered office**"	means the registered office for the time being of the Company.
"**Remaining Shares**"	has the meaning ascribed to it in Clause 9.1(c) of the Schedule A.
"**Restructuring**"	has the meaning ascribed to it in Clause 4 of Schedule A.
"**RMB**":	means the lawful currency of the People's Republic of China.
"**Seal**"	means the common seal of the Company and includes every duplicate seal.
"**Secretary**"	includes an Assistant Secretary and any person appointed to perform the duties of Secretary of the Company.
"**Securities Act**"	means the United States Securities Act of 1933, as amended and the rules and regulations promulgated thereunder;
"**Sellers**" or "**Seller**"	Includes BRIGHT UNISON LIMITED, CENTRAL GLORY INVESTMENTS LIMITED, PERFECT WISDOM INTERNATIONAL LIMITED and EXCELLENT NEW LIMITED, each a "**Seller**";
"**Selling Shareholders**" or "**Selling Shareholders**"	has the meaning ascribed to it in Clause 11.1 of the Schedule A.
"**Series A Director**"	has the meaning ascribed to it in Clause 64(c) of Schedule A.
"**Series A Financing**"	means the series A round of financing of the Company.
"**Series A Preferred Shares**"	means the Company's voting Series A Preferred Shares, with par value of US$0.001 each with the rights and privileges as set forth herein and in the Series A Share Purchase Agreement.
"Series A Preferred Shareholders"	means the persons registered in the Company's register of members as the holders of Series A Preferred Shares, and the permitted transferees and assigns of any Series A Preferred Shareholder.

"**Shares**" or "**Share**"	means any class of shares in the share capital of the Company, includes a fraction of a share.
"**Shareholder**"	means a holder of Shares from time to time or its lawful successor.
"**Special Resolution**"	has the same meaning as in the Statute and includes a resolution approved in writing as described therein.
"**Statute**"	means the Companies Law of the Cayman Islands as amended and every statutory modification or re-enactment thereof for the time being in force.
"**Shareholders' Agreement**"	means the agreement entered into among the Company, TAL Group Limited, TAL Education Technology (Beijing) Co., Ltd. (泰阿尔教育科技(北京)有限公司), Beijing Xueersi Education Technology Co., Ltd. (北京学而思网络科技有限公司), Beijing Xueersi Network Technology Co., Ltd. (北京学而思教育科技有限公司), Series A Preferred Shareholders, Tiger Global Five China Holdings and certain other parties thereto dated August 12, 2009, to regulate certain matters among the Shareholders and certain affairs of the Company.
"**Series A Share Purchase Agreement**"	means the Series A Preferred Share Purchase Agreement executed by and among the Company, the Series A Preferred Shareholder, and certain other parties thereto.
"**Shares Offered by Shareholder**"	has the meaning ascribed to it in Clause 9.1(a) of the Schedule A.
"**Subsidiary(ies)**" or "**subsidiary**"	means as of the relevant date of determination, with respect to any Person (the "**subject entity**"), (i) any Person: (1) more than 50% of whose shares or other interests entitled to vote in the election of directors or (2) more than a fifty percent (50%) interest in the profits or capital of such Person are owned or controlled directly or indirectly by the subject entity or through one (1) or more Subsidiaries of the subject entity, (ii) any Person whose assets, or portions thereof, are consolidated with the net earnings of the subject entity and are recorded on the books of the subject entity for financial reporting purposes in accordance with US GAAP (or other standard acceptable to the Series A Preferred Shareholders and Tiger), or (iii) any Person with respect to which the subject entity has the power to otherwise direct the business and policies of that entity directly or indirectly through another subsidiary. For the avoidance of doubt, the Subsidiaries of the Company shall include the Group Entities.
"**Tiger**"	means Tiger Global Five China Holdings, a company organized under the laws of Mauritius, and its Affiliates or any of its (or their) successor(s).
"**Transfer**"	has the meaning ascribed to it in Clause 9.1(a) of the Schedule A.
"**Transfer Notice**"	has the meaning ascribed to it in Clause 9.1(a) of the Schedule A.
"**Transferor**"	has the meaning ascribed to it in Clause 9.1(a) of the Schedule A.
"**US**"	means the lawful currency of the United States of America.

"**written**" and "**in writing**"	include all modes of representing or reproducing words in visible form.
"**Written Consent**"	means a written resolution executed by the relevant number of Shareholders or Directors, as the case may be, in lieu of a shareholders' meeting or a board meeting.

Words importing the singular number only include the plural number and vice versa.

Words importing the masculine gender only include the feminine gender.

Words importing persons only include corporations.

2. The business of the Company may be commenced as soon after incorporation as the Directors shall see fit, notwithstanding that part only of the shares may have been allotted.

3. The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company including the expenses of registration.

CERTIFICATES FOR SHARES

4. Certificates representing shares of the Company shall be in such form as shall be determined by the Directors. Such certificates may be under Seal. All certificates for shares shall be consecutively numbered or otherwise identified and shall specify the shares to which they relate. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered in the register of Members of the Company. All certificates surrendered to the Company for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled. The Directors may authorize certificates to be issued with the seal and authorized signature(s) affixed by some method or system of mechanical process.

5. Notwithstanding Article 4 of these Articles, if a share certificate be defaced, lost or destroyed, it may be renewed on payment of a fee of one dollar (US$l.00) or such less sum and on such terms (if any) as to evidence and indemnity and the payment of the expenses incurred by the Company in investigating evidence, as the Directors may prescribe.

ISSUE OF SHARES

6. Subject to the provisions, if any, in that behalf in the Memorandum of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights previously conferred on the holders of existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares of the Company (including fractions of a share) with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper, provided always that, notwithstanding any provision to the contrary contained in these Articles of Association, the Company shall be precluded from issuing bearer shares, warrants, coupons or certificates.

7. The Company shall maintain a register of its Members and every person whose name is entered as a Member in the register of Members shall be entitled without payment to receive within two months after allotment or lodgment of transfer (or within such other period as the conditions of issue shall provide) one certificate for all his shares or several certificates each for one or more of his shares upon payment of fifty cents (US$0.50) for every certificate after the first or such less sum as the Directors shall from time to time determine provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate and delivery of a certificate for a share to one of the several joint holders shall be sufficient delivery to all such holders.

TRANSFER OF SHARES

8. The instrument of transfer of any share shall be in writing and shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register in respect thereof.

9. The Directors may in their absolute discretion decline to register any transfer of shares without assigning any reason therefor. If the Directors refuse to register a transfer they shall notify the transferee within two months of such refusal.

10. The registration of transfers may be suspended at such time and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than 45 days in any year.

COMMON SHARE CONVERSION

11. Each Class B Common Share is convertible into one (1) Class A Common Share at any time by the holder thereof. Class A Common Shares are not convertible into Class B Common Shares or Series A Preferred Shares under any circumstances. A conversion of Class B Common Shares to Class A Common Shares shall be effected by way of compulsory repurchase by the Company of the relevant Class B Common Shares for a redemption price equal to the original issue price for each Class B Common Share and the issue of Class A Common Shares for a subscription price equal to the redemption price for the equal number of Class B Common Shares.

If at any time the Founders, Tiger and the Existing Holder and their Affiliates collectively own less than 5% of the total number of the issued and outstanding Class B Common Shares of the Company (taking into account all of the issued and outstanding preferred shares on an as-converted basis), each issued and outstanding Class B Common Share shall be automatically and immediately converted into one share of Class A Common Share, and no Class B Common Shares shall be issued by the Company thereafter.

Subject to the Statute and notwithstanding any other provisions of these Articles, 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 an equal number of Class A Common Shares.

REDEEMABLE SHARES

12. (a) Subject to the provisions of the Statute and the Memorandum of Association, shares may be issued on the terms that they are, or at the option of the Company or the holder are, to be redeemed on such terms and in such manner as the Company, before the issue of the shares, may by Special Resolution determine.

(b) Subject to the provisions of the Statute and the Memorandum of Association, the Company may purchase its own shares (including fractions of a share), including any redeemable shares, provided that the manner of purchase has first been authorized by the Company in general meeting and may make payment therefore in any manner by the Statute, including out of capital.

VARIATION OF RIGHTS OF SHARES

13. If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a Special Resolution passed at a general meeting of the holders of the shares of that class.

The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of one class of shares except that the necessary quorum shall be one person holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

14. Subject to Schedule A, the rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

COMMISSION ON SALE OF SHARES

15. The Company may in so far as the Statute from time to time permits pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares of the Company. Such commissions may be satisfied by the payment of cash or the lodgment of fully or partly paid-up shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

NON-RECOGNITION OF TRUSTS

16. No person shall be recognized by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future, or partial interest in any share, or any interest in any fractional part of a share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

LIEN ON SHARES

17. The Company shall have a first and paramount lien and charge on all shares (whether fully paid-up or not) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such share shall operate as a waiver of the Company's lien (if any) thereon. The Company's lien (if any) on a share shall extend to all dividends or other monies payable in respect thereof.

18. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder or holders for the time being of the share, or the person, of which the Company has notice, entitled thereto by reason of his death or bankruptcy.

19. To give effect to any such sale the Directors may authorize some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

20. The proceeds of such sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

CALL ON SHARES

21. (a) The Directors may from time to time make calls upon the Members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed terms, provided that no call shall be payable at less than one month from the date fixed for the payment of the last preceding call, and each Member shall (subject to receiving at least fourteen days notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on the shares. A call may be revoked or postponed as the Directors may determine. A call may be made payable by installments.

    (b) A call shall be deemed to have been made at the time when the resolution of the Directors authorizing such call was passed.

    (c) The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

22. If a sum called in respect of a share is not paid before or on a day appointed for payment thereof, the persons from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding ten per cent per annum as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest either wholly or in part.

23. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium or otherwise, shall for the purposes of these Articles be deemed to be a call duly made, notified and payable on the date on which by the terms of issue the same becomes payable, and in the case of non-payment all the relevant provisions of these Articles as to payment of interest forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

24. The Directors may, on the issue of shares, differentiate between the holders as to the amount of calls or interest to be paid and the times of payment.

25. (a) The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him, and upon all or any of the monies so advanced may (until the same would but for such advances, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) seven per cent per annum, as may be agreed upon between the Directors and the Member paying such sum in advance.

(b) No such sum paid in advance of calls shall entitle the Member paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable.

FORFEITURE OF SHARES

26. (a) If a Member fails to pay any call or installment of a call or to make any payment required by the terms of issue on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call, installment or payment remains unpaid, give notice requiring payment of so much of the call, installment or payment as is unpaid, together with any interest which may have accrued and all expenses that have been incurred by the Company by reason of such non-payment. Such notice shall name a day (not earlier than the expiration of fourteen days from the date of giving of the notice) on or before which the payment required by the notice is to be made, and shall state that, in the event of non-payment at or before the time appointed the shares in respect of which such notice was given will be liable to be forfeited.

(b) If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture.

(c) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

27. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture were payable by him to the Company in respect of the shares together with interest thereon, but his liability shall cease if and when the Company shall have received payment in full of all monies whenever payable in respect of the shares.

28. A certificate in writing under the hand of one Director or the Secretary of the Company that a share in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the fact therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration given for the share on any sale or disposition thereof and may execute a transfer of the share in favor of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

29. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium as if the same had been payable by virtue of a call duly made and notified.

REGISTRATION OF EMPOWERING INSTRUMENTS

30. The Company shall be entitled to charge a fee not exceeding one dollar (US$l.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

TRANSMISSION OF SHARES

31. In case of the death of a Member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only person duly authorized by the Company as having any title to his interest in the shares, but nothing herein contained shall release the estate of any such deceased holder from any liability in respect of any shares which had been held by him solely or jointly with other persons.

32. (a) Any person becoming entitled to a share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may from time to time be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to make such transfer of the share to such other person nominated by him as the deceased or bankrupt person could have made and to have such person registered as the transferee thereof, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that Member before his death or bankruptcy as the case may be.

(b) If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

33. A person becoming entitled to a share by reason of the death or bankruptcy or liquidation or dissolution of the holder (or in any other case than by transfer) shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company PROVIDED HOWEVER that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within ninety days the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

AMENDMENT OF MEMORANDUM OF ASSOCIATION, CHANGE OF LOCATION OF REGISTERED OFFICE & ALTERATION OF CAPITAL

34. (a) Subject to and in so far as permitted by the provisions of the Statute, the Company may from time to time by ordinary resolution alter or amend its Memorandum of Association otherwise than with respect to its name and objects and may, without restricting the generality of the foregoing:

(i) increase the share capital by such sum to be divided into shares of such amount or without nominal or par value as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine.

(ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(iii) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without nominal or par value;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

(b) All new shares created hereunder shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

(c) Subject to the provisions of the Statute, the Company may by Special Resolution change its name or alter its objects.

(d) Without prejudice to Article 11 of these Articles and subject to the provisions of the Statute, the Company may by Special Resolution reduce its share capital and any capital redemption reserve fund.

(e) Subject to the provisions of the Statute, the Company may by resolution of the Directors change the location of its registered office.

CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE

35. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any dividend, or in order to make a determination of Members for any other proper purpose, the Directors of the Company may provide that the register of Members shall be closed for transfers for a stated period but not to exceed in any case 40 days. If the register of Members shall be so closed for the purpose of determining Members entitled to notice of or to vote at a meeting of Members such register shall be so closed for at least ten days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the register of Members.

36. In lieu of or apart from closing the register of Members, the Directors may fix in advance a date as the record date for any such determination of Members entitled to notice of or to vote at a meeting of the Members and for the purpose of determining the Members entitled to receive payment of any dividend the Directors may, at or within 90 days prior to the date of declaration of such dividend fix a subsequent date as the record date for such determination.

37. If the register of Members is not so closed and no record date is fixed for the determination of Members entitled to notice of or to vote at a meeting of Members or Members entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this section, such determination shall apply to any adjournment thereof.

GENERAL MEETING

38. (a) Subject to paragraph (c) hereof, the Company shall within one year of its incorporation and in each year of its existence thereafter hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as the Directors shall appoint and if no other time and place is prescribed by them, it shall be held at the principal executive offices of the Company on the second Wednesday in December of each year at ten o'clock in the morning.

(b) At these meetings the report of the Directors (if any) shall be presented.

(c) If the Company is exempted as defined in the Statute it may but shall not be obliged to hold an annual general meeting.

39. (a) The Directors may whenever they think fit, and they shall on the requisition of Members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, proceed to convene a general meeting of the Company.

(b) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the registered office of the Company and may consist of several documents in like form each signed by one or more requisitionists.

(c) If the Directors do not within 21 days from the date of the deposit of the requisition duly proceed to convene a general meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three months after the expiration of the said 21 days.

(d) A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

NOTICE OF GENERAL MEETINGS

40. At least a ten (10) Business Day notice shall be given of an annual general meeting or any other general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of Article 38 of these Articles have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of a general meeting called as an annual general meeting by all the Members entitled to attend and vote thereat or their proxies; and

(b) in the case of any other general meeting by holders of not less than the minimum number of Shares required to approve the actions submitted to the Members for approval at such meeting, or their proxies.

41. The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a meeting by any person entitled to receive notice shall not invalidate the proceedings of that meeting.

PROCEEDINGS AT GENERAL MEETINGS

42. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business; a meeting of the Shareholders is duly constituted if, at the commencement of and throughout the meeting, there are present in person or by proxy: (a) the Series A Preferred Shareholder; and (b) the holders of Common Shares holding not less than an aggregate of 75% of all Common Shares in issue. A person shall be deemed to be present at a general meeting if he participates by telephone or other electronic means and all persons participating in the meeting are able to hear each other.

43. The adoption of any resolution of the General Meeting shall require the affirmative votes of or prior written consent of the holders holding an aggregate of no less than 50% of all outstanding shares of the Company. A resolution (including a Special Resolution) in writing (in one or more counterparts) signed by all Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorized representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

44. The Chairman, if any, of the Board shall preside as Chairman at every general meeting of the Company, or if he shall not be present within three hours without due course or without authorizing any other Director to preside as Chairman at the general meeting after the time appointed for the holding of the meeting, or is unwilling to act, the Directors present shall elect one of their number to be Chairman of the meeting.

45. If at any general meeting no Director is willing to act as Chairman or if no Director is present within three hours after the time appointed for holding the meeting, the Members present shall choose one of their number to be Chairman of the meeting.

46. The Chairman may, with the consent of any general meeting duly constituted hereunder, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a general meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting; save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned general meeting.

47. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is, before or on the declaration of the result of the show of hands, demanded by the Chairman or any other Member present in person or by proxy.

48. Unless a poll be so demanded a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's minute book containing the minutes of the proceedings of the meeting shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

49. The demand for a poll may be withdrawn.

50. Except as provided in Article 51 of these Articles, if a poll is duly demanded it shall be taken in such manner as the Chairman directs and the result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded.

51. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the general meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

52. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the Chairman of the general meeting directs and any business other than that upon which a poll has been demanded or is contingent thereon may be proceeded with pending the taking of the poll.

VOTES OF MEMBERS

53. Subject to any rights or restrictions for the time being attached to any class or classes of shares, (i) on a show of hands, each Member of record present in person or by proxy at a general meeting shall have one vote, and (ii) on a poll, each Class A Common Share shall entitle its holder who is a Member of record present in person or by proxy at a general meeting to one vote and each Class B Common Share shall entitle its holder who is a Member of record present in person or by proxy at a general meeting to ten (10) votes.

54. In the case of joint holders of record the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Members.

55. A Member of unsound mind, or in respect of whom an order has been made by any court, having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee, receiver, curator bonis or other persons may vote by proxy.

56. No Member shall be entitled to vote at any general meeting unless he is registered as a shareholder of the Company on the record date for such meeting nor unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

57. No objection shall be raised to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at such general meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the general meeting whose decision shall be final and conclusive.

58. On a poll or on a show of hands votes may be given either personally or by proxy.

PROXIES

59. The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointer or of his attorney duly authorized in writing, or, if the appointer is a corporation under the hand of an officer or attorney duly authorized in that behalf. A proxy need not be a Member of the Company.

60. The instrument appointing a proxy shall be deposited at the registered office of the Company or at such other place as is specified for that purpose in the notice convening the meeting no later than the time for holding the meeting, or adjourned meeting provided that the Chairman of the Meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of telex, cable or telecopy confirmation from the appointer that the instrument of proxy duly signed is in the course of transmission to the Company.

61. The instrument appointing a proxy may be in any usual or common form and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked. An instrument appointing a proxy shall be deemed to include the power to demand or join or concur in demanding a poll.

62. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at the registered office before the commencement of the general meeting, or adjourned meeting at which it is sought to use the proxy.

63. Any corporation which is a Member of record of the Company may in accordance with its Articles or in the absence of such provision by resolution of its Directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member of record of the Company.

64. Shares of its own capital belonging to the Company or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding shares at any given time.

DIRECTORS

65. The Board of the Company shall consist of up to five (5) Directors, whose nomination and election shall be as follows:

(a) The holders of majority (voting pursuant to Section 5 hereof) of Common Shares (excluding Common Shares held by Tiger and KTB CHINA OPTIMUM FUND, if any), shall be entitled to, by written notice to the Company, nominate and elect one (1) Director to the Board, initially to be ZHANG Bangxin, and shall also be entitled to remove any such Director occupying such position and to fill any vacancy caused by the resignation, death or renewal of any such Director occupying such position;

(b) Tiger, a holder of Common Shares, shall be entitled to, by written notice to the Company, nominate and elect one (1) Director to the Board, initially to be CHEN Xiaohong, and shall also be entitled to remove any such Director occupying such position and to fill any vacancy caused by the resignation, death or renewal of any such Director occupying such position.

(c) The Series A Preferred Shareholder shall be entitled to, by written notice to the Company, nominate and elect one (1) Director to the Board, initially to be YEH Aieming Amy ("**Series A Director**"), and shall also be entitled to remove any such Director occupying such position and to fill any vacancy caused by the resignation, death or renewal of any such Director occupying such position.

(d) Any Shareholder may nominate a Director to fill the remaining two (2) directors; provided that the election of such Director(s) shall be subject to the approval of all of the Shareholders voting together as a single class on an as-converted basis.

The chairman of the Board ("**Chairman of the Board**") shall be elected by the Board with majority votes.

66. Directors shall serve without any remuneration, but all reasonable costs (including travel expenses) incurred by the Directors in the performance of their duties as members of the entire Board shall be borne by the Company.

67. The Directors may by resolution award special remuneration to any Director of the Company undertaking any special work or services for, or undertaking any special mission on behalf of, the Company other than his ordinary routine work as a Director. Any fees paid to a Director who is also counsel or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to his remuneration as a Director.

68. A Director or alternate Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.

69. A Director or alternate Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or alternate Director.

70. A shareholding qualification for Directors may be fixed by the Company in general meeting, but unless and until so fixed no qualification shall be required.

71. A Director or alternate Director of the Company may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.

72. No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. A Director (or his alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is so interested as aforesaid, provided however, that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be disclosed by him or the alternate Director appointed by him at or prior to its consideration and any vote thereon.

73. A general notice that a Director or alternate Director is a shareholder of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure under Article 71 of the Articles and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

ALTERNATE DIRECTORS

74. Subject to the exception contained in Article 80 of these Articles, a Director who expects to be unable to attend Directors' Meetings because of absence, illness or otherwise may appoint any person to be an alternate Director to act in his stead and such appointee whilst he holds office as an alternate Director shall, in the event of absence therefrom of his appointer, be entitled to attend meetings of the Directors and to vote thereat and to do, in the place and stead of his appointer, any other act or thing which his appointer is permitted or required to do by virtue of his being a Director as if the alternate Director were the appointer, other than appointment of an alternate to himself, and he shall *ipso facto* vacate office if and when his appointer ceases to be a Director or removes the appointee from office. Any appointment or removal under this Article shall be effected by notice in writing under the hand of the Director making the same.

POWERS AND DUTIES OF DIRECTORS

75. The business of the Company shall be managed by the Directors (or a sole Director if only one is appointed) who may pay all expenses incurred in promoting, registering and setting up the Company, and may exercise all such powers of the Company as are not, from time to time by the Statute, or by these Articles, or such regulations, being not inconsistent with the aforesaid, as may be prescribed by the Company in general meeting required to be exercised by the Company in general meeting, provided however, that no regulations made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

76. The Directors may from time to time and at any time by powers of attorney appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorneys as the Directors may think fit and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

77. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Directors shall from time to time by resolution determine.

78. The Directors shall cause minutes to be made in books provided for the purpose:

(a) of all appointments of officers made by the Directors;

(b) of the names of the Directors (including those represented thereat by an alternate or by proxy) present at each meeting of the Directors and of any committee of the Directors;

(c) of all resolutions and proceedings at all meetings of the Company and of the Directors and of committees of Directors.

79. The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

80. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

MANAGEMENT

81. (a) The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the three next following paragraphs shall be without prejudice to the general powers conferred by this paragraph.

(b) The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such committees or local boards or any managers or agents and may fix their remuneration.

(c) The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorize the members for the time being of any such local board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

(d) Any such delegates as aforesaid my be authorized by the Directors to sub-delegate all or any of the powers, authorities, and discretions for the time being vested in them.

(e) A Compensation Committee of the Board shall be established to implement salary and equity guidelines for the Company, as well as approve compensation packages, severance agreements, employment's stock options plan and employment agreements for all senior management of the Company. The Series A Preferred Shareholders shall be entitled to elect one member of the Compensation Committee and no resolution of the Compensation Committee shall be passed without the affirmative vote of written consent of such Member.

MANAGING DIRECTORS

82. The Directors may, from time to time, appoint one or more of their body (but not an alternate Director) to the office of managing director for such term and at such remuneration (whether by way of salary, or commission, or participation in profits, or partly in one way and partly in another) as they may think fit but his appointment shall be subject to termination *ipso facto* if he ceases from any cause to be a Director and no alternate Director appointed by him can act in his stead as a Director or managing director.

83. The Directors may entrust to and confer upon a managing director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

PROCEEDINGS OF DIRECTORS

84. Regular meetings of the Board shall be convened by the Chairman of the Board at least once every six (6) month. Not less than five (5) Business Days' prior written notice of any meeting of the Board shall be given to all Directors with the following materials: (i) a written notice of the meeting; (ii) a meeting agenda for the meeting; and (iii) documents needed to be reported and distributed to the Directors; provided, however, that such notice period may be waived if approved by all of the Directors in writing; and for this purpose, the presence of a director at a meeting shall be deemed to constitute a waiver on his part in respect of such meeting. The location of each meeting of the Board shall be decided by the Chairman of the Board or if such is not available as agreed to by a majority of the Directors. The minutes of all Board meetings shall be kept on file by the Company.

85. Except as otherwise provided by these Articles, the Directors shall meet together for the dispatch of business, convening, adjourning and otherwise regulating their meetings as they think fit. At any Board meeting, each Director may exercise one (1) vote. The adoption of any resolution of the Board shall require the affirmative votes of at least three (3) Directors and alternate Directors present at a meeting at which there is a quorum, the vote of an alternate Director not being counted if his appointer be present at such meeting. By notice and copy to all Directors, resolutions may be adopted by Written Consent executed by all Directors. In case of an equality of votes, the Chairman shall have a second or casting vote.

86. A Director or alternate Director may, and the Secretary on the requisition of a Director or alternate Director shall, at any time summon a meeting of the Directors by at least five (5) Business Days notice in writing to every Director and alternate Director which notice shall set forth the general nature of the business to be considered unless notice is waived by all the Directors (or their alternates) either at, before or after the meeting is held and provided further if notice is given in person, by cable, telex or telecopy the same shall be deemed to have been given on the day it is delivered to the Directors or transmitting organization as the case may be. The provisions of Article 40 of these Articles shall apply *mutatis mutandis* with respect to notices of meetings of Directors.

87. A meeting of the Board is duly constituted if there are present at least three (3) Directors including one director appointed by ZHANG Bangxin, one (1) Director appointed by the Series A Preferred Shareholders and one (1) Director appointed by Tiger. A Director and his appointed alternate Director being considered only one person for this purpose. For the purposes of this Article an alternate Director or proxy appointed by a Director shall be counted in a quorum at a meeting at which the Director appointing him is not present. If within three (3) hours from the time appointed for the meeting a quorum is not present without due cause, the meeting shall stand adjourned to the same day after two weeks at the same time and place or to such other time or such other place as the Directors may determine and if at the adjourned meeting a quorum is not present within three (3) hours from the time appointed for the meeting the Directors present shall be a quorum.

88. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose.

89. The Directors may elect a Chairman of their Board with majority votes and determine the period for which he is to hold office; the Chairman of the Board shall preside as Chairman at every Board meeting of the Company, but if at any meeting the Chairman is not present within three(3) hours without due course or without authorizing any other Director to preside as Chairman at the meeting after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the meeting.

90. The Directors may delegate any of their powers to committees consisting of such member or members of the Board (including Alternate Directors in the absence of their appointers) as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.

91. A committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the Chairman shall have a second or casting vote.

92. All acts done by any meeting of the Directors or of a committee of Directors (including any person acting as an alternate Director) shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or alternate Director, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and qualified to be a Director or alternate Director as the case may be.

93. Members of the Board or of any committee thereof may participate in a meeting of the Board or of such committee by means of telephone conference, video conference or similar communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting at the same time pursuant to this provision shall constitute presence in person at such meeting. A resolution in writing (in one or more counterparts), signed by all the Directors for the time being or all the members of a committee of Directors (an alternate Director being entitled to sign such resolution on behalf of his appointer) shall be as valid and effectual as if it had been passed at a meeting of the Directors or committee as the case may be duly convened and held.

94. (a) A Director may be represented at any meetings of the Board by a proxy appointed by him in which event the presence or vote of the proxy shall for all purposes be deemed to be that of the Director.

(b) The provisions of Articles 58 to 61 shall *mutatis mutandis* apply to the appointment of proxies by Directors.

VACATION OF OFFICE OF DIRECTOR

95. The office of a Director shall be vacated:

(a) if he gives notice in writing to the Company that he resigns the office of Director;

(b) if he absents himself (without being represented by proxy or an alternate Director appointed by him) from three consecutive meetings of the Board without special leave of absence from the Directors, and they pass a resolution that he has by reason of such absence vacated office;

(c) if he dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(d) if he is found a lunatic or becomes of unsound mind.

APPOINTMENT AND REMOVAL OF DIRECTORS

96. Subject to any requirements of applicable law, a Director may be removed from the Board, with or without cause, upon the written notice given by the Shareholder which nominated such Director.

97. In the event any Director resigns, becomes incapacitated, dies, is removed in accordance with Article 95 of these Articles or otherwise ceases to be a Director, the Shareholder which nominated such Director shall be entitled to appoint his replacement.

98. The Series A Preferred Shareholders shall be entitled to appoint a representative (" **Observer**") to attend all meetings of the Board, in a non-voting observer capacity; provided, however, that the Observer shall agree to hold in confidence and to act in a fiduciary manner with respect to all information so obtained in the meetings of the Board; and, provided further, that the Company reserves the right to withhold any information and to exclude the Observer from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel, result in disclosure of trade secrets, or a conflict of interest, or if such shareholder or its representative is a competitor of the Company.

PRESUMPTION OF ASSENT

99. A Director of the Company who is present at a meeting of the Board at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

SEAL

100. (a) The Company may, if the Directors so determine, have a seal which shall, subject to paragraph (c) hereof, only be used by the authority of the Directors or of a committee of the Directors authorized by the Directors in that behalf and every instrument to which the Seal has been affixed shall be signed by one person who shall be either a Director or the secretary or secretary-treasurer or some person appointed by the Directors for the purpose.

(b) The Company may have for use in any place or places outside the Cayman Islands a duplicate seal or seals each of which shall be a facsimile of the Common Seal of the Company and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used.

(c) A Director, Secretary or other officer or representative or attorney may without further authority of the Directors affix the Seal of the Company over his signature alone to any document of the Company required to be authenticated by him under Seal or to be filed with the registrar of companies in the Cayman Islands or elsewhere wheresoever.

OFFICERS

101. The Company may have a President, a Secretary or secretary-treasurer appointed by the Directors who may also from time to time appoint such other officers as they consider necessary, all for such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors from time to time prescribe.

DIVIDENDS, DISTRIBUTIONS AND RESERVE

102. Subject to the Statute, the Directors may from time to time declare dividends (including interim dividends) and distributions on shares of the Company outstanding and authorize payment of the same out of the funds of the Company lawfully available therefore.

103. The Directors may, before declaring any dividends or distributions, set aside such sums as they think proper as a reserve or reserves which shall at the discretion of the Directors, be applicable for any purpose of the Company and pending such application may, at the like discretion, be employed in the business of the Company.

104. No dividend or distribution shall be payable except out of the profits of the Company, realized or unrealized, or out of the share premium account or as otherwise permitted by the Statute.

105. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends or distributions, if dividends or distributions are to be declared on a class of shares they shall be declared and paid according to the amounts paid or credited as paid on the shares of such class outstanding on the record date for such dividend or distribution as determined in accordance with these Articles but no amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this Article as paid on the share.

106. The Directors may deduct from any dividend or distribution payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

107. The Directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures, or debenture stock of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.

108. Any dividend, distribution, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the holder who is first named on the register of Members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses, or other monies payable in respect of the share held by them as joint holders.

109. No dividend or distribution shall bear interest against the Company.

CAPITALISATION

110. The Company may upon the recommendation of the Directors by ordinary resolution authorizing the Director to capitalize any sum standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend and to apply such sum on their behalf in paying up in full unissued shares for allotment and distribution credited as fully paid up to and amongst them in the proportion aforesaid. In such event the Directors shall do all acts and things required to give effect to such capitalization, with full power to the Directors to make such provisions as they think fit for the case of shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Director may authorize any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalization and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

BOOKS OF ACCOUNT

111. The Directors shall cause proper books of account to be kept with respect to:

(a) all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place;

(b) all sales and purchases of goods by the Company;

(c) the assets and liabilities of the Company.

Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

112. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statue or authorized by the Directors or by the Company in general meeting.

113. The Directors may from time to time cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

AUDIT

114. The Company may at any annual general meeting appoint an Auditor or Auditors of the Company who shall hold office until the next annual general meeting and may fix his or their remuneration.

115. The Directors may before the first annual general meeting appoint an Auditor or Auditors of the Company who shall hold office until the first annual general meeting unless previously removed by an ordinary resolution of the Members in general meeting in which case the Members at that meeting may appoint Auditors. The Directors may fill any casual vacancy in the office of Auditor but while any such vacancy continues the surviving or continuing Auditor or Auditors, if any, may act. The remuneration of any Auditor appointed by the Directors under these Articles may be fixed by the Directors.

116. Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.

117. Auditors shall at the next annual general meeting following their appointment and at any other time during their term of office, upon request of the Directors or any general meeting of the Members, make a report on the accounts of the Company in general meeting during their tenure of office.

NOTICES

118. Notices shall be in writing and may be given by the Company to any Member either personally or by sending it by post, cable, telex or telecopy to him or to his address as shown in the register of Members, such notice, if mailed, to be forwarded airmail if the address be outside the Cayman Islands.

119. (a) Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the notice, and to have been effected at the expiration of 60 hours after the letter containing the same is posted as aforesaid.

(b) Where a notice is sent by cable, telex, telecopy or electronic message, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization and to have been effected on the day the same is sent as aforesaid.

120. A notice may be given by the Company to the joint holders of record of a share by giving the notice to the joint holder first named on the register of Members in respect of the share.

121. A notice may be given by the Company to the person or persons which the Company has been advised are entitled to a share or shares in consequence of the death or bankruptcy of a Member by sending it through the post as aforesaid in a pre-paid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

122. Notice of every general meeting shall be given in any manner hereinbefore authorized to:

(a) every person shown as a Member in the register of Members as of the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the register of Members.

(b) every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member of record where the Member of record but for his death or bankruptcy would be entitled to receive notice of the meeting; and

No other person shall be entitled to receive notices of general meetings.

WINDING UP

123. If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

124. If the Company shall be wound up, and the assets available for distribution amongst the Members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. This Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

INDEMNITY

125. The Directors and officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their heirs, executors, administrators and personal representatives respectively shall be indemnified out of the assets of the Company from and against all actions, proceedings, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duty in their respective offices or trusts, except such (if any) as they shall incur or sustain by or through their own willful neglect or default respectively and no such

Director, officer or trustee shall be answerable for the acts, receipts, neglects or defaults of any other Director, officer or trustee or for joining in any receipt for the sake of conformity or for the solvency or honesty of any banker or other persons with whom any monies or effects belonging to the Company may be lodged or deposited for safe custody or for any insufficiency of any security upon which any monies of the Company may be invested or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his office or trust unless the same shall happen through the willful neglect or default of such Director, Officer or trustee.

FINANCIAL YEAR

126. Unless the Directors otherwise prescribe, the financial year of the Company shall end on the last day of February in each year and, following the year of incorporation, shall begin on March 1st in each year.

AMENDMENTS OF ARTICLES

127. Subject to the Statute, the Company may at any time and from time to time by Special Resolution alter or amend these Articles in whole or in part, provided that no alteration or change shall be made to any of the rights, preferences, privileges or restrictions of the Series A Preferred Shares without the consent of the holders of a majority of the Series A Preferred Shares.

TRANSFER BY WAY OF CONTINUATION

128. If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

SCHEDULE A

The holders of Series A Preferred Shares and Common Shares shall, in addition to any other rights conferred on them under these Memorandum of Association and Articles of Association have the rights set out in this Schedule A, which forms part of the Articles of Association of the Company. In the event of any inconsistency between the provisions set out herein and other provisions of the Memorandum of Association and the Articles of Association, the provisions set out herein shall prevail to the extent permitted by applicable laws.

1. Dividend Right.

1.1. Subject to Articles 101 to 108 of these Articles, and further subject to the circumstances prevailing at the relevant time including, in particular, the working capital requirements of the Company and the unanimous approval of the Board, the Company may distribute dividend in accordance with the Articles in respect of each financial year out of such of its profits as are then lawfully available for distribution.

1.2. The dividend shall be distributed when, as and if declared by the Board among the then outstanding Common Shareholders and Series A Preferred Shareholders pro rata and on an as-if-converted basis in accordance with the amounts paid up on their respective Shares. For the avoidance of doubt, dividends shall be non-cumulative such that dividends shall only accrue and be payable when, as and if declared by the Board in its sole discretion.

2. Liquidation Right.

2.1 Liquidation Event. The following events shall be treated as a liquidation, dissolution or winding up (each, a " **Liquidation Event**") unless waived by the holders of at least fifty-one percent (51%) of the then outstanding Series A Preferred Shares, voting together as a single class on an as-if-converted basis:

(i) any consolidation or merger of the Company with or into any Person, or any other corporate reorganization, including a sale or acquisition of equity securities of the Company, in which the Shareholders of the Company immediately before such transaction own less than 50% of the Company's voting power immediately after such transaction (excluding any transaction effected solely for tax purposes or to change the Company's domicile);

(ii) a sale of all or substantially all of the assets of the Company; or

(iii) any termination, liquidation, dissolution or winding up of the Company;

and upon any such event, any proceeds generated therefrom to which the Shareholders of the Company shall be entitled to shall be distributed in accordance with the terms of Clause 2.2 of Schedule A.

2.2 Liquidation Preferences. Upon any Liquidation Event, whether voluntary or involuntary, unless any Preferred Shareholder has agreed otherwise in advance and in writing on the definitive liquidation plan of the Company:

(i) Before any distribution or payment shall be made to the holders of any Common Shares, the holder of Series A Preferred Shares shall be entitled to receive an amount equal to one hundred percent (100%) of the Original Issue Price (adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions), plus any declared but unpaid dividends with respect thereto (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) per Series A Preferred Share then held by such holder. All

arrears or accruals of dividends as declared by the Board due to the Series A Preferred Shareholders are in priority to the holders of all other shares.

(ii) After distribution or payment in full of the amount distributable or payable on the Series A Preferred Shares pursuant to Clause 2.2(i) of Schedule A, the remaining assets of the Company available for distribution to Shareholders shall be distributed ratably among the then holders of outstanding Common Shares and holders of Series A Preferred Shares on an as-if-converted basis.

3. Voting Rights. Each Existing Holder or its Affiliate shall be entitled to exercise the number of votes which such holder would have been entitled to exercise as if all the Series A Preferred Shares held by such holder had been converted into Class B Common Shares immediately before the holding of the general meeting at the Conversion Price then in effect; and each holder of Preferred Shares which is not an Existing Holder or its Affiliate is entitled to exercise the number of votes which such holder would have been entitled to exercise as if all the Series A Preferred Shares held by such holder had been converted into Class A Common Shares immediately before the holding of the general meeting at the Conversion Price then in effect. The holders of Series A Preferred Shares and Common Shares shall vote together and not as a separate class, except as otherwise required by the Articles or the Shareholders' Agreement. Except as otherwise provided herein and subject to other voting requirements contained herein, the Company shall not carry out any of actions relating to the issues listed in Clause 4 and Clause 5 of Schedule A below, and no affirmative shareholders' resolution shall be adopted to approve or carry out the same, except with the affirmative votes or prior written consent of the holders holding an aggregate of no less than 50% of all outstanding shares of the Company.

4. Veto Rights of Series A Preferred Shareholder/Series A Director. Subject to Clause 5 below, so long as there are any Series A Preferred Shares outstanding, the Company shall not take, and shall procure that each Group Entity does not take, whether in one transaction or through a series of transactions, or whether by amending the Articles or otherwise, any of the following actions without (i) the prior written consent of the holders of majority of the outstanding Series A Preferred Shares; or (ii) the prior consent of the Board, including the affirmative consent of the Series A Director, and in the context of such matters set forth in this Clause 4 which are by applicable laws required to be determined by the shareholders of the Company, the approval of the holders of at least a majority of the then outstanding Series A Preferred Shares shall be deemed obtained if the matter is approved at a general meeting of the Company with the affirmative vote of the holders of at least a majority of the then outstanding Series A Preferred Shares or by way of written resolution signed by all the holders of the outstanding Series A Preferred Shares:

(i) dissolve or liquidate any Group Entity (other than as a result of the restructuring of the Company's Subsidiaries pursuant to a restructuring plan prior to the IPO that approved by the Board (the " **Restructuring**");

(ii) amend any of the charter/constitutional documents of any Group Entity or any of its Subsidiaries that may affect the rights, preferences or privileges of the Series A Preferred Shareholder;

(iii) make changes in the capital structure of any Group Entity or any of its Subsidiaries, including the creation or issuance of additional securities or securities convertible or exchangeable into equity of the Company (other than as a result of the Restructuring and/or a new round financing of the Company, as long as the pre-money valuation of the Company in the new round financing reaches either (x) within 12 months following Closing is at least 1.3 times of the post-money valuation of the Company in the Series A Financing on a fully diluted basis or (y) after 12 months following Closing is at least 1.5 times of the post-money valuation of the Company in the Series A Financing on a fully diluted

basis, and in any case of (x) or (y), the rights of the Series A Preferred Shareholders shall rank at least *pari passu* with, and shall not be inferior to, the rights of the new round investor(s).);

(iv) make or result in mergers, amalgamations, investments, acquisitions, joint ventures and dispositions involving any Group Entity (other than as a result of the Restructuring);

(v) repurchase or redeem any shares, provided, however, that this restriction shall not apply to the repurchase of shares from employees, officers, directors, consultants or other persons performing services for the Group Entity or any of its Subsidiaries pursuant to agreements under which the Group Entity has the option to repurchase such shares upon the occurrence of certain events, such as the termination of employment or service;

(vi) make material changes to the scope, nature and/or activities of the business of any Group Entity and its Subsidiaries;

(vii) approve or amend any annual operating and capital budgets and annual business plan of any Group Entity;

(viii) make changes in the number of members of the board of any Group Entity or its Subsidiaries where there is Director nominated by the Series A preferred shareholders sitting in such board;

(ix) adopt any new employee stock option plan and formation of the compensation committee; and transactions with a related party; or

(x) make any dividend or distributions on shares of any Group Entity.

5. Veto Rights of Tiger. In addition to Clause 4 above, the Company shall not take, and shall procure that each Group Entity does not take, whether in one transaction or through a series of transactions, or whether by amending the Articles or otherwise, the following actions without the prior written consent of Tiger, and in the context of such matters set forth in this Clause 5 which are by applicable laws required to be determined by the shareholders of the Company, the approval of Tiger shall be deemed obtained if the matter is approved at a general meeting of the Company with the affirmative vote of Tiger or by way of written resolution signed by Tiger:

(a) actions as listed in Section 4(v) of this Schedule A, provided that (i) Series A Preferred Shareholders' exercise of its redemption rights in accordance with Clause 8 of this Agreement, or (ii) the Company's exercise of its right of first refusal in accordance with Clause 9.1 of this Agreement shall not be subject to the veto rights of Tiger set out herein;

(b) enter into, or obligate itself to enter into, any related party transaction with an Affiliate of the Company or any Subsidiary of the Company or any employee, officer, director, administrator or shareholder of the Company or any Subsidiary of the Company or any member of such person's immediate family, or any corporation, partnership or other entity in which such person or family member is an officer, director, administrator or partner, or in which such person or family member has ownership or economic interests or otherwise controls such entity; or

(c) alter or change, either by means of amending the Group Entity's constitutional documents or otherwise, the rights, preferences or privileges of Tiger;

6. Matters Requiring Series A Preferred Shareholders Presence and Vote. So long as there are any Series A Preferred Shares outstanding, in addition to any other vote or consent required elsewhere in these Articles or by any applicable statute, matters listed below shall be discussed in the general meeting with the presence of the Series A Preferred Shareholder:

(i) incurrence of any debt, guarantees or liens in excess of RMB5,000,000 in the aggregate (excluding any extension, renewal or refinancing of debt, guarantees or liens outstanding at the Closing (as defined in the Series A Share Purchase Agreement) on comparable or better terms);

(ii) appoint and/or reappoint a corporate auditor or changes in the accounting principles of the Group Entity;

(iii) assignment and/or transfer by any Seller of the Equity Securities of the Company and/or transfer by any Founder of the shares of the Sellers;

(iv) appoint and/or reappoint the chief executive officer or the chief financial officer of the Company; or

(v) any capital expenditures in excess of RMB1 million outside of budget approved by the Board.

7. Conversion Rights. The Series A Preferred Shareholders shall have the following rights described below with respect to the conversion of the Series A Preferred Shares into Common Shares: The number of Common Shares to which the Series A Preferred Shareholders shall be entitled upon conversion of any Series A Preferred Share shall be the quotient of the Original Issue Price over the Conversion Price. For the avoidance of doubt, the initial conversion ratio for Series A Preferred Shares to Common Shares shall be 1:1, subject to adjustments of the Conversion Price as set forth in Clause 7.3 of Schedule A below.

7.1 Optional Conversion.

(i) Subject to and in compliance with the provisions of this Clause 7.1 of Schedule A, (a) any Series A Preferred Shares held by the Existing Holder or its Affiliates may, at the option of such holder, be converted at any time into fully-paid and non-assessable Class A or Class B Common Shares, and (b) any Series A Preferred Shares held by a holder other than the Existing Holder or its Affiliates may, at the option of such holder, be converted at any time into fully-paid and non-assessable Class A Common Shares only, pursuant to Clause 7.1(ii) of Schedule A below. Upon such conversion, all preference rights attached to such Series A Preferred Share shall be automatically terminated.

(ii) The Series A Preferred Shareholder who desires to convert such Series A Preferred Shares into any class of Common Shares shall surrender the certificate therefore, duly endorsed, at the office of the Company or any transfer agent for the Series A Preferred Shares, and shall give written notice to the Company at such office that the Holder has elected to convert such Shares. Such notice shall state the number of Series A Preferred Shares being converted, and the class of Common Shares into which such Preferred Shares shall be converted, if applicable. Thereupon, the Company shall promptly issue and deliver to the Holder at such office a certificate for the number of the applicable class of Common Shares to which such Holder is entitled and shall promptly pay (i) in cash, any declared and unpaid dividends on the Series A Preferred Shares being converted and (ii) in cash, the value of any fractional Common Shares to which the Series A Preferred Shareholder would otherwise be entitled.

SCHEDULE A

Such conversion shall be deemed to have been made at the close of business on the date of the surrender of the certificates representing the Series A Preferred Shares to be converted, and the person entitled to receive the applicable class of Common Shares issuable upon such conversion shall be treated for all purposes as the record holder of such Common Shares on such date.

7.2 Automatic Conversion.

(i) Without any action being required by the holder of such Series A Preferred Shares and whether or not the certificates representing such Series A Preferred Shares are surrendered to the Company or its transfer agent, (a) each Series A Preferred Share held by the Existing Holder or its Affiliates shall automatically be converted into Class B Common Shares and (b) each Series A Preferred Share held by a holder other than the Existing Holder or its Affiliates shall automatically be converted into Class A Common Shares, based on the then-effective Conversion Price, immediately upon the closing of a Qualified Public Offering.

(ii) The Company shall not be obligated to issue certificates for any Common Shares issuable upon the automatic conversion of any Series A Preferred Shares unless the certificate evidencing such Series A Preferred Shares is either delivered as provided below to the Company or any transfer agent for the Series A Preferred Shares, or the Series A Preferred Shareholder notifies the Company or its transfer agent that such certificate has been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificate. The Company shall, as soon as practicable after receipt of certificate for Series A Preferred Shares, or satisfactory agreement for indemnification in the case of a lost certificate, promptly issue and deliver at its office to the Series A Preferred Shareholder thereof a certificate or certificates for the number of Common Shares to which such Series A Preferred Shareholder is entitled and shall promptly pay (i) in cash, any declared and unpaid dividends on the Series A Preferred Shares being converted and (ii) in cash, the value of any fractional Common Shares to which the Series A Preferred Shareholder would otherwise be entitled. Any person entitled to receive Common Shares issuable upon the automatic conversion of the Series A Preferred Shares shall be treated for all purposes as the record holder of such Common Shares on the date of such conversion.

7.3 Conversion Price.

The Conversion Price for the Series A Preferred Shares ("**Conversion Price**") shall initially equal to the Original Issue Price and shall be adjusted from time to time as provided below:

(i) Adjustment for Share Splits and Combinations. If the Company shall at any time, or from time to time, effect a subdivision of the outstanding Common Shares, the Conversion Price in effect immediately prior to such subdivision shall be proportionately decreased. Conversely, if the Company shall at any time, or from time to time, combine the outstanding Common Shares into a smaller number of shares, the Conversion Price in effect immediately prior to the combination shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

(ii) Adjustment for Common Share Dividends and Distributions. If the Company at any time, or from time to time, makes (or fixes a record date for the

determination of holders of Common Shares entitled to receive) a dividend or other distribution to the holders of Common Shares payable in Common Shares, in each such event the Conversion Price then in effect shall be decreased as of the time of such issuance (or in the event such record date is fixed, as of the close of business on such record date) by multiplying the Conversion Price then in effect by a fraction (i) the numerator of which is the total number of Common Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (ii) the denominator of which is the total number of Common Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Common Shares issuable in payment of such dividend or distribution.

(iii) Adjustments for Other Dividends. If the Company at any time, or from time to time, makes (or fixes a record date for the determination of holders of Common Shares entitled to receive) a dividend or other distribution payable in securities of the Company other than Common Shares or Common Shares Equivalents, then, and in each such event, provision shall be made so that, upon conversion of any Series A Preferred Share thereafter, the Series A Preferred Shareholders thereof shall receive, in addition to the number of Common Shares issuable thereon, the amount of securities of the Company which the Series A Preferred Shareholder would have received had the Series A Preferred Share been converted into Common Shares immediately prior to such event, all subject to further adjustment as provided herein.

(iv) Reorganizations, Mergers, Consolidations, Reclassifications, Exchanges, Substitutions. If at any time, or from time to time, any capital reorganization or reclassification of the Common Shares (other than as a result of a share dividend, subdivision, split or combination otherwise treated above) occurs or the Company is consolidated, merged or reorganized with or into another Person (other than a consolidation, merger or reorganization treated in Clause 7.3.1 of Schedule A), then in any such event, provision shall be made so that, upon conversion of any Series A Preferred Share thereafter, the Series A Preferred Shareholder thereof shall receive the kind and amount of shares and other securities and property which the Series A Preferred Shareholder of such share would have received had the Series A Preferred Share been converted into Common Shares on the date of such event, all subject to further adjustment as provided herein, or with respect to such other securities or property, in accordance with any terms applicable thereto.

(v) Sale of Shares below the Conversion Price.

A. *Adjustment of Series A Conversion Price Upon Issuance of Additional Equity Securities.* If at any time, or from time to time, the Company shall issue or sell New Securitas (other than (i) as a subdivision or combination of Common Shares provided for in Clause 7.3(i) of Schedule A above, (ii) as a dividend or other distribution provided for in Clause 5.3(ii) of Schedule A above, (iii) the issuance of Shares under any stock option plan, (iv) the conversion of Preferred Shares into Common Shares, or (v) the issuance of New Securities in a Qualified Public Offering) for a consideration of price per share (the " **Future Issuance Price**") less than the Series A Conversion Price, then, and in each such case, the Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, to equal such Future Issuance Price.

B. *Determination of Consideration*. For the purpose of making any adjustment

in the Conversion Price or number of Common Shares issuable upon conversion of the Series A Preferred Shares, as provided above:

(a) To the extent it consists of cash, the consideration received by the Company for any issue or sale of securities shall be computed at the net amount of cash received by the Company after deduction of any expenses payable directly or indirectly by the Company and any underwriting or similar commissions, compensations, discounts or concessions paid or allowed by the Company in connection with such issue or sale;

(b) To the extent it consists of property other than cash, consideration other than cash received by the Company for any issue or sale of securities shall be computed at the fair market value thereof, as determined in good faith by the Board as of the date of the adoption of the resolution specifically authorizing such issue or sale, irrespective of any accounting treatment of such property; and

(c) If New Securities or Common Share Equivalents exercisable, convertible or exchangeable for New Securities are issued or sold together with other stock or securities or other assets of the Company for consideration which covers both, the consideration received for the New Securities or Common Share Equivalents shall be computed as that portion of the consideration received which is reasonably determined in good faith by the Board to be allocable to such New Securities or Common Share Equivalents.

C. *No Exercise*. If all of the rights to exercise, convert or exchange any Common Share Equivalents shall expire without any of such rights having been exercised, the Series A Conversion Price as adjusted upon the issuance of such Common Share Equivalents shall be readjusted to the Series A Conversion Price which would have been in effect had no adjustment been made.

(vi) Certificate of Adjustment. In the case of any adjustment or readjustment of the Conversion Price, the Company, at its sole expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered Series A Preferred Shareholder at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or deemed to be received by the Company for any New Securities issued or sold or deemed to have been issued or sold, (ii) the number of New Securities issued or sold or deemed to be issued or sold, (iii) the Conversion Price in effect after such adjustment or readjustment, and (iv) the number of Common Shares and the type and amount, if any, of other property which would be received upon conversion of the Series A Preferred Shares after such adjustment or readjustment.

(vii) Notice of Record Date. In the event the Company shall propose to take any action of the type or types requiring an adjustment to the Conversion Price or the number or character of the Series A Preferred Shares as set forth herein, the Company shall give notice to the Series A Preferred Shareholder, which notice shall specify the record date, if any, with respect to any such action and the date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice)

SCHEDULE A

on the Conversion Price and the number, kind or class of shares or other securities or property which shall be deliverable upon the occurrence of such action of deliverable upon the conversion of Series A Preferred Shares. In the case of any action which would require the fixing of a record date, such notice shall be given at least twenty (20) days prior to the date so fixed, and in the case of all other actions, such notice shall be given at least thirty (30) days prior to the taking of such proposed action.

(viii) Fractional Shares. No fractional Common Shares shall be issued upon conversion of any Series A Preferred Share. All Common Shares (including fractions thereof) issuable upon conversion of more than one Series A Preferred Share by the Series A Preferred Shareholder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after such aggregation, the conversion would result in the issuance of any fractional share, the Company shall round this fractional share up to 1 Share.

(ix) Reservation of Shares Issuable Upon Conversion . The Company shall at all times reserve and keep available out of its authorized but un-issued Common Shares, solely for the purpose of effecting the conversion of the Series A Preferred Shares. Such number of its Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred Shares. If at any time the number of authorized but un-issued Common Shares shall not be sufficient to effect the conversion of all then outstanding Series A Preferred Shares, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but un-issued Common Shares to such number of Shares as shall be sufficient for such purpose.

(x) Notices. Any notice required by the provisions of this Clause 7.4 of Schedule A hall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All notices shall be addressed to the Series A Preferred Shareholder of record at the address of the Series A Preferred Shareholder appearing on the books of the Company.

(xi) Payment of Taxes. The Company will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or delivery of Common Shares upon conversion of Series A Preferred Shares, excluding any tax or other charge imposed in connection with any transfer involved in the issuance and delivery of Common Shares in a name other than that in which the Series A Preferred Shares so converted were registered.

8. Redemption Rights.

SCHEDULE A

8.1 Redemption Right. Subject to the terms and conditions of this Agreement and to the extent permitted by applicable laws, at any time and from time to time after December 31, 2011, at the written request for redemption (made on one or more occasions) by the Series A Preferred Shareholder then outstanding, concurrently with surrender by such holder of certificates representing its Series A Preferred Shares, the Company shall redeem all the Series A Preferred Shares as may be requested by such holder.

8.2 Redemption Price. The redemption price per Share at which such redemption shall be made by the Company for the number of Preferred Shares as requested to be redeemed shall be one hundred and eighty percent (180%) of the Original Issue Price. The Company shall pay such amount on each of the Series A Preferred Shares to be redeemed on the redemption date specified in the request of such Preferred Shareholder.

8.3 Unredeemed Shares. If on the date of redemption, the number of Series A Preferred Shares that may then be legally redeemed by the Company is less than the number of Series A Preferred Shares to be redeemed, then any unredeemed preferred shares will be carried forward and redeemed as soon as the Company is legally able to do so. If the Company does not have sufficient cash legally available to redeem all of the Series A Preferred Shares required to be redeemed, the remainder of the unredeemed Series A Preferred Shares will be paid in the form of a one-year note to the Series A Preferred Shareholder bearing an interest of 25% for Series A Preferred Shares.

9. RIGHT OF FIRST REFUSAL, CO-SALE.

9.1 Right of First Refusal

(a) Transfer Notice from Shareholders. If at any time a Common Shareholder or a Series A Preferred Shareholder (a " **Transferor**") proposes to transfer Equity Securities to one or more third parties pursuant to an understanding with such third parties (the " **Transfer**"), then, the Transferor shall give each of the other non-selling Shareholders (the " **Non-Selling Shareholders**") and the Company written notice of the Transferor's intention to make the Transfer (the "**Transfer Notice**"), provided, however, that the Transferor shall only give such Transfer Notice to each of the Common Shareholders if the Transferor is a Series A Preferred Shareholder which shall include (i) a description of the Equity Securities to be transferred ("**Shares Offered by Shareholder**"), (ii) the identity of the prospective transferee; and (iii) the consideration and the material terms and conditions upon which the proposed Transfer is to be made. The Transfer Notice shall be evidence that the Transferor has received a firm offer from the prospective transferee and in good faith believes a binding agreement for the Transfer is obtainable on the terms set forth in the Transfer Notice. The Transfer Notice shall also include a copy of any written proposal, term sheet or letter of intent or other agreement relating to the proposed Transfer.

(b) Non-Selling Shareholders' Rights of First Refusal .

(i) The Non-Selling Shareholders shall have an option for a period of thirty (30) days from its receipt of the Transfer Notice to elect to purchase its respective pro rata shares of the Shares Offered by Shareholder at the same price and subject to the same material terms and conditions as described in the Transfer Notice, provided, however that the Sellers shall have such option provided herein for a period of fifteen (15) days.

(ii) The Non-Selling Shareholders may exercise such purchase option and, thereby, purchase all or any portion of its pro rata share of the Shares Offered by Shareholder, by notifying Transferor in writing, before expiration of the

applicable period as provided above as to the number of shares which it wishes to purchase.

(iii) The Non-Selling Shareholder's pro rata share of the Shares Offered by Shareholder shall be a fraction, of which the numerator shall be the number of Equity Securities owned by such Non-Selling Shareholder on the date of the Transfer Notice, and the denominator shall be the total number of Equity Securities held by all the Non-Selling Shareholders on the date of the Transfer Notice.

(iv) Each of the Non-Selling Shareholders shall be entitled to apportion its pro rata share of the Shares Offered by Shareholder among its partners and Affiliates, provided that such Non-Selling Shareholder notifies the Transferor of such allocation.

(v) If any of the Non-Selling Shareholder gives the Transferor notice that it desires to purchase its pro rata share of the Shares Offered by Shareholder (the "**Participating Shareholder**"), then payment for the Shares Offered by Shareholder shall be by check or wire transfer, against delivery of the Shares Offered by Shareholder to be purchased at a place agreed by the parties and at the time of the scheduled closing therefor, which shall be no later than the latest of (i) thirty (30) business days after the Non-Selling Shareholder's receipt of the Transfer Notice, (ii) the closing date contemplated in the Transfer Notice, and (iii) the date on which the value of the purchase price is established pursuant to Clauses 9.1(d) of Schedule A.

(vi) In the event any Non-Selling Shareholder elects not to purchase its full pro rata share of the Shares Offered by Shareholder available pursuant to its option under Clause 9.1(b) of Schedule A within the time period set forth therein, then the Transferor shall promptly, but in any event within five (5) days, give written notice (the "**Over-allotment Notice**") to each Participating Shareholder that has elected to purchase all of its pro rata share of the Shares Offered by Shareholder (each a "**Fully Participating Shareholder**"), which notice shall set forth the number of the Shares Offered by Shareholder not purchased by the other Non-Selling Shareholders (the "**Over-allotment Shares**"), and shall offer the Fully Participating Shareholders the right to acquire the Over-allotment Shares. Each Fully Participating Shareholder shall have five (5) days after receipt of the Over-allotment Notice to deliver a written notice to the Transferor of its election to purchase its pro rata share of the Over-allotment Shares on the same terms and conditions as set forth in the Transfer Notice and indicating the maximum number of the Over-allotment Shares that it will purchase in the event that any other Fully Participating Shareholder elects not to purchase its pro rata share of the Over-allotment Shares. For purposes of this Clause 9.1(b) of Schedule A, each Fully Participating Shareholder's pro rata share of the Over-allotment Shares shall be a fraction, of which the numerator shall be the number of Equity Securities owned by such Fully Participating Shareholder on the date of the Transfer Notice, and the denominator shall be the total number of Equity Securities held by all the Fully Participating Shareholder on the date of the Transfer Notice.

(vii) If the Non-Selling Shareholders fail to purchase any or all of the Shares Offered by Shareholder by exercising the option granted in this Clause 9.1(b) of Schedule A within the period provided, the remaining Shares Offered by Shareholder shall be subject to the options granted to the Company pursuant to Clause 9.1(c) of Schedule A.

This Clause 9.1(b) shall be subject to Section 6.6 of the Purchase Agreement.

SCHEDULE A

(c) The Company's Right of Refusal.

Subject to the Non-Selling Shareholders' option as set forth in Clause 9.1(b), if at any time the Transferor propose a Transfer, within five (5) days after the Non-Selling Shareholders have declined to purchase all, or a portion, of the Shares Offered by Shareholder or the Non-Selling Shareholders' option to so purchase the Shares Offered by Shareholder has expired, the Transferor shall give the Company an additional transfer notice ("**Additional Transfer Notice**") that shall include all of the information and certifications required in a Transfer Notice and shall additionally identify the Shares Offered by Shareholder that the Non-Selling Shareholders have declined to purchase (the " **Remaining Shares**") and briefly describe the Company's rights of refusal with respect to the proposed Transfer. The Company shall have an option for a period of ten (10) days from its receipt of the Additional Transfer Notice to elect to purchase the Remaining Shares at the same price and subject to the same material terms and conditions as described in the Additional Transfer Notice, subject to compliance with the Companies Law of the Cayman Islands. The Company may exercise such purchase option and purchase all or any portion of the Remaining Shares by notifying the Transferor in writing before expiration of such ten (10) day period as to the number of such shares that it wishes to purchase. If the Company gives the Transferor notice that it desires to purchase such shares, then payment for the Remaining Shares to be purchased shall be made by check or wire transfer, against delivery of the Remaining Shares to be purchased at a place agreed upon between the Company and the Transferor and at the time of the scheduled closing therefor, which shall be no later than the latest of (i) thirty (30) business days after the Company's receipt of the Additional Transfer Notice, (ii) the closing date contemplated in the Additional Transfer Notice, and (iii) the date on which the value of the purchase price is established pursuant to Clause 9.1(d) of Schedule A.

(d) Valuation of Property.

(i) Should the purchase price specified in the Transfer Notice be payable in property other than cash or evidences of indebtedness, the Company or the Non-Selling Shareholder, as the case may be, shall have the right to pay the purchase price in the form of cash equal in amount to the value of such property.

(ii) If the Transferor and the Company (or the relevant Non-Selling Shareholder, as the case may be) fail to agree on such cash value within ten (10) days after the Company's (or such Non-Selling Shareholder') receipt of the Transfer Notice, the valuation shall be made by an appraiser of recognized standing selected by the Transferor and the Company (or the Non-Selling Shareholder, as the case may be) or, if they fail to agree on an appraiser within twenty (20) days after the receipt of the Transfer Notice, each shall select an appraiser of recognized standing and the two appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of such value.

(iii) The cost of such appraisal shall be shared equally by the Transferor and the Company (or the relevant Non-Selling Shareholder(s), as the case may be, in which case, with the half of the cost to be borne pro rata by each of such Non-Selling Shareholders based on the number of shares to be purchased pursuant to this Clause 9 of Schedule A.

(iv) If the closing time for the Company's (or the Non-Selling Shareholder's) purchase as provided in Clause 9.1(b) or (c) of Schedule A above has expired but for the determination of the value of the purchase price offered by the prospective transferee, such closing shall be held on or prior to the fifth

business day after such valuation shall have been made pursuant to this sub-Section.

9.2 Right of Co-Sale.

(a) To the extent the Company and the Non-Selling Shareholders do not exercise their respective rights of first refusal as to all of the Shares Offered by a Shareholder pursuant to Clause 9.1 of Schedule A, the Series A Preferred Shareholder and Tiger (each a "**Co-Sale Participant**") which notifies the Transferor in writing within fifty (50) days after receipt of the Transfer Notice referred to in Clause 9.1(a) of Schedule A, shall have the right to participate in such sale of Equity Securities on the same terms and conditions as specified in the Transfer Notice. Notwithstanding anything to the contrary provided herein, Tiger shall be entitled to the right of co-sale as endowed by this Clause 9.2 of Schedule A to the extent that the Transferor is any of the Founders and/or Sellers.

(b) Number of Equity Securities for Co-sale.

Each Co-Sale Participant may elect to sell up to such number of Equity Securities equal to (on a fully converted basis) the product of (i) the aggregate number of Shares Offered by Shareholder covered by the Transfer Notice that have not been subscribed for pursuant to this Clause 9 of Schedule A; by (ii) a fraction, the numerator of which is the number of Equity Securities owned by such Co-Sale Participant on the date of the Transfer Notice and the denominator of which is the total number of Equity Securities owned by the Transferor and the Co-Sale Participants on the date of the Transfer Notice.

(c) The Co-Sale Participant shall effect its participation in the sale by promptly delivering to the Transferor for transfer to the prospective transferee one or more certificates, properly endorsed for transfer, which represent the type and number of Equity Securities which the Co-Sale Participant elects to sell; provided, however that if the prospective transferee objects to the delivery of Equity Securities in lieu of Common Shares, the Co-Sale Participant shall convert such Equity Securities into Common Shares and deliver certificates corresponding to such Common Shares. The Company agrees to make any such conversion concurrent with the actual transfer of such shares to the purchaser and contingent on such transfer.

(d) The share certificate or certificates that a Co-Sale Participant delivers to the Transferor pursuant to Clause 9.2(c) of Schedule A shall be transferred to the prospective transferee in consummation of the sale of the Equity Securities pursuant to the terms and conditions specified in the Transfer Notice, and the Transferor shall concurrently therewith remit to such Co-Sale Participant that portion of the sale proceeds to which such Co-Sale Participant is entitled by reason of its participation in such sale.

(e) To the extent that any prospective transferee prohibits the participation of a Co-Sale Participant exercising its co-sale rights hereunder in a proposed Transfer or otherwise refuses to purchase shares or other securities from a Co-Sale Participant exercising its co-sale rights hereunder, the Transferor shall not sell to such prospective transferee any Equity Securities unless and until, simultaneously with such sale, the Transferor shall purchase such shares or other securities from such Co-Sale Participant for the same consideration and on the same terms and conditions described in the Transfer Notice.

9.3 Non-exercise of Rights.

To the extent that the Company and the Non-Selling Shareholders have not exercised their rights to purchase the Shares Offered by Shareholder, the Remaining Shares or the Over-allotment Shares within the time periods specified in Clause 9.1 of Schedule A and the Series A Preferred Shareholder and Tiger have not exercised their rights to participate in the sale of the Equity

SCHEDULE A

Securities pursuant to and within the time periods specified in Clause 9.2 of Schedule A, the Transferor shall have a period of thirty (30) days from the expiration of such rights to sell the Shares Offered by Shareholder, the Remaining Shares or the Over-allotment Shares, as the case may be, upon terms and conditions (including the purchase price) no more favorable than those specified in the Transfer Notice to the third party prospective transferee(s) identified in the Transfer Notice. In the event such Transferor does not consummate the sale or disposition of the Shares Offered by Shareholder, the Remaining Shares and the Over-allotment Shares within the applicable time period from the expiration of these rights, the Company's first refusal rights and the Non-Selling Shareholders' first refusal rights and co-sale rights shall continue to be applicable to any subsequent disposition of the Shares Offered by Shareholder or the Remaining Shares by the Transferor until such right lapses in accordance with the terms of these Articles. Furthermore, the exercise or non-exercise of the rights of the Non-Selling Shareholders under this Clause 9.3 of Schedule A shall not adversely affect their rights to make subsequent purchases or sales hereunder.

9.4 Limitation to and the Termination of the Rights of First Refusal and Co-Sale.

(a) Notwithstanding the provisions of Clause 9.1, Clause 9.2, Clause 9.3 and Clause 9.4, a Transferor may sell or otherwise assign, with or without consideration, Shares to any spouse or member of such Transferor's immediate family, or to a custodian, trustee, executor, or other fiduciary for the account of the Transferor's spouse or members of the Transferor's immediate family, or to a trust for the Transferors' own self, or a charitable remainder trust, provided that each such transferee or assignee, prior to the completion of the sale, transfer, or assignment, shall have agreed in writing to be bound by provisions in these Articles.

(b) The rights of first refusal and co-sale rights provided under this Clause 9 shall be terminated immediately prior to the closing of a Qualified Public Offering.

10. PREEMPTIVE RIGHTS

10.1 Right of First Offer. Subject to the terms and conditions specified in this Clause 10.4 of Schedule A, each time the Company proposes to issue any New Securities, the Company shall first offer such New Securities to each Series A Preferred Shareholder and Tiger in a written notice (an " **Issuance Notice**") setting forth (i) a description of the New Securities to be issued, including the rights and powers associated therewith, (ii) the number of such New Securities to be offered, and (iii) the price and terms upon which it proposes to offer the New Securities.

10.2 Exercise of Preemptive Rights. By written notification received by the Company within twenty-one (21) calendar days after delivery of the Issuance Notice to a Series A Preferred Shareholder and Tiger, such Series A Preferred Shareholder and Tiger may elect to purchase, at the price and on the terms specified in the Issuance Notice, up to such portion of the New Securities offered as equal to the proportion to the number of Common Shares (including shares of Common Shares issuable upon conversion, exchange or exercise of Common Shares Equivalents) then held by such Series A Preferred Shareholder or Tiger, as the case may be, bears to the total number of shares of Common Shares then outstanding (determined on a fully-diluted basis, assuming the exercise, conversion or exchange of any Common Shares Equivalents). The Company shall promptly, in writing, inform the Series A Preferred Shareholder and Tiger that elect to purchase all the New Securities available to it pursuant to this Clause 10.2 (a "**Fully-Exercising Shareholder**") of any other Series A Preferred Shareholder's or Tiger's failure to do likewise. During the ten (10) day period commencing after such information is given, the Fully-Exercising Shareholder may elect to purchase a pro rata share of any New Securities unsubscribed by the Series A Preferred Shareholder or Tiger, pursuant to its rights hereunder, that is equal to the proportion that the number of Common Shares (including shares of Common Shares issuable upon conversion, exchange or exercise of Common Share Equivalents) then held by the Fully-Exercising Shareholder bears to the total number of Common Shares then

outstanding (determined on a fully-diluted basis, assuming the exercise, conversion or exchange of any Common Shares Equivalents).

10.3 Issuance of Unsubscribed New Securities. Upon expiration of the period described in Clause 10.2, unsubscribed New Securities may be offered by the Company during the one hundred and twenty (120) day period thereafter to any person or persons at a price not less, and upon terms no more favourable to the offeree, than specified in the Issuance Notice. If the Company does not enter into an agreement for the sale of the unsubscribed New Securities within such 120-day period, or if such agreement is not consummated within forty-five (45) days of the execution thereof, the preemptive rights of the Series A Preferred Shareholder and Tiger under this Clause 10.2 shall be deemed revived and such unsubscribed New Shares shall not be offered unless first re-offered to the Series A Preferred Shareholder and Tiger in accordance herewith.

10.4 Exempted Issuance. Notwithstanding anything to the contrary provided herein, the preemptive rights described in this Clause 10 of Schedule A shall not apply to (i) the issuance of Equity Securities for the exercise of option of follow-on investments by Tiger, (ii) the issuance of Equity Securities in a Qualified Public Offering, (iii) the issuance by the Company of Common Shares (or options therefor) to employees, officers, directors or consultants of the Company pursuant to a stock option plan or other share option plans or other stock incentive arrangements approved by the Board of the Company, (iv) the issuance of Equity Securities in connection with a bona fide business acquisition of or by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, as a result of which the shareholders of the Company immediately after such merger, sale or consolidation will not hold securities representing a majority of the voting power of the outstanding securities of the surviving or resulting entity, provided that such issuance has obtained required approvals and consents pursuant to Clause 10 hereof; (v) Common Shares issued in connection with any share split or stock dividend, reclassification or the like; or (vi) the issuance of Equity Securities pursuant to the conversion, exchange or exercise of any warrant, option, right, or convertible or exchangeable instrument.

10.5 Assignment. The rights of each of Series A Preferred Shareholder and Tiger under this Clause 10 shall only be assigned (i) to each other, (ii) to an Affiliate of such Series A Preferred Shareholder or Tiger (as the case may be) which acquires any of the Equity Securities thereof (provided that such Affiliate agrees in writing to be bound by the provisions hereof), or (ii) to an assignee or transferee who acquires all of the Equity Securities held by the Series A Preferred Shareholder or Tiger (as the case may be) (provided that such assignee or transferee agrees in writing to be bound by the provisions hereof). Tiger shall be entitled to apportion the right of first offer hereby granted it among itself and its members, partners and Affiliates in such proportions as it deems appropriate.

10.6 Granted Rights. Series A Preferred Shareholder shall be granted any preemptive rights and registration rights granted to any subsequent purchasers of the New Securities of the Company to the extent that such subsequent rights are superior to those granted rights hereof.

10.7 Termination. The rights of the Series A Preferred Shareholder, and the obligations of the Company, under this Clause 10 of Schedule A shall terminate immediately prior to the closing of a Qualified Public Offering.

11. TAG ALONG RIGHTS

11.1 Tag Along Rights. Without prejudice to any right and privilege of Series A Preferred Shareholder and Tiger provided under Clause 9.2 of Schedule A, if at any time the majority of Sellers propose to, by the way of assignment or transfer, transfer Equity Securities or any Common Shareholder(s) proposes to transfer or assign Equity Securities representing 50% or more voting power in the Company to one or more third parties (" **Selling Shareholders**", each a "**Selling Shareholders**") pursuant to an understanding with such third parties in bona fide and good faith,

and based on a pre-money valuation of the Company which is at least USD 250 million, such Selling Shareholder shall give each of the Series A Preferred Shareholders and Tiger the Company written notice of its intention to make the transfer, which shall include (i) a description of the Equity Securities to be transferred, (ii) the identity of the prospective transferee of the Common Shares, and (iii) the consideration and the material terms and conditions upon which such Common Shares are to be transferred or assigned, and attached with a copy of any written proposal, term sheet or letter of intent or other agreement relating to the proposed transfer. The Transfer Notice shall be evidence that such Selling Shareholder has received a firm offer from the prospective transferee and in good faith believes that a binding agreement for the transfer is obtainable on the terms set forth in the notice.

11.2 Option to Transfer the Shares of the Remaining Shareholders. Upon the receipt of the written notice of the Selling Shareholder pursuant to Clause 11.1 above, Series A Preferred Shareholder and Tiger shall have the option to require their Shares of the Company to be sold to the transferee on the same terms and conditions as set forth in such written notice. To exercise the option, the Series A Preferred Shareholder and Tiger shall give the Selling Shareholders of the Company and the Company written notice to such effect. Upon the receipt of such notice, the Selling Shareholders shall have the obligation to sell the respective shares of the Series A Preferred Shareholder and Tiger on the same terms and conditions with the sale of the Common Shares of the Company.

11.3 Termination of the Rights of Tag Along Right. The right of tag along provided under this Clause 11 of Schedule A shall be terminated immediately prior to the closing of a Qualified Public Offering.

12. INFORMATION AND INSPECTION RIGHTS

12.1 Delivery of Financial Statements. The Company shall deliver to each of the Series A Preferred Shareholders and Tiger:

(i) within ninety (90) days after the end of each fiscal year of the Company, annual consolidated financial statements of the Company for such fiscal year, all prepared in accordance with US GAAP (or other standard acceptable to the Series A Preferred Shareholders and Tiger), and audited and certified by independent certified public accountants of recognized international standing and reputation selected by the Company and approved by the Board;

(ii) within thirty (30) days of the end of each quarter, unaudited consolidated financial statements for such quarter for the Company; and

(iii) at least forty (45) days prior to the end of each fiscal year, an annual consolidated budget for the succeeding fiscal year, including without limitation, for each month during such succeeding fiscal year projected balance sheets, income statements and statements of cash flows.

12.2 Financial Statements. For the purpose of this Clause 12.2 of Schedule A, the term "financial statements" shall be construed to include a balance sheet, statement of earnings, stockholders equity and cash flows for the applicable period, prepared in accordance with US GAAP (or other standard acceptable to the Series A Preferred Shareholders and Tiger) and compared against the Company's annual operating plan and budget.

12.3 Inspection. The Company shall permit each of the Series A Preferred Shareholders and Tiger, as the same as any other Shareholders, to visit and inspect the properties and examine the books of account and records as deemed by the Series A Preferred Shareholders and/or Tiger to be material to the Company's performance and outlook of the Company and discuss the affairs, finances and accounts of the Company with the directors, officers, employees, accountants, legal counsel and

investment bankers of the Company, all at such reasonable times as notified by the Series A Preferred Shareholders and/or Tiger.

12.4 Termination of Information and Inspection Covenants. The covenants set forth in Clause 12.1, 12.2 and 12.3 of Schedule A shall terminate as to any Series A Preferred Shareholders and Tiger and be of no further force or effect upon the earlier of (i) immediately prior to the closing of a Qualified Public Offering, (ii) the date when the Company first becomes subject to the periodic reporting requirements of Sections 12(g) or 15(d) of the Exchange Act (or comparable requirements under the laws of another jurisdiction), and (iii) such date as the Series A Preferred Shareholders do not hold any Series A Preferred Shares in the Company or Tiger does not hold any Common Shares in the Company (as the case may be).

12.5 Assignment. The rights of any Series A Preferred Shareholder and Tiger under this Clause 12.5 of Schedule A shall only be assigned (i) among themselves, (ii) to an Affiliate which acquires any of the Equity Securities thereof, or (iii) to an assignee or transferee who acquires any of the Equity Securities thereof .

SCHEDULE A

Name of Company:
TAL EDUCATION GROUP

Exhibit 4.1

Number:

Share(s):_____

Issued to:
[name of shareholder]

Dated

Transferred from:

TAL EDUCATION GROUP

Number Share(s)

Incorporated under the laws of the Cayman Islands
Share capital is **US$[ ]** divided into **[ ] Class A Common Shares** of **US$0.001** each and
[ ] Class B Common Shares of **US$0.001** each

THIS IS TO CERTIFY THAT **[name of shareholder]** is the registered holder of **[no. of share]** Share(s) in the above-named Company subject to the Memorandum and Articles of Association thereof.

GIVEN UNDER the common seal of the said Company on

THE COMMON SEAL of the said Company was hereunto affixed in the presence of:

DIRECTOR _____

TRANSFER

I (the Transferor) for the value received

DO HEREBY transfer to (the Transferee) the

shares standing in my name in the

undertaking called **TAL EDUCATION GROUP**

To hold the same unto the Transferee

Dated

Signed by the Transferor

in the presence of:

_____ _____

Witness Transferor

Exhibit 4.4

AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT

Dated this 12th Day of August 2009

by and among

Xueersi International Education Group,
BRIGHT UNISON LIMITED,
CENTRAL GLORY INVESTMENTS LIMITED,
PERFECT WISDOM INTERNATIONAL LIMITED,
EXCELLENT NEW LIMITED,
KTB/UCI China Ventures II Limited,

TIGER GLOBAL FIVE CHINA HOLDINGS

and

CERTAIN ADDITIONAL PARTIES NAME HEREIN

SHAREHOLDERS' AGREEMENT
TABLE OF CONTENTS

1.	DEFINITIONS AND INTERPRETATION	**3**
1.1	DEFINITIONS.	**3**
1.2	INTERPRETATION.	**8**
2.	ORIGINAL SHAREHOLDERS' AGREEMENT	**8**
3.	DIVIDEND RIGHTS	**9**
4.	BOARD SIZE AND COMPOSITION.	**9**
5.	PROTECTIVE PROVISIONS	**9**
6.	CONVERSION RIGHTS.	**11**
7.	LIQUIDATION RIGHTS	**16**
8.	INFORMATION AND INSPECTION RIGHTS	**16**
9.	TAG ALONG RIGHTS	**17**
10.	PREEMPTIVE RIGHTS	**18**
11.	RIGHT OF FIRST REFUSAL, CO-SALE	**19**
12.	REGISTRATION RIGHTS	**24**
13.	REDEMPTION RIGHT	**33**
14.	SHARE PREFERENCES; DOCUMNENT RELATIONS	**33**
15.	NOTICE	**34**
16.	MISCELLANEOUS	**34**

SCHEDULE 1 PARTICULARS OF THE COMPANY AS AT THE DATE OF THIS AGREEMENT

AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT

THIS AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT (this "**Agreement**") is made on August 12, 2009 by and among the following parties:

(1) **Xueersi International Education Group** (学而思国际教育集团), a company organized under the laws of Cayman Islands (the "**Company**");

(2) **TAL Group Limited**, a company organized under the laws of Hong Kong (the "**HK Company**");

(3) **TAL Education Technology (Beijing) Co., Ltd.** (泰阿尔教育科技(北京)有限公司), a wholly foreign-owned enterprise organized under the laws of the PRC (the "**WFOE**");

(4) **Beijing Xueersi Education Technology Co., Ltd.** (北京学而思教育科技有限公司), a company organized under the laws of the PRC ("**Xueersi Education**");

(5) **Beijing Xueersi Network Technology Co., Ltd.** (北京学而思网络科技有限公司), a company organized under the laws of the PRC ("**Xueersi Technology**", together with Xueersi Education, "**Domestic Companies**");

Unless the context requires or provides otherwise, the Company, HK Company, the WFOE, the Domestic Companies and their Subsidiaries (including schools and company branches under direct or indirect control thereof) are hereinafter collectively referred to as " **Group Entities**", and each a "**Group Entity**".

(6) **BRIGHT UNISON LIMITED**, a company organized under the laws of BRITISH VIRGIN ISLAND;

(7) **CENTRAL GLORY INVESTMENTS LIMITED**, a company organized under the laws of BRITISH VIRGIN ISLAND;

(8) **PERFECT WISDOM INTERNATIONAL LIMITED**, a company organized under the laws of BRITISH VIRGIN ISLAND;

(9) **EXCELLENT NEW LIMITED** a company organized under the laws of BRITISH VIRGIN ISLAND;

Unless the context requires or provides otherwise, BRIGHT UNISON LIMITED, CENTRAL GLORY INVESTMENTS LIMITED, PERFECT WISDOM INTERNATIONAL LIMITED and EXCELLENT NEW LIMITED are hereinafter collectively referred to as the " **Sellers**", and each a "**Seller**".

(10) **ZHANG Bangxin**, a Chinese resident, with its PRC ID number of 321182198010012913 (" **Zhang**");

(11) **CAO Yundong**, a Chinese resident, with its PRC ID number of 372831197910205618 (" **Cao**");

(12) **LIU Yachao**, a Chinese resident, with its PRC ID number of 211103198110152138 ("**Liu**");

(13) **BAI Yunfeng**, a Chinese resident, with its PRC ID number of 360521198109240073 ("**Bai**");

Unless the context requires or provides otherwise, Zhang, Cao, Liu and Bai are hereinafter collectively referred to as the "**Founders**", and each a "**Founder**".

(14) **KTB/UCI China Ventures II Limited**, a limited liability company with its BVI Company Number: 1039743 and registered address at Portcullis TrustNet (BVI) Limited of Portcullis TrustNet Chambers, PO Box 3444, Road Town, Tortola, British Virgin Islands ("**KTB**" or "**Series A Preferred Shareholder**"); and

(15) **TIGER GLOBAL FIVE CHINA HOLDINGS** , a company organized under the laws of Mauritius ("**Tiger**").

The Company, the HK Company, the WFOE, the Domestic Companies, the Sellers, the Series A Preferred Shareholders and Tiger may hereinafter, as appropriate, collectively be referred to as the "**Parties"** and individually referred to as a "**Party**".

WHEREAS:

(1) The Company is a company incorporated under the laws of the Cayman Islands, the particulars of which as at the date hereof are set out in **Schedule 1** hereof;

(2) On February 12, 2009, the Company, Series A Preferred Shareholder, Founders, and certain relevant parties entered into a shareholders' agreement (the "**Original Shareholders' Agreement**");

(3) On May 18, 2009, each of Zhang Bangxin, Cao Yundong, Liu Yachao and Bai Yunfeng entered into a Sale of Shares with BRIGHT UNISON LIMITED, CENTRAL GLORY INVESTMENTS LIMITED, PERFECT WISDOM INTERNATIONAL LIMITED and EXCELLENT NEW LIMITED, respectively, pursuant to which Sellers purchased all the shares held by the Founders in the Company and assumed all the right and obligations of Founders in the Company;

(4) On August 12, 2009, the Company, the Sellers, KTB CHINA OPTIMUM FUND, Tiger and certain other parties entered into a share purchase agreement, pursuant to which Tiger purchased certain number of Common Shares of the Company from the Sellers and KTB CHINA OPTIMUM FUND was granted an option to purchase certain number of Common Shares from the Sellers on a date no later than September 4, 2009 (the "**Purchase Agreement**");

(5) To induce KTB CHINA OPTIMUM FUND and Tiger to enter into the Purchase Agreement and pursuant to Section 2.7 thereof, the Company, the Sellers, the Series A Preferred Shareholder and Tiger hereby agree that this Agreement shall restate and amend the Original Shareholders' Agreement, and govern certain shareholder rights and other relevant matters as set out in this Agreement.

NOW, THEREFORE, in consideration of the premises set forth above, the mutual promises and covenants set forth herein and other good and valuable consideration, the Parties hereto hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions.

"Additional Transfer Notice"	has the meaning set forth in Section 11.1(c);
"**Affiliate**"	means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including, without limitation, any partner, officer, director, member or employee of such Person and any venture capital fund now or hereafter existing that is controlled by or under common control with one or more general partners or managing members of, or shares the same management company with, such Person;
"**Agreement**"	has the meaning set forth in the introductory paragraph;
"**Applicable Securities Law**"	means (i) with respect to any offering of securities in the United States of America, the securities law of the United States, as amended from time to time, including the Exchange Act and the Securities Act, and any applicable law of any state of the United States of America, and (ii) with respect to any offering of securities in any jurisdiction other than the United States of America, the applicable laws of that jurisdiction;
"**Articles**"	means the Articles of Association of the Company, as amended from time to time;
"**Board**"	means the board of directors for the time being of the Company;
"**Business Day**"	means any day, other than a Saturday, Sunday or other day on which the commercial banks in Hong Kong and Beijing are authorized or required to be closed for the conduct of regular banking business;
"**Closing**"	has the meaning set forth in the Series A Share Purchase Agreement;
"**Commission**"	means (i) with respect to any offering of securities in the United States of America, the Securities and Exchange Commission of the United States or any other federal agency at the time administering the Securities Act, and (ii) with respect to any offering of securities in a jurisdiction other than the United States, the regulatory body of the jurisdiction with authority to supervise and regulate the sale of securities in that jurisdiction;
"**Common Shares**"	means the Common Shares of the Company with par value of US$0.001 per share;

"**Common Share Equivalents**"	means warrants, options and rights exercisable for Common Shares and instruments convertible or exchangeable for Common Shares;
"**Company**"	has the meaning set forth in the introductory paragraph (1);
"**Conversion Price**" or "**Applicable Conversion Price**"	has the meaning set forth in Section 6.3;
"**Co-sale Participant**"	has the meaning set forth in Section 11.2(a);
"**Domestic Companies**"	has the meaning set forth in the introductory paragraph (5);
"**Equity Securities**"	means any Common Shares or Common Share Equivalents;
"**Exchange Act**"	means United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;
"**Founders**"	has the meaning set forth in Section the introductory paragraph (13);
"**Fully-Exercising Shareholder**"	has the meaning set forth in Section 10.2;
"**Fully Participating Shareholder**"	has the meaning set forth in Section 11.1(b);
"**Future Issuance Price**"	has the meaning set forth in Section 6.3(5)(a);
"**Group Entities**"	has the meaning set forth in the introductory paragraph (5);
"**Holders**"	means Tiger, KTB or any person to whom the shares of the Company held by any of them is transferred;
"**Hong Kong**"	means the Hong Kong Special Administrative Region of the PRC;
"**HK Company**"	has the meaning set forth in the introductory paragraph (2);
"**HKIAC**"	has the meaning set forth in Section 16.8(c);
"**Initiating Holders**"	has the meaning set forth in Section 12.1(1);
"**IPO**"	means an initial public offering by the Company of its Common Shares on a public stock exchange of the United States that has been registered under the Securities Act, or in a similar public offering of Common Shares in a jurisdiction and on a recognized securities exchange outside of the United States, provided such an initial public offering in terms of price, offering proceeds and regulatory approval is reasonably equivalent to the aforesaid public offering in the United States.

"**Issuance Notice**"	has the meaning set forth in Section 10.1;
"**KTB**"	has the meaning set forth in the introductory paragraph (14);
"**Liquidation Event**"	has the meaning set forth in Section 7.1;
"**New Common Director**"	has the meaning set forth in Section 4(b);
"**New Common Shares**"	means the Common Shares acquired by Tiger and KTB CHINA OPTIMUM FUND, if any, from the Sellers pursuant to the Purchase Agreement;
"**New Securities**"	means any Equity Securities of the Company; provided that the term "New Securities" does not include (i) securities issued upon conversion of the Preferred Shares; (ii) securities issued to employees, professional consultants, officers or directors of the Company pursuant to any stock option, stock purchase or stock bonus plan, agreement or arrangement approved by the Board; (iii) securities issued in a Qualified Public Offering; (iv) securities issued in connection with any stock split, stock dividend or re-capitalization of the Company; and (v) securities issued upon the exercise of that certain set forth in Section 6.6 of the Purchase Agreement;
"**Non-selling Shareholder**"	has the meaning as set forth in Section 11.1(a);
"**Original Issue Price**"	means US$1.00 for each Series A Preferred Share, or the aggregate amount of issue price based on such price per share;
"**Original Shareholders' Agreement**"	has the meaning set forth in Recital (2);
"**Over-allotment Notice**"	has the meaning set forth in Section 11.1(b);
"**Over-allotment Shares**"	has the meaning set forth in Section 11.1(b);
"**Participating Shareholders**"	has the meaning set forth in Section 11.1(b);
"**Person**"	means any individual, person corporate, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or enterprise or entity;
"**PRC**"	means the People's Republic of China, for the purpose of this Agreement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
"**Preferred Shareholders**"	means all of Series A Preferred Shareholder;
"**Purchase Agreement**"	has the meaning set forth in Recital(3);

"**Qualified Public Offering**" or "**Qualified IPO**"	means an initial public offering by the Company of its Common Shares on a public stock exchange of the United States that has been registered under the Securities Act, with the net proceeds to the Company of at least US$50,000,000 (excluding the underwriting discounts, selling commissions and expenses) and an implied market capitalization of the Company of at least US$300,000,000 or in a similar public offering of Common Shares in a jurisdiction and on a recognized securities exchange outside of the United States, provided such initial public offering in terms of price, offering proceeds and regulatory approval is reasonably equivalent to the aforesaid public offering in the United States;
"**Registration**" or "**Registrations**"	means a registration or the registrations effected by preparing and filing a Registration Statement and the declaration or ordering of the effectiveness of that Registration Statement;
"**Registrable Securities**"	means any (i) Series A Preferred Shares and New Common Shares (ii) any shares issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the shares referenced in (i) above, excluding in all cases, however, any Registrable Securities sold by a person in a transaction in which his, her or its rights under Section 12 of this Agreement are not assigned;
"**Remaining Shares**"	has the meaning set forth in Section 11.1(c);
"**Restructuring**"	has the meaning set forth in Section 5.1(a);
"**Rule 144**"	means Rule 144 promulgated under the United States Securities Act of 1933, as such rule may be amended from time to time, or any successor or substitute rule, law or provision;
"**Securities Act**"	means the United States Securities Act of 1933, as amended and the rules and regulations promulgated thereunder;
"Sellers"	has the meaning set forth in Section the introductory paragraph (9);
"**Selling Expenses**"	means all underwriting discounts and selling commissions applicable to the sale of Registrable Securities pursuant to this Agreement;
"**Selling Shareholders**"	has the meaning set forth in Section 9.1;
"**Series A Preferred Shares**" or "**Preferred Shares**"	means the Company's voting Series A Preferred Shares, with

	par value of US$0.001 each with the rights and privileges as set forth in this Agreement and the Articles;
"**Series A Preferred Shareholders**"	has the meaning set forth in the introductory paragraph (10);
"**Series A Share Purchase Agreement**"	means the certain share purchase agreement dated February 12, 2009 by and among the same parties to the Original Shareholders' Agreement in connection with the subscription of Series A Preferred Shares by KTB.
"**Share**"	means a share or, where applicable, Share Equivalent (on as-converted basis) in the share capital of the Company (of whatever class);
"**Share Offered by Shareholder**"	has the meaning set forth in Section 11.1(a);
"**Shareholder**"	means a holder of Shares from time to time or its lawful successor;
"**Subsidiary(ies)**" or "**subsidiary**"	means as of the relevant date of determination, with respect to any Person (the "**subject entity**"), (i) any Person: (1) more than 50% of whose shares or other interests entitled to vote in the election of directors or (2) more than a fifty percent (50%) interest in the profits or capital of such Person are owned or controlled directly or indirectly by the subject entity or through one (1) or more Subsidiaries of the subject entity, (ii) any Person whose assets, or portions thereof, are consolidated with the net earnings of the subject entity and are recorded on the books of the subject entity for financial reporting purposes in accordance with US GAAP (or other standard acceptable to the Series A Preferred Shareholders and Tiger), or (iii) any Person with respect to which the subject entity has the power to otherwise direct the business and policies of that entity directly or indirectly through another subsidiary. For the avoidance of doubt, the Subsidiaries of the Company shall include the Group Entities.
"**Tiger**"	means Tiger Global Five China Holdings, a company organized under the laws of Mauritius, and its Affiliates or any of its (or their) successor(s).
"**Transfer**"	has the meaning set forth in Section 11.1(a);
"**Transfer Notice**"	has the meaning set forth in Section 11.1(a);
"**Transferor**"	has the meaning set forth in Section 11.1(a);
"**Violation**"	has the meaning set forth in Section 12.4(1) (a);
"**WFOE**"	has the meaning set forth in the introductory paragraph (3);

"**Xueersi Education**" has the meaning set forth in the introductory paragraph (4); and

"**Xueersi Technology**" has the meaning set forth in the introductory paragraph (5);

1.2 Interpretation.

For all purposes of this Agreement, except as otherwise expressly provided:

(a) the terms defined in this Section 1 shall have the meanings assigned to them in this Section 1 and include the plural as well as the singular;

(b) references to a Shareholder shall include references to his successors or permitted assignees;

(c) all accounting terms not otherwise defined herein have the meanings assigned under IAS;

(d) all references in this Agreement to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the body of this Agreement;

(e) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms;

(f) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision; and

(g) all references in this Agreement to designated schedules, exhibits and annexes are to the Schedules, Exhibits and Annexes attached to this Agreement unless explicitly stated otherwise.

2. ORIGINAL SHAREHOLDERS' AGREEMENT

2.1 Each of the parties to the Original Shareholders' Agreement hereby agrees that the Original Shareholders' Agreement (including any and all of its rights, privileged and benefits as endowed thereby) shall be terminated and replaced in its entirety by this Agreement effective from and as of the date hereof. Without limitation to the foregoing, the Series A Preferred Shareholder hereby irrevocably and unconditionally waives its rights under Section 10 of the Original Shareholders' Agreement and Articles 129 through 131 of the Company's first amended and restated articles of association, dated February 12, 2009, in connection with the acquisition of Common Shares by Tiger and KTB from the Sellers pursuant to the Purchase Agreement.

2.2 Each of the parties to the Original Shareholders' Agreement hereby irrevocably and unconditionally waives any and all of its rights, as endowed by the Original Shareholders' Agreement, to initiate any claim, demand, dispute, obligation, liability and issue, contingent or otherwise which it has, or may in the future have, against the other parties arising out of or in connection with the Original Shareholders' Agreement.

3. DIVIDEND RIGHTS

3.1 Dividend Rights. Subject to the circumstances prevailing at the relevant time including, in particular, the working capital requirements of the Company, the Company may distribute by way of dividend in accordance with the Articles in respect of each financial year such of its profits as are then lawfully available for distribution as subject to the discretion of the Board. The dividend shall be distributed among the Common Shareholders and Holders ratably according to the number of Common Shares each Preferred Share may be converted into. Dividends shall be non-cumulative.

4. BOARD SIZE AND COMPOSITION.

The Board of the Company shall consist of up to five (5) Directors, whose nomination and election shall be as follows:

(a) The holders of majority of Common Shares (excluding Common Shares held by Tiger and KTB CHINA OPTIMUM FUND, if any), shall be entitled to, by written notice to the Company, nominate and elect one (1) Director to the Board, initially to be ZHANG Bangxin, and shall also be entitled to remove any such Director occupying such position and to fill any vacancy caused by the resignation, death or renewal of any such Director occupying such position;

(b) Tiger shall be entitled to, by written notice to the Company, nominate and elect one (1) Director to the Board, initially to be CHEN Xiaohong ("**New Common Director**"), and shall also be entitled to remove any such Director occupying such position and to fill any vacancy caused by the resignation, death or renewal of any such Director occupying such position.

(c) The Series A Preferred Shareholder shall be entitled to, by written notice to the Company, nominate and elect one (1) Director to the Board, initially to be YEH Aieming Amy ("**Series A Director**"), and shall also be entitled to remove any such Director occupying such position and to fill any vacancy caused by the resignation, death or renewal of any such Director occupying such position.

(d) Any Shareholder may nominate a Director to fill the remaining two (2) directors; provided that the election of such Director(s) shall be subject to the approval of all of the Shareholders voting together as a single class on an as-converted basis.

The chairman of the Board ("**Chairman of the Board**") shall be elected by the Board with majority votes.

5. Protective Provisions

5.1 Veto Rights of KTB. Subject to Section 5.2 below, so long as there are any Series A Preferred Shares outstanding, the Company shall not take, and shall procure that each Group Entity does not take, whether in one transaction or through a series of transactions, or whether by amending the Articles or otherwise, any of the following actions without (i) the prior written consent of the holders of majority of the outstanding Series A Preferred Shares; or (ii) the prior consent of the Board, including the affirmative consent of the Series A Director, and in the context of such matters set forth in this Section 5.1 which are by applicable laws required to be determined by the shareholders of the Company, the approval of the holders of at least a majority of the then

outstanding Series A Preferred Shares shall be deemed obtained if the matter is approved at a general meeting of the Company with the affirmative vote of the holders of at least a majority of the then outstanding Series A Preferred Shares or by way of written resolution signed by all the holders of the outstanding Series A Preferred Shares:

(a) dissolve or liquidate any Group Entity (other than as a result of the restructuring of the Company's Subsidiaries pursuant to a restructuring plan prior to the IPO that is approved by the Board) (the "**Restructuring**");

(b) amend any of the charter/constitutional documents of any Group Entity or any of its Subsidiaries that may affect the rights, preferences or privileges of KTB;

(c) make changes in the capital structure of any Group Entity or any of its Subsidiaries, including the creation or issuance of additional securities or securities convertible or exchangeable into equity of the Company (other than as a result of the Restructuring and/or a new round financing of the Company, as long as the pre-money valuation of the Company in the new round financing reaches either (x) within 12 months following Closing is at least 1.3 times of the post-money valuation of the Company in the Series A financing on a fully diluted basis or (y) after 12 months following Closing is at least 1.5 times of the post-money valuation of the Company in the Series A financing on a fully diluted basis, and in any case of (x) or (y), the rights of KTB shall rank at least *pari passu* with, and shall not be inferior to, the rights of the new round investor(s).);

(d) make or result in mergers, amalgamations, investments, acquisitions, joint ventures and dispositions involving any Group Entity (other than as a result of the Restructuring);

(e) repurchase or redeem any shares, provided, however that this restriction shall not apply to the repurchase of shares from employees, officers, directors, consultants or other persons performing services for the Group Entity or any of its Subsidiaries pursuant to agreements under which the Group Entity has the option to repurchase such shares upon the occurrence of certain events, such as the termination of employment or service;

(f) make material changes to the scope, nature and/or activities of the business of any Group Entity and its Subsidiaries;

(g) approve or amend any annual operating and capital budgets and annual business plan of any Group Entity;

(h) make changes in the number of members of the board of any Group Entity or its Subsidiaries where there is Director nominated by KTB sitting in such board;

(i) adopt any new employee stock option plan and formation of the compensation committee; and transactions with a related party; or

(j) make any dividend or distributions on shares of any Group Entity.

5.2 Veto Rights of Tiger. In addition to Section 5.1 above, the Company shall not take, and shall procure that each Group Entity does not take, whether in one transaction or through a series of transactions, or whether by amending the Articles or otherwise, the following actions without the prior written consent of Tiger, and in the context of such matters set forth in this Section 5.2 which are by applicable laws required to be determined by the shareholders of the Company, the

approval of Tiger shall be deemed obtained if the matter is approved at a general meeting of the Company with the affirmative vote of Tiger or by way of written resolution signed by Tiger:

(a) actions listed in Section 5.1(e) of this Agreement, provided that (i) KTB's exercise of its redemption rights in accordance with Section 13 of this Agreement, or (ii) the Company's exercise of its right of first refusal in accordance with Section 11.1 of this Agreement shall not be subject to the veto rights of Tiger set out herein;

(b) enter into, or obligate itself to enter into, any related party transaction with an Affiliate of the Company or any Subsidiary of the Company or any employee, officer, director, administrator or shareholder of the Company or any Subsidiary of the Company or any member of such person's immediate family, or any corporation, partnership or other entity in which such person or family member is an officer, director, administrator or partner, or in which such person or family member has ownership or economic interests or otherwise controls such entity; or

(c) alter or change, either by means of amending the Group Entity's constitutional documents or otherwise, the rights, preferences or privileges of Tiger.

5.3 Matters Requiring Holders' Presence and Vote.

So long as there are any Series A Preferred Shares outstanding, in addition to any other vote or consent required elsewhere in this Agreement, matters listed below shall be discussed in the shareholders' meeting with the presence of the Series A Preferred Shareholder:

(a) incurrence of any debt, guarantees or liens in excess of RMB5,000,000 in the aggregate (excluding any extension, renewal or refinancing of debt, guarantees or liens outstanding at the Closing (as defined in the Series A Share Purchase Agreement) on comparable or better terms);

(b) appoint and/or reappoint a corporate auditor or changes in the accounting principles of the Group Entity;

(c) assignment and/or transfer by any Seller of the Equity Securities of the Company and/or transfer by any Founder of the shares of the Sellers;

(d) appoint and/or reappoint the chief executive officer or the chief financial officer of the Company; or

(e) any capital expenditures in excess of RMB1 million outside of budget approved by the Board.

6. Conversion Rights.

The Series A Preferred Shareholder shall have the following rights described below with respect to the conversion of the Series A Preferred Shares into Common Shares: The number of Common Shares to which the Series A Preferred Shareholder shall be entitled upon conversion of any Series A Preferred Share shall be the quotient of the Original Issue Price over the Conversion Price. For the avoidance of doubt, the initial conversion ratio for Series A Preferred Shares to Common Shares shall be 1:1, subject to adjustments of the Conversion Price as set forth below.

6.1 Optional Conversion.

(1) Subject to and in compliance with the provisions of this Section 6, any Preferred Shares may, at the option of the Holder, be converted at any time into fully-paid and non-assessable Common Shares pursuant to Section 6.1(2) below. Upon such conversion, all preference rights attached to such Series A Preferred Share shall be automatically terminated.

(2) The Series A Preferred Shareholder who desires to convert such Series A Preferred Shares into Common Shares shall surrender the certificate therefore, duly endorsed, at the office of the Company or any transfer agent for the Series A Preferred Shares, and shall give written notice to the Company at such office that the Holder has elected to convert such Shares. Such notice shall state the number of Series A Preferred Shares being converted. Thereupon, the Company shall promptly issue and deliver to the Holder at such office a certificate for the number of Common Shares to which such Holder is entitled and shall promptly pay (i) in cash, any declared and unpaid dividends on the Series A Preferred Shares being converted and (ii) in cash, the value of any fractional Common Shares to which the Series A Preferred Shareholder would otherwise be entitled. Such conversion shall be deemed to have been made at the close of business on the date of the surrender of the certificates representing the Series A Preferred Shares to be converted, and the person entitled to receive the Common Shares issuable upon such conversion shall be treated for all purposes as the record holder of such Common Shares on such date.

6.2 Automatic Conversion.

(1) Without any action being required by the holder of such Series A Preferred Shares and whether or not the certificates representing such Series A Preferred Shares are surrendered to the Company or its transfer agent, each Series A Preferred Share shall automatically be converted, based on the then-effective Conversion Price, immediately upon the closing of the Qualified Public Offering.

(2) The Company shall not be obligated to issue certificates for any Common Shares issuable upon the automatic conversion of any Series A Preferred Shares unless the certificate evidencing such Series A Preferred Shares is either delivered as provided below to the Company or any transfer agent for the Series A Preferred Shares, or the Series A Preferred Shareholder notifies the Company or its transfer agent that such certificate has been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificate. The Company shall, as soon as practicable after receipt of certificate for Preferred Shares, or satisfactory agreement for indemnification in the case of a lost certificate, promptly issue and deliver at its office to the Series A Preferred Shareholder thereof a certificate or certificates for the number of Common Shares to which such Series A Preferred Shareholder is entitled and shall promptly pay (i) in cash, any declared and unpaid dividends on the Series A Preferred Shares being converted and (ii) in cash, the value of any fractional Common Shares to which the Series A Preferred Shareholder would otherwise be entitled. Any person entitled to receive Common Shares issuable upon the automatic conversion of the Series A Preferred Shares shall be treated for all purposes as the record holder of such Common Shares on the date of such conversion.

6.3 Conversion Price.

The Conversion Price for the Series A Preferred Shares ("**Conversion Price**") shall initially equal to the Original Issue Price and shall be adjusted from time to time as provided below:

(1) Adjustment for Share Splits and Combinations. If the Company shall at any time, or from time to time, effect a subdivision of the outstanding Common Shares, the Conversion Price in effect immediately prior to such subdivision shall be proportionately decreased. Conversely, if the Company shall at any time, or from time to time, combine the outstanding Common Shares into a smaller number of shares, the Conversion Price in effect immediately prior to the combination shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

(2) Adjustment for Common Share Dividends and Distributions. If the Company at any time, or from time to time, makes (or fixes a record date for the determination of holders of Common Shares entitled to receive) a dividend or other distribution to the holders of Common Shares payable in Common Shares, in each such event the Conversion Price then in effect shall be decreased as of the time of such issuance (or in the event such record date is fixed, as of the close of business on such record date) by multiplying the Conversion Price then in effect by a fraction (i) the numerator of which is the total number of Common Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (ii) the denominator of which is the total number of Common Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Common Shares issuable in payment of such dividend or distribution.

(3) Adjustments for Other Dividends. If the Company at any time, or from time to time, makes (or fixes a record date for the determination of holders of Common Shares entitled to receive) a dividend or other distribution payable in securities of the Company other than Common Shares or Common Shares Equivalents, then, and in each such event, provision shall be made so that, upon conversion of any Preferred Share thereafter, the Series A Preferred Shareholder thereof shall receive, in addition to the number of Common Shares issuable thereon, the amount of securities of the Company which the Series A Preferred Shareholders would have received had the Series A Preferred Share been converted into Common Shares immediately prior to such event, all subject to further adjustment as provided herein.

(4) Reorganizations, Mergers, Consolidations, Reclassifications, Exchanges, Substitutions. If at any time, or from time to time, any capital reorganization or reclassification of the Common Shares (other than as a result of a share dividend, subdivision, split or combination otherwise treated above) occurs or the Company is consolidated, merged or reorganized with or into another Person (other than a consolidation, merger or reorganization treated in Section 6.1), then in any such event, provision shall be made so that, upon conversion of any Preferred Share thereafter, the Series A Preferred Shareholder thereof shall receive the kind and amount of shares and other securities and property which the Series A Preferred Shareholder of such share would have received had the Series A Preferred Share been converted into Common Shares on the date of such event, all subject to further adjustment as provided herein, or with respect to such other securities or property, in accordance with any terms applicable thereto.

(5) Sale of Shares below the Conversion Price.

(a) *Adjustment of Series A Conversion Price Upon Issuance of Additional Equity Securitie* s. If at any time, or from time to time, the Company shall issue or sell New Securities (other than (i) as a subdivision or combination of Common Shares provided for in Section 6.3 (1) above, (ii) as a dividend or other distribution provided for in Section 6.3 (2) above, (iii) the issuance of Shares under any stock option plan, (iv) the conversion of Preferred Shares into Common Shares, or (v) the issuance of New Securities in a Qualified Public Offering) for a consideration of price per share (the "**Future Issuance Price**") less than the Series A Conversion Price, then, and in each such case, the Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, to equal such Future Issuance Price.

(b) *Determination of Consideration*. For the purpose of making any adjustment in the Conversion Price or number of Common Shares issuable upon conversion of the Series A Preferred Shares, as provided above:

(i) To the extent it consists of cash, the consideration received by the Company for any issue or sale of securities shall be computed at the net amount of cash received by the Company after deduction of any expenses payable directly or indirectly by the Company and any underwriting or similar commissions, compensations, discounts or concessions paid or allowed by the Company in connection with such issue or sale;

(ii) To the extent it consists of property other than cash, consideration other than cash received by the Company for any issue or sale of securities shall be computed at the fair market value thereof, as determined in good faith by the Board as of the date of the adoption of the resolution specifically authorizing such issue or sale, irrespective of any accounting treatment of such property; and

(iii) If New Securities or Common Share Equivalents exercisable, convertible or exchangeable for New Securities are issued or sold together with other stock or securities or other assets of the Company for consideration which covers both, the consideration received for the New Securities or Common Share Equivalents shall be computed as that portion of the consideration received which is reasonably determined in good faith by the Board to be allocable to such New Securities or Common Share Equivalents.

(c) *No Exercise*. If all of the rights to exercise, convert or exchange any Common Share Equivalents shall expire without any of such rights having been exercised, the Series A Conversion Price as adjusted upon the issuance of such Common Share Equivalents shall be readjusted to the Series A Conversion Price which would have been in effect had no such adjustment been made.

(6) Certificate of Adjustment. In the case of any adjustment or readjustment of the Conversion Price, the Company, at its sole expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered Series A Preferred Shareholder at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or deemed to be received by the Company for

any New Securities issued or sold or deemed to have been issued or sold, (ii) the number of New Securities issued or sold or deemed to be issued or sold, (iii) the Conversion Price in effect after such adjustment or readjustment, and (iv) the number of Common Shares and the type and amount, if any, of other property which would be received upon conversion of the Preferred Shares after such adjustment or readjustment.

(7) Notice of Record Date. In the event the Company shall propose to take any action of the type or types requiring an adjustment to the Conversion Price or the number or character of the Series A Preferred Shares as set forth herein, the Company shall give notice to the Series A Preferred Shareholder, which notice shall specify the record date, if any, with respect to any such action and the date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Conversion Price and the number, kind or class of shares or other securities or property which shall be deliverable upon the occurrence of such action of deliverable upon the conversion of Series A Preferred Shares. In the case of any action which would require the fixing of a record date, such notice shall be given at least twenty (20) days prior to the date so fixed, and in the case of all other actions, such notice shall be given at least thirty (30) days prior to the taking of such proposed action.

6.4 Fractional Shares. No fractional Common Shares shall be issued upon conversion of any Preferred Share. All Common Shares (including fractions thereof) issuable upon conversion of more than one Preferred Share by the Series A Preferred Shareholder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after such aggregation, the conversion would result in the issuance of any fractional share, the Company shall round this fractional share up to 1 Share.

6.5 Reservation of Shares Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but un-issued Common Shares, solely for the purpose of effecting the conversion of the Series A Preferred Shares. Such number of its Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Series A Preferred Shares. If at any time the number of authorized but un-issued Common Shares shall not be sufficient to effect the conversion of all then outstanding Series A Preferred Shares, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but un-issued Common Shares to such number of Shares as shall be sufficient for such purpose.

6.6 Notices. Any notice required by the provisions of this Section 6 shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All notices shall be addressed to the Series A Preferred Shareholder of record at the address of the Series A Preferred Shareholder appearing on the books of the Company.

6.7 Payment of Taxes. The Company will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or delivery of Common Shares upon conversion of Series A Preferred Shares, excluding any tax or other charge imposed in connection with any transfer involved in the issuance and delivery of Common Shares in a name other than that in which the Series A Preferred Shares so converted were registered.

7. LIQUIDATION RIGHTS

7.1 Liquidation Event. The following events shall be treated as a liquidation, dissolution or winding up (each, a " **Liquidation Event**") unless waived by the holders of at least fifty-one percent (51%) of the then outstanding Series A Preferred Shares, voting together as a single class on an as-converted basis:

(i) any consolidation or merger of the Company with or into any Person, or any other corporate reorganization, including a sale or acquisition of equity securities of the Company, in which the Shareholders of the Company immediately before such transaction own less than 50% of the Company's voting power immediately after such transaction (excluding any transaction effected solely for tax purposes or to change the Company's domicile);

(ii) a sale of all or substantially all of the assets of the Company; or

(iii) any termination, liquidation, dissolution or winding up of the Company;

and upon any such event, any proceeds generated therefrom to which the Shareholders of the Company are entitled to shall be distributed in accordance with the terms of Section 7.2.

7.2 Liquidation Preferences. Upon any Liquidation Event, whether voluntary or involuntary, unless any Preferred Shareholder has agreed otherwise in advance and in writing on the definitive liquidation plan of the Company,

(i) Before any distribution or payment shall be made to the holders of any Common Shares, the holder of Series A Preferred Shares shall be entitled to receive an amount equal to one hundred percent (100%) of the Original Issue Price (adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions), plus any declared but unpaid dividends with respect thereto (as adjusted for any share splits, share dividends, combinations, recapitalizations and similar transactions) per Series A Preferred Share then held by such holder. All arrears or accruals of dividends as declared by the Board due to the holders of Series A Preferred Shares are in priority to the holders of all other shares.

(ii) After distribution or payment in full of the amount distributable or payable on the Series A Preferred Shares pursuant to Section 7.2(i) of this Agreement, the remaining assets of the Company available for distribution to Shareholders shall be distributed ratably among the then holders of outstanding Common Shares and holders of Series A Preferred Shares on an as-converted basis.

8. INFORMATION AND INSPECTION RIGHTS

8.1 Delivery of Financial Statements. The Company shall deliver to each of the Holders:

(a) within ninety (90) days after the end of each fiscal year of the Company, annual consolidated financial statements of the Company for such fiscal year, all prepared in accordance with US GAAP (or other standard acceptable to the Holders), and audited and certified by independent certified public accountants of recognized international standing

and reputation selected by the Company and approved by the Board;

(b) within thirty (30) days of the end of each quarter, unaudited consolidated financial statements for such quarter for the Company; and

(c) at least forty-five (45) days prior to the end of each fiscal year, an annual consolidated budget for the succeeding fiscal year, including without limitation, for each month during such succeeding fiscal year projected balance sheets, income statements and statements of cash flows.

8.2 Financial Statements. For the purpose of this Section 8, the term "financial statements" shall be construed to include a balance sheet, statement of earnings, stockholders equity and cash flows for the applicable period, prepared in accordance with US GAAP (or other standard acceptable to the Holders) and compared against the Company's annual operating plan and budget.

8.3 Inspection. The Company shall permit each Holder, as the same as any other Shareholders, to visit and inspect the properties and examine the books of account and records as deemed by the Holders to be material to the Company's performance and outlook of the Company and discuss the affairs, finances and accounts of the Company with the directors, officers, employees, accountants, legal counsel and investment bankers of the Company, all at such reasonable times as notified by the Holders.

8.4 Termination of Information and Inspection Covenants. The covenants set forth in Sections 8.1 to 8.3 shall terminate as to any Holder and be of no further force or effect upon the earlier of (i) immediately prior to the closing of a Qualified Public Offering, (ii) the date when the Company first becomes subject to the periodic reporting requirements of Sections 12(g) or 15(d) of the Exchange Act (or comparable requirements under the laws of another jurisdiction), and (iii) such date as the Holder holds no shares in the Company.

8.5 Assignment. The rights of any Holder under this Section 8 shall only be assigned (i) to another Holder, (ii) to an Affiliate of such Holder which acquires any of the Equity Securities thereof, or (iii) to an assignee or transferee who acquires any of the Equity Securities thereof.

9. TAG ALONG RIGHTS

9.1 Tag Along Rights. Without prejudice to any right and privilege of Series A Preferred Shareholder and Tiger provided under Section 11.2 of this Agreement, if at any time the majority of Sellers propose to, by the way of assignment or transfer, transfer Equity Securities or any Common Shareholder(s) proposes to transfer or assign Equity Securities representing 50% or more voting power in the Company to one or more third parties ("**Selling Shareholders**", each a "**Selling Shareholder**") pursuant to an understanding with such third parties in bona fide and good faith, and based on a pre-money valuation of the Company which is at least US$250 million, such Selling Shareholder shall give each of the Holders and the Company written notice of its intention to make the transfer, which shall include (i) a description of the Equity Securities to be transferred, (ii) the identity of the prospective transferee of the Common Shares, and (iii) the consideration and the material terms and conditions upon which such Common Shares are to be transferred or assigned, and attached with a copy of any written proposal, term sheet or letter of intent or other agreement relating to the proposed transfer. The Transfer Notice shall be evidence that such Selling Shareholder has received a firm offer from the prospective transferee and in good faith believes that a binding agreement for the transfer is obtainable on terms set forth in the notice.

9.2 Option to Transfer the Shares of the Remaining Shareholders. Upon the receipt of the written notice of the Selling Shareholder pursuant to Section 9.1 above, the Holders shall have the option to require their Shares of the Company to be sold to the transferee on the same terms and conditions as set forth in such written notice. To exercise the option, the Holders shall give the Selling Shareholders of the Company and the Company written notice to such effect. Upon the receipt of such notice, the Selling Shareholders shall have the obligation to sell the respective shares of the Holders on the same terms and conditions with the sale of the Common Shares of the Company.

9.3 Termination of the Rights of Tag Along Right. The right of tag along provided under this Section 9 shall be terminated immediately prior to the closing of a Qualified Public Offering.

10. PREEMPTIVE RIGHTS

10.1 Right of First Offer. Subject to the terms and conditions specified in this Section 10, each time the Company proposes to issue any New Securities, the Company shall first offer such New Securities to each of the Holders in a written notice (an " **Issuance Notice**") setting forth (i) a description of the New Securities to be issued, including the rights and powers associated therewith, and (ii) the number of such New Securities to be offered, and (iii) the price and terms upon which it proposes to offer the New Securities.

10.2 Exercise of Preemptive Rights. By written notification received by the Company within twenty-one (21) calendar days after delivery of the Issuance Notice to the Holders, such Holders may elect to purchase, at the price and on the terms specified in the Issuance Notice, up to such portion of the New Securities offered as equal to the proportion that the number of Common Shares (including shares of Common Shares issuable upon conversion, exchange or exercise of Common Shares Equivalents) then held by such Holder bears to the total number of shares of Common Shares then outstanding (determined on a fully-diluted basis, assuming the exercise, conversion or exchange of any Common Shares Equivalents). The Company shall promptly, in writing, inform the Holders that elect to purchase all the New Securities available to it pursuant to this Section 10.2 (a "**Fully-Exercising Shareholder**") of any other Holders' failure to do likewise. During the ten (10) day period commencing after such information is given, the Fully-Exercising Shareholder may elect to purchase a pro rata share of any New Securities unsubscribed by the Holders, pursuant to its rights hereunder, that is equal to the proportion that the number of Common Shares (including shares of Common Shares issuable upon conversion, exchange or exercise of Common Shares Equivalents) then held by the Fully-Exercising Shareholder bears to the total number of Common Shares then outstanding (determined on a fully-diluted basis, assuming the exercise, conversion or exchange of any Common Shares Equivalents).

10.3 Issuance of Unsubscribed New Securities. Upon expiration of the period described in Section 10.2 hereof, unsubscribed New Securities may be offered by the Company during the one hundred and twenty (120) day period thereafter to any person or persons at a price not less, and upon terms no more favourable to the offeree, than specified in the Issuance Notice. If the Company does not enter into an agreement for the sale of the unsubscribed New Securities within such 120-day period, or if such agreement is not consummated within forty-five (45) days of the execution thereof, the pre-emptive rights of the Holders under this Section 10 shall be deemed revived and such unsubscribed New Securities shall not be offered unless first re-offered to the Holders in accordance herewith.

10.4 Exempted Issuance. Notwithstanding anything to the contrary provided herein, the preemptive rights described in this Section 10 shall not apply to (i) the issuance of Equity Securities for the

exercise of option of follow-on investments by Tiger, (ii) the issuance of Equity Securities in a Qualified Public Offering, (iii) the issuance by the Company of Common Shares (or options therefor) to employees, officers, directors or consultants of the Company pursuant to a stock option plan or other share option plans or other stock incentive arrangements approved by the Board of the Company, (iv) the issuance of Equity Securities in connection with a bona fide business acquisition of or by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise, as a result of which the shareholders of the Company immediately after such merger, sale or consolidation will not hold securities representing a majority of the voting power of the outstanding securities of the surviving or resulting entity, provided that such issuance has obtained required approvals and consents pursuant to Section 5 hereof, (v) Common Shares issued in connection with any share split or stock dividend, reclassification or the like; or (vi) the issuance of Equity Securities pursuant to the conversion, exchange or exercise of any warrant, option, right, or convertible or exchangeable instrument.

10.5 Assignment. The rights of any Holder under this Section 10 shall only be assigned (i) to another Holder, (ii) to an Affiliate of such Holder which acquires any of the Equity Securities thereof (provided that such Affiliate agrees in writing to be bound by the provisions hereof), or (iii) to an assignee or transferee who acquires all of the Equity Securities held by the Holder (provided that such assignee or transferee agrees in writing to be bound by the provisions hereof), (collectively referred to as the "Permitted Assignees", and individually referred to as a "Permitted Assignee".). A Permitted Assignee which is a Holder shall be entitled to apportion the right of first offer hereby granted it among itself and its members, partners and Affiliates in such proportions as it deems appropriate.

10.6 Granted Rights. Each of the Holders shall be granted any preemptive rights and registration rights granted to any subsequent purchasers of the New Securities of the Company to the extent that such subsequent rights are superior to those granted rights hereof.

10.7 Termination. The rights of the Holders and the obligations of the Company, under this Section 10 shall terminate immediately prior to the closing of a Qualified Public Offering.

11. RIGHT OF FIRST REFUSAL, CO-SALE

11.1 Right of First Refusal

(a) Transfer Notice from Shareholders.

If at any time a Common Shareholder or a Series A Preferred Shareholder (a " **Transferor**") proposes to transfer Equity Securities to one or more third parties pursuant to an understanding with such third parties (the " **Transfer**"), then, the Transferor shall give each of the other non-selling Shareholders (the "**Non-Selling Shareholders**") and the Company written notice of the Transferor's intention to make the Transfer (the "**Transfer Notice**"), provided, however, that the Transferor shall only give such Transfer Notice to each of the Common Shareholders if the Transferor is a Series A Preferred Shareholder, which shall include (i) a description of the Equity Securities to be transferred (" **Shares Offered by Shareholder**"), (ii) the identity of the prospective transferee; and (iii) the consideration and the material terms and conditions upon which the proposed Transfer is to be made. The Transfer Notice shall be evidence that the Transferor has received a firm offer from the prospective transferee and in good faith believes a binding agreement for the Transfer is obtainable on the terms set forth in the Transfer Notice. The Transfer Notice shall also include a copy of any written proposal,

term sheet or letter of intent or other agreement relating to the proposed Transfer.

(b) Non-Selling Shareholders' Rights of First Refusal.

(i) The Non-Selling Shareholders shall have an option for a period of thirty (30) days from its receipt of the Transfer Notice to elect to purchase its respective pro rata shares of the Shares Offered by Shareholder at the same price and subject to the same material terms and conditions as described in the Transfer Notice, provided, however that the Sellers shall have such option provided herein for a period of fifteen (15) days.

(ii) The Non-Selling Shareholders may exercise such purchase option and, thereby, purchase all or any portion of its pro rata share of the Shares Offered by Shareholder , by notifying Transferor in writing, before expiration of the applicable period as provided above as to the number of shares which it wishes to purchase.

(iii) The Non-Selling Shareholder's pro rata share of the Shares Offered by Shareholder shall be a fraction, of which the numerator shall be the number of Equity Securities owned by such Non-Selling Shareholder on the date of the Transfer Notice, and the denominator shall be the total number of Equity Securities held by all the Non-Selling Shareholders on the date of the Transfer Notice.

(iv) Each of the Non-Selling Shareholders shall be entitled to apportion its pro rata share of the Shares Offered by Shareholder among its partners and Affiliates, provided that such Non-Selling Shareholder notifies the Transferor of such allocation.

(v) If any of the Non-Selling Shareholder gives the Transferor notice that it desires to purchase its pro rata share of the Shares Offered by Shareholder (the "**Participating Shareholder**"), then payment for the Shares Offered by Shareholder shall be by check or wire transfer, against delivery of the Shares Offered by Shareholder to be purchased at a place agreed by the parties and at the time of the scheduled closing therefor, which shall be no later than the latest of (i) thirty (30) business days after the Non-Selling Shareholder's receipt of the Transfer Notice, (ii) the closing date contemplated in the Transfer Notice and (iii) the date on which the value of the purchase price is established pursuant to Section 11.1(d).

(vi) In the event any Non-Selling Shareholder elects not to purchase its full pro rata share of the Shares Offered by Shareholder available pursuant to its option under Section 11.1(c) within the time period set forth therein, then the Transferor shall promptly, but in any event within five (5) days, give written notice (the "**Over-allotment Notice**") to each Participating Shareholder that has elected to purchase all of its pro rata share of the Shares Offered by Shareholder (each a "**Fully Participating Shareholder**"), which notice shall set forth the number of the Shares Offered by Shareholder not purchased by the other Non-Selling Shareholders (the "**Over-allotment Shares**"), and shall offer the Fully Participating Shareholders the right to acquire the Over-allotment Shares. Each Fully Participating Shareholder shall have five (5) days after receipt of the Over-allotment Notice to deliver a written notice to the Transferor of its election to purchase its pro rata share of the Over-allotment Shares on the same terms and conditions as set forth in the Transfer Notice and indicating the maximum number

of the Over-allotment Shares that it will purchase in the event that any other Fully Participating Shareholder elects not to purchase its pro rata share of the Over-allotment Shares. For purposes of this Section 11.1(b), each Fully Participating Shareholder's pro rata share of the Over-allotment Shares shall be a fraction, of which the numerator shall be the number of Equity Securities owned by such Fully Participating Shareholder on the date of the Transfer Notice, and the denominator shall be the total number of Equity Securities held by all the Fully Participating Shareholder on the date of the Transfer Notice.

(vii) If the Non-Selling Shareholders fail to purchase any or all of the Shares Offered by Shareholder by exercising the option granted in this Section 11.1(b) within the period provided, the remaining Shares Offered by Shareholder shall be subject to the options granted to the Company pursuant to Section 11.1(c).

This Section 11.1(b) shall be subject to Section 6.6 of the Purchase Agreement.

(c) The Company's Right of Refusal.

Subject to the Non-Selling Shareholders' option as set forth in Section 11.1(b), if at any time the Transferor propose a Transfer, within five (5) days after the Non-Selling Shareholders have declined to purchase all, or a portion, of the Shares Offered by Shareholder or the Non-Selling Shareholders' option to so purchase the Shares Offered by Shareholder has expired, the Transferor shall give the Company an additional transfer notice ("**Additional Transfer Notice**") that shall include all of the information and certifications required in a Transfer Notice and shall additionally identify the Shares Offered by Shareholder that the Non-Selling Shareholders have declined to purchase (the " **Remaining Shares**") and briefly describe the Company's rights of refusal with respect to the proposed Transfer. The Company shall have an option for a period of ten (10) days from its receipt of the Additional Transfer Notice to elect to purchase the Remaining Shares at the same price and subject to the same material terms and conditions as described in the Additional Transfer Notice, subject to compliance with the Companies Law of the Cayman Islands. The Company may exercise such purchase option and purchase all or any portion of the Remaining Shares by notifying the Transferor in writing before expiration of such ten (10) day period as to the number of such shares that it wishes to purchase. If the Company gives the Transferor notice that it desires to purchase such shares, then payment for the Remaining Shares to be purchased shall be made by check or wire transfer, against delivery of the Remaining Shares to be purchased at a place agreed upon between the Company and the Transferor and at the time of the scheduled closing therefor, which shall be no later than the latest of (i) thirty (30) business days after the Company's receipt of the Additional Transfer Notice, (ii) the closing date contemplated in the Additional Transfer Notice, and (iii) the date on which the value of the purchase price is established pursuant to Section 11.1(d).

(d) Valuation of Property.

(i) Should the purchase price specified in the Transfer Notice be payable in property other than cash or evidences of indebtedness, the Company or the Non-Selling Shareholders, as the case may be, shall have the right to pay the purchase price in the form of cash equal in amount to the value of such property.

(ii) If the Transferor and the Company (or the relevant Non-Selling Shareholder, as the

case may be) fail to agree on such cash value within ten (10) days after the Company's (or such Non-Selling Shareholder's) receipt of the Transfer Notice, the valuation shall be made by an appraiser of recognized standing selected by the Transferor and the Company (or the Non-Selling Shareholder, as the case may be) or, if they fail to agree on an appraiser within twenty (20) days after the receipt of the Transfer Notice, each shall select an appraiser of recognized standing and the two appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of such value.

(iii) The cost of such appraisal shall be shared equally by the Transferor and the Company (or the relevant Non-Selling Shareholder(s), as the case may be, in which case, with the half of the cost to be borne pro rata by each of such Non-Selling Shareholders based on the number of shares to be purchased pursuant to this Section 11.1.

(iv) If the closing time for the Company's (or the Non-Selling Shareholder's) purchase as provided in Section 11.1(b)(v) above has expired but for the determination of the value of the purchase price offered by the prospective transferee, such closing shall be held on or prior to the fifth business day after such valuation shall have been made pursuant to Section 11.1(c).

11.2 Right of Co-Sale.

(a) To the extent the Company and the Non-Selling Shareholders do not exercise their respective rights of first refusal as to all of the Shares Offered by a Shareholder pursuant to Section 11.1, the Series A Preferred Shareholder and Tiger (each a "**Co-Sale Participant**") which notifies the Transferor in writing within fifty (50) days after receipt of the Transfer Notice referred to in Section 11.1(a), shall have the right to participate in such sale of Equity Securities on the same terms and conditions as specified in the Transfer Notice. Notwithstanding anything to the contrary provided herein, Tiger shall be entitled to the right of co-sale as endowed by this Section 11.2 to the extent that the Transferor is any of the Founders and/or Sellers.

(b) Number of Equity Securities for Co-sale.

Each Co-Sale Participant may elect to sell up to such number of Equity Securities equal to (on a fully converted basis) the product of (i) the aggregate number of Shares Offered by Shareholder covered by the Transfer Notice that have not been subscribed for pursuant to Section 11.1 above; by (ii) a fraction, the numerator of which is the number of Equity Securities owned by such Co-Sale Participant on the date of the Transfer Notice and the denominator of which is the total number of Equity Securities owned by the Transferor and the Co-Sale Participants on the date of the Transfer Notice.

(c) The Co-Sale Participant shall effect its participation in the sale by promptly delivering to the Transferor for transfer to the prospective transferee one or more certificates, properly endorsed for transfer, which represent the type and number of Equity Securities which the Co-Sale Participant elects to sell; provided, however that if the prospective third-party transferee objects to the delivery of Equity Securities in lieu of Common Shares, the Co-Sale Participant shall convert such Equity Securities into Common Shares and deliver certificates corresponding to such Common Shares. The Company agrees to make any such conversion concurrent with the actual transfer of such shares to the purchaser and

contingent on such transfer.

(d) The share certificate or certificates that a Co-Sale Participant delivers to the Transferor pursuant to Section 11.2(c) shall be transferred to the prospective transferee in consummation of the sale of the Equity Securities pursuant to the terms and conditions specified in the Transfer Notice, and the Transferor shall concurrently therewith remit to such Co-Sale Participant that portion of the sale proceeds to which such Co-Sale Participant is entitled by reason of its participation in such sale.

(e) To the extent that any prospective transferee prohibits the participation of a Co-Sale Participant exercising its co-sale rights hereunder in a proposed Transfer or otherwise refuses to purchase shares or other securities from a Co-Sale Participant exercising its co-sale rights hereunder, the Transferor shall not sell to such prospective transferee any Equity Securities unless and until, simultaneously with such sale, the Transferor shall purchase such shares or other securities from such Co-Sale Participant for the same consideration and on the same terms and conditions as described in the Transfer Notice.

11.3 Non-exercise of Rights.

To the extent that the Company and the Non-Selling Shareholders have not exercised their rights to purchase the Shares Offered by Shareholder, the Remaining Shares or the Over-allotment Shares within the time periods specified in Section 11.1 and the Series A Preferred Shareholder and Tiger have not exercised their rights to participate in the sale of the Equity Securities pursuant to and within the time periods specified in Section 11.2, the Transferor shall have a period of thirty (30) days from the expiration of such rights to sell the Shares Offered by Shareholder, the Remaining Shares or the Over-allotment Shares, as the case may be, upon terms and conditions (including the purchase price) no more favorable than those specified in the Transfer Notice to the third-party prospective transferee(s) identified in the Transfer Notice. In the event such Transferor does not consummate the sale or disposition of the Shares Offered by Shareholder, the Remaining Shares and the Over-allotment Shares within the applicable time period from the expiration of these rights, the Company's first refusal rights and the Non-Selling Shareholders' first refusal rights and co-sale rights shall continue to be applicable to any subsequent disposition of the Shares Offered by Shareholder or the Remaining Shares by the Transferor until such right lapses in accordance with the terms of this Agreement. Furthermore, the exercise or non exercise of the rights of the Non-Selling Shareholders under this Section 11 shall not adversely affect their rights to make subsequent purchases or sales hereunder.

11.4 Limitation to and the Termination of the Rights of First Refusal and Co-sale

(a) Notwithstanding the provisions of this Section 11, a Transferor may sell or otherwise assign, with or without consideration, Shares to any spouse or member of such Transferor's immediate family, or to a custodian, trustee, executor, or other fiduciary for the account of the Transferor's spouse or members of the Transferor's immediate family, or to a trust for the Transferors' own self, or a charitable remainder trust, provided that each such transferee or assignee, prior to the completion of the sale, transfer, or assignment, shall have agreed in writing to be bound by provisions in this Agreement.

(b) The rights of first refusal and co-sale rights provided under this Section 11 shall be terminated immediately prior to the closing of a Qualified Public Offering.

12. REGISTRATION RIGHTS

12.1 Demand Registration.

(1) Registration Other Than on Form F-3. Subject to the terms of this Section 12, at any time after the earlier of (i) the date that is six (6) months following the effective date of the registration statement for the IPO, or (ii) the date that is three (3) years after the Closing, the holders of at least 30% of the aggregate shares initially purchased by the Series A Preferred Shareholders and Tiger, together on an as-converted basis, (for the purposes of this Section 12.1, collectively, the "**Initiating Holders**") may request the Company in writing to file a Registration covering the registration of Registrable Securities for a public offering with anticipated gross proceeds of at least US$5,000,000 in the aggregate. Upon receipt of such a request, the Company shall (a) promptly give written notice of the proposed Registration to all other Holders, and (b) as soon as practicable, and in any event within sixty (60) days of the receipt of such request, cause Registrable Securities specified in the request, to be Registered and/or qualified for sale and distribution in such jurisdictions as the Initiating Holders may reasonably request.

Notwithstanding the foregoing and subject to Section 12.1(3) below, the Company shall not be required to effect a registration pursuant to this Section 12.1(1):

(a) with respect to a Registration initiated pursuant to Section 12.1(1), after the Company has effected two (2) Registrations pursuant to this Section 12.1(1), and such Registration have been declared or ordered effective (and have not been subject to a stop order or otherwise withdrawn); or

(b) if the Initiating Holders propose to dispose of Registrable Securities that may be registered on Form F-3 pursuant to Section 12.1(2) hereof;

(2) Registration on Form F-3. Subject to the terms of this Agreement, at any time after a Qualified Public Offering, the Initiating Holders may request the Company in writing to file a Registration on Form F-3 (or any successor form to Form F-3, or any comparable form for Registration in a jurisdiction other than the United States, to the extent that the Company is qualified to use such form to register the requested Registrable Securities) for a public offering of all or a part of the Registrable Securities owned by such Initiating Holders. Upon receipt of such a request, the Company shall, (a) promptly give written notice of the proposed registration to all other Holders, and (b) as soon as practicable, and in any event within sixty (60) days of the receipt of such request, cause the Registrable Securities specified in the request, to be registered and qualified for sale and distribution in such jurisdictions as the Initiating Holders may reasonably request. The Initiating Holders may at any time, and from time to time, require the Company to effect the Registration of Registrable Securities under this Section 12.1(2), provided that the Company shall not be obligated to effect more than two (2) Registrations on demand of the Initiating Holders any 12-month period pursuant to this Section 12.1(2).

Notwithstanding the foregoing and subject to Section 12.1(3) below, the Company shall not be required to effect a registration pursuant to this Section 12.1(2):

(a) if Form F-3 (or its comparable form) is not available for such offering by the Holders; or

(b) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than US$500,000.

(3) Right of Deferral.

(a) the Company shall be entitled to postpone or suspend, for a reasonable period of time, the filing, effectiveness or use of, or trading under, any registration statement as requested by the Initiating Holders pursuant to Section 12.1(1) or 12.1(2), if the Company shall determine that any such filing or the sale of any securities pursuant to such registration statement would in the good faith judgment of the Board:

(i) materially impede, delay or interfere with any material pending or proposed financing, acquisition, corporate reorganization or other similar transaction involving the Company for which the Board has authorized negotiations; or

(ii) require disclosure of material nonpublic information that, if disclosed at such time, would be materially harmful to the interests of the Company and its shareholders; provided, however that during any such period all executive officers and directors of the Company are also prohibited from selling securities of the Company (or any security of any of the Company's Subsidiaries or Affiliates);

(b) if, after receiving a request from the Initiating Holders pursuant to Section 12.1(1) or Section 12.1(2), the Company furnishes to each Initiating Holder a certificate signed by the Chief Executive Officer of the Company stating that, in the good faith judgment of the Board of the Company, it would be seriously detrimental to the Company or its shareholders for a registration statement to be filed in the near future, the Company's obligation to use its commercially reasonable efforts to file a registration statement shall be deferred for a period not to exceed ninety (90) days from the receipt of any request duly submitted by the Initiating Holders under Section 12.1(1) or 12.1(2) to register Registrable Securities; provided that the Company shall not exercise the right contained in this Section 12.1(3)(b) more than once in any twelve (12) month period; and provided further that the Company shall not register any securities of the Company for the account of itself or any other shareholder during such ninety (90) day period.

(4) Underwritten Offerings. If, in connection with a request to register Registrable Securities under Section 12.1(1) or Section 12.1(2), the Initiating Holders intend to distribute such Registrable Securities by means of an underwriting, they shall so advise the Company as a part of the request, and the Company shall include such information in the written notice to the other Holders. In such event, the right of any Holder to include its Registrable Securities in such Registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Agreement, if the underwriter advises the Company that marketing factors (including the

aggregate number of securities requested to be registered, the general condition of the market, and the status of the Persons proposing to sell securities pursuant to the Registration) require a limitation of the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to such Holders pro rata based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). In no event shall any Registrable Securities be excluded from such underwriting unless all other securities are first excluded. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the Registration.

12.2 Piggyback Registrations

(1) Registration of the Company's Securities. Subject to Section 12.2(3), if the Company proposes to register for its own account (including for this purpose a registration statement filed by the Company for shareholders other than the Holders) any of its Equity Securities in connection with the public offering of such securities, the Company shall promptly give each Holder written notice of such Registration and, upon the written request of any Holder given within twenty (20) days after delivery of such notice, the Company shall use commercially reasonable efforts to include in such Registration any Registrable Securities thereby requested by the Holders. The Holders' right to demand the piggyback registration pursuant to this Section 12.2 is unlimited.

(2) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any Registration initiated by it under Section 12.2(1) prior to the effectiveness of such Registration, whether or not any Holder has elected to include Registrable Securities in such Registration. The expenses of such withdrawn Registration shall be borne by the Company in accordance with Section 12.3.

(3) Underwriting Requirements.

(a) In connection with any offering involving an underwriting of the Company's Equity Securities, the Company shall not be required under this Section 12.2 to include any Holder's Registrable Securities in such underwriting unless such Holder enters into an underwriting agreement in customary form with the underwriters selected by the Company and setting forth such terms for the underwriting as have been agreed upon between the Company and the underwriters. In the event the underwriters advise the Holders seeking Registration of Registrable Securities pursuant to this Section 12.2 in writing that market factors (including the aggregate number of Registrable Securities requested to be Registered, the general condition of the market, and the status of the persons proposing to sell securities pursuant to the Registration) require a limitation of the number of Equity Securities to be underwritten, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, that the underwriters may advise will not jeopardize the success of the offering. In no event shall any Registrable Securities be excluded from such offering unless all other selling shareholders' securities have been first excluded. In the event that the underwriters advise that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be apportioned pro rata among the selling Holders based on the number of Registrable Securities held by all selling Holders or in such other proportions as shall mutually be agreed to

by all such selling Holders. Notwithstanding the foregoing, in no event shall the amount of securities included in the Registration on behalf of the Holders be reduced below thirty percent (30%) of the total shares requested to be included by the Holders in such offering, unless such offering is the Qualified Public Offering, in which case the amount of securities of Tiger included in the offering may be reduced on the basis and as advised by the underwriters as provided above, including completely, if, no other shareholder's securities are included in such offering. For purposes of the preceding sentence concerning apportionment, for any selling shareholder that is a Holder of Registrable Securities and that is an investment fund, partnership, limited liability company or corporation, the affiliated investment funds, partners, members, retired partners, retired members and shareholders of such Holder, or the estates and family members of any such partners, members, retired members and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single selling Holder, and any pro rata reduction with respect to such selling Holder, shall be based upon the aggregate amount of Registrable Securities owned by all such related entities and individuals.

(b) If any Series A Preferred Shareholder disapproves of the terms of any underwriting, such Preferred Shareholder may elect to withdraw therefrom by written notice to the Company and the underwriters delivered at least seven (7) days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from the underwriting shall be withdrawn from the Registration.

12.3 Procedures.

(1) Registration Procedures and Obligations. Subject to provisions under Section 12.1(3), whenever required under this Agreement to effect the Registration of any Registrable Securities held by a Holder, the Company shall, as expeditiously as possible:

(a) Prepare and file with the Commission a registration statement with respect to those Registrable Securities and use its reasonable best efforts to cause that registration statement to become effective, and, upon the request of the Holders of thirty percent (30%) of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the Registration Statement has been completed;

(b) Prepare and file with the Commission amendments and supplements to that registration statement and the prospectus used in connection with the registration statement as may be necessary to comply with the provisions of Applicable Securities Law with respect to the disposition of all securities covered by the registration statement;

(c) Furnish to the Holders the number of copies of a prospectus, including a preliminary prospectus, required by Applicable Securities Law, and any other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(d) Use its reasonable best efforts to register and qualify the securities covered by the registration statement under the securities laws of any jurisdiction, as reasonably requested by the Holders, provided that the Company shall not be required to qualify to do business or file a general consent to service of process in any such jurisdictions;

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of the offering;

(f) Notify each Holder of Registrable Securities covered by the registration statement at any time when a prospectus relating thereto is required to be delivered under Applicable Securities Law or of the happening of any event as a result of which any prospectus included in the registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) Provide a transfer agent and registrar for all Registrable Securities registered pursuant to the registration statement and, where applicable, a CUSIP number for all those Registrable Securities, in each case not later than the effective date of the Registration;

(h) Furnish, at the request of any Preferred Shareholder requesting Registration of Registrable Securities pursuant to this Agreement, on the date that such Registrable Securities are delivered for sale in connection with a Registration pursuant to this Agreement, (i) an opinion, dated the date of the sale, of the counsel representing the Company for the purposes of the Registration, in form and substance as is customarily given to underwriters in an underwritten public offering; and (ii) a comfort letter dated the date of the sale, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters; and

(i) Take all reasonable action necessary to cause all such Registrable Securities registered pursuant to this Section 12.3(1) to be listed or admitted for quotation on the primary exchange upon which the Company's securities are then listed or admitted for quotation.

(2) Information from Holders. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement with respect to the Registrable Securities of any selling Holder that the such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the Registration of such Holder's Registrable Securities.

(3) Expenses of Registration. All expenses, other than Selling Expenses, incurred in connection with Registrations, filings or qualifications pursuant to this Agreement, including (without limitation) all Registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and disbursements of one counsel of the selling Holders, shall be borne by the Company.

(4) Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any Registration as the result of any controversy that may arise with respect to the interpretation or implementation of this Section 12.

(5) IPO Preparation. In anticipation of the IPO, the Company shall have the right to designate the Company's Chief Financial Officer and its principle and accounting and legal firms,

provided that such person and firms are acceptable to the Holders.

12.4 Indemnification under Registration Rights.

(1) Company Indemnity.

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers, directors, shareholders of each Holder, legal counsel and accountants for each Holder, any underwriter (as defined in the Securities Act) for such Holders and each Person, if any, who controls (as defined in the Securities Act) such Holder against any losses, claims, damages or liabilities (joint or several) to which they may become subject to under laws which are applicable to the Company and relate to action or inaction required of the Company in connection with any Registration, qualification, or compliance, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (each a " **Violation**"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state in the registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, a material fact required to be stated therein or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of Applicable Securities Laws, or any rule or regulation promulgated under Applicable Securities Laws. The Company will reimburse each such Holder, underwriter or controlling person or other aforementioned persons for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action.

(b) The indemnity agreement contained in this Section 11.4(1) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such Registration by any such Holder, underwriter or controlling person.

(c) With respect to any preliminary prospectus, the foregoing indemnity shall not inure to the benefit of any Holder or underwriter, or any Person controlling (within the meaning of the Securities Act) such Holder or underwriter, from whom the Person asserting any such losses, claims, damages or liabilities purchased shares in the offering, if a copy of the prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Holder or underwriter to such Person, if required by law to have been so delivered, at or prior to the written confirmation of the sale of the shares to such Person, and if the prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

(2) Holder Indemnity.

(a) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, its directors, officers who has signed the registration statement, legal counsel and accountants, any underwriter, and each Person, if any, who controls (within the meaning of the Securities Act) the Company or such underwriter, against any losses, claims, damages or liabilities (joint or several) to which any of the foregoing persons may become subject, under Applicable Securities Laws, or any rule or regulation promulgated under Applicable Securities Laws, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by the selling Holders expressly for use in connection with such Registration; and such selling Holder will reimburse any person intended to be indemnified pursuant to this Section 12.4(2), for any legal or other expenses reasonably incurred by such person in connection with investigating or defending any such loss, claim, damage, liability or action.

(b) The indemnity contained in this Section 12.4(2) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of such selling Holders (which consent shall not be unreasonably withheld), and in no event shall any indemnity under this Section 12.4(2) exceed the gross proceeds from the offering received by such selling Holder.

(3) Notice of Indemnification Claim. Promptly after receipt by an indemnified party under Section 12.4(1) or Section 12.4(2) of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under Section 12.4(1) or Section 12.4(2), deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the indemnifying parties. An indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 12.4, but the omission to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 12.4.

(4) Contribution. If any indemnification provided for in Section 12.4(1) or Section 12.4(2) is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and of the indemnified party, on the other, in connection with the statements or omissions that resulted in such loss, liability, claim,

damage or expense, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(5) Underwriting Agreement. To the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(6) Survival. The obligations of the Company and the selling Holders under this Section 12.4 shall survive the closing of any offering of Registrable Securities in a registration statement under this Agreement, and otherwise.

12.5 Additional Undertakings.

(1) Reports under the Exchange Act. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any comparable provision of any Applicable Securities Law that may at any time permit a Holder to sell securities of the Company to the public without Registration or pursuant to a Registration on Form F-3 (or any comparable form in a jurisdiction other than the United States), the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144 (or comparable provision under Applicable Securities Laws in any jurisdiction where the Company's securities are listed), at all times after the effective date of a Qualified Public Offering;

(b) file with the Commission in a timely manner all reports and other documents required of the Company under all Applicable Securities Laws; and

(c) at any time following ninety (90) days after the effective date of the Qualified Public Offering, promptly furnish to any Holder, upon request (i) a written statement by the Company that it has complied with the reporting requirements of all Applicable Securities Laws at any time after it has become subject to such reporting requirements or, at any time after so qualified, that it qualifies as a registrant whose securities may be resold pursuant to Form F-3 (or any form comparable thereto under Applicable Securities Laws of any jurisdiction where the Company's securities are listed), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents as may be filed by the Company with the Commission, and (iii) such other information as may be reasonably requested in availing such Holder of any rule or regulation of the Commission, that permits the selling of any such securities without Registration or pursuant to such form.

(2) Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities, enter into any agreement with any holder or prospective holder of any Equity Securities of the Company that would allow such holder or prospective holder (a) to include such securities in any Registration filed under Section 12.2, unless under the terms of such agreement such holder or prospective holder may include such Equity

Securities in any such Registration only to the extent that the inclusion of such securities will not reduce the amount of the Registrable Securities of the Holders that are included, (b) to demand Registration of their securities, or (c) to enjoy registration rights otherwise superior to or in parity with those of the Holders as endowed by this Agreement.

(3) "Market Stand-Off" Agreement. The Holders agree that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the Company's IPO and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred and eighty (l80) days) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Equity Securities (whether then owned or thereafter acquired) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Equity Securities, whether any such transaction described in Section (i) or (ii) above is to be settled by delivery of Equity Securities or such other securities, in cash or otherwise. The foregoing provision of this Section 12.5(3) shall apply only to the Company's Qualified Public Offering and shall only be applicable to the Holders if all officers, directors and greater than 1% shareholder of the Company enter into similar agreements to the extent requested by the managing underwriter. The underwriters in connection with the Company's IPO are intended third party beneficiaries of this Section 12.5(3) and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

(4) Each Holder agrees that a legend reading substantially as follows shall be placed on all certificates representing all Registrable Securities of each Holder (and the shares or securities of every other person subject to the restriction contained in this Section 12.5(3)):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD OF UP TO 180 DAYS AFTER THE EFFECTIVE DATE OF THE ISSUER'S INITIAL PUBLIC OFFERING AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE ISSUER'S PRINCIPAL OFFICE. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SHARES.

(5) Assignment of Registration Rights. The rights to cause the Company to Register Registrable Securities pursuant to this Agreement may be assigned (but only with all related obligations under this Agreement) by a Holder to a transferee or assignee of such securities that (i) is an Affiliate of such Holder, or (ii) after such assignment or transfer, holds Registrable Securities representing at least 50% Common Shares (subject to appropriate adjustment for stock splits, stock dividends, combinations and other recapitalizations), provided that: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; (b) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement; (c) such transfer or assignment shall be effective only if immediately following such transfer or assignment the further disposition of such securities by the transferee or assignee is restricted under Applicable Securities Law; (d) the transferee is not a business

competitor of the Company; (e) the transfer is in connection with a transfer of all securities of the transfer; and (f) the transfer is to constituent partners or shareholders who agree to act through a single representative. In the event of a transfer or assignment of Registrable Securities which does not satisfy the conditions set forth above, such securities shall no longer be deemed to constitute "Registrable Securities" for purposes of this Agreement.

(6) Exercise of Series A Preferred Shares. Notwithstanding anything to the contrary provided in this Agreement, the Company shall have no obligation to Register Registrable Securities which, if constituting Common Share Equivalents, have not been exercised, converted or exchanged, as applicable, for Common Shares.

12.6 Termination of the Registration Right. No Holder shall be entitled to exercise any right provided for in this Section 12 after five (5) years following the consummation of the Qualified Public Offering or (b) as to any Holder, such earlier time after the Qualified Public Offering at which such Holder (i) can sell all shares held by it in compliance with Rule 144(b)(1)(i) or (ii) holds one percent (1%) or less of the Company's outstanding Common Shares and all Registrable Securities held by such Holder (together with any Affiliate of the Holder with whom such Holder must aggregate its sales under Rule 144) can be sold in any ninety (90) day period without registration in compliance with Rule 144.

13. REDEMPTION RIGHT

13.1 Redemption Right. Subject to the terms and conditions of this Agreement and to the extent permitted by applicable laws, at any time and from time to time after December 31, 2011, at the written request for redemption (made on one or more occasions) by the Series A Preferred Shareholder then outstanding, concurrently with surrender by such holder of certificates representing its Series A Preferred Shares, the Company shall redeem all the Series A Preferred Shares as may be requested by such holder.

13.2 Redemption Price. The redemption price per Share at which such redemption shall be made by the Company for the number of Preferred Shares as requested to be redeemed shall be one hundred and eighty percent (180%) of the Original Issue Price. The Company shall pay such amount on each of the Series A Preferred Shares to be redeemed on the redemption date specified in the request of such Preferred Shareholder.

13.3 Unredeemed Shares. If on the date of redemption, the number of Preferred Shares that may then be legally redeemed by the Company is less than the number of Preferred Shares to be redeemed, then any unredeemed preferred shares will be carried forward and redeemed as soon as the Company is legally able to do so. If the Company does not have sufficient cash legally available to redeem all of the Preferred Shares required to be redeemed, the remainder of the unredeemed Preferred Shares will be paid in the form of a one-year note to the Preferred Shareholder bearing an interest of 25% for Series A Preferred Shares.

14. SHARE PREFERENCES; DOCUMNENT RELATIONS

14.1 Share Preference. Subject to other terms in this Agreement, the rights, preferences and privileges attached to the Series A Preferred Shares shall not be subordinated to those attached to any other class of Shares, and will at all times be at least *pari passu* with the rights attached to all other Shares, including currently issued and outstanding Common Shares or Preferred Shares or any other Shares to be issued in the future, unless each of the Series A Preferred Shareholder gives its prior written consent to the Company's issuance of any new class of securities of the Company or

assignment to existing securities having or receiving rights, preferences or privileges in parity with or senior to the Series A Preferred Shares.

15. NOTICE

15.1 Any notice or other communication given or made under this Agreement shall be in writing.

15.2 Any such notice or other communication shall be addressed as provided in this Section 14 and, if so addressed, shall be deemed to have been duly given or made as follows:

(a) if sent by personal delivery, upon delivery at the address of the relevant Party;

(b) if sent by registered post, five (5) Business Days after the date of posting; and

(c) if sent by facsimile, upon despatch to the facsimile number of the recipient, with the production of a transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient.

15.3 The relevant address and facsimile number of each Party for the purposes of this Agreement are set out in the relevant schedule as attached to the Share Purchase Agreement.

15.4 A Party may notify the other Parties to this Agreement of a change to its/his name, address or facsimile number for the purpose of this Section PROVIDED THAT such notification shall only be effective on:

(a) if Sub-Section (ii) does not apply, the date specified in the notification as the date on which the change is to take place; or

(b) if no date is specified or the date specified is less than seven (7) Business Days after (and excluding) the date on which the notice is given, the date falling seven (7) Business Days after notice of any such change has been given.

16. MISCELLANEOUS

16.1 Successors and Assigns.

(a) Series A Preferred Shareholder shall be entitled to transfer all or part of its Series A Preferred Shares to one or more affiliated partnerships or funds managed by or affiliated with it or any of their respective directors, officers or partners, provided such transferee agrees in writing to be subject to the terms of the Share Purchase Agreement and related agreements as if it were a purchaser of such Series A Preferred Shares thereunder.

(b) Subject to sub-Section (i) above, this Agreement is personal to the Parties hereto and save as expressly provided herein, none of them may assign, mortgage, charge or sub-license any of their respective rights herein, or sub-contract or otherwise delegate any of its obligations herein, except with the prior written consent of the other Parties hereto.

(c) Subject to sub-Section (ii) above, this Agreement shall be binding on and inure for the benefit of the successors, permitted assigns and personal representatives (as the case may be) of each of the Parties hereto.

(d) Notwithstanding the above, it is agreed that Series A Preferred Shareholders may, subject to Section 10.1 hereof, transfer and assign all the rights and obligations hereunder to any third parties without prior written consent of any other party in this agreement except to a transferee or assignee who is a direct or indirect competitor of the Group Entities and except that any such transfer will at the reasonable discretion of the Company have material adverse impact on the business of Group Entities, and it is further agreed that any such transfer conducted by Series A Preferred Shareholders causing adverse material impact on the business of Group Entity should be null and void on and after the date when such transfer is executed. To avoid doubt, the Sellers' not exercising the Right of First Refusal under this Agreement should not be construed as a waiver of the Indemnitees to their right hereunder in the event that such transfer conducted by Series A Preferred Shareholder has material adverse impact on the business of Group Entities. Any transfer in violation of this sub-Section (iv) shall constitute breach of this Agreement.

(e) Subject to sub-Section (vi) below, without prior written consent from all Preferred Shareholders, any Common Shareholder shall not assign or transfer its Equity Securities in the Company to any third party. The aforesaid share transfer restriction will expire upon the closing of Qualified IPO.

(f) Notwithstanding the sub-Section (v) above but subject to Section 10.1 hereof, each Seller shall be entitled to, without prior consent of the Series A Preferred Shareholder, transfer up to 8% of the total number of Shares held by such transferring Seller at the time of Closing to the investors if and when such transfer is associated with, and conducted concurrently with, a new round of financing for the Company, and the Series A Preferred Shareholder shall take all necessary action, and shall procure the Director it nominated or appointed in the Board of Director of the Company to take all necessary action, including but not limited to vote in favor of such transfer in the relevant resolutions. To avoid doubt, this sub-Section (vi) provided herein is not subject to Section 9 of this Agreement.

16.2 Cumulative Rights.

Unless otherwise provided in this Agreement, any remedy conferred on any Party hereto for breach of this Agreement shall be in addition and without prejudice to all other rights and remedies available to it.

16.3 Entire Agreement; Amendments .

This Agreement shall supersede all and any previous agreements, understandings or arrangements (if any) between and among the Parties hereto or any of them in relation to the subject matter hereof and all or any such previous agreements, understandings or arrangements (if any) shall cease and determine with effect from the date hereof. This Agreement constitutes the whole agreement between and among the Parties hereto or any of them in relation to the subject matter hereof (no Party having relied on any representation, warranty or undertaking made by any other party which is not a term of this Agreement).

Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of each of (i) the Company, (ii) the Series A Preferred Shareholder representing more than 50% of all Series A Preferred Shares, (iii) Sellers, and (iv) Tiger. Any amendment or waiver effected in accordance with this paragraph shall be

binding upon the Parties and their respective successors and assigns.

16.4 Further Assurance.

Each of the Parties hereto undertakes with each of the other Parties that it shall do, or shall procure to be done, all such acts and things and shall execute, or shall procure to be executed, all such documents as may be necessary or appropriate to implement the provisions of this Agreement or otherwise to give full legal force and effect thereof.

16.5 Severability.

The Parties hereto intended that the provisions of this Agreement shall be enforced to the maximum extent permissible under the laws applied in each jurisdiction in which enforcement of any provisions of this Agreement is sought. If any particular provision or part of this Agreement shall be held to be invalid or unenforceable, this Agreement shall be deemed to be amended by the deletion of the provision or part held to be invalid or unenforceable or, to the extent permissible by the applicable laws of the relevant jurisdiction in which such enforcement is sought, such provision or part shall be deemed to be varied in such a way as to achieve most closely the purpose of the original provision or part in a manner which is valid and enforceable, provided that for the avoidance of doubt, such amendments shall apply only with respect to the operation of this Agreement in the particular jurisdiction in which the decision as to invalidity or unenforceability is made.

16.6 Non-waiver.

No delay or omission on the part of any Party hereto in exercising any right, power or privilege shall operate to impair such right, power or privilege or be construed as a waiver by such Party of the same and no single or partial exercise or non-exercise or delay in exercising any right, power or privilege by any Party hereto shall in any circumstances preclude any other or further exercise by such Party of such right, power or privilege or the exercise of any other right, power or privilege by such Party.

16.7 Counterparts.

This Agreement may be executed in counterparts and by different Parties hereto on separate copies or counterparts and which taken together shall constitute one and the same agreement. The facsimile transmissions of any executed original document (including without limitation, any page of an original document on which an original signature appears) and/or retransmission of any such facsimile transmission shall be deemed to be the same as the delivery of an executed original. At the request of any Party hereto, the other Parties hereto shall confirm facsimile transmissions by executing duplicate original documents and delivering the same to the requesting party or parties.

16.8 Dispute Resolution; Governing Law.

(a) This Agreement shall be governed by and construed in accordance with the Law of the State of New York as to matters within the scope thereof, without regard to its principles of conflicts of laws.

(b) Any dispute, controversy or claim arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall be resolved through consultation. Such consultation shall begin immediately after one Party hereto has delivered to the other

Party hereto a written request for such consultation. If within thirty (30) days following the date on which such notice is given the dispute cannot be resolved, the dispute shall be submitted to arbitration upon the request of either Party with notice to the other.

(c) The arbitration shall be conducted in Hong Kong under the auspices of Hong Kong International Arbitration Commission Center (" **HKIAC**") in accordance with its arbitration rules. If the parties do not agree to appoint the arbitrator(s) who has/have consented to participate within thirty (30) days after a notice of arbitration, the relevant appointment shall be made by HKIAC.

(d) The arbitration proceedings shall be conducted in English.

(e) The arbitrators shall decide any dispute submitted by the Parties to the arbitration strictly in accordance with the substantive law of New York and shall not apply any other substantive law.

(f) Each Party hereto shall cooperate with the other(s) in making full disclosure of and providing complete access to all information and documents requested by the other in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on such party.

(g) The award of the arbitration tribunal shall be final and binding upon the disputing parties, and the prevailing party may apply to a court of competent jurisdiction for enforcement of such award.

(h) Any Party in dispute with another shall be entitled to seek preliminary injunctive relief from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

16.9 This Agreement shall take effect, after being duly executed and delivered by all the Parties hereto, upon the effectiveness of the Share Purchase Agreement.

16.10 Cross-Guarantees.

Each of Zhang Bangxin, Cao Yundong, LIU Yachao and BAI Yunfeng shall unconditionally guarantees the performance of BRIGHT UNISON LIMITED, CENTRAL GLORY INVESTMENTS LIMITED, PERFECT WISDOM INTERNATIONAL LIMITED and EXCELLENT NEW LIMITED respectively under this Agreement and vice versa, each of BRIGHT UNISON LIMITED, CENTRAL GLORY INVESTMENTS LIMITED, PERFECT WISDOM INTERNATIONAL LIMITED and EXCELLENT NEW LIMITED shall unconditionally guarantees the performance of Zhang Bangxin, Cao Yundong, LIU Yachao and BAI Yunfeng respectively under this Agreement.

16.11 Power of Attorney.

KTB hereby authorizes the Company, on behalf of itself and as agent for KTB, to enter into the Assumption Agreement in the form attached as Exhibit B-2 of the Purchase Agreement pursuant to Section 6.23 thereunder.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Shareholder' Agreement as of the date first written above.

SELLERS

BRIGHT UNISON LIMITED

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin (张邦鑫)

CENTRAL GLORY INVESTMENTS LIMITED

By: /s/ Yundong Cao
Name: CAO Yundong (曹允东)

PERFECT WISDOM INTERNATIONAL LIMITED

By: /s/ Yachao Liu
Name: LIU Yachao (刘亚超)

EXCELLENT NEW LIMITED

By: /s/ Yunfeng Bai
Name: BAI Yunfeng (白云峰)

SIGNATURE PAGE TO SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties have executed this Shareholder' Agreement as of the date first written above.

FOUNDERS

ZHANG Bangxin (张邦鑫)

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin

CAO YUNDONG (曹允东)

By: /s/ Yundong Cao
Name: CAO Yundong

LIU Yachao (刘亚超)

By: /s/ Yachao Liu
Name: LIU Yachao

BAI YUNFENG (白云峰)

By: /s/ Yunfeng Bai
Name: BAI Yunfeng

IN WITNESS WHEREOF, the parties have executed this Shareholders' Agreement as of the date first written above.

COMPANY: **XUEERSI INTERNATIONAL EDUCATION GROUP**

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin
Title: Director

HK COMPANY: **TAL GROUP LIMITED**

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin
Title: Director

WFOE: **TAL EDUCATION TECHNOLOGY (BEIJING) CO., LTD.**

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin
Title: Legal Representative
Affix Seal:

SIGNATURE PAGE TO SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties have executed this Shareholders' Agreement as of the date first written above.

DOMESTIC COMPANIES

BEIJING XUEERSI EDUCATION TECHNOLOGY CO., LTD.

By: /s/ Yachao Liu
Name: LIU Yachao
Title: Legal Representative

Affix Seal:

BEIJING XUEERSI NETWORK TECHNOLOGY CO., LTD.

By: /s/ Yachao Liu
Name: LIU Yachao
Title: Legal Representative

Affix Seal:

SIGNATURE PAGE TO SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties have executed this Shareholders' Agreement as of the date first written above.

SERIES A PREFERRED SHAREHOLDER:

KTB/UCI China Ventures II Limited

By: /s/ Authorized Signatory
Name:
Title: Legal Representative

Affix Seal:

SIGNATURE PAGE TO SHAREHOLDERS AGREEMENT

IN WITNESS WHEREOF, the parties have executed this Shareholders' Agreement as of the date first written above.

TIGER:

Tiger Global Five China Holdings

By: /s/ Authorized Signatory
Name:
Title:

SIGNATURE PAGE TO SHAREHOLDERS AGREEMENT

SCHEDULE 1

Particulars of the Company as at the date of this Agreement

1. Name: Xueersi International Education Group(学而思国际教育集团)
2. Date of Incorporation: January 10, 2008
3. Country of incorporation and status of company: Cayman Islands, Private company limited by shares
4. Registered office: The Registered Office of the Company shall be at the offices of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Island.
5. Authorized share capital: US$200,000.00, divided into 200,000,000 shares of par value of US$0.001 each, of which 195,000,000 are classified as Common Shares and 5,000,000 shares are designated as Series A Preferred Shares.
6. Issued or reserved shares: 125,000,000 Common Shares and 5,000,000 Series A Preferred Shares
7. Directors: ZHANG Bangxin, CAO Yundong, LIU Yachao, BAI Yunfeng, YEH Aieming Amy
8. Secretary: CIA Nominee Holdings Limited
9. Financial year end: the last day of February

Exhibit 5.1

TAL Education Group
18/F, Hesheng Building
32 Zhongguancun Avenue
Haidian District
Beijing 100080
People's Republic of China

_____ 2010

Dear Sirs

TAL Education Group

We have acted as Cayman Islands legal advisers to TAL Education Group (the "**Company**") in connection with the Company's registration statement on Form F-1, including all amendments or supplements thereto (the " **Registration Statement**"), originally filed with the Securities and Exchange Commission under the U.S. Securities Act of 1933 filed on _____ 2010, as amended, relating to the offering by the Company of certain American Depositary Shares (the "**ADSs**") representing the Company's Class A Common Shares of par value US$0.001 each (the " **Shares**").

We are furnishing this opinion as Exhibit 5.1 to the Registration Statement.

1 Documents Reviewed

For the purposes of this opinion, we have reviewed only originals, copies or final drafts of the following documents:

1.1 the certificate of incorporation dated 8 January 2008;

1.2 the third amended and restated memorandum and articles of association of the Company as adopted by a special resolution passed on 29 September 2010 (the "**Pre IPO M&A**");

1.3 the fourth amended and restated memorandum and articles of association of the Company as conditionally adopted by special resolution passed on 29 September and effective immediately upon the completion of the Company's initial public offering of ADSs representing its Class A Common Shares on the New York Stock Exchange (the "**IPO M&A**");

1.4 the written resolutions of the Board of Directors of the Company dated 29 September 2010 (the " **Directors' Resolutions**");

1.5 the written resolutions of the shareholders of the Company dated 29 September 2010 (the " **Shareholders' Resolutions**");

1.6 a certificate from a Director of the Company addressed to this firm dated _____ 2010 (the " **Director's Certificate**");

1.7 a certificate of good standing dated _____ 2010, issued by the Registrar of Companies in the Cayman Islands (the " **Certificate of Good Standing**"); and

1.8 the Registration Statement.

2 Assumptions

Save as aforesaid we have not been instructed to undertake and have not undertaken any further enquiry or due diligence in relation to the transaction the subject of this opinion. The following opinions are given only as to and based on circumstances and matters of fact existing at the date hereof and of which we are aware consequent upon the instructions we have received in relation to the matter the subject of this opinion and as to the laws of the Cayman Islands as the same are in force at the date hereof. In giving this opinion, we have relied upon the completeness and accuracy (and assumed the continuing completeness and accuracy as at the date hereof) of the Director's Certificate as to matters of fact and the Certificate of Good Standing without further verification and have relied upon the following assumptions, which we have not independently verified:

2.1 copy documents or drafts of documents provided to us are true and complete copies of, or in the final forms of, the originals; and

2.2 the genuineness of all signatures and seals.

3 **Opinion**

The following opinions are given only as to matters of Cayman Islands law and we have assumed that there is nothing under any other law that would affect or vary the following opinions.

Based upon the foregoing and subject to the qualifications set out below and having regard to such legal considerations as we deem relevant, we are of the opinion that:

3.1 the Company has been duly incorporated as an exempted company with limited liability for an unlimited duration and is validly existing and in good standing under the laws of the Cayman Islands;

3.2 immediately upon the completion of the Company's initial public offering of its ADSs representing its Class A Common Shares on the New York Stock Exchange, the authorised share capital of the Company will be US$_____ divided into (i) _____ Class A Common Shares of a nominal or par value of US$0.001 each and (ii) _____ Class B Common Shares of a nominal or par value of US$0.001 each and (iii) _____ shares of such Class or Classes (howsoever designated) as the Board of Directors may determine in accordance with Articles 8 and 9 of the Articles of Association;

3.3 the issuance and allotment of the Shares has been duly authorised and when allotted, issued and paid for as contemplated in the Registration Statement and entered in the register of members (shareholders), the Shares will be legally issued, fully paid and non-assessable; and

3.4. the statements under the captions "Enforceability of Civil Liabilities", "Taxation" and "Legal Matters" and elsewhere in the prospectus forming part of the Registration Statement, to the extent that they constitute statements of Cayman Islands law, are accurate in all material respects and such statements constitute our opinion.

4 Qualifications

Except as specifically stated herein, we make no comment with respect to any representations and warranties which may be made by or with respect to the Company in any of the documents or instruments cited in this opinion or otherwise with respect to the commercial terms of the transactions the subject of this opinion.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our name under the headings “Enforceability of Civil Liabilities”, “Taxation” and “Legal Matters” and elsewhere in the prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the Rules and Regulations of the Commission thereunder.

Yours faithfully

Maples and Calder

Encl

EXHIBIT 8.1

___, 2010

TAL Education Group
18/F, Hesheng Building
32 Zhongguancun Avenue, Haidian District
Beijing 100080
People's Republic of China

Re: American Depositary Shares of TAL Education Group (the "Company")

Ladies and Gentlemen:

You have requested our opinion concerning the statements in the Registration Statement (as described below) under the caption "Taxation—Material United States Federal Income Tax Considerations" in connection with the public offering of certain American Depositary Shares ("ADSs"), each of which represents Class A common shares, par value $0.001 per share, of the Company, pursuant to the registration statement on Form F-1 under the Securities Act of 1933, as amended (the "Act"), filed by the Company with the Securities and Exchange Commission (the "Commission") on the date hereof (the "Registration Statement").

In connection with rendering the opinion set forth below, we have examined and relied on originals or copies of the following:

(a) the Registration Statement; and

(b) such other documents, certificates and records as we have deemed necessary or appropriate as a basis for the opinion set forth below.

Our opinion is conditioned on the initial and continuing accuracy of the facts, information and analyses set forth in such documents, certificates and records (as identified in clauses (a) and (b) of the immediately preceding paragraph). All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Registration Statement.

For purposes of our opinion, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed, electronic, or photo static copies, and the authenticity of the originals of such latter documents. We have relied on a representation of the Company that such documents, certificates, and records are duly authorized, valid and enforceable.

In addition, we have relied on factual statements and representations of the officers and other representatives of the Company and others, and we have assumed that such statements and representations are and will continue to be correct without regard to any qualification as to knowledge or belief.

Our opinion is based on the U.S. Internal Revenue Code of 1986, as amended, U.S. Treasury regulations, judicial decisions, published positions of the U.S. Internal Revenue Service, and such other authorities as we have considered relevant, all as in effect as of the date of this opinion and all of which are subject to differing interpretations or change at any time (possibly with retroactive effect). A change in the authorities upon which our opinion is based could affect the conclusions expressed herein. There can be no assurance, moreover, that the opinion expressed herein will be accepted by the U.S. Internal Revenue Service or, if challenged, by a court.

Based upon and subject to the foregoing, we are of the opinion that, under current U.S. federal income tax law, although the discussion set forth in the Registration Statement under the heading “Material United States Federal Income Tax Considerations” does not purport to summarize all possible U.S. federal income tax considerations of the purchase, ownership and disposition of ADSs to U.S. Holders (as defined therein), such discussion constitutes, in all material respects, a fair and accurate summary of the U.S. federal income tax consequences of the purchase, ownership and disposition of the ADSs that are anticipated to be material to U.S. Holders who purchase the ADSs pursuant to the Registration Statement, subject to the qualifications set forth in such discussion and, to the extent that it sets forth specific legal conclusions under United States federal income tax law, except as otherwise provided therein, it represents our opinion.

Except as set forth above, we express no other opinion. This opinion is furnished to you solely for your benefit in connection with the sale of the securities and is not to be relied on by anyone else without our prior written consent. This opinion is expressed as of the date hereof, and we are under no obligation to supplement or revise our opinion to reflect any legal developments or factual matters arising subsequent to the date hereof.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the caption "Legal Matters" in the prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules or regulations of the Commission promulgated thereunder.

Very truly yours,

Exhibit 8.3

天元律师事务所

TIAN YUAN LAW FIRM
11F/Tower C, Corporate Square, 35 Financial Street
Beijing 100033, P. R. China
Tel: (8610) 8809-2188; Fax: (8610) 8809-2150.

, 2010

To: TAL Education Group
18/F, Hesheng Building
32 Zhongguancun Avenue, Haidian District
Beijing 100080
People's Republic of China

Re: Legal Opinion on Certain PRC Law Matters

We are qualified lawyers of the People's Republic of China (the "**PRC**", for purposes of this legal opinion, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan), and as such are qualified to issue this opinion on the PRC Laws (as defined below).

We have acted as PRC legal counsel to TAL Education Group (the "**Company**"), a company incorporated under the laws of the Cayman Islands, in connection with (i) the Company's proposed initial public offering ("**Offering**") of its certain number of American Depositary Shares (" **ADSs**"), each of which represents of the common shares, par value US$ 0.001 per share, of the Company; and (ii) the issuance of the prospectus (" **Prospectus**") that forms part of the Company's registration statement on Form F-1 (No.) (the "Registration Statement") filed with the U.S. Securities and Exchange Commission.

A. Documents Examined, Definition and Information Provided

In connection with the furnishing of this opinion, we have examined copies, certified or otherwise identified to our satisfaction, of documents provided by the Company, and such other documents, corporate records, certificates, Approvals (as defined below) and other instruments as we have deemed necessary for the purpose of rendering this opinion, including, without limitation, originals

or copies of the certificates issued by PRC government authorities and officers of the Company. All of these documents are hereinafter collectively referred to as the "**Documents**".

Unless the context of this opinion otherwise provides, the following terms in this opinion shall have the meanings set forth below:

"**Approvals**" means all necessary approvals, consents, waivers, sanctions, certificates, authorizations, filings, registrations, exemptions, permissions, endorsements, annual inspections, qualifications and licenses.

"**PRC Affiliated Entities**" means all the subsidiaries directly or indirectly established by the VIEs under the PRC Laws which take the form of companies or schools as set out in Schedule I of this opinion.

"**PRC Laws**" means all laws, regulations, statutes, orders, decrees, guidelines, notices, judicial interpretations and sub-ordinate legislations currently in force and publicly available in the PRC on the date of this opinion.

"**TAL Beijing**" means TAL Education Technology (Beijing) Co., Ltd.

"**Variable Interest Entities**" or "**VIEs**" means Beijing Xueersi Network Technology Co., Ltd. and Beijing Xueersi Education Technology Co., Ltd., which are domestic PRC companies in which the Company does not have equity interests but whose financial results have been consolidated into the Company's consolidated financial statements in accordance with U.S. GAAP.

B. Assumptions

In our examination of the aforesaid Documents, we have assumed, without independent investigation and inquiry that:

1. all signatures, seals and chops are genuine and were made or affixed by representatives duly authorized by the respective parties, all natural persons have the necessary legal capacity, all Documents submitted to us as originals are authentic, and all Documents submitted to us as certified or photo static copies conform to the originals;

2. no amendments, revisions, modifications or other changes have been made with respect to any of the Documents after they were submitted to us for the purposes of this opinion; and

3. each of the parties to the Documents (except that we do not make such assumptions about the VIEs and the PRC Affiliated Entities) is duly organized and validly existing in good standing under the laws of its jurisdiction of organization and/or incorporation, and has been duly approved and authorized where applicable by the competent governmental authorities of the relevant jurisdiction to carry on its business and to perform its obligations under the Documents to which it is a party.

In expressing the opinions set forth herein, we have relied upon the factual matters contained in the representations and warranties set forth in the Documents.

C. Opinion

Based upon the foregoing, we are of the opinion that:

1. *With Respect to the Contractual Arrangements between TAL Beijing, PRC Affiliated Entities, VIEs and their Respective Shareholders*

(a) Each of the parties to the contractual arrangements and agreements by and among TAL Beijing, the PRC Affiliated Entities, VIEs and their respective shareholders that has been filed as exhibits to the Registration Statement (collectively, " **VIE Contracts**") has full power, authority and legal right to enter into, execute, deliver and perform their respective obligations under each of the VIE Contracts and such obligations constitute valid, legal and binding obligations enforceable in accordance with the terms of each of the VIE Contracts against each of them. Each VIE Contracts and the transactions contemplated thereby have been duly authorized by the entities expressed to be parties thereto. No Approvals are required to be done or obtained for the performance of the respective parties of their obligations and the transactions contemplated under the VIE Contracts other than those already obtained, except when TAL Beijing decides to exercise the option granted under the Call Option Agreement to purchase the equity interests in VIEs, such purchase shall be subject to prior approval by the Ministry of Commerce or its local counterpart and be further subject to registrations with the relevant government authorities.

(b) The execution, delivery and performance by each of the relevant parties of their respective obligations under each of the VIE Contracts, and the consummation of the transactions contemplated thereunder, do not and will not (i) result in any violation of their respective articles of association, their respective business licenses or constitutive documents, (ii) result in any violation of any applicable PRC Laws, or (iii) to the best of our knowledge after due and reasonable inquiries,

conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any agreement, instrument, arbitration award or judgment, order or decree of any court of the PRC having jurisdiction over the relevant parties of the VIE Contracts, as the case may be, any agreement or instrument to which any of them is expressed to be a party or which is binding on any of them.

(c) The contractual arrangement and the ownership structure described under the caption "Summary" and "Our Corporate History and Structure" in the Prospectus are true and accurate in all material respects and nothing has been omitted from such description which would make the same misleading in any material respects. The ownership structures of TAL Beijing, VIEs and the PRC Affiliated Entities as described in the Prospectus complies, and immediately after giving effect of this Offering will comply, with all applicable PRC Laws, and does not violate, breach, or otherwise conflict with any applicable PRC Laws, except as disclosed in the Prospectus.

2. *With respect to the M&A Rules*

On August 8, 2006, six PRC regulatory agencies, namely, the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the State Administration for Foreign Exchange, and the China Securities Regulatory Commission, or CSRC, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rule, which became effective on September 8, 2006. M&A Rule provides, among other things, that offshore special purpose vehicles, or SPVs, formed for the purpose of acquiring PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. The Company acquired contractual control rather than acquired any equity interests in the VIEs and the PRC Affiliated Entities and is hence not a special purpose vehicle formed or controlled by PRC companies or individuals as defined under the M&A Rules. Therefore, the Company is not required to obtain the approval from CSRC for the listing and trading of the Company's ADSs on an overseas stock exchange.

3. *Taxation*

The statements set forth under the caption "Taxation" in the Prospectus, insofar as they constitute statements of PRC tax law, are accurate in all material respects and that such statements constitute our opinion.

D. Consent

We hereby consent to the use of our name under the captions "Risk Factors," "Our Corporate History and Structure," "Management's Discussion and Analysis of Financial Condition and

Results of Operations," "Regulation," "Taxation", "Legal Matters" and "Enforceability of Civil Liabilities" in the Prospectus.

This opinion relates only to PRC Laws and we express no opinion as to any laws other than PRC Laws. PRC Laws as used in this opinion refers to the PRC Laws currently in force as of the date of this opinion and there is no guarantee that any of such PRC Laws will not be changed, amended or revoked in the immediate future or in the longer term with or without retroactive effect.

We hereby consent to the use of this opinion in, and the filing hereof as an exhibit to, the Prospectus. In giving such consent, we do not thereby admit that we fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the regulations promulgated thereunder.

Very truly yours,

Tian Yuan Law Firm

Schedule I — PRC Affiliated Entities

1. Beijing Dongcheng District Xueersi Training School
2. Beijing Haidian District Lejiale Training School
3. Tianjin Xueersi Education Information Consulting Co., Ltd.
4. Shenzhen Xueersi Education Technology Co., Ltd.
5. Beijing Xicheng District Xueersi Training School
6. Beijing Haidian District Xueersi Training School
7. Beijing Zhikang Culture Distribution Co., Ltd.
8. Shanghai Lehai Science and Technology Information Co., Ltd.
9. Shanghai Changning District Xueersi-Lejiale School
10. Shanghai Minhang District Lejiale School
11. Shanghai Xueersi Education Information Consulting Co., Ltd.
12. Guangzhou Xueersi Education Technology Co., Ltd.
13. Wuhan Jianghanqu Xiaoxinxing English Training School
14. Hubei Qianjiang Xiaohafu English Training School
15. Hubei Jianli Hafu English Training School
16. Tianjin Hexi District Xueersi Training School

Exhibit 10.1

TAL EDUCATION GROUP

2010 SHARE INCENTIVE PLAN

ARTICLE 1

PURPOSE

The purpose of this TAL Education Group 2010 Share Incentive Plan (the "Plan") is to promote the success and enhance the value of TAL Education Group, a company formed under the laws of the Cayman Islands (the " Company") by aligning the personal interests of the members of the Board, Employees, and Consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment and contribution the Company's business is largely dependent.

ARTICLE 2

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders, and the rules of any applicable stock exchange or national market system, of any jurisdiction applicable to Awards granted to residents therein.

2.2 "Award" means an Option, Restricted Share or Restricted Share Unit award granted to a Participant pursuant to the Plan.

2.3 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

2.4 "Board" means the Board of Directors of the Company.

2.5 "Code" means the Internal Revenue Code of 1986 of the United States, as amended.

2.6 "Committee" means a committee of the Board described in Article 10.

2.7 "Consultant" means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to a Service Recipient; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising

transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (c) the consultant or adviser is a natural person who has contracted directly with the Service Recipient to render such services.

2.8 "Corporate Transaction", unless otherwise defined in an Award Agreement, means any of the following transactions, provided, however, that the Committee shall determine under (d) and (e) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement or consolidation or scheme of arrangement (i) in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated or (ii) following which the holders of the voting securities of the Company do not continue to hold more than 50% of the combined voting power of the voting securities of the surviving entity;

(b) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(c) the complete liquidation or dissolution of the Company;

(d) any reverse takeover or series of related transactions culminating in a reverse takeover (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company is the surviving entity but (A) the Company's equity securities outstanding immediately prior to such takeover are converted or exchanged by virtue of the takeover into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such takeover or the initial transaction culminating in such takeover, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction; or

(e) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction.

2.9 "Disability", unless otherwise defined in an Award Agreement, means that the Participant qualifies to receive long-term disability payments under the Service Recipient's long-term disability insurance program, as it may be amended from time to time, to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Service Recipient to which the Participant provides service does not have a long-term disability plan in place, "Disability" means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant will not be considered to have incurred a Disability unless

he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion.

2.10 "Effective Date" shall have the meaning set forth in Section 11.1.

2.11 "Employee" means any person, including an officer or a member of the Board of the Company or any Parent or Subsidiary of the Company, who is in the employment of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a director's fee by a Service Recipient shall not be sufficient to constitute "employment" by the Service Recipient.

2.12 "Exchange Act" means the Securities Exchange Act of 1934 of the United States, as amended.

2.13 "Fair Market Value" means, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established stock exchanges or national market systems, including without limitation, The New York Stock Exchange and The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such Shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable;

(b) If the Shares are regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such Shares as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Shares of the type described in (a) and (b), above, the Fair Market Value thereof shall be determined by the Committee in good faith and in its discretion by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company's business operations and the general economic and market conditions since such latest private placement, (ii) other third party transactions involving the Shares and the development of the Company's business operation and the general economic and market conditions since such sale, (iii) an independent valuation of the Shares, or (iv) such other methodologies or information as the Committee determines to be indicative of Fair Market Value.

2.14 "Incentive Share Option" means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.15 "Independent Director" means a member of the Board who is a non-Employee Director and who meets the independent standards under the stock exchange on which the Company's Shares are listed, if applicable.

2.16 "Non-Employee Director" means a member of the Board who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition adopted by the Board.

2.17 "Non-Qualified Share Option" means an Option that is not intended to be an Incentive Share Option.

2.18 "Option" means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of Shares at a specified price during specified time periods. An Option may be either an Incentive Share Option or a Non-Qualified Share Option.

2.19 "Participant" means a person who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.20 "Parent" means a parent corporation under Section 424(e) of the Code.

2.21 "Plan" means this TAL Education Group 2010 Share Incentive Plan, as it may be amended from time to time.

2.22 "Related Entity" means any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or Subsidiary of the Company holds a substantial ownership interest, directly or indirectly, but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

2.23 "Restricted Share" means a Share awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture.

2.24 "Restricted Share Unit" means the right granted to a Participant pursuant to Article 7 to receive a Share at a future date.

2.25 "Securities Act" means the Securities Act of 1933 of the United States, as amended.

2.26 "Service Recipient" means the Company, any Parent or Subsidiary of the Company and any Related Entity to which a Participant provides services as an Employee, a Consultant or a Director.

2.27 "Share" means ordinary shares of the Company, and such other securities of the Company that may be substituted for Shares pursuant to Article 9.

2.28 "Subsidiary" means any corporation or other entity of which a majority of the outstanding voting shares or voting power is beneficially owned directly or indirectly by the Company.

2.29 "Trading Date" means the closing of the first sale to the general public of the Shares pursuant to a registration statement filed with and declared effective by the U.S. Securities and Exchange Commission under the Securities Act.

ARTICLE 3

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to the provisions of Article 9 and Section 3.1(b), the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Share Options) shall be 18,750,000.

(b) To the extent that an Award terminates, expires, or lapses for any reason, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. To the extent permitted by Applicable Laws, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form or combination by the Company or any Parent or Subsidiary of the Company shall not be counted against Shares available for grant pursuant to the Plan. Shares delivered by the Participant or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any Restricted Shares are forfeited by the Participant or repurchased by the Company, such Shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Share Option to fail to qualify as an incentive Share option under Section 422 of the Code.

3.2 Shares Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury shares (subject to Applicable Laws) or Shares purchased on the open market. Additionally, in the discretion of the Committee, American Depository Shares in an amount equal to the number of Shares which otherwise would be distributed pursuant to an Award may be distributed in lieu of Shares in settlement of any Award. If the number of Shares represented by an American Depository Share is other than on a one-to-one basis, the limitations of Section 3.1 shall be adjusted to reflect the distribution of American Depository Shares in lieu of Shares.

ARTICLE 4

ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Persons eligible to participate in this Plan include Employees,

Consultants, and all members of the Board, as determined by the Committee.

4.2 Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to this Plan.

4.3 Jurisdictions. In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; *provided, however*, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 3.1 of the Plan. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

ARTICLE 5

OPTIONS

5.1 General. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) Exercise Price. The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the Share Option Award Agreement which may be a fixed or variable price related to the Fair Market Value of the Shares. The exercise price per Share subject to an Option may be amended or adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by Applicable Laws or any exchange rule, a downward adjustment of the exercise prices of Options mentioned in the preceding sentence shall be effective without the approval of the Company's shareholders or the approval of the affected Participants.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; *provided* that the term of any Option granted under the Plan shall not exceed ten years, except as provided in Section 12.1. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation (i) cash or check denominated in U.S. Dollars, (ii) to the extent permissible under the Applicable Laws, cash or check in Chinese Renminbi, (iii) cash or check denominated in any other local currency as approved by the Committee, (iv) Shares held for such period of time as may be

required by the Committee in order to avoid adverse financial accounting consequences and having a Fair Market Value on the date of delivery equal to the exercise price, (v) after the Trading Date, the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale, (vi) other property acceptable to the Committee with a Fair Market Value equal to the exercise price, or (vii) any combination of the foregoing. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

5.2 Incentive Share Options. Incentive Share Options may be granted to Employees of the Company, a Parent or Subsidiary of the Company. Incentive Share Options may not be granted to Employees of a Related Entity or to Independent Directors or Consultants. The terms of any Incentive Share Options granted pursuant to the Plan, in addition to the requirements of Section 5.1, must comply with the following additional provisions of this Section 5.2:

(a) Expiration of Option. An Incentive Share Option may not be exercised to any extent by anyone after the first to occur of the following events:

(i) Ten years from the date it is granted, unless an earlier time is set in the Award Agreement;

(ii) [60 days] after the Participant's termination of employment as an Employee; and

(iii) [Six months] after the date of the Participant's termination of employment or service on account of Disability or death. Upon the Participant's Disability or death, any Incentive Share Options exercisable at the Participant's Disability or death may be exercised by the Participant's legal representative or representatives, by the person or persons entitled to do so pursuant to the Participant's last will and testament, or, if the Participant fails to make testamentary disposition of such Incentive Share Option or dies intestate, by the person or persons entitled to receive the Incentive Share Option pursuant to the applicable laws of descent and distribution.

(b) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Share Options are first exercisable by a Participant in any calendar year may not exceed $100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Share Options are first exercisable by a Participant in

excess of such limitation, the excess shall be considered Non-Qualified Share Options.

(c) Exercise Price. The exercise price of an Incentive Share Option shall be equal to the Fair Market Value on the date of grant. However, the exercise price of any Incentive Share Option granted to any individual who, at the date of grant, owns Shares possessing more than ten percent of the total combined voting power of all classes of Shares of the Company may not be less than 110% of Fair Market Value on the date of grant and such Option may not be exercisable for more than five years from the date of grant.

(d) Transfer Restriction. The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Share Option within (i) two years from the date of grant of such Incentive Share Option or (ii) one year after the transfer of such Shares to the Participant.

(e) Expiration of Incentive Share Options. No Award of an Incentive Share Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(f) Right to Exercise. During a Participant's lifetime, an Incentive Share Option may be exercised only by the Participant.

ARTICLE 6

RESTRICTED SHARES

6.1 Grant of Restricted Shares. The Committee, at any time and from time to time, may grant Restricted Shares to Participants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Restricted Shares to be granted to each Participant.

6.2 Restricted Shares Award Agreement. Each Award of Restricted Shares shall be evidenced by a Restricted Shares Award Agreement that shall specify the period of restriction, the number of Restricted Shares granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine. Unless the Committee determines otherwise, Restricted Shares shall be held by the Company as escrow agent until the restrictions on such Restricted Shares have lapsed.

6.3 Issuance and Restrictions. Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Shares or the right to receive dividends on the Restricted Share). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

6.4 Forfeiture/Repurchase. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Shares that are at that time subject to restrictions shall be forfeited or repurchased in accordance with the Restricted Shares Award

Agreement; *provided, however*, the Committee may (a) provide in any Restricted Shares Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Shares.

6.5 Certificates for Restricted Shares. Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

6.6 Removal of Restrictions. Except as otherwise provided in this Article 6, Restricted Shares granted under the Plan shall be released from escrow as soon as practicable after the last day of the period of restriction. The Committee, in its discretion, may accelerate the time at which any restrictions shall lapse or be removed. After the restrictions have lapsed, the Participant shall be entitled to have any legend or legends under Section 6.5 removed from his or her Share certificate, and the Shares shall be freely transferable by the Participant, subject to applicable legal restrictions. The Committee (in its discretion) may establish procedures regarding the release of Shares from escrow and the removal of legends, as necessary or appropriate to minimize administrative burdens on the Company.

ARTICLE 7

RESTRICTED SHARE UNITS

7.1 Grant of Restricted Share Units. The Committee, at any time and from time to time, may grant Restricted Share Units to Participants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Restricted Share Units to be granted to each Participant.

7.2 Restricted Share Units Award Agreement. Each Award of Restricted Share Units shall be evidenced by a Restricted Share Units Award Agreement that shall specify any vesting conditions, the number of Restricted Share Units granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

7.3 Performance Objectives and Other Terms. The Committee, in its discretion, shall set performance objectives or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of Restricted Share Units that will be paid out to the Participants.

7.4 Form and Timing of Payment of Restricted Share Units. At the time of grant, the Committee shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable. Upon vesting, the Committee, in its sole discretion, may pay Restricted Share Units in the form of cash, in Shares or in a combination thereof.

7.5 Forfeiture/Repurchase. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Share Units that are at that time unvested shall be forfeited or repurchased in accordance with the Restricted Share Units Award Agreement; *provided, however*, the Committee may (a) provide in any Restricted Share Units Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Share Units will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Share Units.

ARTICLE 8

PROVISIONS APPLICABLE TO AWARDS

8.1 Award Agreement. Awards under the Plan shall be 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 the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

8.2 Limits on Transfer. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Subsidiary. Except as otherwise provided by the Committee, no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution. The Committee by express provision in the Award or an amendment thereto may permit an Award (other than an Incentive Share Option) to be transferred to, exercised by and paid to certain persons or entities related to the Participant, including but not limited to members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the Participant's termination of employment or service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

8.3 Beneficiaries. Notwithstanding Section 8.2, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a

person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

8.4 Share Certificates. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing Shares pursuant to the exercise of any Award, unless and until the Committee has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all Applicable Laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded. All Share certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with all Applicable Laws, and the rules of any national securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Committee may place legends on any Share certificate to reference restrictions applicable to the Shares. In addition to the terms and conditions provided herein, the Committee may require that a Participant make such reasonable covenants, agreements, and representations as the Committee, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

8.5 Paperless Administration. Subject to Applicable Laws, the Committee may make Awards, provide applicable disclosure and procedures for exercise of Awards by an internet website or interactive voice response system for the paperless administration of Awards.

8.6 Foreign Currency. A Participant may be required to provide evidence that any currency used to pay the exercise price of any Award were acquired and taken out of the jurisdiction in which the Participant resides in accordance with Applicable Laws, including foreign exchange control laws and regulations. In the event the exercise price for an Award is paid in Chinese Renminbi or other foreign currency, as permitted by the Committee, the amount payable will be determined by conversion from U.S. dollars at the official rate promulgated by the People's Bank of China for Chinese Renminbi, or for jurisdictions other than the People's Republic of China, the exchange rate as selected by the Committee on the date of exercise.

ARTICLE 9

CHANGES IN CAPITAL STRUCTURE

9.1 Adjustments. In the event of any dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other

distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting Shares or the price of a Share, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of Shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per Share for any outstanding Awards under the Plan.

9.2 Corporate Transactions. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Participant, if the Committee anticipates the occurrence, or upon the occurrence, of a Corporate Transaction, the Committee may, in its sole discretion, provide for (i) any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Participant the right to exercise the vested portion of such Awards during a period of time as the Committee shall determine, or (ii) the purchase of any Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award (and, for the avoidance of doubt, if as of such date the Committee determines in good faith that no amount would have been attained upon the exercise of such Award, then such Award may be terminated by the Company without payment), or (iii) the replacement of such Award with other rights or property selected by the Committee in its sole discretion or the assumption of or substitution of such Award by the successor or surviving corporation, or a Parent or Subsidiary thereof, with appropriate adjustments as to the number and kind of Shares and prices, or (iv) 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 through the date when such Award would otherwise be vested or have been paid in accordance with its original terms, if necessary to comply with Section 409A of the Code.

9.3 Outstanding Awards—Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 9, the Committee may, in its absolute discretion, make such adjustments in the number and class of Shares subject to Awards outstanding on the date on which such change occurs and in the per Share grant or exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

9.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of Shares of any class, the payment of any dividend, any increase or decrease in the number of Shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of Shares of any class, or securities convertible into Shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to an Award or the grant or exercise price of any Award.

ARTICLE 10

ADMINISTRATION

10.1 Committee. The Plan shall be administered by the Board or a committee of one or more members of the Board (the "Committee") to whom the Board shall delegate the authority to grant or amend Awards to Participants other than any of the Committee members. Any grant or amendment of Awards to any Committee member shall then require an affirmative vote of a majority of the Board members who are not on the Committee.

10.2 Action by the Committee. A majority of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

10.3 Authority of Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

(a) Designate Participants to receive Awards;

(b) Determine the type or types of Awards to be granted to each Participant;

(c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

10.4 Decisions Binding. The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 11

EFFECTIVE AND EXPIRATION DATE

11.1 Effective Date. The Plan is effective as of the date the Plan is adopted and approved by the Board (the " Effective Date"). The Plan will be deemed to be approved by the shareholders if it receives the affirmative vote of the holders of a majority of the share capital of the Company present or represented and entitled to vote at a meeting duly held in accordance with the applicable provisions of the Company's Memorandum of Association and Articles of Association.

11.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 12

AMENDMENT, MODIFICATION, AND TERMINATION

12.1 Amendment, Modification, And Termination. With the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; *provided, however*, that (a) to the extent necessary and desirable to comply with Applicable Laws, or stock exchange rules, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than any adjustment as provided by Article 9), (ii) permits the Committee to extend the term of the Plan or the exercise period for an Option beyond ten years from the date of grant, or (iii) results in a material increase in benefits or a change in eligibility requirements.

12.2 Awards Previously Granted. Except with respect to amendments made pursuant to Section 12.1, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

ARTICLE 13

GENERAL PROVISIONS

13.1 No Rights to Awards. No Participant or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Participants and other persons uniformly.

13.2 No Shareholders Rights. No Award gives the Participant any of the rights of a Shareholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

13.3 Taxes. No Shares shall be delivered under the Plan to any Participant until such Participant has made arrangements acceptable to the Committee for the satisfaction of any income and employment tax withholding obligations under Applicable Laws. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy all applicable taxes (including the Participant's payroll tax obligations) required or permitted by law to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of Shares which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award after such Shares were acquired by the Participant from the Company) in order to satisfy any income and payroll tax liabilities applicable to the Participant with respect to the issuance, vesting, exercise or payment of the Award shall, unless specifically approved by the Committee, be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for the applicable income and payroll tax purposes that are applicable to such supplemental taxable income.

13.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employ or service of any Service Recipient.

13.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

13.6 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably

incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Memorandum of Association and Articles of Association, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

13.7 Relationship to Other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

13.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

13.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

13.10 Fractional Shares. No fractional Shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding up or down as appropriate.

13.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by the Applicable Laws, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

13.12 Government and Other Regulations. The obligation of the Company to make payment of awards in Share or otherwise shall be subject to all Applicable Laws, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register any of the Shares paid pursuant to the Plan under the Securities Act or any other similar law in any applicable jurisdiction. If the Shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act or other Applicable Laws, the Company may restrict the transfer of such Shares in such manner as it deems advisable to ensure the availability of any such exemption.

13.13 Governing Law. The Plan and all Award Agreements shall be construed in

accordance with and governed by the laws of the Cayman Islands.

13.14 Section 409A. To the extent that the Committee determines that any Award granted under the Plan is or may become subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and the Award Agreements shall be interpreted in accordance with Section 409A of the Code and the U.S. Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulation or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and /or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance.

13.15 Appendices. The Committee may approve such supplements, amendments or appendices to the Plan as it may consider necessary or appropriate for purposes of compliance with applicable laws or otherwise and such supplements, amendments or appendices shall be considered a part of the Plan; provided, however, that no such supplements shall increase the share limitation contained in Section 3.1 of the Plan without the approval of the Board.

Exhibit 10.2

EXECUTION

Dated February 12, 2009

(1) TAL group

(2) ZHANG Bangxin (张邦鑫)

(3) CAO Yundong (曹允东)

(4) LIU Yachao (刘亚超)

(5) BAI Yunfeng (白云峰)

(6) KTB/UCI China Ventures II Limited

(7) TAL Group Limited

(8) TAL Education Technology (Beijing) Co., Ltd.
(泰阿尔教育科技（北京）有限公司)

(9) Beijing Xueersi Education Technology Co., Ltd.
(北京学而思教育科技有限公司)

(10) Beijing Xueersi Network Technology Co., Ltd.
(北京学而思网络科技有限公司)

SHARE PURCHASE AGREEMENT

For the Issuance of Series A Preferred Shares in

TAL group
(a company incorporated in Cayman Islands)

EXECUTION

CONTENT

RECITALS:	**2**
1. AGREEMENT TO PURCHASE AND SELL SHARES	**3**
2. CLOSING; DELIVERY	**4**
3. REPRESENTATIONS AND WARRANTIES OF THE GROUP COMPANIES AND THE FOUNDERS	**5**
4. REPRESENTATIONS AND WARRANTIES OF THE INVESTORS	**12**
5. COVENANTS OF THE GROUP COMPANIES, THE FOUNDERS AND THE INVESTORS	**13**
6. CONDITIONS TO INVESTORS' OBLIGATIONS AT THE CLOSING	**15**
7. CONDITIONS TO COMPANY'S OBLIGATIONS AT THE CLOSING	**17**
8. MISCELLANEOUS	**17**

EXECUTION

SERIES A PREFERRED SHARE PURCHASE AGREEMENT

THIS SERIES A PREFERRED SHARE PURCHASE AGREEMENT (this " **Agreement**") is made and entered into as of February 12,2009 by and among TAL group, an exempted limited liability company organized under the laws of the Cayman Islands (the " **Company**"); TAL Group Limited, a limited liability company organized under the laws of Hong Kong Special Administrative Region of the People''s Republic of China (the " **PRC**") and wholly owned by the Company (the "**HK Holdco**"); TAL Education Technology (Beijing) Co., Ltd. (泰阿尔教育科技（北京）有限公司), a wholly foreign-owned enterprise established under the laws of the PRC (the " **WFOE**"); Beijing Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司), a limited liability company established under the laws of PRC (" **XueErSi Education**" or "**Domestic Holdco**"), Beijing Xueersi Network Technology Co., Ltd. (北京学而思网络科技有限公司), a limited liability company established under the laws of PRC (" **XueErSi Network**"); the persons listed on Exhibit A hereto (collectively, the "**Founders**" and each, a "**Founder**"); and the persons listed on Exhibit B hereto (collectively, the " **Investors**" and each, an "**Investor**").

Each of the Company, the Founders, HK Holdco, the Investors, the Domestic Holdco, XueErSi Network and the WFOE shall be referred to individually as a "**Party**" and collectively as the "**Parties**".

RECITALS:

A. The Company was incorporated under the laws of the Cayman Islands on January 2, 2008 with its registered office at the offices of Offshore Incorporations (Cayman) Limited, Scotia Centre, 4 th Floor, P.O. Box 2804, George Town, Grand Cayman, KY1-1112, Cayman Islands;

B. The HK Holdco is organized on March 11, 2008 and is engaged in the business of holding, management and disposition of equity interest in the WFOE. Its registered office is in Hong Kong, and the Company owns 100% of the equity interest in the HK Holdco;

C. The WFOE is a wholly foreign-owned enterprise established on May 8, 2008, under the laws of the PRC with its registered address at 2 nd Floor, Suzhou Street, No.1, Haidian District, (北京市海淀区苏州街1号二层), Beijing, China, and the HK Holdco owns 100% of the equity interest in the WFOE;

D. The Founders directly and indirectly holds 100% equity interest in the following entities:

(i) Beijing Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司), is a limited liability company established on December 31, 2005 under the laws of the PRC with its registered address at Suite A413, Zhongding Mansion, Jia No. 18 W. 3rd Ring Rd. N, Haidian District, Beijing, China;

(ii) Beijing Xueersi Network Technology Co., Ltd. (北京学而思网络科技有限公司), and previously known as 北京智康时代教育咨询有限公司 and 北京慧学时代教育咨询有限公司), a limited liability company established on August 23, 2007 under the laws of the PRC with its registered address at Suite A509, Zhongding Mansion, Jia No. 18 W. 3rd Ring Rd. N, Haidian District, Beijing, China;

(iii) Beijing Haidian District Xueersi Training School (北京市海淀区学而思培训学校), a private non-enterprise entity (legal person) established on July 3, 2006 under the laws of the PRC with its registered address at No. 2 Cui Wei Road, Haidian District, Beijing, China (the " **Haidian School**")];

(iv) Beijing Dongcheng District Xueersi Training School (北京市东城区学而思培训学校), a private non-enterprise entity (legal person) established on January 5, 2007 under the laws of the PRC with its registered address at Suite 102, Wanxin Business Mansion, No. 94 Dong Si Shi Tiao, Dongcheng District, Beijing, China (the "**Dongcheng School**");

(v) Beijing Xicheng District Xueersi Training School (北京市西城区学而思培训学校), a private non-enterprise entity (legal person) established under the laws of the PRC with its registered address at Rm. 500, Tower A, Business Building, Nanlishi Road Yi, No.3-2, Xicheng District, Beijing, China, (the "**Xicheng School**");

(vi) Qianjiang Hafu English Training Centre (潜江市小哈佛英语培训中心), a private non-enterprise entity (legal person) established on under the laws of the PRC with its registered address at the Workers' Culture Club, Jianshe Road, No.71, Qianjiang Town,, China (the "**Wuhan Qianjiang School**");

(vii) Wuhan Xiaoxinxing English Training School (武汉市江汉区小新星英语培训学校), a private non-enterprise entity (legal person) established under the laws of the PRC with its registered address at Xinhuaxiao Road, No. 106, Hankou District, Wuhan, China (the " **Wuhan Jianghan School**");

(viii) Jianli Hafu English Training School (监利县哈佛英语培训学校), a private non-enterprise entity (legal person) established under the laws of the PRC with its registered address at the Workers' Culture Club, Yanchen Road, Jianli County, China (the "**Jianli School**");

(ix) Shanghai Lehai Technology and Information Co., Ltd. (上海乐海科技信息技术有限公司), a limited liability company established on November, 11, 2008 under the laws of the PRC with its registered address at Xingfa Road, No.65, Fengjing town, Jinshan District, Shanghai, China (the " **Shanghai Company**");

(x) Shanghai Changning District Xueersi-Jialejia Advanced Study School (上海长宁区学而思-乐加乐进修学校), a private non-enterprise entity (legal person) established on October 10, 2008 under the laws of the PRC with its registered address at 4th Floor, Tianshan Road, No.1825, Changning District, Shanghai, China (the "**Shanghai Changning School**");

(xi) Shanghai Minhang District Jialejia Advanced Study School (上海闵行区乐加乐进修学校), a private non-enterprise entity (legal person) established on June 28, 2006 under the laws of the PRC with its registered address at 2nd Floor, Qixin Road, No.2893, Minhang District, Shanghai, China "**Shanghai Minhang School**");

(xii) Beijing Zhikang Culture Distribution Co., Ltd.(北京智康文化传播有限公司), a limited liability company established on June 30, 2008 under the laws of the PRC with its registered address at Rm.1012, Fuxing Road Jia, No. 23, Haidian District, Beijing, China (the " **Zhikang**", and together with the entities listed under (i) to (xii) above, the "**Domestic Subsidiaries**" and each a "**Domestic Subsidiary**", collectively with the Company, HK Holdco, WFOE, Domestic Holdco and XueErSi Network and their subsidiaries, the " **Group Companies**" and each, a "**Group Company**".

E. The Domestic Entities are engaged in the business of primary, junior high and senior high school training, and one-to-one tutoring. The business in which each Domestic Entities is engaged is hereinafter referred to as its respective " **Principal Business**".

WHEREAS, the Investors desire to purchase from the Company the Preferred Shares (as defined in Section 1.2) and the Company desires to sell the Preferred Shares to the Purchasers pursuant to the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. AGREEMENT TO PURCHASE AND SELL SHARES

1.1. Authorization. As of the Closing (as defined below), the Company will have authorized the issuance, pursuant to the terms and conditions of this Agreement, of up to 5,000,000 series A preferred shares (the "**Series A Preferred Shares**") having the rights, preferences, privileges and restrictions as set forth in the Amended and Restated Memorandum and Articles of Association of the Company attached hereto as Exhibit C (the " **Restated Articles**").

1.2. Agreement to Purchase and Sell. Subject to the terms and conditions hereof, the Company hereby agrees to issue and sell to the Investors, and the Investors hereby agree, severally and not jointly, to purchase from the Company, the number of Series A Shares set forth opposite the name of such Investors on Exhibit B, at a price of US$1.00 per share, amounting to an aggregate purchase price of US$5,000,000 (the " **Purchase Price**"). The Series A Preferred Shares to be purchased and sold pursuant to this Agreement will be collectively hereinafter referred to as the " **Purchased Shares**", and the common shares of the Company issuable upon conversion of the Purchased Shares will be collectively hereinafter referred to as the " **Conversion Shares**." At the Closing, the amount of capital set forth opposite such Investor's name under the caption "Number of Series A Preferred Shares as of the Closing" on Exhibit B amounting to an aggregate of US$5,000,000 shall be paid by the Investors by wire transfer to an account opened by the Company with a bank approved by the Investors (the "**Company Account**"), provided that transfer instructions are delivered to the Investors at least fifteen (15) business days prior to the Closing.

1.3 Post-Investment Capitalization Structure. Immediately after the Closing (as defined below), the post-investment capitalization structure of the Company shall be as follows:

Shareholders	**Common Shares/ Preferred Shares**	**Share Percentage**
Zhang Bangxin (张邦鑫)	67,800,000 Common Shares	54.24%
Cao Yundong (曹允东)	31,200,000 Common Shares	24.96%
Liu Yachao (刘亚超)	12,000,000 Common Shares	9.6%
Bai Yunfeng (白云峰)	9,000,000 Common Shares	7.2%
Investors	5,000,000 Series A Shares	4.0%
Total	**125,000,000 shares**	100%

2. CLOSING; DELIVERY

2.1. The Closing. Subject to the terms and conditions set forth in Section 6, the purchase and sale of the Purchased Shares hereunder shall take place remotely via the exchange of documents and signatures, on February 15, 2009, - or at such other time and place as the Company the Investors may mutually agree upon(which time and place are designated sequentially as the " **Closing**"), which date shall be no later than fifteen (15) Business Days after the satisfaction or waiver of each condition to the Closings as set forth in Section 6 (other than conditions that by their nature are to be satisfied at the Closings, but subject to the satisfaction or waiver of such conditions).

2.2. Delivery. At the Closing, the Investors shall deposit the Purchase Price by wire transfer of immediately available U.S. dollar funds into the Company Account. Upon (i) receipt of payment of the Purchase Price by the Company and (ii) receipt of the duly signed and dated instruments of transfer and subscription letters relating to the Series A Preferred Shares being purchased by such Investor, the Company shall cause its share register to be updated to reflect the Series A Preferred Shares being purchased by such Investor, deliver to the Investors one or more certificates representing the Purchased Shares and a copy of the Company's register of members certified by an authorized officer of the Company, reflecting the number of shares held by each shareholder of the Company hereunder at such Closing.

3. REPRESENTATIONS AND WARRANTIES OF THE GROUP COMPANIES AND THE FOUNDERS

The Company, the HK Holdco, WFOE, Domestic Holdco, XueErSi Network and each Founder, jointly and severally, hereby represent and warrant to the Investors, except as set forth in the Disclosure Schedule (the " **Disclosure Schedule**") attached to this Agreement as Exhibit E (which Disclosure Schedule shall be deemed to be representations and warranties to the Investors), as of the date hereof and the Closing Date hereunder, as follows. In this Agreement, any reference to "**Material Adverse Effect**" means the material adverse effect on the condition (financial or otherwise), assets relating to, or results of operation of or business (as presently conducted and proposed to be conducted) of the Group Companies as a whole.

3.l. Organization, Standing and Qualification. Except as set forth in Section 3.1 of the Disclosure Schedule, each Group Company is duly organized, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under, and by virtue of, the laws of the place of its incorporation or establishment and has all requisite power and authority to own its properties and assets and to carry on its business as now conducted and as proposed to be conducted, and to perform each of its obligations hereunder and under any agreement contemplated hereunder to which it is a party. Each Group Company is qualified to do business and is in good standing (or equivalent status in the relevant jurisdiction) in each jurisdiction where failure to be so qualified would have a Material Adverse Effect.

3.2. Capitalization.

(1) Company. Immediately prior to the Closing, the authorized share capital of the Company consists of the following:

(a) Common Shares. A total of 50,000,000 authorized common shares, par value US$0.001 per share, of the Company (the " **Common Shares**"), 1,000 of which are issued and outstanding.

(b) Preferred Shares. A total of 5,000,000 authorized preferred shares, which are designated as Series A Preferred Shares, none of which are issued and outstanding.

(c) Except for (i) the conversion privileges of the Purchased Shares to be issued under this Agreement, and (ii) the rights provided in the Shareholders Agreement to be entered into at the Closing and attached hereto as Exhibit F (the " **Shareholders Agreement**"), there are no options, warrants, conversion privileges or other rights, or agreements with respect to the issuance thereof, presently outstanding to purchase any of the shares of the Company. Apart from the exceptions noted in this Section 3.2(1) and the Shareholders Agreement, no shares of the Company's outstanding share capital, or shares issuable upon exercise or exchange of any outstanding options or other shares issuable by the Company, are subject to any preemptive rights, rights of first refusal or other rights to purchase such shares (whether in favor of the Company or any other person).

(d) Outstanding Security Holders. A complete and current list of all outstanding ultimate and/or beneficial shareholders, option holders and other security holders of the Company as of the date hereof is set forth in Section 3.2(1)(d) of the Disclosure Schedule, indicating the type and number of shares, options or other securities held by each such shareholder, option holder or other security holder.

(2) HK Holdco. The HK Holdco is the sole legal and beneficial owner of one hundred percent (100%) of the equity interest of the WFOE.

(3) Domestic Entities.

(a) WFOE. Immediately prior to the Closing, the registered capital of the WFOE is US$4,900,000.

(b) Domestic Subsidiaries. Immediately prior to the Closing,

(i) the registered capital of the XueErSi Education is RMB500,000 and each of Zhang Bangxin (张邦鑫), Cao Yundong (曹允东), Liu Yachao (刘亚超) and Bai Yunfeng (白云峰) owns, respectively, 56.5%, 26%, 10% and 7.5% of the equity interests of the XueErSi Education;

(ii) the registered capital of the Haidian School is RMB500,000 and XueErSi Network owns 100% of the interests of the Haidian School;

(iii) the registered capital of the XueErSi Network is RMB3,000,000 and each of Zhang Bangxin (张邦鑫), Cao Yundong (曹允东), Liu Yachao (刘亚超) and Bai Yunfeng (白云峰) owns, respectively, 56.5%, 26%, 11.25% and 6.25% of the equity interests of the XueErSi Network;

(iv) the registered capital of the Dongcheng School is RMB500,000 and XueErSi Education owns 100% of the interests of the Dongcheng School;

(v) the registered capital of the Xicheng School is RMB500,000 and XueErSi Network owns 100% of the interests of the Xicheng School;

(vi) the registered capital of the Wuhan Qianjiang School is RMB150,000 and XueErSi Network owns 100% of the interests of the Wuhan Qianjiang School;

(vii)the registered capital of the Wuhan Jianghan School is RMB200,000 and XueErSi Network owns 100% of the interests of the Wuhan Jianghan School;

(viii)the registered capital of the Jianli School is RMB50,000 and XueErSi Network owns 100% of the interests of the Jianli School;

(ix) the registered capital of the Shanghai Company is RMB 500,000 and XueErSi Network owns 100% of the interests of the Shanghai Company;

(x) the registered capital of the Shanghai Changning School is RMB100,000 and Shanghai Company owns 100% of the interests of the Shanghai Changning School;

(xi) the registered capital of the Shanghai Minhang School is RMB100,000 and Shanghai Company owns 100% of the interests of the Shanghai Minhang School; and

(xii) the registered capital of Zhikang is RMB500,000 and XueErSi Network owns 100% of the interests of Zhikang.

(c) Domestic Entities. A complete and current list of all outstanding ultimate and/or beneficial shareholders, option holders and other security holders of the Domestic Entities as of the date hereof is set forth in Section 3.2(3)(c) of the Disclosure Schedule, indicating the amount of the registered capital that each such shareholder has contributed to each PRC Company, options or other securities held by each such shareholder, option holder or other security holder.

3.3. Subsidiaries; Group Structure. Except for the HK Holdco and the WFOE, the Company does not presently own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, association, or other entity. Save for the contractual control over the businesses of the Domestic Entities after completion of the Restructuring (as defined below) attached hereto as Exhibit D, the WFOE does not have any subsidiaries, does not own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, association or other entity and does not maintain any offices or branches.

3.4. Due Authorization. All corporate actions on the part of each Group Company and each Founder and, as applicable, their respective officers, directors and shareholders necessary for the

authorization, execution and delivery of, and the performance of all obligations of such Group Company and such Founder under, this Agreement, the Shareholders Agreement and any other agreements to which it is a party and the execution of which is contemplated hereunder (the " **Ancillary Agreements**"), and the authorization, issuance, reservation for issuance and delivery of all of the Purchased Shares being sold under this Agreement and the Conversion Shares issuable upon conversion of such Purchased Shares have been taken or will be taken prior to the Closing. Each of this Agreement, the Shareholders Agreement and any Ancillary Agreement, when executed and delivered, will constitute valid and binding obligations of each Group Company and each Founder, to the extent each is a party to such agreements, enforceable in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, or (iii) to the extent the indemnification provisions contained in the Shareholders' Agreement and the Indemnification Agreement may be limited by applicable securities laws..

3.5. Valid Issuance of Purchased Shares.

(a) The Purchased Shares, when issued, sold and delivered in accordance with the terms of this Agreement, will be duly and validly issued, fully paid and nonassessable. The Conversion Shares have been duly and validly reserved for issuance and, upon issuance in accordance with the terms of the Restated Articles, will be duly and validly issued, fully paid and nonassessable.

(b) All outstanding share capital of the Company has been duly and validly issued, fully paid and nonassessable, and all outstanding shares, options, warrants and other securities of the Company have been issued in full compliance with the requirements of all applicable securities laws and regulations, including, to the extent applicable, the registration and prospectus delivery requirements of the United States Securities Act of 1933, as amended (the " **Act**"), or in compliance with applicable exemptions therefrom, and all other provisions of applicable securities laws and regulations.

3.6. Liabilities. Except as disclosed in Section 3.6 of the Disclosure Schedule, no Group Company has any indebtedness for borrowed money that it has directly or indirectly created, incurred, assumed, or guaranteed, or with respect to which the Group Company has otherwise become directly or indirectly liable.

3.7. Title to Properties and Assets. Each Group Company has good and marketable title to its properties and assets as reflected in its balance sheet subject to no mortgage, pledge, lien, encumbrance, security interest or charge of any kind. With respect to the property and assets it leases, except as disclosed in Section 3.7 of the Disclosure Schedule, each Group Company is in compliance with such leases and, to the best of its and the Founders' knowledge, such Group Company holds valid leasehold interests free of any liens, encumbrances, security interests or claims of any party other than the lessors in such property and assets, breach of which would be reasonably likely to have a Material Adverse Effect to the business of the Group Company

3.8. Status of Proprietary Assets. For purpose of this Agreement, " **Proprietary Assets**" means all patents, patent applications, trademarks, service marks, trade names, domain names, copyrights, formulas, designs, trade secrets, confidential and proprietary information, proprietary rights, know-how and processes owned by, licensed to or used by any Group Company. Each Group Company owns or has a valid right to use all the Proprietary Assets necessary for its business as now conducted and as proposed to be conducted and, to the best knowledge of each Group Company and each Founder, without any conflict with or infringement of the rights of others. Section 3.8 of the Disclosure Schedule contains a complete list of Proprietary Assets of each Group Company necessary for its business as now conducted and as proposed to be conducted. There are no outstanding options, licenses or agreements of any kind granted by any Group Company relating to any of its Proprietary Assets, nor is any Group Company bound by or a party to any options, licenses or agreements of any kind with respect to the Proprietary Assets of any other person or entity, except, in either case, for standard end-user agreements with respect to commercially readily available intellectual property such as "off the shelf" computer software. To the best knowledge of each Group Company and each Founder, it has not violated or, by conducting its business as proposed,

would not violate any Proprietary Assets of any other person or entity, nor, to the best knowledge of such Group Company, is there any reasonable basis therefor. Each Group Company is not aware that any of its officers, employees or consultants is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his, her or its best efforts to promote the interests of such Group Company or that would conflict with the business of such Group Company as proposed to be conducted or that would prevent such officers, employees or consultants from assigning to such Group Company inventions conceived or reduced to practice in connection with services rendered to such Group Company. Neither the execution nor delivery of this Agreement, the Shareholders Agreement and any Ancillary Agreement, nor the carrying on of the business of any Group Company by its employees, nor the conduct of the business of any Group Company as proposed, will, to the best knowledge of each Group Company and each Founder, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any of such employees is now obligated. Each Group Company does not believe it is or will be necessary to utilize any inventions of any of its employees (or people it currently intends to hire) made prior to or outside the scope of their employment by such Group Company.

3.9. Material Contracts and Obligations. As of the date hereof, all contracts, agreements, leases, licenses, instruments, understandings, commitments (oral or written), indebtedness, liabilities, proposed transactions and other obligations to which any Group Company is a party or by which it is bound that (i) are material to the conduct and operations of its business and properties, (ii) involve any of its officers, consultants, directors, employees or shareholders, or (iii) obligate such Group Company to share, license or develop any product or technology (the " **Material Contracts**") are listed in Section 3.9 of the Disclosure Schedule and have been made available for inspection by the Investors and their counsel. For purposes of this Section 3.9, " **material**" shall mean (i) involving obligation, cost or amount, or imposing liability or contingent liability on any Group Company, in excess of US$100,000 per annum or in excess of US$100,000 in the aggregate, (ii) not terminable upon thirty (30) days notice without incurring any penalty or obligation, (iii) containing exclusivity, non-competition, or similar clauses that impair, restrict or impose conditions on any Group Company's right to offer or sell products or services in specified areas, during specified periods, or otherwise, (iv) not in the ordinary course of business, (v) transferring or licensing any Proprietary Assets to or from any Group Company (other than licenses granted in the ordinary course of business or licenses from commercially readily available "off the shelf" computer software) or (vi) an agreement the termination of which would be reasonably likely to have a Material Adverse Effect. All the Material Agreements are valid, binding and enforceable obligations of the parties thereto and the terms thereof have been complied with by the relevant Group Company, and to the best knowledge of each Group Company and the Founders, by all the other parties thereto. There are no circumstances likely to give rise to any breach of such terms, no grounds for rescission, avoidance or repudiation of any of the Material Contracts and no notice of termination or of intention to terminate has been received in respect of any Material Contracts.

3.10. Litigation. There is no action, suit, proceeding, claim, arbitration or investigation (" **Action**") pending (or, to the best knowledge of each Group Company and each Founder, currently threatened) against any of the Group Companies, Founder, any key employee of each Group Company, the name of which is listed on Exhibit H (the "**Key Employee**") in connection with such Key Employee's relationship with the Company. To the best knowledge of each Group Company and each Founder, there is no factual or legal basis for any such Action that is likely to result, individually or in the aggregate, in any material adverse change in the business, properties, assets, financial condition, affairs or prospects of any Group Company. By way of example, but not by way of limitation, there are no Actions pending against any of the Group Companies or, to the best knowledge of each Group Company and each Founder, threatened against any of the Group Companies, relating to the use by any employee of any Group Company of any information, technology or techniques allegedly proprietary to any of their former employers, clients or other parties. No Group Company is a party to or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality and there is no Action by any Group Company currently pending or which it intends to initiate.

3.11. Compliance with Laws; Governmental Consents. None of the Group Companies is in violation of any applicable statute, rule, regulation, order or restriction of any domestic or foreign

government or any instrumentality or agency thereof in respect of the conduct of its business or the ownership of its properties. Save as set out in Section 3.11 of the Disclosure Schedule, all consents, permits, licenses, approvals, registrations, qualifications, or filings by or with any governmental authority and any third party which are required to be obtained or made by each Group Company and each Founder in connection with the conduct of the Principal Business or the consummation of the transactions contemplated hereunder shall have been obtained or made prior to and be effective as of the Closing. All applicable laws of the PRC with respect to the opening and operation of foreign exchange accounts and foreign exchange activities of the Group Company, where applicable, have been and will continue to be fully complied with, and all requisite approvals including any from the PRC State Administration of Foreign Exchange ("**SAFE**") or its local branches as the context may be, required under the SAFE Circular (as defined below) in relation thereto have been duly and lawfully obtained and are in full force and effect and there exist no grounds on which any such approval may be cancelled or revoked or each PRC Company or its legal representative may be subject to liability or penalties for material misrepresentation or failure to disclose material information to the issuing SAFE authority. Each Founder and each other shareholder of the Group Companies who is required to comply with the SAFE Circular has obtained registration with respect to their holding of equity interest in the Company with SAFE in accordance with the SAFE Circular and other applicable laws of the PRC. " **SAFE Circular**" shall mean the SAFE Circular on Issues Relating to the Administration of Foreign Exchange of Company Financing through Offshore Special Purpose Vehicles and Round-Tripping Investment by PRC Resident (《关于境内居民通过境外特殊目的公司融资及返程投资外汇管理相关问题的通知》[汇发（2005）75号]) issued by SAFE with effect from 1 November 2005, SAFE Circular on Release of Operative Directives for Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration of Financing and Round-tripped Investment by Domestic Residents through Offshore Special Purpose Vehicles (关于印发《国家外汇管理局关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知》操作规程的通知[汇综发（2007）106号]) issued by SAFE with effect from 29 May 2007 and any applicable laws of the PRC in force from time to time which operate to restate, amend or repeal the aforesaid SAFE Circular or any part thereof.

3.12. Compliance with Other Instruments and Agreements. Each Group Company is not in, nor shall the conduct of its business as currently or proposed to be conducted result in, any violation, breach or default of any term of its constitutional documents of the respective Group Company which may include, as applicable, memoranda and articles of association, by-laws, joint venture contracts, feasibility studies for the Domestic Entities and the like (the "**Constitutional Documents**"), or in any material respect of any term or provision of any mortgage, indenture, contract, agreement or instrument to which the Group Company is a party or by which it may be bound, (the " **Group Company Contracts**") or of any provision of any judgment, decree, order, statute, rule or regulation applicable to or binding upon the Group Company. The execution, delivery and performance of and compliance with this Agreement, the Shareholders Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby will not result in any such violation, breach or default, or be in conflict with or constitute, with or without the passage of time or the giving of notice or both, either a default under any Group Company's Constitutional Documents or any Group Company Contract, or, to the best knowledge of each Group Company and each Founder, a violation of any statutes, laws, regulations or orders, or an event which results in the creation of any lien, charge or encumbrance upon any asset of any Group Company.

3.13. Disclosure. Each Group Company and each Founder has fully provided the Investors with all the information that the Investors have reasonably requested for deciding whether to purchase the Purchased Shares and all the information that the Company believes is reasonably necessary to enable the Investors to make such decision. No representation or warranty by any Group Company or any Founder in this Agreement and no information or materials provided by any Group Company or any Founder to the Investors in connection with their due diligence investigation of any Group Company or the negotiation and execution of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they are made, not misleading.

3.14. Registration Rights. Except as provided in the Shareholders Agreement, the Company has not granted or agreed to grant any person or entity any registration rights (including piggyback registration rights), nor is the Company obliged to list any of its shares on any securities exchange. To the best knowledge of each Group Company and each Founder, except as contemplated in this Agreement, the

Shareholders Agreement and the Restated Articles, no voting or similar agreements exist related to the Company's securities which are presently outstanding or that may hereafter be issued.

3.15. Financial Statements. The Company has delivered to the Investors unaudited and consolidated financial statement for the Group Companies for the respective periods from January 1, 2007 to August 31, 2008 (the foregoing management accounts and any notes thereto are hereinafter referred to as the "**Financial Statements**" and August 31, 2008, the "**Balance Sheet Date**"). Such Financial Statements (i) fairly present in all material respects the financial condition and operating results of the Domestic Companies as of the dates, and for the periods, indicated therein, and (ii) have been prepared in accordance with the US GAAP applied on a consistent basis. Except as set forth in the Financial Statements, the Domestic Companies has no material liabilities or obligations, contingent or otherwise, as of the statement date, other than (i) liabilities incurred in the ordinary course of business subsequent to the statement date, (ii) obligations under contracts and commitments incurred in the ordinary course of business, and (iii) liabilities and obligations of a type or nature not required under US GAAP to be reflected in the Financial Statements, which, in all such cases, individually and in the aggregate would not have a Material Adverse Effect. Except as disclosed in the Financial Statements, none of the Group Companies is a guarantor or indemnitor of any indebtedness of any other person or entity. Each Group Company maintains a standard system of accounting established and administered in accordance with PRC GAAP.

3.16. Activities Since Balance Sheet Date. Except as set forth in Section 3.16 of the Disclosure Schedule, since the Balance Sheet Date, with respect to any Group Company, there has not been:

(a) any material change in the assets, liabilities, financial condition or operating results of such Group Company from that reflected in the Financial Statements, except changes in the ordinary course of business that do not have, in the aggregate, Material Adverse Effects;

(b) any material change in the contingent obligations of such Group Company by way of guarantee, endorsement, indemnity, warranty or otherwise;

(c) any damage, destruction or loss, whether or not covered by insurance, having Material Adverse Effects (as presently conducted and as presently proposed to be conducted);

(d) any waiver by such Group Company of a valuable right or of a material debt;

(e) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by such Group Company, except such satisfaction, discharge or payment made in the ordinary course of business that is not material to the assets, properties, financial condition, operating results or business of such Group Company;

(f) any material change or amendment to a material contract or arrangement by which such Group Company or any of its assets or properties is bound or subject, except for changes or amendments which are expressly provided for or disclosed in this Agreement;

(g) any material change in any compensation arrangement or agreement with any present or prospective employee, contractor or director;

(h) any sale, assignment or transfer of any Proprietary Assets or other material intangible assets of such Group Company;

(i) any resignation or termination of any key officer or employee of such Group Company;

(j) any mortgage, pledge, transfer of a security interest in, or lien created by such Group Company, with respect to any of its material properties or assets, except liens for taxes not yet due or payable;

(k) any debt, obligation, or liability incurred, assumed or guaranteed by such Group Company individually in excess of US$100,000 or in excess of US$100,000 in the aggregate;

(l) any declaration, setting aside or payment or other distribution in respect of any of such Group Company's share capital, or any direct or indirect redemption, purchase or other acquisition of any of such share capital by such Group Company other than the repurchase of share capital from employees, officers, directors or consultants pursuant to agreements approved by the Board of Directors of such Group Company under which such Group Company has the option to repurchase such shares at cost upon the occurrence of certain events, such as termination of employment or consulting relationship;

(m) any failure to conduct business in the ordinary course and consistent with such Group Company's past practices;

(n) any transactions with any Founder or any director, officer or employee of such Group Company, or any members of their immediate families, or any entity controlled by any of such individuals;

(o) any other event or condition of any character which would have a Material Adverse Effect; or

(p) any agreement or commitment by such Group Company to do any of the things described above.

3.17. Tax Matters. The provisions for taxes in the respective Financial Statements are sufficient for the payment of all accrued and unpaid applicable taxes of the covered Group Company, whether or not assessed or disputed as of the date of each such balance sheet. There have been no examinations or audits of any tax returns or reports by any applicable governmental agency. Except as set forth in Section 3.17 of the Disclosure Schedule, each Group Company has duly filed all tax returns required to have been filed by it and paid all taxes shown to be due on such returns. Each Group Company is not subject to any waivers of applicable statutes of limitations with respect to taxes for any year. Since the Balance Sheet Date, none of the Group Companies has incurred any taxes, assessments or governmental charges other than in the ordinary course of business and each Group Company has made adequate provisions on its books of account for all taxes, assessments and governmental charges with respect to its business, properties and operations for such period.

3.18. Interested Party Transactions. Except for transactions in the ordinary course of the business of a Group Company, no Founder or any " **Affiliate**" or "**Associate**" (as those terms are defined in Rule 405 promulgated under the Act) of any such Founder has any agreement, understanding, proposed transaction with, or is indebted to, any Group Company, nor is any Group Company indebted (or committed to make loans or extend or guarantee credit) to any of them (other than for accrued salaries, reimbursable expenses or other standard employee benefits). No Founder has any direct or indirect ownership interest in any firm or corporation with which a Group Company is affiliated or with which a Group Company has a business relationship, or any firm or corporation that competes with a Group Company, except that any such Founder may have record ownership interest in the Company or own shares in (but not exceeding one percent (1%) of the outstanding shares of) publicly traded companies that may compete with a Group Company. No Affiliates or Associates of any Founder is directly or indirectly interested in any material contract with a Group Company. No Founder or any Affiliate or Associate of any such Founder has had, either directly or indirectly, a material interest in: (a) any person or entity which purchases from or sells, licenses or furnishes to a Group Company any goods, property, intellectual or other property rights or services; or (b) any contract or agreement to which a Group Company is a party or by which it may be bound or affected.

3.19. Exempt Offering. The offer and sale of the Purchased Shares pursuant to this Agreement are exempt from the registration requirements of the Act and from the registration or qualification requirements of any other applicable securities laws and regulations, and the issuance of the Conversion Shares in accordance with the Restated Articles will be exempt from such registration or

qualification requirements.

3.20. No Other Business. The Company was formed solely to acquire and hold an equity interest in its operating subsidiaries and since its formation has not engaged in any business and has not incurred any liability except in the ordinary course of its business of acquiring and holding its equity interest in its operating subsidiaries.

3.21. Minute Books. The minute books of each Group Company made available to the Investors contain minutes of all meetings and substantially material actions taken by directors and shareholders or equity interest holders of such Group Company since its time of formation, and reflect all substantially material transactions referred to in such minutes accurately in all material respects.

3.22 Employee Matters. Save as disclosed in Section 3.22 of the Disclosure Schedule, each Group Company has complied in all material aspects with all applicable employment and labor laws. The Company is not aware that any officer or key employee intends to terminate their employment with any Group Company, nor does any Group Company have a present intention to terminate the employment of any officer or key employee. The Company is not a party to or bound by any currently effective incentive plan, profit sharing plan, retirement agreement or other employee compensation agreement. Subject to any applicable laws, all employees are employed by the Company on an at-will basis and the Company may terminate any employment agreement with any employee without cause at any time without incurring any penalty or obligation unless otherwise required by the applicable law.

3.23. Other Representations and Warranties Relating to the Domestic Entities.

(a) The Constitutional Documents and certificates and related contracts and agreements of each PRC Company are valid and have been duly approved or issued (as applicable) by competent PRC authorities.

(b) The capital and organizational structure of each PRC Company upon the completion of the Restructuring and the conduct by each PRC Company of its applicable business set forth in the Recitals under such structure is valid and in full compliance with PRC laws.

(c) None of the Domestic Entities is in receipt of any letter or notice from any relevant authority notifying revocation of any permits or licenses issued to it for noncompliance or the need for compliance or remedial actions in respect of the activities carried out directly or indirectly by such PRC Company.

(d) The Domestic Entities have been conducting and will conduct their business activities within the permitted scope of business or are otherwise operating their business in full compliance with all relevant legal requirements and with all requisite licenses, permits and approvals granted by competent PRC authorities.

(e) In respect of approvals, licenses or permits requisite for the conduct of any part of the business of the Domestic Entities which are subject to periodic renewal, none of Group Company or Founder has any reason to believe that such requisite renewals will not be granted by the relevant PRC authorities.

4. REPRESENTATIONS AND WARRANTIES OF THE INVESTORS

The Investors represent and warrant to the Company as follows:

4.1. Accredited Investors. Each Investor is an “Accredited Investor” within the definition set forth in Rule 501(a) under Regulation D of the Act.

4.2. Authorization. The Investors have all requisite power, authority and capacity to enter into this Agreement and the Shareholders Agreement, and to perform its obligations under this

Agreement and the Shareholders Agreement. This Agreement has been duly authorized, executed and delivered by the Investors. This Agreement and the Shareholders Agreement, when executed and delivered by the Investors, will constitute valid and legally binding obligations of such Investor, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally and to general equitable principles.

4.3. Purchase for Own Account. The Purchased Shares will be acquired for the Investors' own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof.

4.4. Exempt from Registration; Restricted Securities. The Investors understand that the Purchased Shares and the Conversion Shares will not be registered under the Act, on the ground that the sale provided for in this Agreement is exempt from registration under the Act, and that the reliance of the Company on such exemption is predicated in part on the Investors' representations set forth in this Agreement. The Investors understand that the Purchased Shares and the Conversion Shares are restricted securities within the meaning of Rule 144 under the Act and that the Purchased Shares and the Conversion Shares are not registered and must be held indefinitely unless they are subsequently registered or an exemption from such registration is available. The Investors acknowledge that if an exemption from registration or qualification is available, they may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Purchased Shares, and on requirements relating to the Company which are outside of the Investor's control, and which the Company is under no obligation and may not be able to satisfy. The Investors understand that this offering is not intended to be part of the public offering, and that Purchaser will not be able to rely on the protection of Section 11 of the Act.

4.5 No Public Market. The Investor understands that no public market now exists for the Purchased Shares, and that the Company has made no assurances that a public market will ever exist for the Purchased Shares.

5. COVENANTS OF THE GROUP COMPANIES, THE FOUNDERS AND THE INVESTORS

5.1. Covenants of the Group Companies and the Founders. The Group Companies and the Founders jointly covenant to the Investors as follows:

5.1.1. Use of Proceeds from the Sale of Purchased Shares. The proceeds from the sale of the Purchased Shares hereunder shall be used for business expansion, capital expenditures and general working capital of the Group Companies.

5.1.2. Ordinary Course of Business. From the date hereof until the Closing, the Founders shall cause each of the Group Companies to be conducted in the ordinary course of business and shall use its commercially reasonable efforts to maintain the present character and quality of the business, including without limitation, its present operations, physical facilities, working conditions, goodwill and relationships with lessors, licensors, suppliers, customers, employees and independent contractors. Notwithstanding any other provisions in this Agreement, with respect to any Group Company, unless otherwise has been disclosed to the Investor, there has not been any activity as set forth in Article 3.16 of this Agreement from the date hereof until the Closing.

5.1.3. Directors of the Subsidiaries. Each of the Subsidiaries shall have the same number of directors as, and the Investors and the holders of outstanding Common Shares shall be entitled to appoint the same number of directors to the Subsidiaries as they are entitled to appoint to the Company.

5.1.4. Confidentiality Agreement; Employment Agreement. Each Founder shall have entered into a Confidentiality and Non-Competition Agreement with the Company in the form and substance attached hereto as Exhibit G-1. Each Key Employee, the name of which is listed on Exhibit H,

shall have entered into an employment agreement (the "**Employment Agreement**") with the WFOE or any other Group Company, as the case may be, in form and substance in the form and substance attached hereto as Exhibit G-2. Each employee, other than the Key Employee, shall have entered into an employment agreement with the WFOE or any other Group Company, as the case may be, in form and substance satisfactory and acceptable to the Investors.

5.1.5. Indemnification. Subject to the Section 8.2 herein, each of the Group Companies and the Founders hereby, jointly and severally, indemnifies and holds harmless the Investors and their affiliates, partners, officers and directors (the "**Indemnified Persons**" and each, an "**Indemnified Person**") against any and all losses, liabilities, costs, claims, actions, expenses or demands arising out of, or resulting from any breach of the representations, warranties and covenants of the Group Companies and the Founders contained herein (the "**Indemnifiable Damages**").

5.1.6. Equity Compensation; Establishment of ESOP. As soon as practicable after the Closing, the Company agrees to take whatever actions are necessary to establish an employee stock option plan (the "**ESOP**"), at the election of the Board of Directors of the Company, for the issuances of shares to selected members of the Company's management team, provided, however, that the terms of the ESOP shall be consistent with the terms of the Restated Articles and the Shareholders' Agreement, shall be approved by the Board of Directors of the Company, including the approval of the director appointed by the Investors.

5.1.7. Shareholders Agreement. Each Group Company and the Founders shall cause a person, to whom the Company will issue any securities, or any options, warrants or other rights exercisable or convertible into any securities issuable by the Company after the date of this Agreement, to execute and deliver the Shareholders Agreement and to agree to be bound by the terms and conditions thereof by executing an additional counterpart signature page to the Shareholders Agreement, or such other document evidencing such person's agreement to be bound thereby; provided that the obligations of the Group Companies and the Founders under this Section 5.1.7 shall terminate immediately upon the termination of the Shareholders Agreement.

5.1.8. Restructuring. Each of the Group Companies and the Founders shall cause all agreements or documents set forth in Exhibit I (the "**Restructuring**") attached hereto (the "**Restructuring Documents**") to which any of the Group Companies, the Founders and/or any other shareholders of the Domestic Entities is a party to be executed and delivered by any of the Group Companies, the Founders and/or any other shareholders of the Domestic Entities, which agreements or documents shall be in the form and substance satisfactory to the Investors .

5.1.9. Filing of Articles. Immediately following the Closing, the Restated Articles, together with the special resolution of the Company on approving its adoption, shall have been duly filed with the Registrar of Companies in the Cayman Islands.

5.1.10 Assignment of the Application of the Trademark Registration. As soon as practicable but no later than three (3) months after the Closing, the assignment agreements related to the assignment of application of the trademark registration applied by Zhang Bangxin (张邦鑫), XueErSi Education and XueErSi Network to the WFOE or HK Holdco, respectively, based on the proposals of the tax planning counsel of the Company shall be executed and delivered by the relevant parties, to the satisfaction of the Investors, and filed with the Trademark Office of State Administration of Industry and Commerce.

5.1.11 Amendment to Purchase Agreement regarding Wuhan Qianjiang School and Jianli School. The Founder shall cause the execution of a supplemental agreement to the purchase agreement in respect of XueErSi Network's acquisition of Wuhan Qianjiang School and Jianli School, respectively, to procure an amendment to the payment of purchase from the original share swap to a cash consideration.

5.1.12 Registration of Each and All Teaching Centers of the Domestic Entities. As soon as practical but no later than twelve (12) months after the Closing, 50% of the teaching centers set up by the Domestic Entities listed on Exhibit P attached hereto shall be duly registered with the

local government authorities in charge of education in the respective locations pursuant to the laws of the PRC, and the remaining teaching centers shall be duly registered with the local government authorities in charge of education in the respective locations pursuant to the laws of the PRC no later than first confidential filing for IPO of the Company.

5.1.13. Additional Covenants. Except as required by this Agreement, no resolution of the directors, owners, members, partners or shareholders of either the Group Companies shall be passed, nor shall any contract or commitment be entered into, in each case, prior to the Closing without the prior written consent of the Investor, except that the Group Companies may carry on its respective business in the same manner as heretofore and may pass resolutions and enter into contracts for so long as they are effected in the ordinary course of business.

If at any time before the Closing, the Founders and Group Companies come to know of any fact or event which:

(a) is in any way inconsistent with any of the representations and warranties given by the Founders and Group Companies, and/or

(b) suggests that any fact warranted may not be as warranted or may be misleading, the Founders and Group Companies shall give immediate written notice thereof to the Investor in which event the Investor may within five (5) days of receiving such notice terminate this Agreement by written notice without any penalty whatsoever and without prejudice to any rights that the Investor may have under this Agreement or applicable law.

5.2. Covenants of the Investors. The Investors hereby jointly and severally covenant to the Group Companies and the Founders that, within seven (7) Business Days of the date hereof the Investors shall expressly notify to the Founders as to whether the Investors have been satisfied with the fulfillment of the conditions to Investors' obligations to purchase the Purchased Shares provided under Section 6 below.

6. CONDITIONS TO INVESTORS' OBLIGATIONS AT THE CLOSING

The obligation of the Investors to purchase the Purchased Shares at the Closing is subject to the fulfillment, to the satisfaction of the Investors on or prior to the Closing, of the following conditions:

6.1. Representations and Warranties Are True and Correct. The representations and warranties made by the Group Companies and the Founders in Section 3 hereof shall be true and correct and complete when made, and shall be true and correct and complete as of the Closing Date with the same force and effect as if they had been made on and as of such date.

6.2. Performance of Obligations. Each of the Group Companies and the Founders shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing and shall have obtained all approvals, consents and qualifications necessary to complete the transactions contemplated hereby.

6.3. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated hereby and all documents and instruments incident to such transactions shall be satisfactory in substance and form to the Investors, and the Investors shall have received all such counterpart originals or certified or other copies of such documents as it may reasonably request.

6.4. Consents and Waivers. Each of the Group Companies and the Founders shall have obtained any and all consents and/or waivers necessary for the conduct of the Principal Business and the consummation of the transactions contemplated by this Agreement, including, but not limited to, (i) all consents, permits, approvals, orders, authorizations or registrations, qualifications, designations, declarations or filings by or with any governmental authority and any third party in connection with the conduct of the Principal Business; (ii) all filing, registration and reporting requirements of SAFE in connection with the respective shareholding in any Group Company of the Founders and other shareholders of the Domestic Entities, if it so required by the applicable laws, (iii) all other permits, authorizations,

approvals, consents or permits of any governmental authority or regulatory body, and (iv) the waiver by the existing shareholders of the Company of any anti-dilution rights, rights of first refusal, preemptive rights and all similar rights in connection with the issuance of the Purchased Shares at the Closing.

6.5. Compliance Certificate. At the Closing, each of the Founders shall deliver to the Investors certificates, dated the date of the Closing, certifying that the conditions specified in Sections 6.1 and 6.2 have been fulfilled and stating, where applicable, that there shall have been no material adverse change in the business, affairs, prospects, operations, properties, assets or condition of the Group Companies since the Balance Sheet Date, in the form and substance attached hereto as Exhibit M.

6.6. Restructuring. The Restructuring Documents shall have been executed and delivered by the relevant parties, to the satisfaction of the Investors.

6.7. Board of Directors. At the Closing, the Board of Directors of the Company, HK Holdco, WFOE, Domestic Holdco and XueErSi Network shall consist of persons elected or appointed in accordance with the Restated Articles. The Investors shall have received a copy of the Company's register of directors, certified by a director of the Company as true and complete as of the date of the Closing, updated to show such reconstitution of the Board of the Company in accordance with the Restated Articles. The Investor shall have received the relevant resolutions of each of other Group Companies where the Investor has the right to nominate director in the board in accordance with the Restated Articles on the appointment of at least one (1) director nominated by the Investor to the Board of such company .

6.8. Register of Members. The Investors shall have received a copy of the Company's register of members, certified by a director of the Company as true and complete as of the date of the Closing, updated to show the Investors as the holders of their respective number of Purchased Shares.

6.9. No Material Adverse Change. There shall have not been any Material Adverse Effect on any Group Company since the Balance Sheet Date.

6.10. Opinion of Company's PRC Counsel. The Purchasers shall have received from PRC legal counsel of the Company a legal opinion, dated as of the Closing, in a form and substance substantially in the form attached as Exhibit K to this Agreement

6.11. Opinion of Offshore Counsel. The Purchasers shall have received an opinion from Conyers Dill & Pearman, special counsel to the Company, dated as of the Closing, in a form and substance substantially in the form attached as Exhibit J to this Agreement.

6.12. Key Employee Employment Agreement. Each Key Employee shall have entered into an Employment Agreement with the WFOE, which should include standard confidentiality and non-competition provisions in the form and substance attached hereto as Exhibit G-2.

6.13. Indemnification Agreement. The Company shall have duly executed and delivered an indemnification agreement with the director appointed by the Investors substantially in the form set forth in Exhibit L hereto.

6.14. Management Rights Letter. The Company shall have executed and delivered to the Investor the Management Rights Letter in the form attached hereto as Exhibit N.

6.15. Due Diligence. The Investors shall have completed their legal, financial, and business due diligence investigation of the Group Companies to its satisfaction.

6.16 Investment Committee Approval. Investors' investment committee shall have approved the execution of this Agreement, Shareholders' Agreement and the other documents and the transactions contemplated hereby and thereby.

6.17 Execution of this Agreement and Shareholders Agreement. The Company shall have delivered to the Investor this Agreement and the Shareholders Agreement, duly executed by the

Company and all other parties thereto (except for the Investor).

6.18 Amendment to Constitutional Documents. The Restated Articles shall have been duly adopted by the Company by all necessary corporate action of its Board of Directors and its shareholders and duly filed with the Registrar of Companies in Cayman Islands.

6.19 Equity Transfer. The equity transfer documents relating to the equity interest of Liu Yachao (刘亚超) in Haidian School to the XueErSi Network shall have been executed and delivered by the relevant parties, to the satisfaction of the Investors;

6.20 Beijing AIC Letter. The Founders shall cause the WFOE to obtain a written document issued by Beijing Administration for Industry and Commerce (北京市工商局) or its authorized branch which indicates the approved deadline for HK Holdco to make capital contribution to WFOE.

6.21 Amendment to Purchase Agreement of Wuhan Jianghan School. The Founder shall cause the execution of a supplemental agreement to the purchase agreement in respect of XueErSi Network's acquisition of Wuhan Jianghan School from YANG Jian and ZENG Jiannan to procure an amendment to the payment of purchase from the original share swap to a cash consideration.

7. CONDITIONS TO COMPANY'S OBLIGATIONS AT THE CLOSING

The obligations of the Company under this Agreement are subject to the fulfillment at or before the Closing of the following conditions:

7.1. Representations and Warranties. The representations and warranties of the Investors contained in Section 4 hereof shall be true and correct as of the date of the Closing.

7.2. Payment of the Purchase Price. The Investors shall have delivered to the Company the Purchase Price in accordance with the provisions of Section 1.2.

7.3. Restated Articles Effective. The Restated Articles shall have been duly adopted by the Company by all necessary corporate action of its Board of Directors and shareholders.

7.4. Execution of Shareholders Agreement. The Investors shall have executed and delivered to the Company the Shareholders Agreement.

8. MISCELLANEOUS

8.1. Governing Law. This Agreement shall be governed by and construed in accordance the laws of Hong Kong Special Administrative Region of PRC as to matters within the scope thereof, without regard to its principles of conflicts of laws.

8.2. Survival. The representations, warranties, covenants and agreements made herein shall survive any investigation made by any party hereto and the Closing of the transactions contemplated hereby.

8.3. Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto whose rights or obligations hereunder are affected by such amendments. This Agreement and the rights and obligations therein may be assigned by the Investors without the written consent of the Company except to a transferee or assignee who is a direct or indirect competitor of the Group Company and except that any such transfer will have material adverse impact on the business of Group Company and except that any such transfer will at the reasonable discretion of the Company have material adverse impact on the business of Group Company, and it is further agreed that any such transfer conducted by the Investors causing adverse material impact on the business of Group Company should be null and voidon and after the date when such transfer is executed. Any transfer in violation of this Section 8.3 shall constitute breach of this Agreement. This Agreement and the rights and obligations therein

may not be assigned by any Group Company or any Founder without the written consent of the Investors.

8.4. Entire Agreement. This Agreement, the Restated Articles, the Shareholders Agreement and any Ancillary Agreements and the schedules and exhibits hereto and thereto, which are hereby expressly incorporated herein by this reference, constitute the entire understanding and agreement between the parties with regard to the subjects hereof and thereof; provided, however, that nothing in this Agreement or related agreements shall be deemed to terminate or supersede the provisions of any confidentiality and nondisclosure agreements executed by the parties hereto prior to the date of this Agreement, which agreements shall continue in full force and effect until terminated in accordance with their respective terms.

8.5. Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be conclusively deemed to have been duly given (a) when hand delivered to the other party; (b) when sent by facsimile at the number set forth in Exhibit O hereto; (c) seven (7) business days after deposit in the mail as air mail or certified mail, receipt requested, postage prepaid and addressed to the other party as set forth in Exhibit O; or (d) three (3) business days after deposit with an overnight delivery service, postage prepaid, addressed to the parties as set forth in Exhibit O with next business-day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider.

Each person making a communication hereunder by facsimile shall promptly confirm by telephone to the person to whom such communication was addressed each communication made by it by facsimile pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication. A party may change or supplement the addresses given above, or designate additional addresses, for purposes of this Section 8.5 by giving, the other party written notice of the new address in the manner set forth above.

8.6. Amendments and Waivers. Any term of this Agreement may be amended only with the written consent of all the parties hereto.

8.7. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any Group Company, Founder or the Investors, upon any breach or default of any party hereto under this Agreement, shall impair any such right, power or remedy of such Group Company, Founder, or Investors nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach of default thereafter occurring; nor shall any waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Group Company, Founder, or the Investors of any breach of default under this Agreement or any waiver on the part of any Group Company, Founder or the Investors of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, or by law or otherwise afforded to the Group Companies, the Founders, or the Investors shall be cumulative and not alternative.

8.8. Finder's Fees. Each party hereto (a) represents and warrants to each other party hereto that it has retained no finder or broker in connection with the transactions contemplated by this Agreement, and (b) hereby agrees to indemnify and to hold harmless such other party hereto from and against any liability for any commission or compensation in the nature of a finder's fee of any broker or other person or firm (and the costs and expenses of defending against such liability or asserted liability) for which the indemnifying party or any of its employees or representatives are responsible.

8.9. Interpretation; Titles and Subtitles. This Agreement shall be construed according to its fair language. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

8.11. Severability. The invalidity or unenforceability of any provision hereof shall in no

way affect the validity or enforceability of any other provision.

8.12. Confidentiality and Non-Disclosure. The parties hereto agree to be bound by the confidentiality and non-disclosure provisions of Section 7 of the Shareholders Agreement.

8.13. Dispute Resolution

(a) Negotiation Between Parties. The parties agree to negotiate in good faith to resolve any dispute between them regarding this Agreement. If the negotiations do not resolve the dispute to the reasonable satisfaction of all parties within thirty (30) days after the commencement of the negotiation, subsection (b) shall apply.

(b) Arbitration. In the event the parties are unable to settle a dispute between them regarding this Agreement in accordance with subsection (a) above, such dispute shall be referred to and finally settled by arbitration at the Hong Kong International Arbitration Centre in accordance with the UNCITRAL Arbitration Rules (the "**UNCITRAL Rules**") in effect, which rules are deemed to be incorporated by reference into this subsection (b). The arbitration tribunal shall consist of three arbitrators to be appointed according to the UNCITRAL Rules. The language of the arbitration shall be English.

8.14 Expenses.

(a) The Company and the Investors shall each bear its own costs and expenses in connection with the transaction contemplated hereby, except that the Company will reimburse the Investor for the Investor's financial and legal due diligence expenses as well as the legal agreement and other documentation fees, should the transaction contemplated hereunder consummates. Such fee shall be paid by the Company based on the record of actual expenses made by the Investor concurrently with the Closing and will be capped at USD100,000. The Investors may effect such reimbursement at the Closing by withholding from the payment of the Purchase Price the amount to which the Investors are entitled to reimbursement pursuant to the preceding sentence.

(b) For the avoidance of doubt, in the event that the investment transaction does not proceed if (i) the Investors completes its due diligence and decides to invest while the Company for any reason does not want to proceed with the Investor for the transaction, or (ii) any written presentation or representation made by the Company to the Investor is untrue, the Company shall bear all legal costs and expenses incurred by or on behalf of the Investors for its due diligence work and in the preparation of this Agreement and all other documents for consummating the transaction contemplated hereunder. Such fee shall be capped at USD 100,000 as stated above.

(c) Additionally, in the event that the Investor does not identify any untrue written presentation or representation made by the Company during its due diligence but decides to re-negotiate the valuation of the investment, the Investors shall bear all actual expenses made by the Company for its due diligence work and in the preparation of this Agreement and all other documents for consummating the transaction contemplated hereunder. Such fee shall be capped at USD 100,000.

8.15. Termination. This Agreement may be terminated at the election of the Investors on or after March 31, 2009, if the Closing shall not have occurred on or before such date unless such date is extended by the mutual written consent of the Company and the Investors, provided that: (i) the Investors are not in material default of any of their obligations hereunder, and (ii) the right to terminate this Agreement pursuant to this Section 8.15 shall not be available to the Investors if their breach of any provision of this Agreement has been the cause of, or resulted, directly or indirectly, in, the failure of the Closing to be consummated by March 31, 2009. Such termination under this Section 8.15 shall be without prejudice to any claims for damages or other remedies that the parties may have under this Agreement or applicable law.

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EXECUTION

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

THE COMPANY:

TAL GROUP

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin
Title: Director

HK SUBSIDIARY:

TAL GROUP LIMITED

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin
Title: Director

WFOE:

TAL EDUCATION TECHNOLOGY (BEIJING) CO., LTD.
(泰阿尔教育科技（北京）有限公司)

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin
Title: Legal Representative

EXECUTION

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

BEIJING XUEERSI EDUCATION TECHNOLOGY CO., LTD.
(北京学而思教育科技有限公司)

By: /s/ Yachao Liu
Name: LIU Yachao
Title: Legal Representative

Beijing Xueersi Network Technology Co., Ltd.
(北京学而思网络科技有限公司)

By: /s/ Yachao Liu
Name: LIU Yachao
Title: Legal Representative

EXECUTION

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

FOUNDERS:

/s/ Bangxin Zhang

ZHANG BANGXIN
(张邦鑫)

/s/ Yundong Cao

CAO YUNDONG
(曹允东)

/s/ Yachao Liu

LIU YACHAO
(刘亚超)

/s/ Yunfeng Bai

BAI YUNFENG
(白云峰)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

Investors:

KTB/UCI China Ventures II Limited

By: /s/ Authorized Signatory
Name:
Title: Legal Representative

Exhibit 10.3

SHARE PURCHASE AGREEMENT

Dated this 12th Day of August 2009

by and among

BRIGHT UNISON LIMITED,
CENTRAL GLORY INVESTMENTS LIMITED,
PERFECT WISDOM INTERNATIONAL LIMITED,
EXCELLENT NEW LIMITED,

TIGER GLOBAL FIVE CHINA HOLDINGS
KTB CHINA OPTIMUM FUND

and

CERTAIN ADDITIONAL PARTIES NAMED HEREIN

SHARE PURCHASE AGREEMENT

TABLE OF CONTENTS

1.	**PURCHASE AND SALE OF COMMON SHARES**		3
	1.1	Sale of Common Shares; Purchase Price	3
	1.2	Closing	3
	1.3	Filing with the Registrar of the Companies of Cayman Islands	4
2.	**CONDITIONS TO THE OBLIGATIONS OF TIGER** AT **CLOSING**		4
	2.1	Completion of Due Diligence	4
	2.2	Material Adverse Effect	4
	2.3	Proceedings and Documents	4
	2.4	Authorizations	4
	2.5	Representations and Warranties	5
	2.6	Restated Articles	5
	2.7	Shareholders' Agreement	5
	2.8	Opinion of Offshore Counsel	5
	2.9	Opinion of PRC Counsel	5
	2.10	Board of Directors	5
	2.11	Letters of Commitment and Non-competition	6
	2.12	Compliance Certificates	6
	2.13	Director Indemnification Agreement	6
	2.14	Management Rights Letter	6
	2.15	Key Persons' Proprietary Information and Inventions Assignment Agreements	6
	2.16	Investment Committee Approval	6
	2.17	Registration of Equity Pledge	6
	2.18	WFOE Registered Address Alteration	6

	2.19	Removal of Contents from Website	7
	2.20	Assignment of Cooperation Agreement	7
	2.21	Execution of Power of Attorney	7
3.	**CONDITIONS OF THE OBLIGATIONS OF THE COMPANY AT CLOSING**		7
	3.1	Representations and Warranties	7
	3.2	Performance	7
	3.3	Qualifications	7
4.	**REPRESENTATIONS AND WARRANTIES OF THE WARRANTORS**		8
5.	**REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**		8
6.	**UNDERTAKINGS**		8
	6.1	Ordinary Course of Business	8
	6.2	Employee Share Incentive Plan	8
	6.3	Exclusivity	9
	6.4	Notice of Certain Events	9
	6.5	Compliance	9
	6.6	Option for Follow-on Investments.	9
	6.7	Service Agreement	10
	6.9	Registration of Teaching Centres	11
	6.10	Amendment to Employment Contract and Teaching Agreement	11
	6.11	Foreigner Employment Permit	11
	6.12	Foreign Exchange Compliance	11
	6.13	Trademark Assignment to the WFOE or HK Company	11
	6.14	Social Insurance and Housing Fund Compliance	11
	6.15	Restructuring	11
	6.16	Insurance	12

	6.17	Consent of Sellers	12
	6.18	Audit of the Group Entities	12
	6.19	Amendment to Articles of Association	12
	6.20	R&D Employees Proprietary Information and Inventions Assignment Agreements	13
	6.21	Adjustment for Dilutive Issuances	13
	6.22	Tax Covenants	13
	6.23	Option for KTB's Investment	15
7.	**CURE OF BREACHES; INDEMNITY**		15
8.	**MISCELLANEOUS**		16
	8.1	Survival of Warranties	16
	8.2	Confidentiality	16
	8.3	Transfer; Successors and Assigns	18
	8.4	Governing Law	18
	8.5	Counterparts; Facsimile	18
	8.6	Titles and Subtitles	18
	8.7	Notices	18
	8.8	No Finder's Fees	18
	8.9	Fees and Expenses	19
	8.10	Attorney's Fees	19
	8.11	Amendments and Waivers	19
	8.12	Severability	19
	8.13	Delays or Omissions	19
	8.14	Entire Agreement	20
	8.15	Dispute Resolution	20
	8.16	No Commitment for Additional Financing	21

8.17	Rights Cumulative	21
8.18	No Waiver	21
8.19	No Presumption	22
8.20	Third Party Beneficiaries	22
8.21	Termination of Agreement	22
8.22	Cross-Guarantees	23

Schedules

Schedule 1A	Schedule of the Sellers
Schedule 1B	Schedule of the Purchaser
Schedule 1C	Schedule of Founders
Schedule 2A	Schedule of Schools, Subsidiary Companies and Company Branches
Schedule 2B	Consent of Spouse
Schedule 3	Definitions
Schedule 4	Representations and Warranties of the Warrantors
Schedule 6	Representations and Warranties of the Purchaser
Schedule 7	Capitalization Table
Schedule 8	Notices

SHARE PURCHASE AGREEMENT

This SHARE PURCHASE AGREEMENT (the "**Agreement**") is made on August 12, 2009, by and among the Persons listed on Schedule 1A attached to this Agreement (each a "**Seller**" and together the "**Sellers**"), the individualsas listed on Schedule 1C attached to this Agreement (each a "**Founder**" and together the "**Founders**"), Xueersi International Education Group, a company organized under the laws of the Cayman Islands (the "**Company**"); TAL Group Limited (the "**HK Company**"), a company organized under the laws of Hong Kong; TAL Education Technology (Beijing) Co., Ltd. (泰阿尔教育科技（北京）有限公司) (the "**WFOE**"), a wholly foreign-owned enterprise organized under the laws of the PRC; Beijing Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司) ("**Xueersi Education**"), a company organized under the laws of the PRC; Beijing Xueersi Network Technology Co., Ltd. (北京学而思网络科技有限公司), a company organized under the laws of the PRC ("**Xueersi Technology**", together with Xueersi Education, the "**Domestic Companies**") and the Persons listed on Schedule 1B attached to this Agreement (collectively but not individually, the "**Purchaser**").

Each of the Sellers, the Company, the HK Company, the WFOE, each of the Domestic Companies and the Purchaser shall be referred to individually as a "**Party**" and collectively as the "**Parties**".

For the purpose of his Agreement, Capitalized terms used herein, if not defined in the main text, shall have the meaning set forth in Schedule 3 attached hereto.

RECITALS

WHEREAS, Tiger desires to purchase from the Sellers an aggregate of 21,875,000 Common Shares of the Company (the Common Shares to be sold and transferred to the Purchaser pursuant to this Agreement shall be referred herein as the "**Shares**") and the Sellers desire to collective sell such Shares to Tiger pursuant to the terms and subject to the conditions of this Agreement;

WHEREAS, as of the date hereof, the Company own beneficially and of record 100% of the shares in the HK Company;

WHEREAS, as of the date hereof, the HK Company own beneficially and of record 100% of the equity in the WFOE;

WHEREAS, as of the date hereof, the Founders own beneficially and of record 100% of the equity interests respectively in the Domestic Companies; and

WHEREAS, as of the date hereof, the Domestic Companies own beneficially and of record, directly or indirectly, 100% of capital contribution of certain schools (the "**Schools**") listed on Schedule 2A and 100% of equity of the subsidiary companies listed on Schedule 2A (the "**Subsidiary Companies**"), and wholly owned branches listed on Schedule 2A (the "**Company Branches**).

WHEREAS, each of the Schools operates certain teaching centres to engage in the education and training activities in the PRC ("**Teaching Centres**", together with the Schools, the

Subsidiary Companies and the Company Branches, the Company, the HK Company, the WFOE, the Domestic Companies, each a " **Group Entity**", and collectively, the "**Group Entities**").

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. **PURCHASE AND SALE OF COMMON SHARES.**

1.1 Sale of Common Shares; Purchase Price.

Subject to the terms and conditions of this Agreement, Tiger hereby agrees to purchase at the Closing (as defined below) from each Seller and each Seller hereby agrees to sell and transfer to Tiger that number of Shares set forth opposite such Seller's name on Schedule 1A, at a purchase price of US$1.60 per Share (the "**Purchase Price**").

1.2 Closing.

(a) Closing. The purchase and sale of the Shares shall take place remotely via the exchange of documents and signatures, on a date specified by the Parties, or at such other time and place as the Sellers and Tiger mutually agree upon, which date shall be no later than five (5) Business Days after the satisfaction or waiver of each condition to the Closing by Tiger set forth in Section 2 and Section 3 (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions) (which time and place are designated as the "**Closing**").

(1) At the Closing, the Sellers shall cause the Company's share register to be updated to reflect the Shares purchased by Tiger, and the Sellers shall deliver, or cause the Company to deliver a copy of such updated share register to Tiger, certified as a true and correct copy by the Company's registered agent in the Cayman Islands.

(2) At or prior to the Closing, each Seller shall deliver the original share certificates(s) representing the Common Shares held by such Seller (such share certificates to be cancelled and reissued to reflect the sale of Shares) together with executed copies of such transfer documents as may be required by the Company's registered agent in the Cayman Islands to effectively transfer title to the Shares to Tiger.

(3) At the Closing, Tiger shall wire transfer immediately available U.S. dollar funds representing that portion of the aggregate Purchase Price to which each Seller is entitled as set forth opposite such Seller's name on Schedule 1A (less the pro rata portion of Tiger's fees and expenses pursuant to Section 8.9 hereof) to an account designated by each such Seller; provided that each such Seller delivers wire transfer instructions to Tiger at least three (3) business days prior to the Closing.

(4) At the Closing, the Company shall deliver to Tiger an updated copy of the Company's register of directors, reflecting the addition of CHEN Xiaohong

designated by Tiger to the Company's board of directors, certified as a true and correct copy by the Company's registered agent in the Cayman Islands.

(b) Within five (5) Business Days after the Closing, the Seller shall cause the Company's secretary to deliver to Tiger one or more certificates representing the Shares.

1.3 Filing with the Registrar of the Companies of Cayman Islands .

Within three (3) days after the Closing and upon the receipt of the respective Purchase Price by each and all the Sellers, the Sellers shall, serverally and jointly, cause the Company to file the Restated Articles, change to the updated Register of Directors, the resolutions of the members adopting the Restated Articles with the Registrar of the Companies of Cayman Islands.

2. CONDITIONS TO THE OBLIGATIONS OF TIGER AT CLOSING.

The obligations of Tiger to purchase the Shares at the Closing are subject to the fulfillment, on or before the Closing, of each of the following conditions, unless otherwise waived in writing by Tiger:

2.1 Completion of Due Diligence.

Tiger shall have satisfactorily completed its business, legal and financial due diligence review.

2.2 Material Adverse Effect.

Since the date of this Agreement, no event, circumstance or change shall have occurred that, individually or in the aggregate with one or more other events, circumstances or changes, have had or reasonably could be expected to have a Material Adverse Effect on the Company or any other Group Entity.

2.3 Proceedings and Documents.

All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incidental thereto shall be reasonably satisfactory in form and substance to Tiger, and Tiger (or their legal counsel) shall have received all such counterpart original and certified or other copies of such documents as reasonably requested. Such documents may include good standing certificates or analogous certificates in other jurisdictions. Each Seller and the Company shall have each performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by such parties on or before the Closing.

2.4 Authorizations.

Each Seller shall have obtained any and all authorizations, approvals, waivers or permits of

any Person or any Governmental Authority necessary for the consummation of all of the transactions contemplated by this Agreement and other Transaction Documents, including without limitation, the consent of such Seller's spouse (if applicable) in the form attached hereto as Schedule 2B and any other authorizations, approvals, waivers or permits that are required in connection with the lawful sale or transfer of the Shares. Each Seller shall have fully satisfied (including with respect to rights of timely notification) or obtained enforceable waivers in respect of any preemptive or similar rights directly or indirectly affecting any of its shares or securities (including the waiver of holders of Series A Preferred Shares of its preemptive rights in their entirety), as applicable.

2.5 Representations and Warranties.

The representations and warranties of the Warrantors contained in Schedule 4 shall be true, complete and correct in all respects as of the Closing, except for (i) those representations and warranties that address matters only as of a particular date, which representations will have been true and correct in all respects as of such particular date; and (ii) those disclosures as set out in the Disclosure Schedule.

2.6 Restated Articles.

The memorandum and articles of association of the Company shall have been amended as set forth in the form attached hereto as Exhibit A (the "**Restated Articles**"). Such Restated Articles shall have been duly adopted by all necessary actions of the Board of Directors and/or the members of the Company.

2.7 Shareholders' Agreement.

Each Seller, the Company, the Purchaser, the HK Company, the Domestic Companies, the WFOE and the holder of Series A Preferred Shares shall have executed and delivered the Shareholders' Agreement in the form attached hereto as Exhibit B-1.

2.8 Opinion of Offshore Counsel.

The Company and the Sellers shall have delivered to Tiger from Conyers Dill & Pearman, the Cayman Islands legal counsel to the Company, a legal opinion, dated as of the Closing, in a form and substance substantially in the form attached as Exhibit C to this Agreement.

2.9 Opinion of PRC Counsel.

Tiger shall have received from PRC legal counsel of the Company a legal opinion, dated as of the Closing, in a form and substance substantially in the form attached as Exhibit D to this Agreement.

2.10 Board of Directors.

As of the Closing, the authorized size of the Board of Directors of the Company shall be up to five(5) and the Board of Directors shall be comprised of the following members: ZHANG Bangxin, YEH Aieming Amy, CHEN Xiaohong, and the vacancies to be filled by

directors jointly appointed by the Shareholders.

2.11 Letters of Commitment and Non-competition.

Each Seller shall have entered into a Letter of Commitment and Non-Compete in the form and substance attached hereto as Exhibit E-1.

2.12 Compliance Certificates.

Tiger shall have received (a) a certificate executed and delivered by the chief executive officer of the Company in the form attached hereto as Exhibit F-1, and (b) a certificate executed and delivered by each Seller in the form attached as Exhibit F-2.

2.13 Director Indemnification Agreement.

The Company shall have executed and delivered the Director Indemnification Agreement with respect to the Tiger nominated directors in the form and substance attached hereto as Exhibit G.

2.14 Management Rights Letter.

The Company shall have executed and delivered to Tiger a Management Rights Letter in the form attached hereto as Exhibit H.

2.15 Key Persons' Proprietary Information and Inventions Assignment Agreements.

Each of the Key Persons of the Group Entities, the name of which are listed on Exhibit E-3 attached hereto, shall have entered into a confidentiality and proprietary information agreement with the WFOE in the form and substance attached hereto as Exhibit E-2, as an integral part of his/her employment agreement with the WFOE, that shall include provisions relating to the assignment of inventions, duty of non-solicitation and non-competition during and after termination of employment agreement.

2.16 Investment Committee Approval.

Tiger's investment committee shall have approved the execution of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby.

2.17 Registration of Equity Pledge.

The Company shall have registered the equity pledge agreement (included as part of the variable interest "control documents") with the competent administration for industry and commerce pursuant to the *Measures on Equity Pledge Registration* effective as of October 1, 2008 and shall have provided the registration approval for the examination of Tiger.

2.18 WFOE Registered Address Alteration.

The WFOE's registered address alteration from the 2nd Floor, No.1 Suzhou Street, Haidian District, Beijing to Room 1702-1703, Lantian Hesheng Plaza, No. 32,

Zhongguancun St., Haidian District, Beijing (北京市海淀区中关村大街32号蓝天和盛大厦1702-03室) shall have been duly registered with Beijing Administration for Industry and Commerce, and as a result of such alteration, there is not any education or training activities being conducted on the leased premise of the WFOE.

2.19 Removal of Contents from Website.

All textbooks and audio materials displayed on the Company's website (www.eduu.com) that is known to infringe upon the intellectual properties of a third party shall be removed from the website in its entirety, it being understood that known offending content posted by third party users on the Company's bulletin board system (BBS) after that day which is three days prior to the Closing may not have been removed at Closing but shall be timely addressed by the Company following the Closing through regular monitoring.

2.20 Assignment of Cooperation Agreement.

The rights and obligations of Haidian School under the Cooperation Agreement entered into by and between Haidian School and Audio-Video Publishing House of Beijing Normal University of Education in connection with the publishing of certain textbooks on May 12, 2008 shall have been assigned to Xueersi Network or terminated in accordance with an agreement duly signed by relevant parties.

2.21 Execution of Power of Attorney.

The shareholders of the Domestic Companies shall have entered into a power of attorney with the WFOE in a form and substance acceptable to Tiger, pursuant to which, the shareholders of the Domestic Companies shall have authorized the WFOE to exercise their rights as shareholders of the Domestic Companies.

3. **CONDITIONS OF THE OBLIGATIONS OF THE COMPANY AT CLOSING.**

The obligations of each Seller to sell the Shares to Tiger at the Closing are subject to the fulfillment by Tiger, on or before the Closing, of each of the following conditions, unless otherwise waived by writing:

3.1 Representations and Warranties.

The representations and warranties of the Purchaser contained in Schedule 6 shall be true, complete and correct in all material respects as of the Closing.

3.2 Performance.

The Purchaser shall have performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

3.3 Qualifications.

All authorizations, approvals or permits, if any, of any Governmental Authority that are required in connection with the lawful sale of the Shares pursuant to this Agreement shall be obtained and effective as of the Closing.

4. **REPRESENTATIONS AND WARRANTIES OF THE WARRANTORS.**

The Warrantors hereby, jointly and severally, represent and warrant to the Purchaser that the statements contained in Schedule 4 attached hereto are true, correct and complete with respect to (i) each Warrantor, on and as of the Execution Date, and (ii) each Warrantor, on and as of the date of the Closing (with the same effect as if made on and as of the date of the Closing), except as set forth on the Disclosure Schedule attached hereto as Schedule 5 (the "**Disclosure Schedule**"), which exceptions shall be deemed to be representations and warranties as if made hereunder.

5. **REPRESENTATIONS AND WARRANTIES OF THE PURCHASER.**

The Purchaser represents and warrants to the Sellers that the statements contained in Schedule 6 attached hereto are true, correct and complete with respect to the Purchaser as of the Closing.

6. **UNDERTAKINGS.**

6.1 Ordinary Course of Business.

From the Execution Date until the earlier of the Termination Date or the Closing, the Founders, the Sellers and the Company, jointly and severally, shall cause each Group Entity to be conducted in the ordinary course of business and shall use its commercially reasonable efforts to maintain the present character and quality of the business, including without limitation, its present operations, physical facilities, working conditions, goodwill and relationships with lessors, licensors, suppliers, customers, employees and independent contractors. Commencing with the execution and delivery of this Agreement and continuing until the earlier of the Termination Date or the Closing, no Group Entity may take any of the actions specified in Section 5.2 of the Shareholders Agreement without written consent of Tiger.

6.2 Employee Share Incentive Plan.

(a) In the event that the Company adopts a share option or an employee share incentive plan to selected officers, directors, employees and consultants of the Company (a "**Share Plan**") at any time after Closing, such Share Plan shall be subject to the following conditions: (i) option grants shall be at a minimum exercise price per share of no less than the Purchase Price (as appropriately adjusted for stock dividends, stock splits, reverse stock splits and the like), (ii) Zhang Bangxin and Cao Yundong shall not be entitled to receive any option grants, restricted stock grants or other equity incentives from the Company under a Share Plan or otherwise, and (iii) without the written consent of Tiger, the total number of options reserved or issued under the Share Plan shall not be more than 8% of the then effective capitalization of the Company. Notwithstanding the foregoing, the

Company may grant 2% of the total options reserved under the Share Plan at an exercise price per share that is less than the Purchase Price.

(b) The Company and the Sellers shall use, and shall cause the WFOE and the Domestic Company to use, their best efforts to obtain (or cause the Subsidiaries to obtain) all authorizations, consents, orders and approvals of all Governmental Authorities and officials that may be or become necessary to adopt the Share Plan in compliance with the Laws of the PRC, and will cooperate fully with the Purchaser in promptly seeking to obtain all such authorizations, consents, orders and approvals.

6.3 Exclusivity.

From the Execution Date until the earlier of the Termination Date or the Closing, each Warrantor agrees not to (i) discuss the sale of any equity securities or any other instruments convertible into the equity securities of any Group Entity with any third party, or (ii) to provide any information with respect to any Group Entity to a third party in connection with a potential investment by such third party in any equity securities or any other instruments convertible into the equity securities of such Group Entity, or (iii) to close any financing transaction of any equity securities or any other instruments convertible into the equity securities of any Group Entity with any third party (the " **Exclusivity Period**").

6.4 Notice of Certain Events.

If, at any time before the Closing, any Warrantor becomes aware of any material fact or event which: (i) is in any way inconsistent with any of the representations and warranties in this Agreement; (ii) suggests that any fact warranted hereunder may not be as warranted or may be misleading; or (iii) might affect the willingness of a prudent investor to purchase the Shares on the terms contained in the Transaction Documents or the amount of the consideration a prudent investor would be prepared to pay for the Shares; then the Warrantors shall immediately notify the Purchaser in writing, describing the fact or event in reasonable detail.

6.5 Compliance.

The Company and each Group Entity, and each of the Sellers shall take necessary steps to ensure that the Company and each Group Entity, shall comply with all applicable laws and regulations, including without limitation compliance with all contributions required to be made under the PRC social insurance and housing schemes.

6.6 Option for Follow-on Investments.

(a) The Company and each of the Sellers, jointly and severally, grant an option to Tiger to acquire such additional securities of the Company, prior to the Company's IPO to enable Tiger to increase its equity in the Company to 25% (on fully-diluted basis) at a fair market value (which shall not in any event fall below the par value of the shares of the Company where the Company is issuing new shares of the Company) to be determined by the Company or selling party(ies), as the case may be.

(b) Notwithstanding the above, in the event that the foregoing option is exercised by way of share transfer by any Seller to Tiger (" **Transfer of Secondary Shares**"), each of Tiger and KTB (or KTB/UCI China Ventures II Limited substituting KTB) may purchase its respective pro rata portion of the shares offered by any such Seller by following the procedures provided in Section 11.1(b)(i) through (iv) of the Shareholders' Agreement.

To avoid doubt, set forth below are the formula for calculating the number of shares each of Tiger and KTB:

(i) Number of shares that KTB is entitled to purchase = [X / (X+Y)] × selling shares offered by any of the Sellers

(ii) Number of shares that Tiger is entitled to purchase = [Y / (X+Y)] × selling shares offered by any of the Sellers

X = number of shares then held by KTB and KTB/UCI China Ventures II Limited in the Company

Y = number of shares then held by Tiger in the Company

Further, the Parties understand that in the event of the Transfer of Secondary Shares, each of the Seller/Sellers, who do not elect or is/are not required to sell shares to Tiger, shall waive, pursuant to Section 11.1 (b) of the Shareholders' Agreement,their respective rights of first refusal that they would otherwise have under Section 11 of the Shareholders' Agreement and Section 9 of Schedule A of the Restated Articles.

6.7 Service Agreement.

As soon as practicable and in any event prior to the IPO, (i) the Sellers and the Company shall, jointly and severally, cause Xueersi Education and the Schools within the Group Entity to enter into the service agreements, pursuant to which, the Company Branches under Xueersi Education will provide administrative services including without limitation to student enrolment and tuition collection services to the Training Centres opened by the School; (ii) the Seller and the Company shall jointly and severally cause each of the Schools (other than Haidian School) within the Group Entities to enter into a set of service agreements with the WFOE including technical support and technical service agreement, education material research and development agreement, education software license agreement, and etc.

6.8 Filing for Incorporation of Tianjin Subsidiary.

As soon as practicable following the Closing, the Company shall file the documents required for the incorporation of subsidiary in Tianjin by Xueersi Education to Tianjin Administration for Industry and Commerce and shall have provided the relevant filing documents to Tiger.

6.9 Registration of Teaching Centres.

As soon as practicable following the Closing and in any event prior to the IPO of the Company, the Sellers and the Company shall use its best efforts to have substantial all of the Teaching Centres operated by the Schools registered with the competent district education commission.

6.10 Amendment to Employment Contract and Teaching Agreement.

As soon as practicable following the Closing, the Domestic Companies shall use commercially reasonable effort to amend, and shall cause the Schools to amend the labor contracts entered into by and between the relevant Group Entities and all the employees in the Group Entities to make them not in violation of the PRC Labor Contract Law.

6.11 Foreigner Employment Permit.

As soon as practicable following the Closing, the Sellers and the Company shall use its best efforts to apply for Foreigner Employment Certificate (外国人就业证) from Shanghai Human Resource and Social Security Protection Bureau (上海市人力资源和社会保障局) for the employees of foreign nationality of the Group Entities.

6.12 Foreign Exchange Compliance.

Each Seller of the Company shall update its registration with the Beijing Branch of the State Foreign Exchange Administration in accordance with the requirements of *Notice Regarding Certain Administrative Measures on Financing and Inbound Investments by PRC Residents Through Offshore Special Purpose Vehicles* and any successor rules or regulations under Laws of the PRC within thirty (30) Business Days following the Closing.

6.13 Trademark Assignment to the WFOE or HK Company.

Within two (2) years following the Closing, the Domestic Companies and the Sellers (as the case may be) have entered into a trademark assignment agreement with the WFOE or the HK Company, pursuant to which certain trademarks shall be assigned to the WFOE or the HK Company other than those trademarks that are necessary for the operation of value added telecommunication business via the website of the Company using the domain name "eduu.com". The foregoing trademark assignment shall be conducted based on the opinion of the tax advisor acceptable to Tiger.

6.14 Social Insurance and Housing Fund Compliance.

Prior to the IPO of the Company, the Domestic Companies shall duly pay, and shall cause the Schools to duly pay, for the social insurance and housing fund in full compliance with the Laws of the PRC.

6.15 Restructuring.

(a) Xueersi Education shall set up a subsidiary in Tianjin, which shall be the capital

contributor of the schools to be established in Tianjin. Following the completion of the foregoing restructuring, (i) the schools in Tianjin shall continue the education and training activities originally conducted by Xueersi Education Tianjin Branch, and (ii) Xueersi Education Tianjin Branch shall cease to conduct any education and training activities and shall be converted into a service branch supporting the administration of schools in Tianjin.

(b) For the purpose of avoiding any potential negative tax consequences that the current structure may impose on Tiger, the Sellers and the Company agree to undertake any restructuring of the Group Entities reasonably requested by Tiger.

6.16 Insurance.

Within six (6) months following the Closing, the Company shall have purchased from financially sound and reputable insurers (i) director's and officer's liability insurance, and (ii) property and casualty insurance, in each case upon terms acceptable to Tiger, and will use best efforts to cause such insurance policies to be maintained until such time as Tiger determines that such insurance should be discontinued.

6.17 Consent of Sellers.

The Parties understand that Xueersi Network entered into two share purchase agreements both dated June 19, 2008 in connection with its acquisition of Hubei Qianjiang School and Wuhan Jianghan School, respectively, from the relevant original sponsors of the two schools (the " **School Purchase Agreements**"). In the event that the original sponsors require Xueersi Network to settle the unpaid consideration, when it is due, in the form of equity interest in the Company when listed pursuant to the School Purchase Agreements, the Sellers agree jointly and severally that they shall take such actions, or cause such actions to be taken as necessary to (i) assume and discharge in full Xueersi Network's obligations under the School Purchase Agreement with respect to the settlement of the unpaid consideration thereunder; and (ii) avoid Tiger's equity interests in the Company being in any way diluted by such settlement.

6.18 Audit of the Group Entities.

The Sellers and the Company shall jointly and severally cause the Group Entities be audited by one of the Big 4 accounting firms (i.e., PricewaterhouseCoopers, KPMG, Deloitte & Touche or Ernst & Young) at a certain time following the Closing that is acceptable to Tiger.

6.19 Amendment to Articles of Association.

As soon as practicable and in any event prior to the IPO of the Company, the Articles of Association of Wuhan Jianghan School and Hubei Jianli School shall have been amended to include provisions setting forth a reasonable return on investment to the capital contributors in accordance with the PRC Non-state Education Promotional Law (中华人民共和国民办教育促进法) and its implementing rules.

6.20 R&D Employees Proprietary Information and Inventions Assignment Agreements .

Within three (3) months following the Closing, each of employees engaged in research and development of software and teaching materials for the Group Entities shall have entered into a confidentiality and proprietary information agreement with his/her respective employer within the Group Entities, in the form and substance attached hereto as Exhibit E-2, as an integral part of his/her employment agreement with such employer, that shall include provisions relating to the assignment of inventions, duty of non-solicitation and non-competition after termination of employment agreement.

6.21 Adjustment for Dilutive Issuances .

If, after the Closing, the Company issues additional equity securities for a per share consideration (the " **Future Issuance Price**") less than the Purchase Price (as appropriately adjusted for stock splits, stock dividends and the like), then in such event, immediately prior to such issuance, each of the Sellers shall transfer such additional shares (on a post-split or post-stock dividend basis, if applicable) to Tiger in accordance with the following formula hereunder:

Additional Shares = (X/Future Issuance Price) – (X/Purchase Price)
X = amount of consideration received by such Seller for selling Shares to Tiger.

6.22 Tax Covenants.

(a) In the event that the Company is determined by counsel or accountants for the Purchaser to be a CFC with respect to the shares held by the Purchaser, the Company agrees (a) to use commercially reasonable efforts to avoid generating Subpart F Income (as defined in Section 952 of the Code) ("**Subpart F Income**") and (b) to the extent permitted by law, to annually make dividend distributions to the Purchaser in an amount equal to 50% of any income deemed distributed to the Purchaser that would have been deemed distributed to the Purchaser pursuant to Section 951(a) of the Code had the Purchaser been a "United States person" as such term is defined in Section 7701(a)(30) of the Code (or such lesser amount determined by the Purchaser in its sole discretion). No later than 45 days following the end of each Company taxable year, the Company shall provide the following information to the Purchaser: (i) the Company's capitalization table as of the end of the last day of such taxable year and (ii) a report regarding the Company's status as a CFC. In addition, the Company shall provide the Purchaser with access to such other Company information as may be required by the Purchaser to determine the Company's status as a CFC and to determine whether the Purchaser or any of the Purchaser's Partners is required to report its pro rata portion of the Company's Subpart F Income on its United States federal income tax return, or to allow the Purchaser or such Purchaser's Partners to otherwise comply with applicable United States federal income tax laws. For purposes of this Section 6.21, (i) the term "**Purchaser's Partners**" shall mean each of the Purchaser's shareholders, partners, members or other equity holders and any direct or indirect equity owners of such entities and (ii) the "Company" shall mean the Company and any of its subsidiaries.

(b) The Company shall engage a Big 4 accounting firm (i.e., PricewaterhouseCoopers, KPMG, Deloitte & Touche or Ernst & Young) to determine the Company's status as a PFIC on an annual basis and shall report such status to the Purchaser on or prior to February 15 of each calendar year and further provide a copy of the written certification from its accounting firm regarding such status. In addition, to ensure that the Purchaser's Partners have sufficient information to make a "Qualified Electing Fund" election or file a "Protective Statement" pursuant to Treasury Regulation Section 1.1295-3, as amended (or any successor thereto), the Company shall provide annual financial information to the Purchaser in the form provided in the attached PFIC Exhibit in Exhibit I (or in such other form as may be required to reflect changes in applicable law) as soon as reasonably practicable following the end of each taxable year of the Company (but in no event later than 45 days following the end of each such taxable year), and shall provide the Purchaser with access to such other Company information as may be required for purposes of filing U.S. federal income tax returns in connection with such Qualified Electing Fund election or Protective Statement. In the event that an Purchaser's Partner has made a "Qualified Electing Fund" election must include in its gross income for a particular taxable year its pro rata share of the Company's earnings and profits pursuant to Section 1293 of the Code, the Company agrees to make a dividend distribution to the Purchaser (no later than 45 days following the end of the Company's taxable year or, if later, 45 days after the Company is informed by the Purchaser that the Purchaser's Partner has been required to recognize such an income inclusion) in an amount equal to 50% of the amount that would be included by the Purchaser if the Purchaser were a "United States person" as such term is defined in Section 7701(a)(30) of the Code and had the Purchaser made a valid and timely "Qualified Electing Fund" election which was applicable to such taxable year.

(c) The Company shall take such actions, including making an election to be treated as a corporation or refraining from making an election to be treated as a partnership, as may be required to ensure that at all times the Company is treated as corporation for United States federal income tax purposes.

(d) The Company shall make due inquiry with its tax advisors (and shall cooperate with the Purchaser's tax advisor's with respect to such inquiry) on at least an annual basis regarding whether the Purchaser's or any Purchaser's Partner's direct or indirect interest in the Company is subject to the reporting requirements of either or both of Sections 6038 and 6038B of the Code (and the Company shall duly inform the Purchaser of the results of such determination), and in the event that the Purchaser's or any Purchaser's Partner's direct or indirect interest in Company is determined by the Company's tax advisors or the Purchaser's tax advisors to be subject to the reporting requirements of either or both of Sections 6038 and 6038B, the Company agrees, upon a request from the Purchaser, to provide such information as may be necessary to fulfill the Purchaser's or the Purchaser's Partner's obligations thereunder.

(e) The Parties acknowledge that neither the Group Entities nor the Purchaser be

responsible in any way for any taxes or any withholdings related to the transactions contemplated in this agreement.

6.23 Option for KTB's Investment.

Each of the Sellers, jointly and severally, grants an option to KTB to acquire such number of Shares set forth opposite such Seller's name on Schedule 1A and in the column of "Number of Common Shares to be Sold to KTB", on a date no later than September 4, 2009, at the Purchase Price for an aggregate purchase price of no more than US$5,000,000. The obligations of KTB to exercise such option are subject to the fulfilment, of each of the following conditions, unless otherwise waived in writing by KTB:

(a) Opinion of Offshore Counsel.

The Company and the Sellers shall have delivered to KTB from Conyers Dill & Pearman, the Cayman Islands legal counsel to the Company, a legal opinion, dated as of the Closing by Tiger, in a form and substance substantially in the form attached as Exhibit C to this Agreement.

(b) Opinion of PRC Counsel.

KTB shall have received from PRC legal counsel of the Company a legal opinion, dated as of the Closing by Tiger, in a form and substance substantially in the form attached as Exhibit D to this Agreement.

(c) Delivery to KTB of all the documents as set forth in Section 1.2(a)(1) and 1.2(a)(2) hereof as applicable *mutatis mutandis* to KTB.

The Existing Shareholders (as defined in the Assumption Agreement) of the Company hereby authorize, either by way of signing this Agreement or pursuant to Section 16.11 of the Shareholders' Agreement, the Company, on behalf of itself and as agent for the Existing Shareholders of the Company, to enter into the Assumption Agreement with KTB in the form attached as Exhibit B-2 of this Agreement, when KTB exercises its option of investment provided hereunder.

7. CURE OF BREACHES; INDEMNITY.

7.1 In the event of:

(a) any breach or violation of, or inaccuracy or misrepresentation in, any representation or warranty made by the Warrantors or the Purchaser contained herein or any of the other Transaction Documents; and

(b) any breach or violation of any covenant or agreement contained herein or any of the other Transaction Documents attributable to the Warrantors or the Purchaser;

(each of (a) and (b), a "**Breach**"), then (i) if the Breach is on the part of the Warrantors, the Sellers shall, jointly and severally, cause the Company or cause the other Warrantors, as

the case may be, to, cure such Breach (to the extent that such Breach is curable); and (ii) if the Breach is on the part of the Purchaser, the Purchaser shall cure such Breach (to the extent that such Breach in curable).

7.2 Each Seller and the Founder holding such Seller shall, severally and not jointly, indemnify and keep indemnified the Group Companies, the Purchaser and the Purchaser's Affiliates, limited partners, members, stockholders, employees, agents and representatives (the " **Indemnitees**") at all times and hold the Indemnitees harmless against any and all losses, liabilities, damages, liens, claims, obligations, penalties, settlements, deficiencies, costs expenses, diminution in value and lost opportunities paid, suffered, sustained or incurred by the Indemnitees including without limitation reasonable advisor's fees and other reasonable expenses of investigation, assessment, contesting of, any claim, settlement of any claim or any legal proceedings (each, an "**Indemnifiable Loss**"), resulting from, or arising out of, or due to, directly or indirectly, (A) any claim that such Seller and/or Founder has failed to (x) properly make any tax filing or report the proceeds of the transactions contemplated by this Agreement in accordance with applicable law and/or (y) pay any applicable taxes related to the income or gain derived by such Seller and/or Founder in the transactions contemplated by this Agreement in accordance with applicable laws and regulations or (B) any claim that any Group Company and/or the Purchaser is responsible for any taxes or withholdings for the transactions contemplated by this Agreement.

7.3 Notwithstanding any other provision contained herein, absent fraud, gross negligence or willful misconduct by any of the Warrantors, this Section 7 shall be the sole and exclusive remedy of the Indemnitees for any claim against the Warrantors for any Breach.

8. MISCELLANEOUS.

8.1 Survival of Warranties.

Unless otherwise set forth in this Agreement, the representations and warranties of the Warrantors contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation or knowledge of the subject matter thereof made by or on behalf of the Purchaser or the Sellers.

8.2 Confidentiality.

(a) Disclosure of Terms. The terms and conditions of this Agreement, any term sheet or memorandum of understanding entered into pursuant to the transactions contemplated hereby, all exhibits and schedules attached hereto and thereto, and the transactions contemplated hereby and thereby (collectively, the "**Transaction Terms**"), including their existence, shall be considered confidential information and shall not be disclosed by any party hereto to any third party except as permitted in accordance with the provisions set forth below.

(b) Permitted Disclosures. Notwithstanding the foregoing, the Sellers and Company may disclose (i) the existence of the investment to its bona fide prospective

Purchaser, employees, Directors, bankers, lenders, accountants, legal counsels and business partners, or to any person or entity to which disclosure is approved in writing by the Purchaser; and (ii) the transaction terms to its current shareholders, employees, Directors, bankers, lenders, accountants and legal counsels, in each case only where such persons or entities are under appropriate nondisclosure obligations substantially similar to those set forth in this Section 8.2, or to any person or entity to which disclosure is approved in writing by the Purchaser. The Purchaser may disclose (x) the existence of the investment and the Transaction Terms to any Affiliate, partner, limited partner, former partner, potential partner or potential limited partner of the Purchaser or other related third parties and (y) the fact of the investment to the public, in each case as it deems appropriate in its sole discretion. Any Party hereto may also provide disclosure in order to comply with applicable Laws, as set forth in Section 8.2(c) below.

(c) Legally Compelled Disclosure. In the event that any Party is requested or becomes legally compelled (including without limitation, pursuant to any applicable tax, securities, or other Laws and regulations of any jurisdiction) to disclose the existence of this Agreement or content of any of the Transaction Terms, such party (the "**Disclosing Party**") shall provide the other parties with prompt written notice of that fact and shall consult with the other parties regarding such disclosure. At the request of another party, the Disclosing Party shall, to the extent reasonably possible and with the cooperation and reasonable efforts of the other parties, seek a protective order, confidential treatment or other appropriate remedy. In any event, the Disclosing Party shall furnish only that portion of the information that is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.

(d) Other Exceptions. Notwithstanding any other provision of this Section 8.2, the confidentiality obligations of the parties shall not apply to: (i) information which a restricted party learns from a third party having the right to make the disclosure, provided the restricted party complies with any restrictions imposed by the third party; (ii) information which is rightfully in the restricted party's possession prior to the time of disclosure by the protected party and not acquired by the restricted party under a confidentiality obligation; or (iii) information which enters the public domain without breach of confidentiality by the restricted party.

(e) Press Releases, Etc. No announcements regarding the Purchaser's investment in the Company may be made by any party hereto in any press conference, professional or trade publication, marketing materials or otherwise to the public without the prior written consent of the Purchaser and the Company, provided, that any such announcement made by any partner, limited partner, bona fide potential partner or bona fide potential limited partner of the Purchaser shall not be subject to the consent of the Company or the Sellers. Further, the Company and the Sellers shall not use the Purchaser's name and logo in any manner, context or format (including references or links to websites, press releases, etc,) without obtaining the approval from the Purchaser in writing.

(f) Other Information. The provisions of this Section 8.2 shall terminate and supersede the provisions of any separate nondisclosure agreement executed by any of the Parties with respect to the transactions contemplated hereby.

8.3 Transfer; Successors and Assigns.

The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Save as expressly provided in this Agreement, nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement.

8.4 Governing Law.

This Agreement shall be governed by and construed in accordance with the Law of the State of New York as to matters within the scope thereof, without regard to its principles of conflicts of laws.

8.5 Counterparts; Facsimile.

This Agreement may be executed and delivered by facsimile or other electronic signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.6 Titles and Subtitles.

The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.7 Notices.

All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been delivered by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after delivery by an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address as set forth on the signature pages, Schedule 1 or Schedule 2, as the case may be, or to such e-mail address, facsimile number or address as subsequently modified by written notice given in accordance with this Section 8.7.

8.8 No Finder's Fees.

Each Party represents that it neither is nor will be obligated for any finder's fee or commission in connection with this transaction. Each Purchaser agrees to indemnify and to hold harmless the Company and the Sellers from any liability for any commission or

compensation in the nature of a finder's or broker's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which each Purchaser or any of its officers, employees, or representatives is responsible. The Company and the Sellers agree to indemnify and hold harmless each Purchaser from any liability for any commission or compensation in the nature of a finder's or broker's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, employees or representatives is responsible.

8.9 Fees and Expenses.

Each Seller shall each pay all of his or its own costs and expenses incurred in connection with the negotiation, execution, delivery and performance of this Agreement and other Transaction Documents and the transactions contemplated hereby and thereby. The Sellers shall pay all reasonable costs and expenses incurred or to be incurred by the Purchaser on a pro rata basis based on the relative number of Shares sold hereunder, including all reasonable costs and expenses in conducting due diligence investigations on the Group Entities and in preparing, negotiating and executing all documentation, including all reasonable fees and expenses of any outside legal counsel, as well as all costs and expenses related to the financial due diligence review of the Group Entities, up to a maximum aggregate amount of US$150,000 for Tiger and up to a maximum aggregate amount of RMB150,000 for KTB, which shall be deducted from the aggregate Purchase Price paid by Tiger and KTB respectively to each Seller at each Closing.

8.10 Attorney's Fees.

If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of any of the Transaction Documents, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

8.11 Amendments and Waivers.

Any term of this Agreement may be amended, terminated or waived only with the written consent of the Seller, the holders of a majority-in-interest among the Purchaser. Any amendment or waiver effected in accordance with this Section 8.11 shall be binding upon the Company, the Sellers, the Purchaser, and each transferee of the Shares and each future holder of all such securities.

8.12 Severability.

The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

8.13 Delays or Omissions.

No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall

impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

8.14 Entire Agreement.

This Agreement (including the Schedules and Exhibits hereto), the Restated Articles and the other Transaction Documents constitute the full and entire understanding and agreement between the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties are expressly canceled.

8.15 Dispute Resolution.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall first be subject to resolution through consultation of the parties to such dispute, controversy or claim. Such consultation shall begin within seven (7) days after one Party hereto has delivered to the other Parties involved a written request for such consultation. If within thirty (30) days following the commencement of such consultation the dispute cannot be resolved, the dispute shall be submitted to arbitration upon the request of any Party with notice to the other Parties.

(b) The arbitration shall be conducted in Hong Kong under the auspices of the Hong Kong International Arbitration Centre (the " **HKIAC**"). There shall be three arbitrators. The complainant and the respondent to such dispute shall each select one arbitrator within thirty (30) days after giving or receiving the demand for arbitration. Such arbitrators shall be freely selected, and the Parties shall not be limited in their selection to any prescribed list. The Chairman of the HKIAC shall select the third arbitrator, who shall be qualified to practice Law in New York. If either party to the arbitration does not appoint an arbitrator who has consented to participate within thirty (30) days after selection of the first arbitrator, the relevant appointment shall be made by the Chairman of the HKIAC.

(c) The arbitration proceedings shall be conducted in English. The arbitration tribunal shall apply the Arbitration Rules of the HKIAC in effect at the time of the arbitration. However, if such rules are in conflict with the provisions of this Section 8.15, including the provisions concerning the appointment of arbitrators, the provisions of this Section 8.15 shall prevail.

(d) The arbitrators shall decide any dispute submitted by the parties to the arbitration strictly in accordance with the substantive Law of the State of New York and shall not apply any other substantive law.

(e) Each Party hereto shall cooperate with any party to the dispute in making full disclosure of and providing complete access to all information and documents requested by such party in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on the Party receiving the request.

(f) The award of the arbitration tribunal shall be final and binding upon the disputing parties, and any party to the dispute may apply to a court of competent jurisdiction for enforcement of such award.

(g) Any party to the dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

8.16 No Commitment for Additional Financing .

The Company and the Sellers acknowledge and agree that the Purchaser has not made any representation, undertaking, commitment or agreement to provide or assist the Company in obtaining any financing, investment or other assistance, other than the purchase of the Shares as set forth herein and subject to the conditions set forth herein. In addition, the Company acknowledges and agrees that (i) no oral statements made by any Purchaser or its representatives on or after the date of this Agreement shall create an obligation, commitment or agreement to provide or assist the Company in obtaining any financing or investment, (ii) the Company shall not rely on any such statement by any Purchaser or its representatives and (iii) an obligation, commitment or agreement to provide or assist the Company in obtaining any financing or investment may only be created by a written agreement, signed by such Purchaser and the Company, setting forth the terms and conditions of such financing or investment and stating that the parties intend for such writing to be a binding obligation or agreement. Each Purchaser shall have the right, in it sole and absolute discretion, to refuse or decline to participate in any other financing of or investment in the Company, and shall have no obligation to assist or cooperate with the Company in obtaining any financing, investment or other assistance.

8.17 Rights Cumulative.

Each and all of the various rights, powers and remedies of a Party will be considered to be cumulative with and in addition to any other rights, powers and remedies which such Party may have at law or in equity in the event of the breach of any of the terms of this Agreement. The exercise or partial exercise of any right, power or remedy will neither constitute the exclusive election thereof nor the waiver of any other right, power or remedy available to such Party.

8.18 No Waiver.

Failure to insist upon strict compliance with any of the terms, covenants, or conditions

hereof will not be deemed a waiver of such term, covenant, or condition, nor will any waiver or relinquishment of, or failure to insist upon strict compliance with, any right, power or remedy power hereunder at any one or more times be deemed a waiver or relinquishment of such right, power or remedy at any other time or times.

8.19 No Presumption.

The Parties acknowledge that any applicable law that would require interpretation of any claimed ambiguities in this Agreement against the Party that drafted it has no application and is expressly waived. If any claim is made by a Party relating to any conflict, omission or ambiguity in the provisions of this Agreement, no presumption or burden of proof or persuasion will be implied because this Agreement was prepared by or at the request of any Party or its counsel.

8.20 Third Party Beneficiaries.

Each of the Indemnitees shall be a third party beneficiary of this Agreement with the full ability to enforce Section 7 of this Agreement as if it were a Party hereto.

8.21 Termination of Agreement.

(a) This Agreement may be terminated before the Closing as follows:

(1) at the election of the Purchaser on or after October 31, 2009, if the Closing shall not have occurred on or before such date unless such date is extended by the mutual written consent of the Seller and the Purchaser, provided that: (i) the Purchaser are not in material default of any of their obligations hereunder, and (ii) the right to terminate this Agreement pursuant to this Section 8.22(a) shall not be available to the Purchaser if their breach of any provision of this Agreement has been the cause of, or resulted, directly or indirectly in, the failure of the Closing to be consummated by October 31, 2009;

(2) by mutual written consent of the Sellers and the Purchaser as evidenced in writing signed by each of the Sellers and the Purchaser;

(3) by the Purchaser in the event of any breach or violation of any representation or warranty, covenant or agreement contained herein or in any of the other Transaction Documents by any Warrantor that is not cured or curable within thirty (30) Business Days of written notice;

(4) by the Purchaser if any event, circumstance or change shall have occurred that, individually or in the aggregate with one or more other events, circumstances or changes, have had or reasonably could be expected to have a Material Adverse Effect on the Company or any other Group Entity; or

(5) by the Sellers jointly in the event of any breach or violation of any

representation or warranty, covenant or agreement contained herein or in any of the other Transaction Documents by the Purchaser with respect to such Purchaser that is not cured or curable within thirty (30) Business Days of written notice.

(b) Effect of Termination. The date of termination of this Agreement pursuant to Section 8.21(a) hereof shall be referred to as "**Termination Date**". In the event of termination by the Sellers and/or the Purchaser pursuant to Section 8.21(a) hereof, written notice thereof shall forthwith be given to the other Party and this Agreement shall terminate, and the purchase of the Shares hereunder shall be abandoned and rescinded, without further action by the Parties hereto. Each of the Parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to the Sellers or the Purchaser; provided that no such termination shall relieve any party hereto from liability for any breach of this Agreement. The provisions of this Section 8.21, Section 7, Section 8.1, Section 8.2, Section 8.9 and Section 8.15, hereof shall survive any termination of this Agreement.

8.22 Cross-Guarantees.

Each of Zhang Bangxin, Cao Yundong, LIU Yachao and BAI Yunfeng shall unconditionally guarantees the performance of BRIGHT UNISON LIMITED, CENTRAL GLORY INVESTMENTS LIMITED, PERFECT WISDOM INTERNATIONAL LIMITED and EXCELLENT NEW LIMITED respectively under this Agreement and vice versa, each of BRIGHT UNISON LIMITED, CENTRAL GLORY INVESTMENTS LIMITED, PERFECT WISDOM INTERNATIONAL LIMITED and EXCELLENT NEW LIMITED shall unconditionally guarantees the performance of Zhang Bangxin, Cao Yundong, LIU Yachao and BAI Yunfeng respectively under this Agreement.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the parties have executed this Share Purchase Agreement as of the date first written above.

SELLERS

BRIGHT UNISON LIMITED

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin (张邦鑫)

CENTRAL GLORY INVESTMENTS LIMITED

By: /s/ Yundong Cao
Name: CAO Yundong (曹允东)

PERFECT WISDOM INTERNATIONAL LIMITED

By: /s/ Yachao Liu
Name: LIU Yachao (刘亚超)

EXCELLENT NEW LIMITED

By: /s/ Yunfeng Bai
Name: BAI Yunfeng (白云峰)

IN WITNESS WHEREOF, the parties have executed this Share Purchase Agreement as of the date first written above.

FOUNDERS

ZHANG Bangxin (张邦鑫)

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin

CAO YUNDONG (曹允东)

By: /s/ Yundong Cao
Name: CAO Yundong

LIU Yachao (刘亚超)

By: /s/ Yachao Liu
Name: LIU Yachao

BAI YUNFENG (白云峰)

By: /s/ Yunfeng Bai
Name: BAI Yunfeng

IN WITNESS WHEREOF, the parties have executed this Share Purchase Agreement as of the date first written above.

COMPANY: **XUEERSI INTERNATIONAL EDUCATION GROUP**

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin
Title: Director

HK COMPANY: **TAL GROUP LIMITED**

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin
Title: Director

WFOE: **TAL EDUCATION TECHNOLOGY (BEIJING) CO., LTD.**

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin
Title: Legal Representative

Affix Seal:

IN WITNESS WHEREOF, the parties have executed this Share Purchase Agreement as of the date first written above.

DOMESTIC COMPANIES

BEIJING XUEERSI EDUCATION TECHNOLOGY CO., LTD.

By: /s/ Yachao Liu
Name: LIU Yachao
Title: Legal Representative

Affix Seal:

BEIJING XUEERSI NETWORK TECHNOLOGY CO., LTD.

By: /s/ Yachao Liu
Name: LIU Yachao
Title: Legal Representative

Affix Seal:

IN WITNESS WHEREOF, the parties have executed this Share Purchase Agreement as of the date first written above.

PURCHASER: **Tiger Global Five China Holdings**

By: /s/ Authorized Signatory
Name:
Title:

SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT

IN WITNESS WHEREOF, the parties have executed this Share Purchase Agreement as of the date first written above.

PURCHASER:

KTB CHINA OPTIMUM FUND

By: /s/ Authorized Signatory
Name:
Title: Legal Representative

SIGNATURE PAGE TO SHARE PURCHASE AGREEMENT

SCHEDULE 1A

SCHEDULE OF SELLERS

Name	Number of Common Shares Held Prior to Closing	Number of Common Shares to be Sold to Tiger	Consideration Paid by Tiger (US$)	Number of Common Shares to be Sold to KTB	Consideration Paid by KTB (US$)
BRIGHT UNISON LIMITED	**67,800,000**	5,000,000	8,000,000	250,000	400,000
CENTRAL GLORY INVESTMENTS LIMITED	**31,200,000**	10,087,500	16,140,000	812,500	1,300,000
PERFECT WISDOM INTERNATIONAL LIMITED	**12,000,000**	3,875,000	6,200,000	812,500	1,300,000
EXCELLENT NEW LIMITED	**9,000,000**	2,912,500	4,660,000	1,250,000	2,000,000
Total	**120,000,000**	**21,875,000**	**35,000,000**	**3,125,000**	**5,000,000**

SCHEDULE 1B

SCHEDULE OF PURCHASER

Purchaser	Number of Shares	Consideration
Tiger Global Five China Holdings	**21,875,000**	**US$35,000,000**
[KTB CHINA OPTIMUM FUND]	**3,125,000**	**US$5,000,000**
Total	**25,000,000**	**US$40,000,000**

SCHEDULE 1C

SCHEDULE OF FOUNDERS

Name	Identity Card
ZHANG Bangxin (张邦鑫)	3211 8219 8010 0129 13
CAO Yundong (曹允东)	3728 3119 7910 2056 18
LIU Yachao (刘亚超)	2111 0319 8110 1521 38
BAI Yunfeng (白云峰)	3605 2119 8109 2400 73

SCHEDULE 2A

SCHEDULE OF SCHOOLS

	Definitions	Full Name of the Schools
1.	**Beijing Haidian School**	Beijing Haidian Xueersi Training School (北京市海淀区学而思培训学校)
2.	**Beijing Dongcheng School**	Beijing Dongcheng Xueersi Training School (北京市东城区学而思培训学校)
3.	**Beijing Xicheng School**	Beijing Xicheng Xueersi Training School (北京市西城区学而思培训学校)
4.	**Shanghai Changning School**	Shanghai Changning Lejiale Training School (上海长宁区乐加乐进修学校)
5.	**Shanghai Minhang School**	Shanghai Minhang Lejiale Training School (上海闵行区乐加乐进修学校)
6.	**Wuhan Jianghan School**	Wuhan Jianghan Small New Star English Training School (武汉市江汉区小新星英语培训学校)
7.	**Hubei Jianli School**	Hubei Jianli Harvard English School (湖北省监利县哈佛英语学校)
8.	**Hubei Qianjiang School**	Hubei Qianjiang Small Harvard English Training School (湖北省潜江市小哈佛英语培训中心)

SCHEDULE OF SUBSIDIARY COMPANIES

	Definitions	Full Name of Subsidiary Companies
1.	**Beijing Zhikang**	Beijing Zhikang Cultural Co., Ltd. (北京智康文化有限公司)
2.	**Shanghai Lehai**	Shanghai Lehai Information Technology Co., Ltd. (上海乐海科技信息技术有限公司)

SCHEDULE OF COMPANY BRANCHES

	Definitions	Full Name of Company Branches
1.	**Xueersi Education No. 2 Branch**	No. 2 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司第二分公司)
2.	**Xueersi Education No. 3 Branch**	No. 3 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司第三分公司)
3.	**Xueersi Education Haidian No. 4 Branch**	Haidian No. 4 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司海淀第四分公司)

	Definitions	Full Name of Company Branches
4.	**Xueersi Education No. 5 Branch**	No. 5 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司第五分公司)
5.	**Xueersi Education Haidian No. 6 Branch**	Haidian No. 7 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司海淀第六分公司)
6.	**Xueersi Education Haidian No. 7 Branch**	Haidian No. 7 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司海淀第七分公司)
7.	**Xueersi Education Haidian No. 8 Branch**	Haidian No. 7 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司海淀第八分公司)
8.	**Xueersi Education Haidian No. 9 Branch**	Haidian No. 7 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司海淀第九分公司)
9.	**Xueersi Education Haidian No. 10 Branch**	Haidian No. 7 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司海淀第十分公司)
10.	**Xueersi Education Haidian No. 11 Branch**	Haidian No. 7 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司海淀第十一分公司)
11.	**Xueersi Education Chaoyang No. 1 Branch**	Chaoyang No. 1 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司朝阳第一分公司)
12.	**Xueersi Education Chaoyang No. 2 Branch**	Chaoyang No. 2 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司朝阳第二分公司)
13.	**Xueersi Education Chaoyang No. 3 Branch**	Chaoyang No. 2 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司朝阳第三分公司)
14.	**Xueersi Education Chaoyang No. 4 Branch**	Chaoyang No. 4 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司朝阳第四分公司)
15.	**Xueersi Education Chaoyang No. 5 Branch**	Chaoyang No. 5 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司朝阳第五分公司)
16.	**Xueersi Education Chaoyang No. 6 Branch**	Chaoyang No. 5 Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司朝阳第六分公司)
17.	**Xueersi Education Shijingshan Branch**	Shijingshan Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司石景山分公司)
18.	**Xueersi Education Fangzhuang Branch**	Fangzhuang Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司方庄分公司)
19.	**Xueersi Education Dengshikou Branch**	Fangzhuang Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司灯市口分公司)
20.	**Xueersi Education Dongcheng Branch**	Dongcheng Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司东城分公司)

	Definitions	Full Name of Company Branches
21.	**Xueersi Education Pinganli Branch**	Pinganli Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司平安里分公司)
22.	**Xueersi Education Fuchengmen Branch**	Fuchengmen Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司阜成门分公司)
23.	**Xueersi Education Zhichunlu Branch**	Fuchengmen Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司知春路分公司)
24.	**Xueersi Education Fengtai No. Branch**	Fuchengmen Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司丰台第一分公司)
25.	**Xueersi Education Tianjin Branch**	Tianjin Branch of Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司天津分公司)

SCHEDULE 2B

CONSENT OF SPOUSE

I, [_____], spouse of _____, have read and approve the Share Purchase Agreement (the " **Agreement**"), dated August 12, 2009, by and among the Sellers listed on Schedule 1 (the "**Sellers**"), the Founders, the Purchaser listed on Schedule 1B, the Company, TAL Group Limited, a company organized and existing under the Laws of Hong Kong, Beijing Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司) ("**Xueersi Education**") and Beijing Xueersi Network Technology Co., Ltd. (北京学而思网络科技有限公司), companies organized and existing under the Laws of the PRC, and TAL Education Technology (Beijing) Co., Ltd. (泰阿尔教育科技（北京）有限公司), a wholly foreign owned enterprise organized and existing under the Laws of the PRC, and certain other parties. In consideration of granting of the right to my spouse to sell Common Shares of the Company, as set forth in the Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Agreement and agree to be bound by the provisions of the Agreement insofar as I may have any rights in said Agreement or any shares issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

I further acknowledge that I am executing this Spousal Consent voluntarily.

_____

Name: [_____]
Date: [_____]

SCHEDULE 3

DEFINITIONS

1. "**Affiliate**" means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including, without limitation, any partner, officer, director, member or employee of such Person and any venture capital fund now or hereafter existing that is controlled by or under common control with one or more general partners or managing members of, or shares the same management company with, such Person.

2. "**Agreement**" has the meaning ascribed to it in the Preamble to this Agreement.

3. "**Beneficial Owner**" has the meaning set forth in Section 10(c) of Exhibit G, for the purpose of Director Indemnification Letter only.

4. "**Breach**" has the meaning set forth in Section 7.1.

5. "**Board of Directors**" means the Company's Board of Directors.

6. "**Business Day**" means any day, other than a Saturday, Sunday or other day on which the commercial banks in Hong Kong or Beijing are authorized or required to be closed for the conduct of regular banking business.

7. "**Business Plan**" has the meaning set forth in Section 29 of Schedule 4.

8. "**Change in Control**" has the meaning set forth in Section 10(c) of Exhibit G, for the purpose of Director Indemnification Letter only.

9. "**Commitment Period**" has the meaning ascribed to it in Section 1 of Exhibit E.

10. "**Common Share**" means Common Share of par value US$0.001 in the capital of the Company.

11. "**Company**" means Xueersi International Education Group, an exempted company duly incorporated with limited liability and validly existing under the Laws of the Cayman Islands.

12. "**Company Branches**" mean those branches indirectly controlled by the Company, as listed on Schedule 2A.

13. "**Company Intellectual Property**" means all patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, trade secrets, licenses, domain names, mask works, information and proprietary rights and processes as are necessary to the conduct of the Company's business as now conducted and as presently proposed to be conducted.

14. "**Company Law**" means the Companies Law (as amended) of the Cayman Islands.

15. "**Confidential Information**" has the meaning ascribed to it in Section 8 of Exhibit E.

16. "**Confidential Information Agreements**" has the meaning ascribed to it in Section 21 of Schedule 4.

17. "**Contract**" means a legally binding contract, agreement, understanding, indenture, note, bond, loan, instrument, lease, mortgage, franchise or license.

18. "**Control**" or "**control**" of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors of such Person; the terms "Controlling" and "Controlled" (and their lower-case counterparts) have meanings correlative to the foregoing.

19. "**Convertible Securities**" means, with respect to any specified Person, securities convertible or exchangeable into any shares of any class of such specified Person, however described and whether voting or non-voting.

20. "**Director**" or "**Directors**" means a member or the members of the Board of Directors.

21. "**Disclosing Party**" has the meaning ascribed to it in Section 8.2(c).

22. "**Disclosure Schedule**" has the meaning ascribed to it in Section 4.

23. "**Domestic Companies**" means Beijing Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司) ("**Xueersi Education**") and Beijing Xueersi Network Technology Co., Ltd. (北京学而思网络科技有限公司), companies organized and existing under the laws of the PRC.

24. "**Employee Benefit Plans**" has the meaning ascribed to it in Section 16.7 of Schedule 4.

25. "**Employment Agreement**" has the meaning ascribed to it in Section 2.16.

26. "**Establishment Documents**" has the meaning ascribed to it in Section 22.2 of Schedule 4.

27. "**Exchange Act**" has the meaning ascribed it in Section 8(a) of Exhibit G, for the purpose of Director Indemnification Letter only.

28. "**Exclusivity Period**" has the meaning ascribed to it in Section 6.3.

29. "**Execution Date**" shall mean the date of this Agreement.

30. "**Financial Statements**" shall mean the consolidated balance sheet, income statement and statement of cash flows, prepared in accordance with the PRC GAAP and applied on a

consistent basis throughout the periods indicated.

31. "**fines**" has the meaning set forth in Section 10(b) of Exhibit G, for the purpose of Director Indemnification Letter only.

32. "**Foreigner Employment Certificate**" shall mean the certificate to be applied with and issued by the human resource and social security department, only by virtue of which, the foreigners is permitted to work with the entities in the PRC.

33. "**Founders**" or "**Founder**" includes ZHANG Bangxin (a PRC citizen with ID Card No. 3211 8219 8010 0129 13), CAO Yundong (a PRC citizen with ID Card No. 3728 3119 7910 2056 18), LIU Yachao (a PRC citizen with ID Card No. 2111 0319 8110 1521 38) and BAI Yunfeng (a PRC citizen with ID Card No. 3605 2119 8109 2400 73), each a "**Founder**".

34. "**Future Issuance Price**" has the meaning ascribed to it in Section 6.20.

35. "**Fund**" has the meaning ascribed to it in the preamble of Exhibit G, for the purpose of Director Indemnification Letter only.

36. "**Governmental Authority**" means the government of any nation, province, state, city, locality or other political subdivision of any thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, regulation or compliance, and any corporation or other entity owned or controlled, through share or capital ownership or otherwise, by any of the foregoing.

37. "**Group Entities**" means the Company, the WFOE, the Domestic Company, and any other direct or indirect Subsidiary of any Group Entity collectively, and "**Group Entity**" means any one of them.

38. "**GC Product or Service**" has the meaning ascribed to it in Section 8.7 of Schedule 4.

39. "**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC.

40. "**HKIAC**" has the meaning ascribed to it in Section 8.15(b).

41. "**HK Company**" means TAL Group Limited incorporated and existing under the laws of Hong Kong.

42. "**Indemnifiable Loss**" has the meaning set forth in Section 7.2.

43. "**Indemnitees**" has the meaning set forth in Section 7.2.

44. "**Independent Legal Counsel**" has the meaning set forth in Section 10(d) of Exhibit G, for the purpose of Director Indemnification Letter only.

45. "**Intellectual Property**" means all patents, patent applications, trademarks, service marks, trade names, copyrights, trade secrets, processes, compositions of matter, formulas,

designs, inventions, proprietary rights, know-how and any other confidential or proprietary information owned or otherwise used by the Group Entities.

46. "**IPO**" means an initial public offering by the Company of its Common Shares on a public stock exchange of the United States that has been registered under the Securities Act, or in a similar public offering of Common Shares in a jurisdiction and on a recognized securities exchange outside of the United States, provided such an initial public offering in terms of price, offering proceeds and regulatory approval is reasonably equivalent to the aforesaid public offering in the United States.

47. "**Key Persons**" means those individuals listed on Exhibit E-3 of this Agreement.

48. "**Knowledge**" including the phrase "to the Warrantors' knowledge" shall mean the actual knowledge after reasonable investigation of the Sellers.

49. "**KTB**" means KTB CHINA OPTIMUM FUND.

50. "**Law**" means any constitutional provision, statute or other law, rule, regulation, official policy or interpretation of any Governmental Authority and any injunction, judgment, order, ruling, assessment or writ issued by any Governmental Authority.

51. "**Letter of Commitment**" shall mean the Letter of Commitment and Non-competition (Sellers) as provided under Exhibit E.

52. "**Lien**" means any mortgage, pledge, claim, security interest, encumbrance, title defect, lien, charge or other restriction or limitation.

53. "**Material Adverse Effect**" means a material adverse effect on the business, assets (including intangible assets), liabilities, financial condition, property, prospects or results of operations of the Group Entities, taken as a whole.

54. "**Material Agreements**" has the meaning ascribed to such term in Section 10.1 of Schedule 4.

55. "**New Concept English**" means an English teaching textbook and audio material published by Foreign Language Teaching and Research Press and Longman Press.

56. "**not opposed to the best interests of the Company**" has the meaning set forth in Section 10(b) of Exhibit G, for the purpose of Director Indemnification Letter only.

57. "**Order**" means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Authority.

58. "**OFAC**" has the meaning ascribed to it in Section 18.2(a) of Schedule 4.

59. "**OFAC Sanctions**" has the meaning ascribed to it in Section 18.2(a) of Schedule 4.

60. "**OFAC Sanctioned Person**" has the meaning ascribed to such term is Section 18.2(b) of

Schedule 4.

61. "**other enterprise**" has the meaning set forth in the Section 10(b) of the Exhibit G, for the purpose of Director Indemnification Letter.

62. "**Party**" and "**Parties**" has the meaning set forth in the Preamble hereof.

63. "**Period of Non-competition**" has the meaning ascribed to such term in Section 4 of Exhibit E.

64. "**Permitted Liens**" means (i) Liens for taxes not yet delinquent or the validity of which are being contested and (ii) Liens incurred in the ordinary course of business, which (x) do not in the aggregate materially detract from the value of the assets that are subject to such Liens and (y) were not incurred in connection with the borrowing of money.

65. "**Person**" means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity.

66. "**PFIC**" has the meaning ascribed to such term in Section 17.3 of Schedule 4.

67. "**PRC**" means the Peoples' Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan.

68. "**PRC GAAP**" means the generally accepted accounting principles applicable in the PRC.

69. "**Purchase Price**" has the meaning ascribed to it in Section 1.1.

70. "**Projections**" has the meaning ascribed to it in Section 28 of Schedule 4.

71. "**Public Official**" means an employee of a Governmental Authority, a member of a political party, a political candidate, an officer of a public international organization, or an officer or employee of a state-owned enterprise, including a PRC state-owned enterprise.

72. "**Public Software**" has the meaning ascribed to it in Section 8.7 of Schedule 4.

73. "**Purchaser**" has the meaning ascribed to it in Preamble hereof.

74. "**Related Party**" has the meaning ascribed to it in Section 11.4 of Schedule 4.

75. "**Related Party Transaction**" means any transaction between any Group Entity on the one hand, and any Founder, or any Affiliate of any Founder on the other hand, other than transactions arising in the ordinary course of an employer/employee relationship.

76. "**Representative**" has the meaning set forth in Section (1) of Exhibit H-2, for the purpose of Director Indemnification Letter only.

77. "**Reserve**" or "**Reservation**" has the meaning ascribed to it in Section 4 of Schedule 4.

78. "**Restated Articles**" has the meaning ascribed to it in Section 2.6.

79. "**Restricted Securities**" has the meaning ascribed to it in Section 5 of Schedule 6.

80. "**Reviewing Party**" has the meaning set forth in Section 10(e) of Exhibit G, for the purpose of Director Indemnification Letter only.

81. "**RMB**" means the Renminbi, the lawful currency of the PRC.

82. "**Schools**" means those education and training schools indirectly controlled by the Company, as listed on Schedule 2A.

83. "**SDN List**" has the meaning ascribed to such term is Section 18.2(b) of Schedule 4.

84. "**SEC**" has the meaning ascribed to such term in Section 7 of Schedule 6.

85. "**Secretary**" has the meaning ascribed to such term is Section 18.2(a) of Schedule 4.

86. "**Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (or comparable Laws in jurisdictions other than the United States).

87. "**Sellers**" and "**Sellers**" has the meaning ascribed to such terms in the Preamble.

88. "**Series A Preferred Shares**" means the series A preferred shares, par value US$0.001 each of the Company, issued pursuant to the Series A Purchase Agreement.

89. "**Series A Purchase Agreement**" means the share purchase agreement entered into by and among the Company, KTB and certain other parties thereto on February 12, 2009 for the issuance of series A preferred shares in the Company.

90. "**serving at the request of the Company**" has meaning as set forth in Section 10(b) of Exhibit G, for the purpose of Director Indemnification Letter only.

91. "**Shares**" has the meaning ascribed to it in Recitals.

92. "**Shareholders**" means a holder of Shares from time to time or its lawful successor.

93. "**Shareholders' Agreement**" means the agreement proposed to be entered into among the Company, the Sellers, the Purchaser and certain other parties thereto, in the form of Exhibit C attached to this Agreement.

94. "**Share Purchase Agreement**" the agreement proposed to be entered into among the Company, the Sellers, the Purchaser and certain other parties thereto concerning the purchase of certain Common Shares of the Company by the Purchaser from the Sellers.

95. "**Share Plan**" has the meaning ascribed to it in Section 6.2(a). "**Seller**" and "**Sellers**" shall mean each of the Persons listed in Schedule 1A.

96. "**Statement Date**" has the meaning ascribed to it in Section 14.1 of Schedule 4.

97. "**Subsidiary**" or "**subsidiary**" means, as of the relevant date of determination, with respect to any Person (the "subject entity"), (i) any Person (x) more than 50% of whose shares or other interests entitled to vote in the election of directors or (y) more than a 50% interest in the profits or capital of such Person are owned or controlled directly or indirectly by the subject entity or through one (1) or more Subsidiaries of the subject entity, (ii) any Person whose assets, or portions thereof, are consolidated with the net earnings of the subject entity and are recorded on the books of the subject entity for financial reporting purposes in accordance with International Financial Reporting Standards or U.S. GAAP, or (iii) any Person with respect to which the subject entity has the power to otherwise direct the business and policies of that entity directly or indirectly through another subsidiary. For the avoidance of doubt, the Subsidiaries of the Company shall include the Group Entities.

98. "**Subsidiary Companies**" mean those companies indirectly controlled by the Company, as listed on Schedule 2A.

99. "**Tiger**" means Tiger Global Five China Holdings, a company organized under the laws of Mauritius, and its Affiliates or any of its (or their) successor(s).

100. "**Training Centres**" means the teaching centres operated by the Schools that are engaging in education and training activities in the PRC.

101. "**Termination Date**" has the meaning ascribed to it Section 8.21(b).

102. "**Transaction Documents**" means this Agreement, the Shareholders' Agreement and any other agreements, instruments or documents entered into in connection with this Agreement.

103. "**Transaction Terms**" has the meaning ascribed to it in Section 8.2(a).

104. "**United States Person**" has the meaning ascribed to such term is Section 18.2(c) of Schedule 4.

105. "**Unrepresented Party**" has the meaning set forth in Section (1) of Exhibit H-2, for the purpose of Management Rights Letter only.

106. "**US$**" means the United States dollar, the lawful currency of the United States of America.

107. "**Warrantors**" means each of the Founders and the Sellers, the Company, the HK Company, the WFOE, each of the Domestic Companies, and "**Warrantor**" means any one of them.

108. "**WFOE**" means TAL Education Technology (Beijing) Co., Ltd. (泰阿尔教育科技（北京）有限公司), a wholly foreign-owned enterprise established and existing under the laws of the PRC.

109. "**Xueersi Education**" means Beijing Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司), a company established and existing under the laws of the PRC.

110. "**Xueersi Technology**" means Beijing Xueersi Education Technology Co., Ltd. (北京学而思网络科技有限公司), a company established and existing under the laws of the PRC.

SCHEDULE 4

REPRESENTATIONS AND WARRANTIES OF

THE WARRANTORS

1. Organization, Good Standing, Corporate Power and Qualification .

Each Group Entity is a corporation duly organized, validly existing and in good standing under the laws of their jurisdiction of incorporation and has all requisite corporate power and authority to carry on its business as presently conducted and as proposed to be conducted. Each Group Entity is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect.

2. Capitalization of the Company .

The authorized capital of the Company consists, immediately prior to the Closing, of:

2.1 195,000,000 Common Shares, of which 120,000,000 shares are issued and outstanding, immediately prior to the Closing. All of the outstanding Common Shares have been duly authorized, are fully paid and nonassessable and were issued in compliance with all applicable securities laws.

2.2 5,000,000 Series A Preferred Shares, of which 5,000,000 shares have been designated Series A Preferred Shares, all of which have been issued and outstanding immediately prior to the Closing. The rights, privileges and preferences of the Series A Preferred Shares are as stated in the Restated Articles and as provided by the Company Law.

2.3 The Company has not reserved any Common Shares, any class of preferred shares or equity securities of any kind for issuance to officers, directors, employees and consultants of the Company under any equity incentive plan, stock option plan or other similar plan.

2.4 Schedule 7 sets forth the capitalization of the Company immediately following the Closing including the number of shares of the following: (i) issued and outstanding Common Shares, including, with respect to restricted Common Shares, vesting schedule and repurchase price; (ii) issued and granted stock options; (iii) stock options not yet issued but reserved for issuance, including vesting schedule and exercise price; (iv) each Series A Preferred Shares; and (v) warrants or stock purchase rights, if any. Except for (A) the conversion privileges of the Series A Preferred Shares issued under the Series A Purchase Agreement dated February 12, 2009, (B) the rights provided in the Shareholders' Agreement, and (C) the rights described in Section 6.6 of the Agreement, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire from the Company any Common Share or Series A Preferred Share, or any securities convertible into or exchangeable for Common Share or Series A Preferred Share. The Company's issued and outstanding Common Shares held by the Sellers and all the

Company's underlying outstanding options are subject to (i) a right of first refusal in favor of the Company upon any proposed transfer (other than transfers for estate planning purposes); and (ii) a lock-up or market standoff agreement of not less than 180 days following the Company's IPO pursuant to a registration statement filed with the SEC under the Securities Act.

2.5 The Company is the sole legal and beneficial owner of one hundred percent (100%) of shares of the HK Company.

2.6 The HK Company is the sole legal and beneficial owner of one hundred percent (100%) of the equity of the WFOE.

2.7 The Sellers are the sole legal and beneficial owner(s) of the Common Shares of the Company.

2.8 Section 2.7 of the Disclosure Schedule sets forth the capitalization and equity holders of the Domestic Companies, including all issued and outstanding equity capital of the Domestic Companies. There are no outstanding options, warrants, rights (including conversion or, preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire any equity interest or share capital, or any securities convertible into or exchangeable for an equity interest or share capital, of the Domestic Companies.

3. Subsidiaries.

Except as set forth in Section 3 of the Disclosure Schedule, the Company and each Group Entity do not currently own or control, directly or indirectly, any interest in any other company, corporation, partnership, trust, joint venture, association, or other business entity. Neither the Company nor any Group Entity is a participant in any joint venture, partnership or similar arrangement.

4. Authorization.

All corporate action required to be taken by the relevant Group Entity's board of directors and shareholders in order to authorize each respective Group Entity to enter into the Transaction Documents to which such Group Entity is a party, and to issue the Shares at the Closing, has been taken or will be taken prior to the Closing. All action on the part of the officers of the relevant Group Entity necessary for the execution and delivery of the Transaction Documents, the performance of all obligations of such Group Entity under the Transaction Documents to be performed as of the Closing, and the issuance and delivery of the Shares has been taken or will be taken prior to the Closing. All action on the part of the officers of the relevant Group Entity necessary for the performance of all obligations of such Group Entity under the Transaction Documents to be performed as of the Closing has been taken or will be taken prior to the Closing. The Transaction Documents, when executed and delivered by the relevant Group Entity, shall constitute valid and legally binding obligations of the relevant Group Entity, enforceable against such Group Entity in accordance with their respective terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general

application relating to or affecting the enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, or (iii) to the extent the indemnification provisions contained in the Shareholders' Agreement and the Indemnification Agreement may be limited by applicable securities laws. The sale of the Shares or is not subject to any preemptive rights or rights of first refusal, or if any such preemptive rights or rights of first refusal exist, waiver of such rights has been obtained from the holders thereof. For the purpose only of this Agreement, "**reserve**," "**reservation**" or similar words with respect to a specified number of Common Shares or Series A Preferred Shares of the Company shall mean that the Company shall, and the Board of Directors of the Company shall procure that the Company shall, refrain from issuing such number of shares so that such number of shares will remain in the authorized but unissued share capital of the Company until the conversion rights of the holders of any Convertible Securities exercisable for such shares are exercised in accordance with the Restated Articles or otherwise.

5. Title to Shares.

5.1 Except for the restrictions on transfer contained in the Agreement and listed on Section 12.5(3) and Section 12.5(4) in the Shareholders' Agreement, all of the Common Shares owned and held by each Seller and listed opposite such Seller's name on Schedule 1 hereto have been duly authorized, are validly issued and outstanding, are fully paid non-assessable, and are owned by such Sellers, free and clear of any lien, claim, restriction upon transfer (other than pursuant to applicable securities laws), option, charge, security interest or other encumbrance.

5.2 Upon delivery by each Seller or the Company of the certificates representing the Common Shares owned and held by such Sellers and listed opposite such Seller's name on Schedule 1 hereto pursuant to this Agreement, and assuming the Purchaser acquires such Shares without knowledge of any adverse claim thereto, the Purchaser will acquire good valid title to the Shares, free and clear of any Lien.

5.3 The Shares, when issued, sold and delivered in accordance with the terms and for the consideration set forth in this Agreement, will be validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under this Agreement, the Shareholders' Agreement, applicable securities laws and liens or encumbrances created by or imposed by the Purchaser. Subject in part to the accuracy of the representations of the Purchaser in Schedule 6 of this Agreement, the Shares will be issued in compliance with all applicable securities laws.

5.4 All presently outstanding Common Shares of the Company were duly and validly issued, fully paid and non-assessable, and are free and clear of any liens and free of restrictions on transfer (except for any restrictions on transfer under applicable securities laws) and have been issued in compliance in all material respects with the requirements of all applicable securities laws and regulations, including, to the extent applicable, the Securities Act.

6. Governmental Consents and Filings.

No consent, approval, order or authorization of or registration, qualification, designation, declaration or filing with, any Governmental Authority is required on the part of the Company is required in connection with the valid execution, delivery and consummation of the transactions contemplated by this Agreement, Shareholder's Agreement or the offer or sale of the Shares.

7. Litigation.

Save as set out in the Section 7 of the Disclosure Schedule, there is no claim, action, suit, proceeding, arbitration, complaint, charge or investigation pending or to the Warrantors' knowledge, currently threatened (i) against any Group Entity or any officer, director or employee of any Group Entity that would either individually or in aggregate, reasonably be expected to have a Material Adverse Effect; or (ii) to the Warrantors' knowledge, that questions the validity of the Transaction Documents or the right of any Group Entity to enter into them, or to consummate the transactions contemplated by the Transaction Documents. None of the Group Entities, its officers or directors, is a party or is named as subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality which would either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. There is no action, suit, proceeding or investigation by any Group Entity pending or which any Group Entity intends to initiate. The foregoing includes, without limitation, actions, suits, proceedings or investigations pending or threatened in writing (or any basis therefor known to the Warrantors) involving the prior employment of any of the Group Entity's employees, their services provided in connection with Group Entity's business, or any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers.

8. Intellectual Property.

8.1 Each Group Entity owns or possesses sufficient legal rights to (i) all trademarks, service marks, trade names, copyrights, trade secrets, licenses, information and proprietary rights and processes and (ii) to the Warrantors' knowledge, all patents and patent rights, as are necessary to the conduct of such Group Entity's business as now conducted and as presently proposed to be conducted, without any known conflict with, or infringement of, the rights of others. Section 8.1 of the Disclosure Schedule contains a complete and accurate list of all Intellectual Property owned, licensed to or used by each Group Entity, whether registered or not, and a complete and accurate list of all licenses granted by such Group Entity to any third party with respect to any Intellectual Property. No product or service marketed or sold (or proposed to be marketed or sold) by any Group Entity violates or will violate any license or infringe any intellectual property rights of any other party.

8.2 No Group Entity has received any communications alleging that any Group Entity has violated or, by conducting its business, would violate any of the patents, trademarks, service marks, trade names, copyrights, trade secrets or other proprietary rights or processes of any other person or entity. Except as set forth in Section 8.2.1 of the Disclosure Schedule, each Group Entity has obtained and possesses valid licenses to use all of the software programs present on the computers and other software-enabled electronic

devices that it owns or leases or that it has otherwise provided to its employees for their use in connection with such Group Entity's business. To the Warrantors' knowledge, it will not be necessary to use any inventions of any of its employees (or persons it currently intends to hire) made prior to their employment by a Group Entity. Each employee has assigned to the Group Entities all intellectual property rights he or she owns that are related to the Group Entities' business as now conducted. Section 8.2.2 of the Disclosure Schedule lists all patents, patent applications, registered trademarks, trademark applications, registered service marks, service mark applications, registered copyrights and domain names of each Group Entity.

8.3 Other than with respect to commercially available software products under standard end-user object code license agreements, there are no outstanding options, licenses, agreements, claims, encumbrances or shared ownership interests of any kind relating to the foregoing, nor is any Group Entity bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, proprietary rights and processes of any other person or entity.

8.4 No proceedings or claims, in which any Group Entity alleges that any person is infringing upon, or otherwise violating, its Intellectual Property rights are pending, and none has been served, instituted or asserted by any Group Entity.

8.5 None of the employees of any Group Entity or the Sellers is obligated under any Contract (including a Contract of employment), or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his or her best efforts to promote the interests of the Group Entities, or that would conflict with the business of any Group Entity as presently conducted. To the knowledge of the Warrantors, it will not be necessary to utilize in the course of any Group Entity's business operations any inventions of any of the employees of any Group Entity made prior to their employment by the such Group Entity, except for inventions that have been validly and properly assigned or licensed to such Group Entity as of the date hereof.

8.6 Each Group Entity has taken all security measures that in the judgment of such Person are commercially prudent in order to protect the secrecy, confidentiality, and value of its material Intellectual Property.

8.7 To the best knowledge of the Warrantors, no Public Software (as defined below) forms substantial part of any product or service provided by any Group Entity ("**GC Product or Service**"), and no Public Software was or is used in connection with the development of any GC Product or Service or is incorporated into, in substantial part, or has been distributed with, in substantial part, any GC Product or Service. As used in this Section 8.7, "**Public Software**" means any software that contains, or is derived in any manner (in whole or in part) from, any software that is distributed as free software (as defined by the Free Software Foundation), open source software (e.g., Linux or software distributed under any license approved by the Open Source Initiative as set forth www.opensource.org) or similar licensing or distribution models which require the distribution or making available of source code as well as object code of the software to licensees without charge (except for

the cost of the medium) and (b) the right of the licensee to modify the software and redistribute both the modified and unmodified versions of the software, including software licensed or distributed under any of the following licenses: (i) GNU's General Public License (GPL) or Lesser/Library GPL (LGPL); (ii) the Artistic License (e.g., PERL); (iii) the Mozilla Public License; (iv) the Netscape Public License; (v) the BSD License; or (vi) the Apache License.

9. Compliance with Other Instruments.

9.1 The Group Entities and the Sellers are not in violation or default (i) of any provisions of its Memorandum of Association (if any), Articles of Association or any other applicable constitutional document, (ii) of any instrument, judgment, order, writ or decree, (iii) under any note, indenture or mortgage, or (iv) under any lease, agreement, contract or purchase order to which it is a party or by which it is bound that is required to be listed on the Disclosure Schedule, or (v) of any provision of statute, rule or regulation applicable to such Group Entity, the violation of which would either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The execution, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated by the Transaction Documents will not result in any such violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either (i) a default under any such provision, instrument, judgment, order, writ, decree, contract or agreement or (ii) an event which results in the creation of any lien, charge or encumbrance upon any assets of any Group Entity or the suspension, revocation, forfeiture, or nonrenewal of any material permit or license applicable to any Group Entity, which would either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2 Penalties and Fines.

Except as disclosed in Section 9.2 of the Disclosure Schedule, there are no penalties and fines of whatsoever nature that has ever been imposed on the any of the Group Entity.

10. Agreements; Actions.

10.1 Save for the agreements set out in Section 10.1 of the Disclosure Schedule (the "**Material Agreements**") and the Transaction Documents, there are no other agreements, understandings, instruments, contracts or proposed transactions to which any Group Entity is a party or by which it is bound that involve (i) obligations (contingent or otherwise) of, or payments to, any Group Entity in excess of US$100,000 per annum or in excess of US$100,000 in the aggregate, (ii) the transfer or license of any patent, copyright, trade secret or other proprietary right to or from any Group Entity, other than from or to another Group Entity or from a Founder to a Group Entity, (iii) the grant of rights to manufacture, produce, assemble, license, market, or sell its products to any other person or affect any Group Entity's exclusive right to develop, manufacture, assemble, distribute, market or sell its products, or (iv) indemnification by any Group Entity with respect to infringements of proprietary rights. All the Material Agreements are valid, binding and enforceable obligations of the parties thereto and the terms thereof have been complied with by the

relevant Group Entity, and to the knowledge of the Warrantors', by all the other parties thereto. There are to the knowledge of the Warrantors', no circumstances likely to give rise to any material breach of such terms, no grounds for rescission, avoidance or repudiation of any of the Material Agreements which would have a Material Adverse Effect and no notice of termination or of intention to terminate has been received in respect of any Material Agreement.

10.2 Save as set out in Section 10.2 of the Disclosure Schedule, the Company has not declared or paid any dividends, or authorized or made any distribution upon or with respect to any class of its share capital, and no Group Entity has (i) incurred any indebtedness for money borrowed or incurred any other liabilities individually in excess of US$100,000 or in excess of US$100,000 in the aggregate, (ii) made any loans or advances to any person, other than ordinary advances for travel expenses and trade receivables in the ordinary course of business, or (iii) sold, exchanged or otherwise disposed of any of its assets or rights, other than the sale of its inventory in the ordinary course of business or otherwise envisaged in this Agreement. For the purposes of Sections 10.1 and 10.2 of this Schedule 4 all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsection.

10.3 No Group Entity is a guarantor or indemnitor of any indebtedness of any other person, firm or corporation that is not a Group Entity.

10.4 Save as set out in Section 10.4 of the Disclosure Schedule or in connection with this Agreement and the other Transaction Documents, no Group Entity has engaged in the past three (3) months in any discussion with any representative of any corporation, partnership, trust, joint venture, limited liability company, association or other entity, or any individual, regarding (i) a sale of all or substantially all of such Group Entity's assets, or (ii) any merger, consolidation or other business combination transaction of such Group Entity with or into another corporation, entity or person.

11. Conflict of Interest and Related Party Transactions.

11.1 Other than (i) standard employee benefits generally made available to all employees, (ii) standard director and officer indemnification agreements approved by the Board of Directors, and (iii) the purchase of the Company's share capital in accordance with applicable law, and the issuance of options to purchase the Company's Common Shares, in each instance, disclosed in Section 11.1 of the Disclosure Schedule, there are no agreements, understandings or proposed transactions between any Group Entity and any of its officers, directors, consultants or employees, or any Affiliate thereof, respectively.

11.2 No Group Entity is indebted, directly or indirectly, to any of its directors, officers or employees or to their respective immediate family members or to any Affiliate of any of the foregoing, other than in connection with expenses or advances of expenses incurred in the ordinary course of business or employee relocation expenses. None of the Group Entities' directors, officers or employees, or any members of their immediate families, or any Affiliate of the foregoing (i) are, directly or indirectly, indebted to any Group Entity or,

(ii) to the Warrantors' knowledge, have any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which any Group Entity has a business relationship, or any firm or corporation which competes with any Group Entity except that directors, officers or employees or shareholders of the Company may own shares in (but not exceeding one percent (1%) of the outstanding shares of) publicly traded companies that may compete with any Group Entity. To the Warrantors' knowledge, none of the Group Entities' employees or directors or any members of their immediate families or any Affiliate of any of the foregoing are, directly or indirectly, interested in any contract with any Group Entity. None of the directors or officers, or any members of their immediate families, has any material commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationship with any of the Group Entities' five (5) largest business relationship partners, service providers, joint venture partners, licensees and competitors.

11.3 Except for the Group Entities and the entities set forth in Section 11.3 of Disclosure Schedule, there are no corporations, partnerships, trusts, joint ventures, limited liability companies or other business entities in which any Founder owns or controls, directly or indirectly, 10% or more of the outstanding voting interests.

11.4 Except as disclosed in Section 11.4 of the Disclosure Schedule, no employee, officer, or director of any Group Entity ("**Related Party**") or member of such Related Party's immediate family, or any corporation, limited liability company, partnership or other entity in which such Related Party is an officer, director or partner, or in which such Related Party has significant ownership interests or otherwise controls, loans, or extend or guarantee credit) to any of them. To the Company's knowledge and except as provided in Section 11.4 of the Disclosure Schedule, none of such persons has any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which the Company has a business relationship, or any firm or corporation that competes with the Company, except that employees, officers, or directors of the Company and members of such Related Party's immediate families may own stock in publicly traded companies that may compete with the Company. Except as provide in Section 11.4 of the Disclosure Schedule, no Related Party or member of their immediate family is directly or indirectly interested in any material contract with the Company.

12. Rights of Registration and Voting Rights.

Except as provided in the Shareholders' Agreement, no Group Entity is under any obligation to register under the Securities Act or any other applicable securities laws, any of its currently outstanding securities or any securities issuable upon exercise or conversion of its currently outstanding securities. To the Warrantors' knowledge, except as contemplated in the Shareholders' Agreement, no shareholder of any Group Entity has entered into any agreements with respect to the voting of shares in the capital of the Company. Except as contemplated by or disclosed in the Transaction Documents, no Founder is a party to or has any knowledge of any agreements, written or oral, relating to the acquisition, disposition, registration under the Securities Act, or voting of the shares or securities of any Group Entity.

13. Absence of Liens.

Except as provided in Section 13 of the Disclosure Schedule, the property and assets owned by the Group Entities are free and clear of all mortgages, deeds of trust, liens, loans and encumbrances, except for statutory liens for the payment of current taxes that are not yet delinquent and encumbrances and liens that arise in the ordinary course of business and do not materially impair the Group Entities' ownership or use of such property or assets. With respect to the property and assets it leases, each Group Entity is in compliance with such leases and, to the Warrantors' knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances other than those of the lessors of such property or assets.

14. Financial Statements.

14.1 The Domestic Companies have delivered to the Purchaser its unaudited Financial Statements as of December 31, 2008 and for the fiscal year ended December 31, 2008 and its unaudited Financial Statements as of June 30, 2009 and for the six-month period ended June 30, 2009 (the " **Statement Date**"). The unaudited Financial Statements may not contain all footnotes required by generally accepted accounting principles. The Financial Statements fairly present in all material respects the financial condition and operating results of the Domestic Companies and Schools as of the dates, and for the periods, indicated therein, subject in the case of the unaudited Financial Statements to normal year-end audit adjustments. Except as set forth in the Financial Statements, the Domestic Companies and the Schools has no material liabilities or obligations, contingent or otherwise, as of the Statement Date, other than (i) liabilities incurred in the ordinary course of business subsequent to the Statement Date, (ii) obligations under contracts and commitments incurred in the ordinary course of business and (iii) liabilities and obligations of a type or nature not required under generally accepted accounting principles to be reflected in the Financial Statements, which, in all such cases, individually and in the aggregate would not have a Material Adverse Effect. The Domestic Companies and the Schools maintain and will continue to maintain a standard system of accounting established and administered in accordance with generally accepted accounting principles.

14.2 The Company and each Group Entity has filed (or has had filed on its behalf), will timely file or will cause to be timely filed, or has timely filed for an extension of the time to file all tax returns and reports (including information returns and reports) as required by law. These returns and reports are true and correct in all material respects except to the extent that a reserve has been reflected on the Financial Statements in accordance with the applicable accounting principles. The Company and each Group Entity has paid all taxes and other assessments due, except those contested by it in good faith that are listed in Section 14.2 of the Disclosure Schedule and except to the extent that a reserve has been reflected on the Financial Statements in accordance with the applicable accounting principles. The provision for taxes of the Company and the Group Entities as shown in the Financial Statements is adequate for taxes due or accrued as of the date thereof. Neither the Company nor any Group Entity has made any elections pursuant to the United States Internal Revenue Code of 1986, as amended (the "**Code**") or pursuant to the applicable tax laws of any jurisdiction other than the United States (other than elections that relate solely to methods of accounting, depreciation or amortization) that would have a material adverse

effect on the Company's consolidated financial condition, business as presently conducted or proposed to be conducted or any of its properties or material assets. Neither the Company nor any Group Entity has had any tax deficiency assessed, or to the knowledge of the Company or the Founder, proposed against it or has executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge that remains in effect. Neither the Company's nor any Group Entity's tax returns, federal, state or otherwise, have been audited by any relevant governmental authority. Since the Financial Statement Date, neither the Company nor any Group Entity has incurred any taxes, assessments or governmental charges other than in the ordinary course of business and the Company has made adequate provisions on its books of account for all taxes, assessments and governmental charges with respect to their businesses, properties and operations for such period. The Group Entities have withheld or collected from each payment made to each of their employees, the amount of any taxes required to be withheld or collected therefrom, and have timely paid (or has had timely paid on its behalf) the same to the proper tax receiving officers or authorized depositories.

15. Changes.

Since the Statement Date, except as set forth in Section 15 of the Disclosure Schedule or as contemplated by this Agreement or the Transaction Documents, there has not been:

(a) any change in the assets, liabilities, financial condition or operating results of any Group Entity from that reflected in the Financial Statements, except changes in the ordinary course of business that have not caused, in the aggregate, a Material Adverse Effect on a Group Entity;

(b) any damage, destruction or loss, whether or not covered by insurance, that would have a Material Adverse Effect on a Group Entity;

(c) any waiver or compromise by any Group Entity of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by any Group Entity, except in the ordinary course of business and the satisfaction or discharge of which would not have a Material Adverse Effect;

(e) any material change to a material contract or agreement by which any Group Entity or any of its assets is bound or subject;

(f) any material change in any compensation arrangement or agreement with any employee, officer, director or shareholder;

(g) any resignation or termination of employment of any officer or employee of any Group Entity that might affect the continuity of business operation of the relevant Group Entity;

(h) any mortgage, pledge, transfer of a security interest in, or lien, created by any Group Entity, with respect to any of its material properties or assets, except liens

for taxes not yet due or payable and liens that arise in the ordinary course of business and do not materially impair such Company's ownership or use of such property or assets;

(i) any dividend, loans or guarantees made by any Group Entity to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(j) any declaration, setting aside or payment or other distribution in respect of any Group Entity's share capital, or any direct or indirect redemption, purchase, or other acquisition of any of such shares by any Group Entity;

(k) any sale, assignment or transfer of any Group Entity Intellectual Property that could reasonably be expected to result in a Material Adverse Effect;

(l) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of any Group Entity;

(m) to the Warrantors' knowledge, any other event or condition of any character, other than events affecting the economy or the Company's industry generally, that could reasonably be expected to result in a Material Adverse Effect; or

(n) any arrangement or commitment by the Company to do any of the things described in this Section 15.

16. Employee Matters.

16.1 Section 16.1 of the Disclosure Schedule sets forth a detailed description of all compensation, including salary, bonus, severance obligations and deferred compensation paid or payable for each officer, employee, consultant and independent contractor of any Group Entity who received compensation in excess of US$100,000 for the past twelve (12) months.

16.2 To the Warrantors' knowledge, no employee of any Group Entity is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would materially interfere with such employee's ability to promote the interest of the Group Entities or that would conflict with the Group Entities' business. Neither the execution or delivery of the Transaction Documents, nor the carrying on of the Company's business by the employees of the Group Entities, nor the conduct of the business as now conducted and as presently proposed to be conducted, will, to the Warrantors' knowledge, conflict with or result in a breach of the terms, conditions, or provisions of, or constitute a default under, any contract, covenant or instrument under which any such employee is now obligated.

16.3 No Group Entity is delinquent in payments to any of its employees, consultants, or independent contractors for any wages, salaries, commissions, bonuses, or other direct

compensation for any service performed for it to the date hereof or amounts required to be reimbursed to such employees, consultants, or independent contractors. Each Group Entity has complied in all material respects with all applicable laws related to employment, including those related to wages, hours, worker classification, and collective bargaining, and the payment and withholding of taxes and other sums as required by law except where noncompliance with any applicable law would not result in a Material Adverse Effect. Each Group Entity has withheld and paid to the appropriate governmental entity or is holding for payment not yet due to such governmental entity all amounts required to be withheld from employees of such Group Entity and is not liable for any arrears of wages, taxes, penalties, or other sums for failure to comply with any of the foregoing.

16.4 To the Warrantors' knowledge, no employee who is crucial for the business operation of the Company Entities intends to terminate employment with any Group Entity or is otherwise likely to become unavailable to continue as a employee, nor does any Group Entity have a present intention to terminate the employment of any of the foregoing. The employment of each employee of the Company is terminable at the will of the Company. Except as set forth in Section 16.4 of the Disclosure Schedule or as required by law, upon termination of the employment of any such employees, no severance or other payments will become due. Except as set forth in Section 16.4 of the Disclosure Schedule, the Company has no policy, practice, plan, or program of paying severance pay or any form of severance compensation in connection with the termination of employment services.

16.5 The Company has not made any representations regarding equity incentives to any officer, employees, director or consultant that are inconsistent with the share amounts and terms set forth in the Company's board minutes.

16.6 Each former employee whose employment was terminated by the Company has entered into an agreement with the Company providing for the full release of any claims against the Company or any related party arising out of such employment.

16.7 Save as set out in Section 16.7 of the Disclosure Schedule, each Group Entity has completed its social security registration with the relevant labor bureau in the PRC, and has duly performed its legal obligations in all material aspects to make social security (including basic pension, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and housing fund contributions (the " **Employee Benefit Plans**") for its employees in full and on a timely basis as required by applicable laws.

16.8 No Group Entity is bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the Warrantors' knowledge, has sought to represent any of the employees, representatives or agents of any Group Entity. There is no strike or other labor dispute involving any Group Entity pending, or to the Warrantors' knowledge, threatened, which could have a Material Adverse Effect, nor is the Company aware of any labor organization activity involving its employees.

16.9 To the Warrantors' knowledge, none of the Sellers or directors of any Group Entity during

the previous four (4) years, has been (a) subject to voluntary or involuntary petition under any applicable bankruptcy laws or any state insolvency laws or the appointment of manager, a receiver or similar officer by a court for his business or property; (b) convicted in a criminal proceeding or named as a subject of a pending criminal proceeding (excluding traffic violations and other minor offenses); (c) subject to any order, judgment, or decree (not subsequently reversed, suspended, or vacated) of any court of competent jurisdiction permanently or temporarily enjoining him from engaging, or otherwise imposing limits or conditions on his engagement in any securities, investment advisory, banking, insurance, or other type of business or acting as an officer or director of a public company; or (d) found by a court of competent jurisdiction in a civil action or by any relevant regulatory organization to have violated any applicable securities, commodities, or unfair trade practices law, which such judgment or finding has not been subsequently reversed, suspended, or vacated.

17. Tax Matters.

17.1 The provisions for taxes as shown on the balance sheet included in the Financial Statements are sufficient in all material respects for the payment of all accrued and unpaid applicable taxes of the Group Entities as of the date of each such balance sheet, whether or not assessed or disputed as of the date of each such balance sheet. Except as set forth in Section 17 of the Disclosure Schedule, there have been no extraordinary examinations or audits of any tax returns or reports by any applicable Governmental Authority. Except as set forth in Section 17 of the Disclosure Schedule, each Group Entity has filed or caused to be filed on a timely basis all tax returns that are or were required to be filed (to the extent applicable), all such returns are correct and complete, and each Group Entity has paid all taxes that have become due, or have reflected such taxes in accordance with US GAAP (or another international recognized accounting standard acceptable to the Board of Directors including the approval of Series A Director) as a reserve for taxes on the Financial Statements. There are in effect no waivers of applicable statutes of limitations with respect to taxes for any year.

17.2 Immediately after the Closing, the Company will not be a "Controlled Foreign Corporation" (" **CFC**") as defined in the U.S. Internal Revenue Code of 1986, as amended (or any successor thereto) (the " **Code**") with respect to the shares held by the Purchaser.

17.3 The Company has never been, and, to the best of its knowledge after consultation with its tax advisors, will not be with respect to its taxable year during which the Closing occurs, a "passive foreign investment company" (" **PFIC**") within the meaning of Section 1297 of the Code. The Company shall use its best efforts to avoid being a PFIC.

17.4 The Company hereby represents, warrants and acknowledges that (i) it has no plan to (and it has not engaged in any transactions to) complete the direct or indirect acquisition of substantially all of the properties held directly or indirectly by a domestic corporation or substantially all of the properties constituting a trade or business of a domestic partnership, (ii) it is not a "surrogate foreign corporation" within the meaning of Section 7874(a)(2)(B) of the Code.

17.5 No shareholder of any member of a Group Entity, solely by virtue of its status as shareholder of such Group Entity, have personal liability under local law for the debts and claims of such Group Entity. There has been no communication from any tax authority relating to or affecting the tax classification of any member of the Group Entities.

18. OFAC Compliance.

18.1 Neither the Company nor any Group Entity or, to the Company's knowledge, any directors, administrators, officers, board of directors (supervisory and management) members or employees of the Company or any Group Entity is an OFAC Sanctioned Person (as defined below). The Group Entities and, to the Company's knowledge, their directors, administrators, officers, administrators, board of directors (supervisory and management) members or employees are in compliance with, and have not previously violated, the USA Patriot Act of 2001, and all other applicable United States and PRC anti-money laundering laws and regulations. None of (i) the purchase and sale of the Shares, (ii) the execution, delivery and performance of this Agreement or any of the documents in Exhibits attached hereto, or (iii) the consummation of any transaction contemplated hereby or thereby, or the fulfillment of the terms hereof or thereof, will result in a violation by anyone, including without limitation the Shareholder, of any of the OFAC Sanctions or of any anti-money laundering laws of the United States, the PRC or any other jurisdiction.

18.2 For the purposes of this Section 18:

(a) "**OFAC Sanctions**" means any sanctions program administered by the Office of Foreign Assets Control of the United States Department of the Treasury ("**OFAC**") under authority delegated to the Secretary of the Treasury (the "**Secretary**") by the President of the United States or provided to the Secretary by statute, and any order or license issued by, or under authority delegated by, the President or provided to the Secretary by statute in connection with a sanctions program thus administered by OFAC. For ease of reference, and not by way of limitation, OFAC Sanctions programs are described on OFAC's website at www.treas.gov/ofac.

(b) "**OFAC Sanctioned Person**" means any government, country, corporation or other entity, group or individual with whom or which the OFAC Sanctions prohibit a United States Person from engaging in transactions, and includes without limitation any individual or corporation or other entity that appears on the current OFAC list of Specially Designated Nationals and Blocked Persons (the " **SDN List**"). For ease of reference, and not by way of limitation, OFAC Sanctioned Persons other than government and countries can be found on the SDN List on OFAC's website at ww.treas.gov/offices/enforcement/ofac/sdn.

(c) "**United States Person**" means any United States citizen, permanent resident alien, entity organized under the laws of the United States (including foreign branches), or any person (individual or entity) in the United States, and, with respect to the Cuban Assets Control Regulations, also includes any corporation or other entity that is owned or controlled by one of the foregoing, without regard to where it is organized or doing business.

19. Foreign Corrupt Practices Act.

None of the Company or any Group Entity or, to the Company's or the Sellers' knowledge, any of their directors, administrators, officers, board of directors (supervisory and management) members or employees have made, directly or indirectly, any payment or promise to pay, or gift or promise to give or authorized such a promise or gift, of any money or anything of value, directly or indirectly, to (a) any foreign official (as such term is defined in the FCPA) for the purpose of influencing any official act or decision of such official or inducing him or her to use his or her influence to affect any act or decision of a governmental authority, or (b) any foreign political party or official thereof or candidate for foreign political office for the purpose of influencing any official act or decision of such party, official or candidate or inducing such party, official or candidate to use his, her or its influence to affect any act or decision of a foreign governmental authority, in the case of both (a) and (b) above in order to assist the Company or any Group Entity to obtain or retain business for, or direct business to the Company or any Group Entity, as applicable. None of the Company, any Group Entity or any of their directors, administrators, officers, board of directors (supervisory and management) members or employees has made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment of funds or received or retained any funds in violation of any law, rule or regulation.

20. Insurance.

Section 20 of the Disclosure Schedule provides a complete list of each Group Entity's insurance policies currently in effect. No Group Entity has done or omitted to do or suffered anything to be done or not to be done other than any acts in the ordinary course of business which has or would render any policies of insurance taken out by it or by any other person in relation to any such Group Entity's assets void or voidable or which would result in an increase in the rate of premiums on the said policies and there are no claims outstanding and no circumstances which would give rise to any claim under any such policies of insurance.

21. Confidential Information and Invention Assignment Agreements.

Each current and former employee, consultant and officer of the Company or any Group Entity has executed an agreement with the Company or such Group Entity regarding confidentiality and proprietary information substantially in the form or forms delivered to the counsel for the Purchaser (the "**Confidential Information Agreements**"). No current or former employee has excluded works or inventions from his or her assignment of inventions pursuant to such employee's Confidential Information Agreement. The Company and any Group Entity are not aware that any of the employees is in violation thereof.

22. Governmental and Other Permits.

Save as set out in Section 16.7 of the Disclosure Schedule, each Group Entity has all franchises, governmental permits, licenses and any similar authority necessary for the

conduct of its business. No Group Entity is in default in any material respect under any of such franchises, governmental permits, licenses or other similar authority.

22.1 The Domestic Companies have applied and obtained all requisite licenses, clearance and permits required under PRC Laws as necessary for the conduct of its businesses, and the Domestic Companies have complied in all material respects with all PRC Laws in connection with foreign exchange, including without limitation, carrying out all relevant filings, registrations and applications for relevant permits with the PRC State Administration of Foreign Exchange and any other relevant authorities, and all such permits are validly subsisting.

22.2 The registered capital of the Domestic Companies and the WFOE has been fully paid up in accordance with the schedule of payment stipulated in its respective articles of association, approval document, certificate of approval and legal person business license (hereinafter referred to as the "**Establishment Documents**") and in compliance with PRC Laws and regulations, and there is no outstanding capital contribution commitment.

22.3 The Establishment Documents of the Domestic Companies and the WFOE have been duly approved and filed in accordance with the laws of the PRC and are valid and enforceable.

22.4 The business scope specified in the Establishment Documents of the Domestic Companies comply with the requirements of all relevant PRC Laws. The operation and conduct of the business by and the term of operation of the Domestic Companies in accordance with the Establishment Documents is in compliance with the Laws of the PRC.

22.5 The Domestic Companies and the Schools have passed its annual inspection by the relevant governmental authorities for their operation in its last three years (where applicable), and the relevant administration for industry and commerce has affixed an annual inspection chop on its business license.

22.6 The Disclosure Schedule sets out full and accurate details of all loan agreements entered into between any one Group Entity regarding any inter-company loan, shareholders loan or foreign exchange loan obtained by them. Such loan agreements have been duly registered in accordance with the laws of the PRC (where necessary) and all such registrations are validly subsisting under the laws of the PRC.

23. Corporate Documents.

The Memorandum and Articles of Association, and all other constitutional documents (or analogous constitutional documents) of each Group Entity made after the closing of the previous financing of the Company are in the form provided to the Purchaser. The copy of the minute books of the Company provided to the Purchaser contains minutes of all meetings of directors and shareholders and all actions by written consent without a meeting by the directors and shareholders since the date of incorporation and accurately reflects in all material respects all actions by the directors (and any committee of directors) and shareholders with respect to all transactions referred to in such minutes.

24. Liabilities.

Except as set forth in Section 24 of the Disclosure Schedule or arising under the instruments set forth in Section 10 of the Disclosure Schedule, the Domestic Companies and the WFOE have no liabilities of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due, except for (i) liabilities set forth in the Financial Statements, (ii) trade or business liabilities incurred in the ordinary course of business, and (iii) other liabilities that do not exceed US$20,000 in the aggregate.

25. Compliance with Laws.

25.1 Except as set forth in Section 25.1 of the Disclosure Schedule, each Group Entity is in material compliance with all applicable laws applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets or properties;

25.2 Except as set forth in Section 25.2 of the Disclosure Schedule, no event has occurred and no circumstance exists that to the Warrantors' knowledge (i) may constitute or result in a violation by any Group Entity, or a failure on the part of any Group Entity to comply with any law, or (ii) may give rise to any obligation on the part of any Group Entity to undertake, or to bear all or any portion of the cost of, any remedial action of any nature, except for such violations or failures by a Group Entity that, individually or in the aggregate, would not result in any Material Adverse Effect;

25.3 No Group Entity has received any written notice from any Governmental Authority regarding (i) any actual, alleged or likely material violation of, or material failure to comply with, any law, or (ii) any actual, alleged or likely material obligation on the part of any Group Entity to undertake, or to bear all or any portion of the cost of, any remedial action of any nature;

25.4 No Group Entity, nor any director, agent, employee or any other person acting for or on behalf of any Group Entity, has directly or indirectly (i) made any contribution, gift, bribe, payoff, influence payment, kickback, or any other fraudulent payment in any form, whether in money, property, or services to any public official or otherwise (A) to obtain favorable treatment in securing business for a Group Entity, (B) to pay for favorable treatment for business secured, or (C) to obtain special concessions or for special concessions already obtained, for or in respect of any Group Entity, in each case which would have been in violation of any applicable law or (ii) established or maintained any fund or assets in which any Group Entity shall have proprietary rights that have not been recorded in the books and records of a Group Entity.

26. Environmental and Safety Laws.

To the knowledge of the Company, no Group Entity is in violation of any applicable statute, law, or regulation relating to the environment or occupational health and safety, except where such failure would not have a material adverse effect on such Group Entity's business or properties, and no material expenditures are or will be required in order to comply with any such existing statute, law or regulation.

27. Manufacture, Marketing and Development Rights.

No Group Entity has granted rights to manufacture, produce, assemble, license, market, or sell its respective products or services to any other person and is not bound by any agreement that affects any Group Entity's exclusive rights to develop, manufacture, assemble, distribute, market or sell its respective products or services.

28. Disclosure; Projections.

The Company and the Sellers has made available to the Purchaser all the information reasonably available to the Company that the Purchaser have requested for deciding whether to acquire the Shares, including certain of financial projections with respect to the Company (the " **Projections**"), each of which were prepared in good faith. To the Warrantors' knowledge, no representation or warranty of any Warrantor contained in this Agreement, as qualified by the Disclosure Schedule, and no certificate furnished or to be furnished to the Purchaser at the Closing contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

29. Business Plan and Budget.

The Company has delivered to the Purchaser on or before the Closing a business plan and budget for the twelve (12) months following the Closing (the "**Business Plan**"). Such Business Plan was prepared in good faith based upon assumptions and projections which the Sellers believe are reasonable and not materially misleading.

30. Entire Business.

The Company was formed solely to acquire and hold equity interest in the Group Entities, and since its formation has not engaged in any business and has not incurred any material liability in the course of its business of acquiring and holding its equity interest in the Group Entities. The Group Entities are engaged solely in the principal businesses disclosed to the Purchaser and have no other activities.

31. SAFE Requirements. The Sellers and all other shareholders of the Company who are deemed PRC domestic residents have completed the overseas investment foreign exchange registration procedures as required by the State Administration on Foreign Exchange with regard to the capitalization of the Group Entities.

SCHEDULE 6

REPRESENTATIONS AND WARRANTIES OF

THE PURCHASER

1. Authorization.

Such Purchaser has full power, authority and legal capacity to enter into, deliver and perform the Transaction Documents. The Transaction Documents to which the Purchaser is a party, when executed and delivered by such Purchaser, will constitute valid and legally binding obligations of the Purchaser, enforceable in accordance with their terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and any other laws of general application affecting enforcement of creditors' rights generally, and as limited by laws relating to the availability of a specific performance, injunctive relief, or other equitable remedies, or (ii) to the extent the indemnification provisions contained in the Shareholders' Agreement may be limited by applicable securities laws.

2. Compliance with other Instruments.

The execution, delivery and performance by the Purchaser of the Transaction Documents does not and will not contravene, breach or violate the terms of any agreement, document or instrument to which such Purchaser is a party or by which any of such Purchaser's assets or properties are bound.

3. Disclosure of Information.

Such Purchaser has had an opportunity to discuss the Group Entities' business, management, financial affairs and the terms and conditions of the offering of the Shares with the Group Entities' management and has had an opportunity to review the Group Entities' facilities. The foregoing, however, does not limit or modify the representations and warranties of the Warrantor in Schedule 4 of this Agreement, or the right of the Purchaser to rely thereon save as set forth in the Disclosure Schedule.

4. Purchase Entirely for Own Account.

This Agreement is made with the Purchaser in reliance upon the Purchaser's representation to the Company, which by the Purchaser's execution of this Agreement, the Purchaser hereby confirms, that the Shares to be acquired by the Purchaser will be acquired for investment for the Purchaser's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, the Purchaser further represents that the Purchaser does not presently have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participations to such Person or to any third Person, with respect to

any of the Shares. The Purchaser has not been formed for the specific purpose of acquiring the Shares.]

5. Restricted Securities.

The Purchaser understands that the Shares have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Purchaser's representations as expressed herein. The Purchaser understands that the Shares are " **Restricted Securities**" under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Purchaser must hold the Shares indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. The Purchaser acknowledges that the Company has no obligation to register or qualify the Shares for resale except as set forth in the Shareholders' Agreement. The Purchaser further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Shares, and on requirements relating to the Company which are outside of the Purchaser's control, and which the Company is under no obligation and may not be able to satisfy. The Purchaser understands that this offering is not intended to be part of the public offering, and that the Purchaser will not be able to rely on the protection of Section 11 of the Securities Act.

6. No Public Market.

The Purchaser understands that no public market now exists for the Shares, and that the Company has made no assurances that a public market will ever exist for the Shares.

7. Accredited Investor.

The Purchaser is an accredited investor as defined in the Securities and Exchange Commission (" **SEC**") Rule 501(a) of Regulation D, as presently in effect, under the Securities Act.

SCHEDULE 7

CAPITALIZATION TABLE

	Shareholder	No. of Shares	Shareholding Percentage
Pre-Closing	BRIGHT UNISON LIMITED	67,800,000	54.240%
	CENTRAL GLORY INVESTMENTS LIMITED	31,200,000	24.960%
	PERFECT WISDOM INTERNATIONAL LIMITED	12,000,000	9.600%
	EXCELLENT NEW LIMITED	9,000,000	7.200%
	KTB/UCI China Ventures II Limited	5,000,000	4.000%
	Number of Shares	**125,000,000**	**100.000%**
Post-Closing	BRIGHT UNISON LIMITED	62,800,000	50.240%
	CENTRAL GLORY INVESTMENTS LIMITED	21,112,500	16.890%
	PERFECT WISDOM INTERNATIONAL LIMITED	8,125,000	6.500%
	EXCELLENT NEW LIMITED	6,087,500	4.870%
	Tiger Global Five China Holdings	21,875,000	17.500%
	KTB/UCI China Ventures II Limited	5,000,000	4.000%
	Number of Shares	**125,000,000**	**100.000%**

SCHEDULE 8

NOTICES

ASSUMPTION AGREEMENT

THIS ASSUMPTION AGREEMENT is made the 4th day of September, 2009, by and between Xueersi International Education Group (the " **Company**"); and KTB CHINA OPTIMUM FUND (the "**New KTB Investor**").

The Company and the New Investor shall be referred to collectively as the Parties.

WHEREAS

(A) As of August 12, 2009, the Company, certain existing shareholders of the Company and certain other parties entered into a Share Purchase Agreement (the "**Purchase Agreement**") and Shareholders' Agreement (the " **Shareholders Agreement**"), attached hereto as Exhibit A and Exhibit B, respectively.

(B) The New KTB Investor wishes to purchase an aggregate of up to 3,125,000 Common Shares (as defined in the Shareholders Agreement) from the Sellers (as defined in the Shareholders Agreement) by way of exercising its option of investment pursuant to Section 6.23 of the Purchase Agreement, and in accordance with the Purchase Agreement has agreed to enter into this Assumption Agreement (the " **Assumption Agreement**").

(C) The Company is entering into this Assumption Agreement on behalf of itself and as agent for all the existing Shareholders and other signing parties of the Shareholders Agreement of the Company as listed below:

(1) BRIGHT UNISON LIMITED;

(2) CENTRAL GLORY INVESTMENTS LIMITED;

(3) PERFECT WISDOM INTERNATIONAL LIMITED;

(4) EXCELLENT NEW LIMITED;

(5) KTB/UCI China Ventures II Limited;

(6) Tiger Global Five China Holdings (collectively with the shareholders listed under (1) to (5) above, the " **Existing Shareholders**");

(7) TAL Group Limited;

(8) TAL Education Technology (Beijing) Co., Ltd. (泰阿尔教育科技(北京)有限公司);

(9) Beijing Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司);

(10) Beijing Xueersi Network Technology Co., Ltd. (北京学而思网络科技有限公司);

(11) ZHANG Bangxin;

(12) CAO Yundong;

(13) LIU Yachao; and

(14) BAI Yunfeng.

NOW, THEREFORE, the Parties hereby agree as follows:

1. INTERPRETATION

In this Assumption Agreement, except as the context may otherwise require, all words and expressions defined in the Shareholders Agreement shall have the same meanings when used herein.

2. COVENANT

The New KTB Investor hereby covenants to the Company as trustee for all other persons who are at present or who may hereafter become bound by the Shareholders Agreement, and to the Company itself, to adhere to and be bound by all the duties, burdens and obligations of a party holding Common Shares imposed pursuant to the provisions of the Shareholders Agreement and all documents expressed in writing to be supplemental or ancillary thereto as if the New KTB Investor had been an original party to the Shareholders Agreement as a common shareholder of the Company since the date thereof.

3. ENFORCEABILITY

Each of the Existing Shareholders and the Company shall be entitled to enforce the Shareholders Agreement against the New KTB Investor, and the New KTB Investor shall be entitled to all rights and benefits of a common shareholder under the Shareholders Agreement, in each case as if New KTB Investor had been an original party to the Shareholders Agreement since the date hereof.

4. GOVERNING LAW

This Assumption Agreement shall be governed by and construed under the Law of the State of New York, without regard to principles of conflicts of law thereunder.

5. COUNTERPARTS

This Assumption Agreement may be signed in any number of counterparts which together shall form one and the same agreement.

6. FURTHER ASSURANCE

Each party agrees to take all such further action as may be reasonably necessary to give full effect to this Assumption Agreement on its terms and conditions.

7. HEADINGS

The headings used in this Assumption Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

[Reminder of page intentionally left blank]

IN WITNESS whereof the parties have executed and delivered this Assumption Agreement on the day and year first hereinbefore mentioned.

COMPANY: Xueersi International Education Group

By: /s/ Bangxin Zhang
Name: ZHANG Bangxin
Title: Director

New KTB Investor: KTB CHINA OPTIMUM FUND

By: /s/ Authorized Signatory
Name:
Title: Legal Representative

[SIGNATURE PAGE TO ASSUMPTION AGREEMENT]

Exhibit 10.5

FORM OF DIRECTOR AND OFFICER INDEMNIFICATION AGREEMENT

This **INDEMNIFICATION AGREEMENT** (this "**Agreement**"), dated as of _____, 20___, is made by and between TAL Education Group, a Cayman Islands company (the "**Company**") and _____ (the "**Indemnitee**")

WHEREAS, it is essential to the Company that it be able to retain and attract as its directors and officers the most capable persons available;

WHEREAS, increased corporate litigation has subjected directors and officers to litigation risks and expenses, and the limitations on the availability of director and officer liability insurance have made it increasingly difficult for the Company to attract and retain such persons;

WHEREAS, the Company's governing documents permit it to indemnify its directors and officers to the fullest extent permitted by law and permit it to make other indemnification arrangements and agreements; and

WHEREAS, the Company desires to provide the Indemnitee with specific contractual assurance of the Indemnitee's rights to full indemnification against litigation risks and expenses (regardless of any amendment to or revocation of the Company's governing documents or any change in the ownership of the Company).

NOW, THEREFORE, in consideration of the promises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Indemnification.

(a) Indemnification of Expenses.

(i) Third-Party Claims. Subject to Section 8 below, the Company shall indemnify and hold harmless the Indemnitee to the fullest extent permitted by law if the Indemnitee was or is or becomes a party to or witness in, or is threatened to be made a party to or witness in, any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that such Indemnitee reasonably believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative or other (hereinafter a "**Claim**") (other than an action by right of the Company) by reason of the fact that the Indemnitee is or was a director or officer of the Company, or any subsidiary or affiliated entity of the Company, or is or was serving at the request of the Company as a director or officer of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of the Indemnitee while serving in such capacity (hereinafter, an "**Agent**") or as a direct or indirect result of any Claim made by any stockholder of the Company against the Indemnitee and arising out of or related to any round of financing of the Company (including but not limited to Claims regarding non-participation, or non-pro rata participation, in such round by such stockholder), or made by a third party against the Indemnitee based on any misstatement or omission of a material fact by the Company in violation of any duty of disclosure imposed on the Company by securities or common laws (hereinafter an " **Indemnification Event**") against any and all expenses (including attorneys' fees and all other costs, expenses and obligations), judgments, fines, penalties and amounts paid

in settlement (if, and only if, such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) (the " **Expenses**") actually and reasonably incurred by the Indemnitee in connection with investigating, defending or participating in (including on appeal) such Claim if the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

(ii) Derivative Actions. If the Indemnitee is a person who was or is a party or is threatened to be made a party to any Claim by or in the right of the Company to procure a judgment in its favor by reason of the fact that he or she is or was an Agent of the Company, or by reason of anything done or not done by him or her in any such capacity, the Company shall indemnify the Indemnitee against any amounts paid in settlement of any such Claim and all Expenses actually and reasonably incurred by him or her in connection with the investigation, defense, settlement or appeal of such Claim if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company; except that no indemnification under this subsection shall be made in respect of any claim, issue or matter as to which such person shall have been finally adjudged to be liable to the Company by a court of competent jurisdiction due to willful misconduct of a culpable nature in the performance of his or her duty to the Company, unless and only to the extent that the court in which such proceeding was brought shall determine upon application that, despite the adjudication of liability and in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such amounts the court may deem proper.

(b) Reviewing Party. Notwithstanding the foregoing, (i) the obligations of the Company under Section 1(a) shall be subject to the condition that the Reviewing Party (as defined in Section 10(e) hereof) shall not have determined that the Indemnitee would not be permitted to be indemnified under applicable law or pursuant to Section 8 hereof, and (ii) the Indemnitee acknowledges and agrees that the obligation of the Company to make an advance payment of Expenses to the Indemnitee pursuant to Section 2(a) (an " **Expense Advance**") shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that the Indemnitee would not be permitted to be so indemnified under applicable law or Section 8 hereof, the Company shall be entitled to be reimbursed by the Indemnitee (who hereby agrees to promptly reimburse the Company) for all such amounts theretofore paid; provided, however, that if the Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that the Indemnitee should be indemnified under applicable law or Section 8 hereof, any determination made by the Reviewing Party that the Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and the Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). The Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 10(c) hereof), the Reviewing Party shall be selected by a majority of the Board of Directors (excluding the Indemnitee), and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors (other than the Indemnitee) who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 1(e) hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that the Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law or Section 8 hereof, the Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and the Indemnitee.

(c) Contribution. If the indemnification provided for in Section 1(a) above is, for any reason other than the statutory limitations of applicable law or as provided in Section 8, held by a court of competent jurisdiction to be unavailable to the Indemnitee in respect of any losses, claims, damages, expenses or liabilities in which the Company is jointly liable with the Indemnitee, as the case may be (or would be jointly liable if joined), then the Company, in lieu of indemnifying the Indemnitee thereunder, shall contribute to the amount actually and reasonably incurred and paid or payable by the Indemnitee as a result of such losses, claims, damages, expenses or liabilities in such proportion as is appropriate to reflect (i) the relative benefits received by the Company and the Indemnitee, and (ii) the relative fault of the Company and the Indemnitee in connection with the action or inaction that resulted in such losses, claims, damages, expenses or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company and the Indemnitee shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such losses, claims, damages, expenses or liabilities.

The Company and the Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section 1(c) were determined by pro rata or per capita allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraph. No person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation.

(d) Survival Regardless of Investigation. The indemnification and contribution provided for in this Section 1 will remain in full force and effect regardless of any investigation made by or on behalf of the Indemnitee.

(e) Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Expenses under this Agreement, any other agreement or under the Company's Memorandum and Articles of Association, as amended (the "**M&A**"), Independent Legal Counsel (as defined in Section 10(d) hereof) shall be selected by the Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). The Company agrees to abide by the determination of the Independent Legal Counsel and to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(f) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement, to the extent the Indemnitee has been successful on the merits or otherwise, in the defense of any Claim referred to in Section 1(a) hereof or in the defense of any claim, issue or matter therein, the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee in connection herewith.

2. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. Subject to Section 8 and except as prohibited by applicable law, the Company shall advance all Expenses incurred by the Indemnitee in connection with the investigation, defense, settlement or appeal of any Claim to which the Indemnitee is a party or is threatened to be made a party by reason of the fact that the Indemnitee is or was an Agent of the Company or by reason

of anything done or not done by him or her in any such capacity. The Indemnitee hereby undertakes to promptly repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Company under the provisions of this Agreement, the M&A, applicable law or otherwise. The advances to be made hereunder shall be paid by the Company to the Indemnitee as soon as practicable but in any event no later than thirty (30) days after written demand by the Indemnitee therefor to the Company.

(b) Notice/Cooperation by Indemnitee. The Indemnitee shall give the Company notice in writing promptly after receipt of notice of commencement of any Claim, or the threat of the commencement of any Claim, made against the Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other person and/or address as the Company shall designate in writing to the Indemnitee).

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether the Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee had not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by the Indemnitee to secure a judicial determination that the Indemnitee should be indemnified under applicable law, shall be a defense to the Indemnitee's claim or create a presumption that the Indemnitee had not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether the Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that the Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt written notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in each of the policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company shall be entitled to assume the defense of such Claim, with legal counsel reasonably approved by the Indemnitee, upon the delivery to the Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such legal counsel by the Indemnitee and the retention of such legal counsel by the Company, the Company will not be liable to the Indemnitee under this Agreement for any fees of counsel subsequently incurred by the Indemnitee with respect to the same Claim; provided that, (i) the Indemnitee shall have the right to employ the Indemnitee's legal counsel in any such Claim at the Indemnitee's expense; (ii) the Indemnitee shall have the right to employ its own legal counsel in connection with any such proceeding, at the expense of the Company, if such legal counsel serves in a review, observer, advice and counseling capacity and does not otherwise materially control or participate in the defense of such proceeding; and (iii) if (A) the employment of legal counsel by the Indemnitee has been previously authorized by the Company, (B) the Indemnitee shall have reasonably concluded that there is a conflict of interest between the Company and the Indemnitee in the conduct of any such defense, or (C) the Company shall not in fact continue to retain such legal counsel to defend such

Claim, then the fees and expenses of the Indemnitee's legal counsel shall be at the expense of the Company.

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law (except as provided in Section 8) with respect to Claims for Indemnification Events, even if such indemnification is not specifically authorized by the other provisions of this Agreement or any other agreement, the M&A, or by statute. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Cayman Islands company to indemnify a member of its Board of Directors or an officer, it is the intent of the parties hereto that the Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Cayman Islands company to indemnify a member of its Board of Directors or an officer, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8 hereof.

(b) Nonexclusivity. Notwithstanding anything in this Agreement, the indemnification provided by this Agreement shall be in addition to any rights to which the Indemnitee may be entitled under the M&A, any agreement, any vote of stockholders or disinterested directors, the laws of the Cayman Islands, or otherwise. Notwithstanding anything in this Agreement, the indemnification provided under this Agreement shall continue as to the Indemnitee for any action the Indemnitee took or did not take while serving in an indemnified capacity even though such Indemnitee may have ceased to serve in such capacity and such indemnification shall inure to the benefit of the Indemnitee from and after the Indemnitee's first day of service as a director or officer of the Company.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against the Indemnitee to the extent the Indemnitee has otherwise actually received payment (under any insurance policy, M&A or otherwise) of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for any portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion of such Expenses to which the Indemnitee is entitled.

6. Mutual Acknowledgement. The Company and the Indemnitee acknowledge that in certain instances, applicable law or public policy may prohibit the Company from indemnifying its directors, officers, employees, controlling persons, agents or fiduciaries under this Agreement or otherwise.

7. Liability Insurance. To the extent the Company maintains liability insurance for its directors and officers, the Company shall use commercially reasonable efforts to provide that the Indemnitee shall be covered by such policies in such a manner as to provide the Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors and officers.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Claims Under Section 16(b). To indemnify the Indemnitee for expenses and the payment of profits or an accounting thereof arising from the purchase and sale by the Indemnitee of securities in violation of the provisions of Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or any similar provisions of any international, federal, state or local

statutory law;

(b) Unauthorized Settlements. To indemnify the Indemnitee hereunder for any amounts paid in settlement of a proceeding unless the Company consents in advance in writing to such settlement, which consent shall not be unreasonably withheld;

(c) Unlawful Indemnification. To indemnify the Indemnitee if a final decision by a court having jurisdiction in the matter shall determine that such indemnification is not lawful. In this respect, the Company and the Indemnitee have been advised that the U.S. Securities and Exchange Commission takes the position that indemnification for liabilities arising under securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication;

(d) Fraud. To indemnify the Indemnitee if a final decision by a court having jurisdiction in the matter shall determine that the Indemnitee has committed fraud on the Company;

(e) Insurance. To indemnify the Indemnitee for which payment is actually and fully made to the Indemnitee under a valid and collectible insurance policy; or

(f) Company Contracts. To indemnify the Indemnitee with respect to any Claim related to any dispute or breach arising under any contract or similar obligation between the Company and the Indemnitee.

9. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against the Indemnitee, the Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of five (5) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such five (5) year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

10. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "**Company**" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors and officers, so that if the Indemnitee is or was or may be deemed a director or officer of such constituent corporation, or is or was or may be deemed to be serving at the request of such constituent corporation as a director or officer of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, the Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as the Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "**other enterprises**" shall include employee benefit plans; references to "**fines**" shall include any excise taxes assessed on the Indemnitee with respect to an employee benefit plan; and references to "**serving at the request of the Company**" shall include any service as a director or officer of the Company which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or its beneficiaries; and if the Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, the Indemnitee shall be deemed to have acted in a manner "**not opposed to the best interests of the Company**" as referred to in this Agreement.

(c) For purposes of this Agreement a "**Change in Control**" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, becomes the "**beneficial owner**" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than thirty percent (30%) of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least two-thirds (2/3) of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all of the Company's assets; provided that in no event shall a Change in Control be deemed to include (A) a merger, consolidation or reorganization of the Company for the purpose of changing the Company's state of incorporation and in which there is no substantial change in the shareholders of the Company or its successor (as the case may be), or (B) the Company's first firm commitment underwritten public offering of any of its securities to the general public pursuant to (x) a registration statement filed under the Securities Act, or (y) the securities laws applicable to an offering of securities in another jurisdiction pursuant to which such securities will be listed on an internationally recognized securities exchange (the "**IPO**").

(d) For purposes of this Agreement, "**Independent Legal Counsel**" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 1(e) hereof, who shall not have otherwise performed services for the Company or the Indemnitee within the last two (2) years (other than with respect to matters concerning the right of the Indemnitee under this Agreement).

(e) For purposes of this Agreement, a "**Reviewing Party**" shall mean any appropriate person or body consisting of a member or members of the Company's Board of Directors (other than the Indemnitee) or any other person or body appointed by the Board of Directors who is not a named party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(f) For purposes of this Agreement, "**Voting Securities**" shall mean any securities of the Company that vote generally in the election of directors.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance reasonably satisfactory to the Indemnitee, expressly

to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect with respect to Claims relating to Indemnifiable Events regardless of whether the Indemnitee continues to serve as a director or officer of the Company or of any other enterprise, including subsidiaries of the Company, at the Company's request.

13. Attorneys' Fees. Subject to Section 8 and except as prohibited by applicable law, in the event that any action is instituted by the Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, the Indemnitee shall be entitled to be paid all Expenses actually and reasonably incurred by the Indemnitee with respect to such action if the Indemnitee is ultimately successful in such action. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, the Indemnitee shall be entitled to be paid Expenses actually and reasonably incurred by the Indemnitee in defense of such action (including costs and expenses incurred with respect to the Indemnitee counterclaims and cross-claims made in such action), and shall be entitled to the advancement of Expenses with respect to such action, in each case only to the extent that the Indemnitee is ultimately successful in such action.

14. Notice. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one (1) business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (d) one (1) day after the business day of delivery by facsimile transmission, with a copy thereof delivered by first class mail, postage prepaid. Any mail shall be directed, if addressed to the Indemnitee, at his or her address as set forth beneath his or her signature to this Agreement and, if to the Company, at the address of its principal corporate offices (attention: Chief Executive Officer), or at such other address as such party may designate by ten (10) days' advance written notice to the other party hereto.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

16. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of New York, as applied to contracts between California residents entered into and to be performed entirely within the State of New York, without regard to the conflict of laws principles thereof.

17. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

18. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by the parties to be bound thereby. Notice of same shall be provided to all parties hereto. No waiver of any of the provisions of this Agreement shall be

deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

19. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving the Indemnitee any right to be retained in the employment or service of the Company or any of its subsidiaries or affiliated entities.

20. Corporate Authority. The Board of Directors of the Company and its stockholders in accordance with Cayman Islands law have approved the terms of this Agreement.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement on and as of the day and year first above written.

COMPANY:

TAL EDUCATION GROUP
a Cayman Islands company

By: _____
Name:
Title:

INDEMNITEE:

_____
Name:
Address:

Exhibit 10.6

FORM OF EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of _____, 20___ by and between TAL Education Group, a company incorporated and existing under the laws of the Cayman Islands (the " Company") and _____, an individual (the "Executive").

RECITALS

WHEREAS, the Company desires to employ the Executive and to assure itself of the services of the Executive during the term of Employment (as defined below) and under the terms and conditions of the Agreement;

WHEREAS, the Executive desires to be employed by the Company during the term of Employment and under the terms and conditions of the Agreement;

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the Company and the Executive agree as follows:

1. EMPLOYMENT

The Company hereby agrees to employ the Executive and the Executive hereby accepts such employment, on the terms and conditions hereinafter set forth (the "Employment").

2. TERM

Subject to the terms and conditions of the Agreement, the initial term of the Employment shall be _____ years, commencing on _____, _____ (the "Effective Date") and ending on _____, _____(the "Initial Term"), unless terminated earlier pursuant to the terms of the Agreement. Upon expiration of the Initial Term of the Employment, the Employment shall be automatically extended for successive periods of _____ months each (each, an "Extension Period") unless either party shall have given 60 days advance written notice to the other party, in the manner set forth in Section 19 below, prior to the end of the Extension Period in question, that the term of this Agreement that is in effect at the time such written notice is given is not to be extended or further extended, as the case may be (the period during which this Agreement is effective being referred to hereafter as the " Term").

3. POSITION AND DUTIES

(a) During the Term, the Executive shall serve as _____ of the Company or in such other position or positions with a level of duties and responsibilities consistent with the foregoing with the Company and/or its subsidiaries and affiliates as the Board of Directors of the Company (the "Board") may specify from time to time and shall have the duties, responsibilities and obligations customarily assigned to individuals serving in the position or positions in which the Executive serves hereunder and as assigned by [the Board], or if authorized by the Board, by the Company's Chief Executive Officer.

(b) The Executive agrees to serve without additional compensation, if elected or appointed thereto, as a director of the Company or any parent, subsidiaries or affiliated entity of the Company (collectively, the "Group") and as a member of any committees of the board of directors of any such entity, provided that the Executive is indemnified for serving in any and all such capacities on a basis no less favorable than is currently provided to any other director of any member of the Group.

(c) The Executive agrees to devote all of his or her working time and efforts to the performance of his/her duties for the Company and to faithfully and diligently serve the Company in accordance with the Agreement and the guidelines, policies and procedures of the Company approved from time to time by the Board.

4. NO BREACH OF CONTRACT

The Executive hereby represents to the Company that: (i) the execution and delivery of the Agreement by the Executive and the performance by the Executive of the Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any other agreement or policy to which the Executive is a party or by which the Executive is otherwise bound, except that the Executive does not make any representation with respect to agreements required to be entered into by and between the Executive and any member of the Group pursuant to the applicable law of the jurisdiction in which the Executive is based, if any; (ii) that the Executive is not in possession of any information (including, without limitation, confidential information and trade secrets) the knowledge of which would prevent the Executive from freely entering into the Agreement and carrying out his/her duties hereunder; (iii) that the Executive is not bound by any confidentiality, trade secret or similar agreement with any person or entity other than any member of the Group.

5. LOCATION

The Executive will be based in _____, China or any other location as requested by the Company during the Term.

6. COMPENSATION AND BENEFITS

(a) Cash Compensation. As compensation for the performance by the Executive of his or her obligations hereunder, during the Term, the Company shall pay the Executive cash compensation (inclusive of the statutory benefit contributions that the Company is required to set aside for the Executive under applicable law) pursuant to Schedule A hereto, subject to annual review and adjustment by the Board or any committee designated by the Board.

(b) Equity Incentives. During the Term, the Executive shall be eligible to participate, at a level comparable to similarly situated executives of the Company, in such long-term compensation arrangements as may be authorized from time to time by the Board, including any share incentive plan the Company may adopt from time to time in its sole discretion.

(c) Benefits. During the Term, the Executive shall be entitled to participate in all of the employee benefit plans and arrangements made available by the Company to its similarly situated executives, including, but not limited to, any retirement plan, medical insurance

plan and travel/holiday policy, subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements.

7. TERMINATION OF THE AGREEMENT

The Employment may be terminated as follows:

(a) Death. The Employment shall terminate upon his/her death.

(b) Disability. The Employment shall terminate if the Executive has a disability, including any physical or mental impairment which, as reasonably determined by the Board, renders the Executive unable to perform the essential functions of his/her position at the Company, even with reasonable accommodation that does not impose an undue burden on the Company, for more than 180 days in any 12-month period, unless a longer period is required by applicable law, in which case that longer period shall apply.

(c) Cause. The Company may terminate the Executive's employment hereunder for Cause. The occurrence of any of the following, as reasonably determined by the Company, shall be a reason for Cause, provided that, if the Company determines that the circumstances constituting Cause are curable, then such circumstances shall not constitute Cause unless and until the Executive has been informed by the Company of the existence of Cause and given an opportunity of [ten] business days to cure, and such Cause remains uncured at the end of such [ten]-day period:

(1) continued failure by the Executive to satisfactorily perform his duties;

(2) willful misconduct or gross negligence by the Executive in the performance of his duties hereunder, including insubordination;

(3) the Executive's conviction or entry of a guilty or nolo contendere plea of any felony or any misdemeanor involving moral turpitude;

(4) the Executive's commission of any act involving dishonesty that results in material financial, reputational or other harm, monetary or otherwise, to any member of the Group, including but not limited to an act constituting misappropriation or embezzlement of the property of any member of the Group as determined in good faith by the Board; or

(5) any material breach by the Executive of this Agreement.

(d) Good Reason. The Executive may terminate his employment hereunder for "Good Reason" upon the occurrence, without the written consent of the Executive, of an event constituting a material breach of this Agreement by the Company that has not been fully cured within [ten] business days after written notice thereof has been given by the Executive to the Company setting forth in sufficient detail the conduct or activities the Executive believes constitute grounds for Good Reason, including but not limited to:

(1) the assignment to the Executive of any duties materially inconsistent with the Executive's status as a senior officer of the Company or a

substantial adverse alteration in the nature or status of the Executive's responsibilities; and

(2) the failure by the Company to pay to the Executive any portion of the Executive's current compensation or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within [seven] business days of the date such compensation is due.

(e) Without Cause by the Company; Without Good Reason by the Executive . The Company may terminate the Executive's employment hereunder at any time without Cause upon one-month prior written notice to the Executive. The Executive may terminate the Executive's employment voluntarily for any reason or no reason at any time by giving one-month prior written notice to the Company.

(f) Notice of Termination. Any termination of the Executive's employment under the Agreement shall be communicated by written notice of termination ("Notice of Termination")from the terminating party to the other party. The notice of termination shall indicate the specific provision(s) of the Agreement relied upon in effecting the termination.

(g) Date of Termination. The "Date of Termination" shall mean (i) if the Executive's employment is terminated by the Executive's death, the date of his death, (ii) if the Executive's employment is terminated by the Executive's disability, by the Company for Cause or by the Executive without Good Reason, the date specified in the Notice of Termination and (iii) if the Executive's employment is terminated without cause or by the Executive for Good Reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days) set forth in such Notice of Termination.

(h) Compensation upon Termination.

(1) Death. If the Executive's employment is terminated by reason of the Executive's death, the Company shall have no further obligations to the Executive under this Agreement and the Executive's benefits shall be determined under the Company's retirement, insurance and other benefit and compensation plans or programs then in effect in accordance with the terms of such plans and programs.

(2) By Company without Cause or by the Executive for Good Reason . If the Executive's employment is terminated by the Company other than for Cause or by the Executive for Good Reason, the Company shall (i) continue to pay and otherwise provide to the Executive, during any notice period (not to exceed thirty (30) days), all compensation, base salary and previously earned but unpaid incentive compensation, if any, and shall continue to allow the Executive to participate in any benefit plans in accordance with the terms of such plans during such notice period; and (ii) pay to the Executive, in lieu of benefits under any severance plan or policy of the Company, an amount equal to the sum of the Executive's 12 months' base salary as in effect as of the Date of Termination.

(3) By Company for Cause or by the Executive other than for Good Reason . If the Executive's employment shall be terminated by the Company for Cause or by the Executive other than for Good Reason, the Company shall pay the Executive his base salary at the rate in effect at the time Notice of Termination is given through the Date of Termination, and the Company shall have no additional obligations to the Executive under this Agreement.

(4) Compensation Upon any Termination. Following any termination of the Executive's employment, the Company shall pay the Executive all amounts, if any, to which the Executive is entitled as of the Date of Termination under any compensation plan or benefit plan or program of the Company, at the time such payments are due in accordance with the terms of such plans or programs.

(i) Return of Company Property . The Executive agrees that following the termination of the Executive's employment for any reason, or at any time prior to the Executive's termination upon the request of the Company, he/she shall return all property of the Group, which is then in or thereafter comes into his/her possession, including, but not limited to, any Confidential Information (as defined below) or Intellectual Property (as defined below), or any other documents, contracts, agreements, plans, photographs, projections, books, notes, records, electronically stored data and all copies, excerpts or summaries of the foregoing, as well as any automobile or other materials or equipment supplied by the Group to the Executive, if any.

(j) Requirement for a Release. Notwithstanding the foregoing, the Company's obligations to pay or provide any benefits shall (1) cease as of the date the Executive breaches any of the provisions of Sections 8, 9 and 11 hereof, and (2) be conditioned on the Executive signing the Company's customary release of claims in favor of the Group and the expiration of any revocation period provided for in such release.

8. CONFIDENTIALITY AND NONDISCLOSURE

(a) Confidentiality and Non-Disclosure.

(1) The Executive acknowledges and agrees that: (A) the Executive holds a position of trust and confidence with the Company and that his employment by the Company will require that the Executive have access to and knowledge of valuable and sensitive information, material, and devices relating to the Company and/or its business, activities, products, services, customers and vendors, including, but not limited to, the following, regardless of the form in which the same is accessed, maintained or stored: the identity of the Company's actual and prospective customers and their representatives; prior, current or future research or development activities of the Company and/or its customers; the products and services provided or offered by the Company to customers or potential customers and the manner in which such services are performed or to be performed; the product and/or service needs of actual or prospective customers; pricing and cost information; information concerning the development, engineering, design,

specifications, acquisition or disposition of products and/or services of the Company; unique and/or proprietary computer equipment, programs, software and source codes, licensing information, personnel information, vendor information, marketing plans and techniques, forecasts, and other trade secrets ("Confidential Information"); and (B) the direct and indirect disclosure of any such Confidential Information would place the Company at a competitive disadvantage and would do damage, monetary or otherwise, to the Company's business.

(2) During the Term and at all times thereafter, the Executive shall not, directly or indirectly, whether individually, as a director, stockholder, owner, partner, employee, consultant, principal or agent of any business, or in any other capacity, publish or make known, disclose, furnish, reproduce, make available, or utilize any of the Confidential Information without the prior express written approval of the Company, other than in the proper performance of the duties contemplated herein, unless and until such Confidential Information is or shall become general public knowledge through no fault of the Executive.

(3) In the event that the Executive is required by law to disclose any Confidential Information, the Executive agrees to give the Company prompt advance written notice thereof and to provide the Company with reasonable assistance in obtaining an order to protect the Confidential Information from public disclosure.

(4) The failure to mark any Confidential Information as confidential shall not affect its status as Confidential Information under this Agreement.

(c) Third Party Information in the Executive's Possession. The Executive agrees that he shall not, during the Term, (i) improperly use or disclose any proprietary information or trade secrets of any former employer or other person or entity with which the Executive has an agreement or duty to keep in confidence information acquired by Executive, if any, or (ii) bring into the premises of Company any document or confidential or proprietary information belonging to such former employer, person or entity unless consented to in writing by such former employer, person or entity. The Executive will indemnify the Company and hold it harmless from and against all claims, liabilities, damages and expenses, including reasonable attorneys' fees and costs of litigation, arising out of or in connection with any violation of the foregoing.

(d) Third Party Information in the Company's Possession. The Executive recognizes that the Company may have received, and in the future may receive, from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Executive agrees that the Executive owes the Company and such third parties, during the Term and thereafter, a duty to hold all such confidential or proprietary information in strict confidence and not to disclose such information to any person or firm, or otherwise use such information, in a manner inconsistent with the limited purposes permitted by the Company's agreement with such third party.

This Section 8 shall survive the termination of the Agreement for any reason. In the event the Executive breaches this Section 8, the Company shall have right to seek remedies permissible under applicable law.

9. INTELLECTUAL PROPERTY

(a) Prior Inventions. The Executive has attached hereto, as Schedule B, a list describing all inventions, ideas, improvements, designs and discoveries, whether or not patentable and whether or not reduced to practice, original works of authorship and trade secrets made or conceived by or belonging to the Executive (whether made solely by the Executive or jointly with others) that (i) were developed by Executive prior to the Executive's employment by the Company (collectively, "Prior Inventions"), (ii) relate to the Company' actual or proposed business, products or research and development, and (iii) are not assigned to the Company hereunder; or, if no such list is attached, the Executive represents that there are no such Prior Inventions. Except to the extent set forth in Schedule B, the Executive hereby acknowledges that, if in the course of his/her service for the Company, the Executive incorporates into a Company product, process or machine a Prior Invention owned by the Executive or in which he has an interest, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide right and license (which may be freely transferred by the Company to any other person or entity) to make, have made, modify, use, sell, sublicense and otherwise distribute such Prior Invention as part of or in connection with such product, process or machine.

(b) Assignment of Intellectual Property. The Executive hereby assigns to the Company or its designees, without further consideration and free and clear of any lien or encumbrance, the Executive's entire right, title and interest (within the United States and all foreign jurisdictions), to any and all inventions, discoveries, improvements, developments, works of authorship, concepts, ideas, plans, specifications, software, formulas, databases, designees, processes and contributions to Confidential Information created, conceived, developed or reduced to practice by the Executive (alone or with others) during the Employment Period which (A) are related to the Company's current or anticipated business, activities, products, or services, (B) result from any work performed by Executive for the Company, or (iii) are created, conceived, developed or reduced to practice with the use of Company property, including any and all Intellectual Property Rights (as defined below) therein (" Work Product"). Any Work Product which falls within the definition of "work made for hire", as such term is defined in the U.S. Copyright Act, shall be considered a "work made for hire", the copyright in which vests initially and exclusively in the Company. The Executive waives any rights to be attributed as the author of any Work Product and any "droit morale" (moral rights) in Work Product. The Executive agrees to immediately disclose to the Company all Work Product. For purposes of this Agreement, "Intellectual Property" shall mean any patent, copyright, trademark or service mark, trade secret, or any other proprietary rights protection legally available.

(c) Patent and Copyright Registration. The Executive agrees to execute and deliver any instruments or documents, and to do all other things reasonably requested by the Company in order to more fully vest the Company with all ownership rights in the Work Product. If any Work Product is deemed by the Company to be patentable or otherwise registrable, the Executive shall assist the Company (at the Company's expense) in obtaining letters of patent or other applicable registration therein and shall execute all

documents and do all things, including testifying (at the Company's expense) necessary or appropriate to apply for, prosecute, obtain, or enforce any Intellectual Property right relating to any Work Product. Should the Company be unable to secure the Executive's signature on any document deemed necessary to accomplish the foregoing, whether due to the Executive's disability or other reason, the Executive hereby irrevocably designates and appoints the Company and each of its duly authorized officers and agents as the Executive's agent and attorney-in-fact to act for and on the Executive's behalf and stead to take any of the actions required of Executive under the previous sentence, with the same effect as if executed and delivered by the Executive, such appointment being coupled with an interest.

This Section 9 shall survive the termination of the Agreement for any reason. In the event the Executive breaches this Section 9, the Company shall have right to seek remedies permissible under applicable law.

10. CONFLICTING EMPLOYMENT.

The Executive hereby agrees that, during the Term, he/she will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the Term, nor will the Executive engage in any other activities that conflict with his/her obligations to the Company without the prior written consent of the Company.

11. NON-COMPETITION AND NON-SOLICITATION

(a) Non-Competition. In consideration of the compensation provided to the Executive by the Company hereunder, the adequacy of which is hereby acknowledged by the parties hereto, the Executive agree that during the Term and for a period of two years following the termination of the Employment for whatever reason, the Executive shall not engage in Competition (as defined below) with the Group. For purposes of this Agreement, "Competition" by the Executive shall mean the Executive's engaging in, or otherwise directly or indirectly being employed by or acting as a consultant or lender to, or being a director, officer, employee, principal, agent, stockholder, member, owner or partner of, or permitting the Executive's name to be used in connection with the activities of, any other business or organization which competes, directly or indirectly, with the Group in the Business; provided, however, it shall not be a violation of this Section 11(a) for the Executive to become the registered or beneficial owner of up to five percent (5%) of any class of the capital stock of a corporation in Competition with the Group that is registered under the U.S. Securities Exchange Act of 1934, as amended, provided that the Executive does not otherwise participate in the business of such corporation.

For purposes of this Agreement, the "Business" means after-school tutoring services and any other business which the Group engages in, or is preparing to become engaged in, during the Term.

(b) Non-Solicitation; Non-Interference. During the Employment Period and for a period of one year following the termination of the Executive's employment for any reason, the Executive agrees that he or she will not, directly or indirectly, for the Executive's benefit or for the benefit of any other person or entity, do any of the following:

(1) solicit from any customer doing business with the Group during the Term business of the same or of a similar nature to the Business;

(2) solicit from any known potential customer of the Group business of the same or of a similar nature to that which has been the subject of a known written or oral bid, offer or proposal by the Group, or of substantial preparation with a view to making such a bid, proposal or offer;

(3) solicit the employment or services of, or hire or engage, any person who is known to be employed or engaged by the Group; or

(4) otherwise interfere with the business or accounts of the Group, including, but not limited to, with respect to any relationship or agreement between the Group and any vendor or supplier.

(c) Injunctive Relief; Indemnity of Company. The Executive agrees that any breach or threatened breach of subsections (a) and (b) of this Section 12 would result in irreparable injury and damage to the Company for which an award of money to the Company would not be an adequate remedy. The Executive therefore also agrees that in the event of said breach or any reasonable threat of breach, the Company shall be entitled to seek an immediate injunction and restraining order to prevent such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive. The terms of this paragraph shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach hereof, including, but not limited to, remedies available under this Agreement and the recovery of damages. The Executive and the Company further agree that the provisions of this Section 11 are reasonable. The Executive agrees to indemnify and hold harmless the Company from and against all reasonable expenses (including reasonable fees and disbursements of counsel) which may be incurred by the Company in connection with, or arising out of, any violation of this Agreement by the Executive. This Section 11 shall survive the termination of the Agreement for any reason.

12. WITHHOLDING TAXES

Notwithstanding anything else herein to the contrary, the Company may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to the Agreement such national, provincial, local or any other income, employment, or other taxes as may be required to be withheld pursuant to any applicable law or regulation.

13. ASSIGNMENT

The Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer the Agreement or any rights or obligations hereunder; provided, however, that the Company may assign or transfer the Agreement or any rights or obligations hereunder to any member of the Group without such consent. If the Executive should die while any amounts would still be payable to the Executive hereunder if the Executive had continued to live, all such amounts unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there be no such designee, to the Executive's estate. The Company will require any and all successors (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this

Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Company had terminated the Executive's employment other than for Cause, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 13 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

14. SEVERABILITY

If any provision of the Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of the Agreement are declared to be severable.

15. ENTIRE AGREEMENT

The Agreement constitutes the entire agreement and understanding between the Executive and the Company regarding the terms of the Employment and supersedes all prior or contemporaneous oral or written agreements concerning such subject matter. The Executive acknowledges that he has not entered into the Agreement in reliance upon any representation, warranty or undertaking which is not set forth in the Agreement.

16. GOVERNING LAW

The Agreement shall be governed by and construed in accordance with the law of the State of New York, USA, without regard to the conflicts of law principles.

17. AMENDMENT

The Agreement may not be amended, modified or changed (in whole or in part), except by a formal, definitive written agreement expressly referring to the Agreement, which agreement is executed by both of the parties hereto.

18. WAIVER

Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under the Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

19. NOTICES

All notices, requests, demands and other communications required or permitted under the Agreement shall be in writing and shall be deemed to have been duly given and made if (i) delivered by hand, (ii) otherwise delivered against receipt therefor, (iii) sent by a recognized courier with next-day or second-day delivery to the last known address of the other party; or (iv) sent by e-mail with confirmation of receipt.

20. COUNTERPARTS

The Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. The Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

21. NO INTERPRETATION AGAINST DRAFTER

Each party recognizes that the Agreement is a legally binding contract and acknowledges that such party has had the opportunity to consult with legal counsel of choice. In any construction of the terms of the Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such terms.

[Remainder of the page intentionally left blank.]

IN WITNESS WHEREOF, the Agreement has been executed as of the date first written above.

TAL EDUCATION GROUP

By: _____
Name:
Title:

Executive

Signature: _____
Name:

Schedule A

Cash Compensation

	Amount	Pay Period
Base Salary		
Cash Bonus		

Schedule B

List of Prior Inventions

Title	Date	Identifying Number or Brief Description

_____ No inventions or improvements

_____ Additional Sheets Attached

Signature of Executive: _____

Print Name of Executive: _____

Date: _____

English Translation

Exhibit 10.7

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (" **Agreement**") is entered into as of June 25, 2010 by and among the following parties in Beijing, the People's Republic of China ("**PRC**"), and amends and restates the Service Agreements executed on February 12, 2009, including the supplemental agreement thereto, and the exclusive business cooperation framework agreement executed on June 10, 2010:

Party A:

TAL Education Technology (Beijing) Co., Ltd.

Party B refers to each of:

(1) Beijing Xueersi Education Technology Co., Ltd.
(2) Beijing Xueersi Network Technology Co., Ltd.

Affiliated Entities of Party B: as listed in Appendix I, and other entities hereafter added to the list in Appendix I pursuant to the Agreement, which are hereafter invested in or controlled by Party B, including but not limited to any company or school of which Party B directly or indirectly owns more than 50% of the investment interests and such company or school's affiliated entities.

Party C refers to each of:

Bangxin Zhang, ID Card No. 321182198010012913;
Yundong Cao, ID Card No. 372831197910205618;
Yachao Liu, ID Card No. 211103198110152138;
Yunfeng Bai, ID Card No. 360521198109240073.

(Each of Party A, Party B, Affiliated Entities of Party B and Party C, a " **Party**", and collectively the "**Parties**".)

WHEREAS,

(1) Party A is a wholly foreign-owned enterprise duly registered and validly existing under the PRC laws, owning resources to provide intellectual property licensing, system software technical support, technology and business consulting services;

(2) Party B is a corporation duly registered and validly existing under the PRC laws and engages in education investments and related businesses directly or indirectly through Affiliated Entities of Party B.

(3) Party C are the shareholders of the two companies listed as Party B and collectively owns 100% of the equity interests of each of the two companies;

(4) Party A entered into a series of Service Agreements as of February 12, 2009 with the Affiliated Entities of Party B, and agreed to provide exclusive licensing, technical and business support to Party B and Affiliated Entities of Party B with Party A's advantages in technology, human resource and information. The Parties agree on such cooperation and wish to enter into this Agreement to unify the principle terms and conditions for such cooperation.

NOW THEREFORE, the Parties through amiable negotiations agree as follows:

1. Provision of Services

1.1 In accordance with the terms and conditions herein, Party B and Party C appoint Party A as Party B's exclusive service provider to provide comprehensive intellectual property licensing, technical and business support services as described in detail in Appendix II hereto to Party B and Affiliated Entities of Party B.

Party B shall, and cause Affiliated Entities of Party B to, determine the specific terms of services within the scope listed in Appendix II with Party A or any entity designated by Party A in accordance with the actual business needs of Party B and Affiliated Entities of Party B.

1.2 Party B, Affiliated Entities of Party B and Party C further agree that during the term of this Agreement, Party B, Affiliated Entities of Party B and Party C shall not, and shall ensure that their affiliates do not, directly or indirectly obtain the same or similar services as those provided under this Agreement from any third party, or establish any similar business cooperative relation with any third party with respect to the matters stipulated herein without the prior written consent of Party A.

1.3 To ensure the normal operations of the ordinary business of Party B and Affiliated Entities of Party B, Party A may, but is not obligated to, in its discretion and to the extent permitted by laws and regulations of PRC, act as guarantor for the performance of the agreements entered into by Party B or Affiliated Entities of Party B with any third parties with respect to the business of Party B and Affiliated Entities of Party B. Party B, Affiliated Entities of Party B and Party C hereby agree and affirm that if they need to provide any guarantee for the performance of any agreements or the repayment of loans by their affiliated entities in their affiliated entities' course of business, they will first seek Party A to act as guarantor.

2. Service Fee and Payment

2.1 With respect to the specific services provided and the customers of the services, relevant Parties shall determine a fair service fee and proper payment methods based on the income and the total number of student enrollments during a set period of the Party receiving the services. The formula for calculating service fees and determining

payment methods is set forth in Appendix II hereto.

2.2 If Party A determines the formula for calculating service fees specified herein shall no longer apply due to any reason, Parties receiving the services shall negotiate in good faith with Party A within 10 business days after Party A delivers a written request for fee adjustment to set a new formula for service fees or new payment methods. If any Party receiving the services does not respond within the aforementioned 10-day period, it shall be deemed to have accepted the adjustments proposed by Party A. Party A shall also negotiate in good faith with Parties receiving the services regarding any fee adjustment request by such Parties. The Parties hereby reaffirm that Party A and Affiliated Entities of Party B have orally agreed on and implemented the service agreements in accordance with Article 2.2 of the Agreement, and retroactively affirm all service fee adjustmenst since February 12, 2009.

3. Intellectual Properties

3.1 Any intellectual properties created in connection with the performance of this Agreement, including but not limited to copyrights, patents, and technological secrets, belong to Party A, and Party B and its Affiliated entities enjoy no rights other than those provided herein. The Parties agree that this clause shall remain effective regardless of whether the Agreement is modified or terminated.

3.2 However, if any development by Party A is based on intellectual properties owned by Party B or Affiliated Entities of Party B, Party B and Affiliated entities of Party shal ensure that such intellectual properties are not defective. Party B and Affiliated Entities of Party B shall bear all damages and losses of Party A as a result of defects in such intellectual properties. If Party A is to bear any liabilities to any third party because of defects in such intellectual properties, it has the right to recover all of its losses from Party B or relevant Affiliated Entities of Party B.

4. Term

4.1 The Agreement is executed and becomes effective as of the date first stated above.

4.2 The Agreement is effective within the operation term of Party A, Party B and Affiliated Entities of Party B unless earlier terminated by mutual agreement of the Parties.

5. Confidentiality

5.1 This Agreement and all clauses hereof are confidential information and shall not be disclosed to any third parties except for relevant senior officers, directors, employees, agents or professional consultants. This clause shall not apply in the event any Party is required by laws or regulations to disclose information relating to this Agreement to any governmental authorities, the public or the shareholders, or file this Agreement with

relevant authorities for record.

5.2 This clause shall survive any modification or termination of this Agreement.

6. Liabilities for Breach of Agreement

In the event any Party shall fail to perform any of its obligations under this Agreement, or make any untrue or inaccurate representation or warranty, such Party shall have breached the Agreement and shall be liable for all the losses of the other Parties for breach of the Agreement, or pay penalties according to any agreement otherwise reached by the relevant Parties.

7. Force Majeure

In the event the performance of the Agreement is effected by any *Force Majeure* event, the Party affected by such an event shall notify the other Parties by telegram, facsimile or other electronic means immediately after the occurrence of such event and shall provide written documents evidencing the occurrence of such *Force Majeure* event within fifteen (15) business days. The Parties shall determine through negotiation whether to terminate, partly terminate or suspend the performance of this Agreement according to the extent the Agreement is effected by such a *Force Majeure* event.

8. Change of Parties

8.1 If Party B shall add any affiliated entities at any time after the effectiveness of this Agreement, Party B and Party C shall cause such newly added affiliated entity to eexecute assumption agreement or other legal documents permitted or required by the PRC laws to include such newly added affiliated entity in the Agreement such that it enjoys all rights and undertakes all obligations as Affiliated Entities of Party B under this Agreement. As of the date of execution of such assumption agreement or other legal documents permitted or required by PRC laws, the newly added affiliated entity shall be deemed as a party to this Agreement. Other Parties of the Agreement hereby agree to the aforementioned arrangement.

8.2 Rights and obligations under this Agreement shall be legally binding upon assignees, successors of Partiesf, no matter such assignment of obligations and rights is caused by takeover, restructuring, inheritance, assignment or any other reason.

9. Miscellaneous

9.1 This Agreement shall be governed by and construed in accordance with the PRC laws. All disputes arising out of or in connection with this Agreement shall be resolved through good faith negotiations between the Parties. Unresolved disputes shall be settled through arbitration by the Beijing Arbitration Committee according to such committee's

rules of arbitration. The arbitration shall take place in Beijing. The arbitration ruling shall be final.

9.2 The Agreement shall replace any and all promises, memorandums, agreements or other documents among the Parties, including but not limited to:

(1) Technical Service Agreement for Management Information System of Registration and Payment Collection;

(2) Agreement for the Development and Use of Online Networks;

(3) Exclusive Management and Consulting Agreement;

(4) Technical Support and Service Agreement;

(5) Teaching Materials Research and Development Agreement;

(6) Technical Service Agreement for Internal Information Management System;

(7) Technical Service Agreement for Human Resource Information Management System (the above seven agreements were all executed on February 12, 2009 and are collectively referred to herein as the " **Service Agreements**");

(8) Supplemental Agreement to the Service Agreements (dated as of April 9, 2009); and

(9) Exclusive Business Cooperation Framework Agreement (dated as of June 10. 2010).

In the event of any conflict between any of the above listed agreements and the Agreement, the provisions of the Agreement including its appendixes shall prevail.

9.3 This Agreement is written in Chinese. The number of original copies of the Agreement corresponds to the number of parties hereto. Each of Party A, Party B, Affiliated Entities of Party B and shareholders listed under Party C shall have an original copy.

[Signature pages to follow]

[SIGNATURE PAGE OF THE EXCLUSIVE BUSINESS COOPERATION AGREEMENT]

Party A:

TAL Education Technology (Beijing) Co., Ltd.
/s/ Authorized Representative

Party B:

Beijing Xueersi Education Technology Co., Ltd.
/s/ Authorized Representative

Beijing Xueersi Network Technology Co., Ltd.
/s/ Authorized Representative

[SIGNATURE PAGE OF THE EXCLUSIVE BUSINESS COOPERATION AGREEMENT]

Affiliated Entities of Party B:

Beijing Dongcheng District Xueersi Training School
/s/ Authorized Representative

Beijing Haidian Lejiale Training School
/s/ Authorized Representative

Beijing Xicheng District Xueersi Training School
/s/ Authorized Representative

Beijing Haidian District Xueersi Training School
/s/ Authorized Representative

Beijing Zhikang Culture Distribution Co., Ltd.
/s/ Authorized Representative

[SIGNATURE PAGE OF THE EXCLUSIVE BUSINESS COOPERATION AGREEMENT]

Affiliated Entities of Party B:

Tianjin Xueersi Education Information Consulting Co., Ltd.
/s/ Authorized Representative

Shenzhen Xueersi Education Technology Co., Ltd.
/s/ Authorized Representative

Shanghai Lehai Science and Technology Information Co., Ltd.
/s/ Authorized Representative

Shanghai Xueersi Education Information Consulting Co., Ltd.
/s/ Authorized Representative

Shanghai Changning District Xueersi-Lejiale School
/s/ Authorized Representative

Shanghai Minhang District Lejiale School
/s/ Authorized Representative

Guangzhou Xueersi Education Technology Co., Ltd.
/s/ Authorized Representative

Wuhan Jianghanqu Xiaoxinxing English Training School
/s/ Authorized Representative

Hubei Qianjiang Xiaohafu English Training School
/s/ Authorized Representative

Hubei Jianli Hafu English Training School
/s/ Authorized Representative

[SIGNATURE PAGE OF THE EXCLUSIVE BUSINESS COOPERATION AGREEMENT]

Party C:

/s/ Bangxin Zhang
Bangxin Zhang

/s/ Yundong Cao
Yundong Cao

/s/ Yachao Liu
Yachao Liu

/s/ Yunfeng Bai
Yunfeng Bai

Appendix I: Affiliated Entities of Party B

1. Beijing Dongcheng District Xueersi Training School
2. Beijing Haidian Lejiale Training School
3. Tianjin Xueersi Education Information Consulting Co., Ltd.
4. Shenzhen Xueersi Education Technology Co., Ltd.
5. Beijing Xicheng District Xueersi Training School
6. Beijing Haidian District Xueersi Training School
7. Beijing Zhikang Culture Distribution Co., Ltd.
8. Shanghai Lehai Science and TechnologyInformation Co., Ltd.
9. Shanghai Changning District Xueersi-Lejiale School
10. Shanghai Minhang District Lejiale School
11. Shanghai Xueersi Education Information Consulting Co., Ltd.
12. Guangzhou Xueersi Education Technology Co., Ltd.
13. Wuhan Jianghanqu Xiaoxinxing English Training School
14. Hubei Qianjiang Xiaohafu English Training School
15. Hubei Jianli Hafu English Training School

Appendix II: Services, Calculation and Payment of the Service Fees

1. List of Services

(1) Providing educational software and course materials research and development services;

(2) Providing employee training services;

(3) Providing technology development, transfer and consulting services;

(4) Providing public relation services;

(5) Providing market survey, research and consulting services;

(6) Providing near-to-mid-term market development and market planning services;

(7) Providing human resource management and internal information management;

(8) Providing network development, upgrade and ordinary maintenance services;

(9) Providing sales services of proprietary products;

(10) Licensing of software and trademarks; and/or

(11) Other services agreed upon from time to time by Party A and the Parties receiving services according to the business needs and the capacity to provide services.

2. Calculation and Payment of Service Fee

The Fee for the services provided under this Agreement is calculated based on a percentage of the total revenues of the Party receiving the services or according to the total number of student enrollments of Affiliated Entities of Party B. The specific percentage or amount shall be agreed upon by both Party A and the Party receiving the services taking into account the actual services provided as evidenced by service bills or other written documents delivered by Party A to the Party receiving the services.

3. The amount of service fees shall be determined by the Parties taking into account the following factors:

(1) The technical difficulty and complexity of the services;

(2) The amount of time spent by employees of Party A to render the services;

(3) The content and commercial value of the services;

(4) The market prices for similar services.

4. Party A shall calculate the total amount fees payable on a fixed schedule and send Parties receiving the services a bill of service fees to notify such party, who shall pay the stated fees to the bank account designated by Party A within 10 business days after receipt of the bill and send a copy of the remittance certificate by facsimile or mail to Party A within 10 business days after payment.

English Translation

Call Option Agreement

The Call Option Agreement, dated as of February 12, 2009, is made by and among the following parties:

Party A:

TAL Education Technology (Beijing) Co., Ltd., a wholly foreign owned enterprise duly established and validly existing under the laws of the People's Republic of China ("PRC") with its legal address at No.1 Floor 2, Suzhou Street, Haidian District, Beijing.

Party B refers to each of:

Bangxin Zhang, ID Card No. 321182198010012913
Yundong Cao, ID Card No. 372831197910205618
Yachao Liu, ID Card No. 211103198110152138
Yunfeng Bai, ID Card No. 360521198109240073

Party C refers to each of:

(1) Beijing Xueersi Education Technology Co., Ltd., a corporation duly established and validly existing under the PRC laws with its legal address at Room 413, Tower A, Zhongding Building, A No.18, West Road of the North 3rd Ring, Haidian District, Beijing.

(2) Beijing Xueersi Network Technology Co., Ltd., a corporation duly established and validly existing under the PRC laws with its legal address at Room 509, Tower A, Zhongding Building, A No.18, West Road of the North 3rd Ring, Haidian District, Beijing.

Through amiable negotiation, the Parties above agree as follows concerning Party A's purchase of the equity interests in Party C held by Party B:

1. Call Option

1.1 Party A has the right to demand at any time Party B to transfer all or part of the equity interests (" **Target Equity Interests**") of Party C it owns ("**Purchase Right**"), as the specific demand may be, and Party B shall accordingly transfer Target Equity Interests to Party A or any third party designated by Party A, in the following circumstances,:

(1) Party A or any third party designated by Party A is allowed to own all or part of Target Equity Interests under the laws and regulations of PRC; or

(2) In other circumstances where Party A deems appropriate or necessary.

The Purchase Right of Party A under this Agreement is exclusive, unconditional and irrevocable.

1.2 The Parties agree that Party A has the sole discretion to determine whether to exercise the Purchase Right in part or in all to acquire all or part of Target Equity Interests. The Parties further agree that there shall be no restriction on the timing, manner, quantity and frequency with respect to Party A's exercise of the Purchase Right.

1.3 The Parties agree that Party A may designate any third party to purchase part or all of Target Equity Interests. Party B shall not refuse to transfer Target Equity Interests to such third party unless such transfer is prohibited by any PRC laws or regulations.

1.4 Party B shall not transfer Target Equity Interests to any third party without the prior written approval by Party A before Target Equity Interests are transferred under this Agreement to Party A or a third party designated by Party A.

2. Procedures

2.1 Party B hereby confirms that the Equity Interest Transfer Agreement and the Consent Letter to be delivered upon an exercise of Purchase Right by Party A shall be in the form set forth in the Appendix attached hereto.

2.2 If Party A decides to exercise its Purchase Right pursuant to Article 1.1, it shall deliver a written notice (the " **Exercise Notice**") in the form set forth in the Appendix attached hereto to Party B, stating the amount or percentage of the equity interests to be purchased and the name and identity of the purchaser. Party B and Party C shall, within seven days of the delivery of the Exercise Notice, provide all materials and documents necessary for the transfer of Target Equity Interests, including signing the Equity Interest Transfer Agreement and Consent Letter in the form set forth in the Appendix attached hereto.

2.3 Except for the Exercise Notice provided in Article 2.2, there are no other conditions precedent or incidental to, or procedures for, Party A's exercise of Purchase Right.

2.4 Party B shall provide Party C with timely and necessary assistance for Party C to complete the approving procedures (if required by law) with competent authorities and the registration procedures of the equity interest transfer with relevant business authorities according to the applicable PRC laws and regulations.

2.5 The date of completion of the transfer of all Target Equity Interests is the date of consummation of the exercise of Purchase Right.

3. Purchase Price

3.1 When all the Target Equity Interests are transferred in whole, the purchase price shall be the lowest price permitted by the PRC laws and regulations at the time such Target Equity Interests are being transferred. In the event the Target Equity Interests are transferred in part

or in installments, the purchase price shall be determined based on the time and the percentage of Target Equity Interests being transferred.

3.2 Each party shall bear any taxes or expenses incurred by it in the transfer of Target Equity Interests.

3.3 Party B hereby agrees to assign to Party C without any consideration from Party C the entire amount of purchase price paid by Party A or any third party designated by Party A for Target Equity Interests in exercising Purchase Right.

4. Representations and Warranties

4.1 Each Party represents and warrants to the other Parties as follows:

(a) It has full rights, capacity and authorization to execute this Agreement and bear all the obligations and liabilities hereunder;

(b) It has gone through all necessary internal procedures for the execution of this Agreement and has obtained all necessary internal and external authorizations and approvals; and

(c) Its execution and performance of this Agreement will not breach any material agreements or contracts by which it or its assets are bound.

4.2 Party B and Party C severally and jointly represent and warrant to Party A as follows:

(a) As of the date of the effectiveness of this Agreement, Party B legally owns the equity interests of Party C, and has full and valid right of disposal of such equity interests. The registered capital of Party C has been fully contributed. Except for the pledge under the Equity Interest Pledge Agreement and other rights consented to in writing by Party A, the equity interests of Party C owned by Party B are not subject to any pledge, mortgage, guaranty or any other rights or interests of any third party, and are free from any claims by any third party. No third party may demand any distribution, issuance, sales, transfer or exchange of any of Party's equity interests pursuant to any option, conversion right, right of first refusal or other agreements.

(b) During the term of this Agreement, Party B shall not transfer, pledge, mortgage or create any other security interest in the equity interests of Party C without the prior written consent from Party A.

(c) Party B and Party C shall extend the operation period of Party C to the extent permitted by relevant PRC laws and regulations to match the approved operation period of Party A.

5. Appendix

Appendixes of this Agreement constitute an integrated part of this Agreement and have

equally binding legal effect as other sections of this Agreement.

6. Confidentiality

This Agreement and all clauses herein are confidential information and shall not be disclosed to any third party except for the relevant senior officers, directors, employees, agents and professional consultants. This clause shall not apply in the event parties hereto are required by relevant laws or regulations to disclose information relating to this Agreement to any governmental authorities, the public or the shareholders, or file this Agreement with relevant authorities for record.

This clause shall survive any modification or termination of this Agreement.

7. Liabilities for Breach of Agreement

If any party hereto shall fail to perform any of its obligations under this Agreement, make any untrue or inaccurate representation or breach any warranty, such party shall be liable for all the losses of the other parties hereto for its breach of this Agreement.

8. Force Majeure

A *Force Majeure* event means any unforeseen event which cannot be prevented, controlled or overcome by any party of the Agreement, including but not limited to earthquake, typhoon, flood, fire, boycott, war or riot and etcetera.

Any party encountering a Force Majeure event shall (i) notify the other parties by telegram, facsimile or other electronic means immediately after the occurrence of such Force Majeure event and shall provide written documents evidencing the occurrence of such Force Majeure event within fifteen (15) business days; and (ii) to the extent reasonable and lawful under the circumstances, use its best efforts to mitigate or eliminate the effect of such Force Majeure event, and resume its performance of the Agreement after such effect is mitigated or eliminated. The parties to the Agreement shall determine through negotiation whether to terminate, partly terminate or suspend the performance of this Agreement taking into account the extent to which the Agreement is effected by such Force Majeure event.

9. Miscellaneous

9.1 This Agreement shall be governed by and construed in accordance with the PRC laws in all respects. All disputes arising out of or in connection with this Agreement shall be resolved through good faith negotiations between the Parties. Unresolved disputes shall be submitted to binding arbitration by China International Economic and Trade Arbitration Commission under its rules. The arbitration shall take place in Beijing. The arbitration ruling shall be final. Other provisions of the Agreement that are not subject of any arbitration proceedings shall remain in effect.

9.2 This Agreement becomes effective on the date of execution by all parties hereto and shall terminate upon Party A's exercise of Purchase Right to purchased all Target Equity Interests according to the Agreement or the Agreement is terminated by mutual agreement of all the parties hereto.

9.3 The Agreement is written in Chinese and has three original copies, with each of Party A, Party B and Party C holding one original copy.

9.4 This Agreement together with its appendixes constitute the entire agreement among the parties hereto and supersedes all prior oral or written communications, undertakings and memorandums among the parties with respect to the subject matter hereof.

9.5 Any modification of this Agreement shall be made in signed writing by all the parties hereto only.

(SIGNATURE PAGE)

Party A: TAL Education Technology (Beijing) Co., Ltd.
/s/ Authorized Representative:

Party B:
/s/ Bangxin Zhang
Bangxin Zhang

/s/ Yundong Cao
Yundong Cao

/s/ Yachao Liu
Yachao Liu

/s/ Yunfeng Bai
Yunfeng Bai

Party C:
Beijing Xueersi Education Technology Co., Ltd.
/s/ Authorized Representative

Beijing Xueersi Network Technology Co., Ltd.
/s/ Authorized Representative

Appendix:

Equity Interest Transfer Agreement

This Equity Interest Transfer Agreement (the "**Agreement**"), dated as of [ ], is made by and among the following parties in Beijing, China:

Transferor:
Bangxin Zhang, ID Card No. 321182198010012913
Yundong Cao, ID Card No. 372831197910205618
Yachao Liu, ID Card No. 211103198110152138
Yunfeng Bai, ID Card No. 360521198109240073

Transferee:
TAL Education Technology (Beijing) Co., Ltd.

Through amiable negotiation the Parties stated above agree as follows regarding transfer of equity interests:

1. Transferor agrees to transfer 100% equity interests of Beijing Xueersi Education Technology Co., Ltd. it owns (" **Target Equity Interests**") to Transferee for a total consideration of RMB 500,000, and Transferee agrees to purchase such Target Equity Interests.
2. Upon consummation of the transfer of Target Equity Interests, Transferor shall no longer enjoy any rights or bear any obligations as holders of Target Equity Interests, and Transferee shall enjoy all such rights and bear all such obligations.
3. Other related matters not set forth in the Agreement may be determined by supplemental agreements between the parties.
4. The Agreement becomes effective on the date of execution by both parties.
5. The Agreement shall have four original copies, with each party holding one copy and the remaining copies reserved registration with business authorities.

Transferor:
Bangxin Zhang:
Signature:
Yachao,Liu:
Signature:

Yundong Cao:
Signature:
Yunfeng Bai:
Signature:

Transferee: TAL Education Technology (Beijing) Co., Ltd.
Authorized Representative:

Consent Letter

To: TAL Education Technology (Beijing) Co., Ltd.

I, as a shareholder of Beijing Xueersi Education Technology Co., Ltd. (the "**Company**"), hereby agree and affirm as follows:

1. I agree to and accept all the terms and conditions of the Call Option Agreement entered into between the Company and TAL Education Technology (Beijing) Co., Ltd.("**WFOE**") on February 12, 2009, and waive my right of first refusal to acquire equity interests of the Company when WFOE exercises its Purchase Right under the Call Option Agreement. I will take all measures to assist WFOE in procedures for transferring such equity interests.
2. I agree to waive my right of first refusal with respect to the Company's equity interests when any other shareholder of the Company transfers equity interests of the Company it owns to WFOE or any third party designated by WFOE.
3. In the event any other shareholder of the Company transfers equity interests of the Company it owns to WFOE or any third party designated by WFOE, I will execute or provide necessary documents for the transfer of such equity interests.

This Consent Letter becomes effective on the date of execution.

Bangxin Zhang:
Signature:

Yundong Cao:
Signature:

Yachao,Liu:
Signature:

Yunfeng Bai:
Signature:

Date: [ ]

Exercise Notice

To: Shareholders of Beijing Xueersi Education Technology Co., Ltd.; and/or
Beijing Xueersi Education Technology Co., Ltd. (the "**Company**")

In accordance with the Call Option Agreement entered into by you and our company on February 12, 2009, in so far as permitted by relevant PRC laws and regulations, you shall transfer your equity interests of the Company to our company or any other transferee designated by us upon our request.

Therefore, our company hereby deliver to you this Exercise Notice to provide you notice of the following:

Our company hereby requests to exercise the Purchase Right under the Call Option Agreement that our company or another transferee designated by us shall purchase the equity interests of the Company owned by you which constitutes [ ] % of the registered capital of the Company (" **Transferring Equity Interest**") for a total consideration of RMB [ ]. Please conduct all necessary procedures to transfer such Transferring Equity Interest to our company or the other transferee designated by us according to the terms and conditions of the Call Option Agreement after your receipt of this Notice.

TAL Education Technology (Beijing) Co., Ltd.
Authorized Representative:
Name:
Title:
Date:

Equity Interest Transfer Agreement

This Equity Interest Transfer Agreement (the "**Agreement**"), dated as of [ ], is made by and among the following parties in Beijing, China:

The Transferor:
Bangxin Zhang, ID Card No. 321182198010012913
Yundong Cao, ID Card No. 372831197910205618
Yachao,Liu ID Card No. 211103198110152138
Yunfeng Bai, ID Card No. 360521198109240073

The Transferee:
TAL Education Technology (Beijing) Co., Ltd.

Through friendly negotiation the Parties stated above agree as follows regarding transfer of equity interests:

1. Transferor agrees to transfer 100% equity interests of — Beijing Xueersi Network Technology Co., Ltd. it owns (" **Target Equity Interest**") to Transferee for a total consideration of RMB 3,000,000, and Transferee agrees to purchase such Target Equity Interest.
2. Upon consummation of the transfer of Target Equity Interest, Transferor shall no longer enjoy any rights or bear any obligations as holders of Target Equity Interests, and Transferee shall enjoy all such rights or bear all such obligations.
3. Other related matters not set forth in the Agreement may be determined by supplemental agreements between the parties.
4. The Agreement becomes effective on the date of execution by both parties.
5. The Agreement shall have four original copies, with each party holding one copy and the remaining copies reserved registration with business authorities.

Transferor:
Bangxin Zhang:
Signature:
Yachao,Liu:
Signature:

Yundong Cao:
Signature:
Yunfeng Bai:
Signature:

Transferee: TAL Education Technology (Beijing) Co., Ltd.
Authorized Representative:

Consent Letter

To: TAL Education Technology (Beijing) Co., Ltd.

I, as a shareholder of Beijing Xueersi Network Technology Co., Ltd. (the "**Company**"), hereby agree and affirm as follows:

1. I agree to and accept all the terms and conditions of the Call Option Agreement entered into between the Company and TAL Education Technology (Beijing) Co., Ltd.("**WFOE**") on February 12, 2009, and waive my right of first refusal to acquire equity interests of the Company when WFOE exercises its Purchase Right under the Call Option Agreement. I will take all measures to assist WFOE in procedures for transferring such equity interests.

2. I agree to waive my right of first refusal with respect to the Company's equity interests when any other shareholder of the Company transfers equity interests of the Company it owns to WFOE or any third party designated by WFOE.

3. In the event any other shareholders of the Company transfers equity interest of the Company it owns to WFOE or any third party designated by WFOE, I will execute or provide necessary documents for the transfer of equity interest.

This Confirmation Letter becomes effective on the date of execution.

Bangxin Zhang:
Signature:

Yundong Cao:
Signature:

Yachao,Liu:
Signature:

Yunfeng Bai:
Signature:

Date: [ ]

Exercise Notice

To: Shareholders of Beijing Xueersi Network Technology Co., Ltd.; and/or
Beijing Xueersi Network Technology Co., Ltd. (the "**Company**")

In accordance with the Call Option Agreement entered into by you and our company on February 12, 2009, in so far as permitted by relevant PRC laws and regulations, you shall transfer your equity interest of the Company to our company or any other transferee designated by us upon our request.

Therefore, our company hereby deliver to you this Exercise Notice to provide you notice of the following:

Our company hereby requests to exercise the Purchase Right under the Call Option Agreement, that our company or another transferee designated by us shall purchase the equity interest of the Company owned by you which constitutes [ ] % of the registered capital of the Company (" **Transferring Equity Interests**") at for a total consideration of RMB [ ]. Please conduct all necessary procedures to transfer such Transferring Equity Interests to our company or the other transferee designated by us according to the terms and conditions of the Call Option Agreement after your receipt of this Notice.

TAL Education Technology (Beijing) Co., Ltd.
Authorized Representative:
Name:
Title:
Date:

English Translation

Equity Pledge Supplemental Agreement

This Equity Pledge Supplemental Agreement (" **Agreement**") was entered into as of June 25, 2010 by and between the following parties:

Party A:

TAL Education Technology (Beijing) Co., Ltd., a wholly foreign owned enterprise duly established and validly existing under the laws of the People's Republic of China ("**PRC**") with its legal address at Room 1702-03, Lantian Hesheng Building, 32 Zhongguancun Street, Haidian District, Beijing.

Party B refers to each of:

Bangxin Zhang, ID Card No. 321182198010012913
Yundong Cao, ID Card No. 372831197910205618
Yachao Liu, ID Card No. 211103198110152138
Yunfeng Bai, ID Card No. 360521198109240073

Party C:

Beijing Xueersi Education Technology Co., Ltd., a corporation duly established and validly existing under the PRC laws with its legal address at Room 413, Tower A, Zhongding Building, A No.18, West Road of the North 3rd Ring, Haidian District, Beijing.

(Each of Party A, Party B and Party C, a " **Party**", and collectively the "**Parties**".)

WHEREAS,

(1) Party A, Party B, Party C and the subsidiaries and schools of Party C (the " **Affiliated Entities**", a list of which is attached hereto as Appendix I, and such list may be modified after the execution of this Agreement upon changes to Party C's investments) have already executed the agreement listed in Appendix II hereto (the "**Main Agreement**");

(2) Party C received capital contributions in the amount of RMB 2 million on October 27, 2009, including RMB1.13 million from Bangxin Zhang, RMB0.52 million from Yundong Cao, RMB0.2 million from Yachao Liu and RMB0.15 million from Yunfeng Bai. Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai collectively owns 100% of the equity interests of Party C.

(3) The Parties entered into the Equity Pledge Agreement on February 12, 2009 (the " **Original Agreement**"), pursuant to which Party B agreed to irrevocably and unconditionally pledge 100% of the equity interests of Party C it owned to Party A. and registered such equity pledge

valued at RMB0.50 million. on August 7, 2009.

NOW THEREFORE, Party A, Party B and Party C through mutual negotiations hereby enter into this Agreement based upon the following terms:

1. Pledge

Party B agrees to unconditionally and irrevocably pledge 100% of the equity interests of Party C it owns (the " **Pledged Equity Interests**"), valued at RMB2,000,000, to Party A, as security for the performance of the obligations by Party B, Party C and Party C's subsidiaries and schools (the "**Affiliated Entities**") under the Main Agreement (listed in Annex II) (the " **Pledge**").

2. Scope of Pledge

The Pledge under this Agreement extends to all obligations of Party B, Party C and the Affiliated Entities under the Main Agreements (including but not limited to any amounts payable, penalties, damages and etcetera owing to Party A), any fees relating exercising the creditor's rights and the rights under the Pledge, and any other related expenses.

3. Term of Pledge

The Pledge under this Agreement shall be effective from the date of registration of the Pledge with competent Industrial and Commercial authorities to the latest of the complete performance, expiration and termination of all of the Main Agreements. During the term of the Pledge, if Party B, Party C or the Affiliated Entities shall fail to perform any of their obligations under the Main Agreements, or if any of the events provided in Article 6.1 hereof shall occur, Party A is entitled to dispose the Pledged Equity Interests in accordance with the provisions of this Agreement.

4. Registration

4.1 Party B and Party C promise to Party A that Party B and Party C shall: (i) on the date of the execution of the Agreement, record the Pledge under this Agreement on the shareholders' register of Party C and deliver the shareholders' register to Party A's custody; (ii) on the date of the execution of the Agreement, deliver the Capital Contribution Certificate of Party B issued by Party C to Party A's custody; (iii) within ten (10) business days after the execution of this Agreement or a shorter period that is practicable, register the Pledged Equity Interests with relevant Industrial and Commercial Registration authorities and obtain documents evidencing such registration. Without limitation to any other provisions of this Agreement, during the term of this Agreement, the shareholders' register of Party C shall always be in the custody of Party A or any person designated by Party A, except when any necessary registration or modification of registration is required in the operation of Party C or the Affiliated

Entities.

4.2 Party B and Party C further covenant that after the execution of this Agreement, Party B may make capital contribution to Party C with the prior consent of Party A, provided that any such capital contribution by Party B to Party C shall become part of the Pledged Equity Interests. Party B and Party C shall make necessary modifications to the shareholders' register and record of capital contributions by shareholders and perform the pledge registration procedures according to Article 4.1.

4.3 The pledgor and the pledge shall each bear its fees and expenses related to this Agreement, including but not limited to registration fees, costs, stamp duties or any other taxes and expenses according to relevant laws and regulations.

5. Representations and Warranties of Party B and Party C

Party B and Party C hereby jointly and severally represent and warrant to Party A as follows:

5.1 Party B is the lawful owner of the Pledged Equity Interests, the ownership of which is not subject to any existing or potential dispute. Party B has the right to dispose the Pledged Equity Interests or any part thereof without any restriction by any third party.

5.2 Except for the Pledge provided hereunder, Party B has not created any other pledge or any other third party interest on the Pledged Equity Interests.

5.3 Party B and Party C fully understand and voluntarily enter into this Agreement based on a true understanding of the Agreement. Party B and Party C have taken all necessary measures and obtained all necessary internal authorizations required to execute and perform this Agreement, and executed all necessary documents to make sure the Pledge under the Agreement is lawful and valid.

5.4 During the term of this Agreement, Party B shall not transfer or assign the Pledged Equity Interests, grant any rights, options or other interests relating to the Pledged Equity Interests to any third party, or create or permit to be created any security or other interests which may potentially affect on the rights or benefits of the Party A without prior written consent of Party A.

5.5 During the term of this Agreement, Party B and Party C shall abide by and comply with all relevant PRC laws and regulations concerning the pledge of rights, and in the event of receiving any notice, order or recommendation from competent authorities concerning the Pledged Equity Interests, shall timely notify Party A and

show to Party A such notice or order within five (5) business days upon receipt thereof, comply with such notice or order or upon Party A's reasonable request or written consent, raise objections to such notice or order.

5.6 Party B and Party C shall not perform or permit to be performed any conduct that may damage the value of the Pledged Equity Interests or the Pledge right of Party A. Party B and Party C shall notify Party A of any event that may affect the value of the Pledged Equity Interests or the Pledge right of Party A within five (5) business days after it becomes aware of such event. Party A shall bear no responsibility to any reduction in the value of the Pledged Equity Interests, for which Party B and Party C shall have no right to demand any compensation from or make any request to Party A.

5.7 To the extent permitted by the PRC laws and regulations, the Pledge under this Agreement shall remain in full effect during the term of the Agreement, and shall not be affected by any insolvency, liquidation, loss of capacity, or change of organizational structure or status of Party B or Party C, any offset among the Parties or any other events.

5.8 For the purpose of performing this Agreement, Party A is entitled to dispose the Pledged Equity Interests in accordance with the provisions of this Agreement. Party A's exercise of such right shall not be interrupted or jeopardized by Party B or Party C, or their successors or agents, or any other persons by way of legal proceedings.

5.9 In order to protect and perfect the security provided by this Agreement for the obligations of Party B, Party C and the Affiliated Entities under the Main Agreements, Party B and Party C shall faithfully execute and cause any related parties to execute all certificates and agreements requested by Party A in connection with the performance of the Agreement, take or cause such third parties to take any measures required by Party A relating to the Agreement, and provide assistance to Party A concerning the exercise of the Pledge right hereunder.

5.10 In order to protect the interests of Party A, Party B and Party C shall abide by and perform all warranties, covenants, agreements, representations and conditions. In the event Party B or Party C shall fail to do so resulting in damages to Party A, Party B and Party C shall indemnify Party A for all of such damages and losses.

6. Events of Default and Exercise of the Pledge Right

6.1 If any of the following events ("**Events of Default**") shall occur, Party A may require Party B or Party C to perform all the obligations under this Agreement and may immediately claim the Pledge under the Agreement:

a) Any warranties or representations made by Party B, Party C or the Affiliated Entities in the Agreement or the Main Agreements are inconsistent, incorrect, untrue or become untrue or incorrect; Party B, Party C or the Affiliated Entities fail to perform all the obligations, covenants or warranties made by them under the Agreement or the Main Agreements; or

b) Any obligation of Party B, Party C or the Affiliated Entities under the Agreement or the Main Agreements is deemed to be illegal or invalid; or

c) A material breach by Party B or Party C of its obligations hereunder.

6.2 If an Events of Default shall occur, Party A may exercise its Pledge right pursuant to the relevant PRC laws and regulations by purchasing at a discount, designating another party to purchase at a discount, auctioning or selling the Pledged Equity Interests. Party A may exercise such Pledge right without exercising any other security rights, or take any other measures or proceedings against Party B, Party C or any other party.

6.3 Upon request by Party A, Party B and Party C shall take all lawful and appropriate measures to permit the exercise of the Pledge right by Party A. For such a purpose, Party B and Party C shall execute all appropriate documents and materials, and take all proper measures reasonably requested by Party A.

7. Transfer or Assignment

7.1 Party B and Party C have no right to transfer or assign the rights and obligations under this Agreement without the prior written consent from Party A, which does not apply to the Call Option Agreement entered into by Party A and Party B.

7.2 The Agreement shall be binding upon Party B and its successors and be effective for Party A and its successors and assignees.

7.3 Party A may transfer or assign all and any of its rights and obligations under the Main Agreements to any person (natural or legal) it designates, in which case, the assignee shall enjoy the same rights and undertake the same obligations as Party A hereunder as if the assignee were an original party hereto. Upon Party A's transfer or assignment of the rights and obligations under the Main Agreements and Party A's request, Party B and/or Party C shall execute relevant agreements and documents with respect to such transfer or assignment.

7.4 Subsequent to an assignment or transfer by Party A, the new parties to the Pledge shall re-

execute a separate agreement. Party B and Party C shall provide assistance to the assignee with respect to the registration procedures of the Pledge (if applicable).

8. Confidentiality

This Agreement and all clauses hereof are confidential information and shall not be disclosed to any third party except for the relevant senior officers, directors, employees, agents or professional consultants. This clause shall not apply in the event parties hereto are required by relevant laws or regulations to disclose information relating to this Agreement to any governmental authorities, the public or the shareholders, or file this Agreement with relevant authorities for record.

This clause shall survive any modification or termination of this Agreement.

9. Liabilities for Breach of Agreement

In the event any Party shall fail to perform any of its obligations under this Agreement, or make any untrue or inaccurate representation or warranty, such Party shall be liable for all the actual losses of the other Parties for breach of the Agreement.

10. Force Majeure

A *Force Majeure* event means any unforeseen event which cannot be prevented, controlled or overcome by any party of the Agreement, including but not limited to earthquake, typhoon, flood, fire, boycott, war or riot and etcetera.

Any party encountering a Force Majeure event shall (i) notify the other parties by telegram, facsimile or other electronic means immediately after the occurrence of such Force Majeure event and shall provide written documents evidencing the occurrence of such Force Majeure event within fifteen (15) business days; and (ii) to the extent reasonable and lawful under the circumstances, use its best efforts to mitigate or eliminate the effect of such Force Majeure event, and resume its performance of the Agreement after such effect is mitigated or eliminated. The parties to the Agreement shall determine through negotiation whether to terminate, partly terminate or suspend the performance of this Agreement taking into account the extent to which the Agreement is effected by such Force Majeure event.

11. Miscellaneous

11.1 This Agreement shall be governed by and construed in accordance with the PRC laws in all respects. All disputes arising out of or in connection with this Agreement shall be resolved through good faith negotiations between the Parties. Unresolved disputes shall be submitted to binding arbitration by China International Economic and Trade Arbitration Commission under its rules. The arbitration shall take place in Beijing. The

arbitration ruling shall be final. Other provisions of the Agreement that are not subject of any arbitration proceedings shall remain in effect.

11.2 This Agreement becomes effective on the date of execution by all Parties and terminates when all the obligations under the Main Agreements are completely fulfilled or terminated for any reason.

11.3 This Agreement amends and restates the Original Agreement. In the case of any discrepancies between this Agreement and the Original Agreement, this Agreement shall govern.

11.4 The Agreement has seven (7) original copies, with each of Party A, Party B and Party C holding one copy, and the remaining copy to be submitted to relevant Industrial and Commercial authorities for filing and registration.

11.5 Any modification or amendment of this Agreement shall be in writing and shall only become effective upon signing by all Parties of the Agreement.

[SIGNATURE PAGE]

Party A:
TAL Education Technology (Beijing) Co., Ltd.
/s/ Authorized Representative

Party B:
/s/ Bangxin Zhang
Bangxin Zhang

/s/ Yundong Cao
Yundong Cao

/s/ Yachao Liu
Yachao,Liu

/s/ Yunfeng Bai
Yunfeng Bai

Party C:
Beijing Xueersi Education Technology Co., Ltd.
/s/ Authorized Representative

Appendix I List of Affiliated Entities

1. Beijing Dongcheng District Xueersi Training School
2. Beijing Haidian District Lejiale Training School
3. Tianjin Xueersi Education Information Consulting Co., Ltd.
4. Shenzhen Xueersi Education Technology Co., Ltd.

Appendix II List of Main Agreement

Exclusive Business Cooperation Agreement dated as of June 25, 2010

English Translation

Equity Pledge Supplemental Agreement

This Equity Pledge Supplemental Agreement (" **Agreement**") was entered into as of June 25, 2010 by and between the following parties:

Party A:

TAL Education Technology (Beijing) Co., Ltd., a wholly foreign owned enterprise duly established and validly existing under the laws of the People's Republic of China ("**PRC**") with its legal address at Room 1702-03, Lantian Hesheng Building, No.32, Zhongguancun Street, Haidian District, Beijing.

Party B refers to each of:

Bangxin Zhang, ID Card No. 321182198010012913
Yundong Cao, ID Card No. 372831197910205618
Yachao Liu, ID Card No. 211103198110152138
Yunfeng Bai, ID Card No. 360521198109240073

Party C:

Beijing Xueersi Network Technology Co., Ltd., a corporation duly established and validly existing under the PRC laws with its legal address at Room 509, Tower A, Zhongding Building, A No.18, West Road of the North 3rd Ring, Haidian District, Beijing.

(Each of Party A, Party B and Party C, a " **Party**", and collectively the "**Parties**".)

WHEREAS,

(1) The Parties entered into the Equity Pledge Agreement on February 12, 2009 (the " **Original Agreement**") pursuant to which Party B unconditionally and irrevocably pledged 100% of the equity interests of Party C it owns to Party A;

(2) The Parties entered into the Termination Agreement on June 10, 2010, pursuant to which the Intellectual Property License Agreement was terminated before any actual performance thereof; and the Parties entered into the Exclusive Business Cooperation Agreement on June 25, 2010, which replaces in the entirety the seven agreements (including any supplemental agreements) listed in Appendix II of the Original Agreement. The Main Agreements as defined in the Original Agreement therefore have changed.

NOW THEREFORE, Party A, Party B and Party C through mutual negotiations hereby enter into this Agreement based upon the following terms:

1. Pledge

Party B agrees to unconditionally and irrevocably pledge 100% of the equity interests of Party C it owns (the " **Pledged Equity Interests**"), at a value of RMB3,000,000, to Party A, as security for the performance of the obligations by Party B, Party C and Party C's subsidiaries and schools (the "**Affiliated Entities**") under the Main Agreement (listed in Annex II).

2. Scope of Pledge

The Pledge under this Agreement extends to all obligations of Party B, Party C and the Affiliated Entities under the Main Agreements (including but not limited to any amounts payable, penalties, damages and etcetera owing to Party A), any fees relating exercising the creditor's rights and the rights under the Pledge, and any other related expenses.

3. Term of Pledge

The Pledge under this Agreement shall be effective from the date of registration of the Pledge with competent Industrial and Commercial authorities to the latest of the complete performance, expiration and termination of all of the Main Agreements. During the term of the Pledge, if Party B, Party C or the Affiliated Entities shall fail to perform any of their obligations under the Main Agreements, or if any of the events provided in Article 6.1 hereof shall occur, Party A is entitled to dispose the Pledged Equity Interests in accordance with the provisions of this Agreement.

4. Registration

4.1 Party B and Party C promise to Party A that Party B and Party C shall: (i) on the date of the execution of the Agreement, record the Pledge under this Agreement on the shareholders' register of Party C and deliver the shareholders' register to Party A's custody; (ii) on the date of the execution of the Agreement, deliver the Capital Contribution Certificate of Party B issued by Party C to Party A's custody; (iii) within ten (10) business days after the execution of this Agreement or a shorter period that is practicable, register the Pledged Equity Interests with relevant Industrial and Commercial Registration authorities and obtain documents evidencing such registration. Without limitation to any other provisions of this Agreement, during the term of this Agreement, the shareholders' register of Party C shall always be in the custody of Party A or any person designated by Party A, except when any necessary registration or modification of registration is required in the operation of Party C or the Affiliated Entities.

4.2 Party B and Party C further covenant that after the execution of this Agreement, Party B may make capital contribution to Party C with the prior consent of Party A, provided that any such capital contribution by Party B to Party C shall become part of the Pledged Equity Interests. Party B and Party C shall make necessary modifications to the

shareholders' register and record of capital contributions by shareholders and perform the pledge registration procedures according to Article 4.1.

4.3 The pledgor and the pledge shall each bear its fees and expenses related to this Agreement, including but not limited to registration fees, costs, stamp duties or any other taxes and expenses according to relevant laws and regulations.

5. Representations and Warranties of Party B and Party C

Party B and Party C hereby jointly and severally represent and warrant to Party A as follows:

5.1 Party B is the lawful owner of the Pledged Equity Interests, the ownership of which is not subject to any existing or potential dispute. Party B has the right to dispose the Pledged Equity Interests or any part thereof without any restriction by any third party.

5.2 Except for the Pledge provided hereunder, Party B has not created any other pledge or any other third party interest on the Pledged Equity Interests.

5.3 Party B and Party C fully understand and voluntarily enter into this Agreement based on a true understanding of the Agreement. Party B and Party C have taken all necessary measures and obtained all necessary internal authorizations required to execute and perform this Agreement, and executed all necessary documents to make sure the Pledge under the Agreement is lawful and valid.

5.4 During the term of this Agreement, Party B shall not transfer or assign the Pledged Equity Interests, grant any rights, options or other interests relating to the Pledged Equity Interests to any third party, or create or permit to be created any security or other interests which may potentially affect on the rights or benefits of the Party A without prior written consent of Party A.

5.5 During the term of this Agreement, Party B and Party C shall abide by and comply with all relevant PRC laws and regulations concerning the pledge of rights, and in the event of receiving any notice, order or recommendation from competent authorities concerning the Pledged Equity Interests, shall timely notify Party A and show to Party A such notice or order within five (5) business days upon receipt thereof, comply with such notice or order or upon Party A's reasonable request or written consent, raise objections to such notice or order.

5.6 Party B and Party C shall not perform or permit to be performed any conduct that

may damage the value of the Pledged Equity Interests or the Pledge right of Party A. Party B and Party C shall notify Party A of any event that may affect the value of the Pledged Equity Interests or the Pledge right of Party A within five (5) business days after it becomes aware of such event. Party A shall bear no responsibility to any reduction in the value of the Pledged Equity Interests, for which Party B and Party C shall have no right to demand any compensation from or make any request to Party A.

5.7 To the extent permitted by the PRC laws and regulations, the Pledge under this Agreement shall remain in full effect during the term of the Agreement, and shall not be affected by any insolvency, liquidation, loss of capacity, or change of organizational structure or status of Party B or Party C, any offset among the Parties or any other events.

5.8 For the purpose of performing this Agreement, Party A is entitled to dispose the Pledged Equity Interests in accordance with the provisions of this Agreement. Party A's exercise of such right shall not be interrupted or jeopardized by Party B or Party C, or their successors or agents, or any other persons by way of legal proceedings.

5.9 In order to protect and perfect the security provided by this Agreement for the obligations of Party B, Party C and the Affiliated Entities under the Main Agreements, Party B and Party C shall faithfully execute and cause any related parties to execute all certificates and agreements requested by Party A in connection with the performance of the Agreement, take or cause such third parties to take any measures required by Party A relating to the Agreement, and provide assistance to Party A concerning the exercise of the Pledge right hereunder.

5.10 In order to protect the interests of Party A, Party B and Party C shall abide by and perform all warranties, covenants, agreements, representations and conditions. In the event Party B or Party C shall fail to do so resulting in damages to Party A, Party B and Party C shall indemnify Party A for all of such damages and losses.

6. Events of Default and Exercise of the Pledge Right

6.1 If any of the following events ("**Events of Default**") shall occur, Party A may require Party B or Party C to perform all the obligations under this Agreement and may immediately claim the Pledge under the Agreement:

a) Any warranties or representations made by Party B, Party C or the Affiliated Entities in the Agreement or the Main Agreements are

inconsistent, incorrect, untrue or become untrue or incorrect; Party B, Party C or the Affiliated Entities fail to perform all the obligations, covenants or warranties made by them under the Agreement or the Main Agreements; or

b) Any obligation of Party B, Party C or the Affiliated Entities under the Agreement or the Main Agreements is deemed to be illegal or invalid; or

c) A material breach by Party B or Party C of its obligations hereunder.

6.2 If an Events of Default shall occur, Party A may exercise its Pledge right pursuant to the relevant PRC laws and regulations by purchasing at a discount, designating another party to purchase at a discount, auctioning or selling the Pledged Equity Interests. Party A may exercise such Pledge right without exercising any other security rights, or take any other measures or proceedings against Party B, Party C or any other party.

6.3 Upon request by Party A, Party B and Party C shall take all lawful and appropriate measures to permit the exercise of the Pledge right by Party A. For such a purpose, Party B and Party C shall execute all appropriate documents and materials, and take all proper measures reasonably requested by Party A.

7. Transfer or Assignment

7.1 Party B and Party C have no right to transfer or assign the rights and obligations under this Agreement without the prior written consent from Party A, which does not apply to the Call Option Agreement entered into by Party A and Party B.

7.2 The Agreement shall be binding upon Party B and its successors and be effective for Party A and its successors and assignees.

7.3 Party A may transfer or assign all and any of its rights and obligations under the Main Agreements to any person (natural or legal) it designates, in which case, the assignee shall enjoy the same rights and undertake the same obligations as Party A hereunder as if the assignee were an original party hereto. Upon Party A's transfer or assignment of the rights and obligations under the Main Agreements and Party A's request, Party B and/or Party C shall execute relevant agreements and documents with respect to such transfer or assignment.

7.4 Subsequent to an assignment or transfer by Party A, the new parties to the Pledge shall re-execute a separate agreement. Party B and Party C shall provide assistance to the assignee with respect to the registration procedures of the Pledge (if applicable).

8. Confidentiality

This Agreement and all clauses hereof are confidential information and shall not be disclosed

to any third party except for the relevant senior officers, directors, employees, agents or professional consultants. This clause shall not apply in the event parties hereto are required by relevant laws or regulations to disclose information relating to this Agreement to any governmental authorities, the public or the shareholders, or file this Agreement with relevant authorities for record.

This clause shall survive any modification or termination of this Agreement.

9. Liabilities for Breach of Agreement

In the event any Party shall fail to perform any of its obligations under this Agreement, or make any untrue or inaccurate representation or warranty, such Party shall be liable for all the actual losses of the other Parties for breach of the Agreement.

10. Force Majeure

A *Force Majeure* event means any unforeseen event which cannot be prevented, controlled or overcome by any party of the Agreement, including but not limited to earthquake, typhoon, flood, fire, boycott, war or riot and etcetera.

Any party encountering a Force Majeure event shall (i) notify the other parties by telegram, facsimile or other electronic means immediately after the occurrence of such Force Majeure event and shall provide written documents evidencing the occurrence of such Force Majeure event within fifteen (15) business days; and (ii) to the extent reasonable and lawful under the circumstances, use its best efforts to mitigate or eliminate the effect of such Force Majeure event, and resume its performance of the Agreement after such effect is mitigated or eliminated. The parties to the Agreement shall determine through negotiation whether to terminate, partly terminate or suspend the performance of this Agreement taking into account the extent to which the Agreement is effected by such Force Majeure event.

11. Miscellaneous

11.1 This Agreement shall be governed by and construed in accordance with the PRC laws in all respects. All disputes arising out of or in connection with this Agreement shall be resolved through good faith negotiations between the Parties. Unresolved disputes shall be submitted to binding arbitration by China International Economic and Trade Arbitration Commission under its rules. The arbitration shall take place in Beijing. The arbitration ruling shall be final. Other provisions of the Agreement that are not subject of any arbitration proceedings shall remain in effect.

11.2 This Agreement becomes effective on the date of execution by all Parties and terminates when all the obligations under the Main Agreements are completely fulfilled or terminated for any reason.

11.3 This Agreement amends and restates the Original Agreement. In the case of any discrepancies between this Agreement and the Original Agreement, this Agreement shall govern.

11.4 The Agreement has seven (7) original copies, with each of Party A, Party B and Party C holding one copy, and the remaining copy to be submitted to relevant Industrial and Commercial authorities for filing and registration.

11.5 Any modification or amendment of this Agreement shall be in writing and shall only become effective upon signing by all Parties of the Agreement.

[SIGNATURE PAGE]

Party A:
TAL Education Technology (Beijing) Co., Ltd.
/s/ Authorized Representative

Party B:
/s/ Bangxin Zhang
Bangxin Zhang

/s/ Yundong Cao
Yundong Cao

/s/ Yachao Liu
Yachao Liu

/s/ Yunfeng Bai
Yunfeng Bai

Party C:
Beijing Xueersi Network Technology Co., Ltd.
/s/ Authorized Representative

Appendix I List of Affiliated Entities

1. Beijing Xicheng District Xueersi Training School
2. Beijing Haidian District Xueersi Training School
3. Beijing Zhikang Culture Distribution Co., Ltd.
4. Shanghai Lehai Science and TechnologyInformation Co., Ltd.
5. Shanghai Changning District Xueersi-Lejiale School
6. Shanghai Minhang District Lejiale School
7. Shanghai Xueersi Education Information Consulting Co., Ltd.
8. Guangzhou Xueersi Education Technology Co., Ltd.
9. Wuhan Jianghanqu Xiaoxinxing English Training School
10. Hubei Jianli Hafu English Training School
11. Hubei Qianjiang Xiaohafu English Training School

Appendix II List of Main Agreement

Exclusive Business Cooperation Agreement dated as of June 25, 2010

English Translation

Exhibit 10.11

Powers of Attorney

We, Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai, collectively own 100% of the equity interests of Beijing Xueersi Education Technology Co., Ltd. ("**Xueersi Education**") and Beijing Xueersi Network Technology Co., Ltd. ("**Xueersi Network**") (particularly, Bangxin Zhang owns 56.5%, Yundong Cao owns 26%, Yachao Liu owns 10% and Yunfeng Bai owns 7.5% of the equity interest of each of Xueersi Education and Xueersi Network). We hereby irrevocably authorize TAL Education Technology (Beijing) Co., Ltd. ("**WFOE**") to exercise the following rights concerning the abovementioned equity interests while the powers of attorney (the "**Powers of Attorney**") granted hereby remain effective:

We exclusively authorize WFOE or its designated representative(s) ("**Agent**") to exercise our rights as our agent according to the agent's own will, which rights include but are not limited to:

1. Attending shareholders' meetings of Xueersi Education and Xueersi Network;

2. Exercising all the rights of shareholders of Xueersi Education and Xueersi Network on such shareholders' meetings pursuant to relevant laws and regulations and the articles of association of such companies, which rights include but are not limited to the right to nominate and the right to vote.

Without limiting the Powers of Attorney, Agent has the right to execute the Equity Interest Transfer Agreement provided for under the Call Option Agreement on behalf of us within the scope of the Powers of Attorney, and to perform the Call Option Agreement and Equity Pledge Agreement dated as of February 12, 2009 to which we are parties.

The Powers of Attorney are irrevocable and remain effective during the entire period when we are shareholders of Xueersi Education and Xueersi Network, commencing from the date of execution of the Powers of Attorney.

During the effective period of the Powers of Attorney, we shall relinquish any rights with respect to the equity interests of Xueersi Education and Xueersi Network that are entrusted to Agent hereby, and shall not exercise any such rights

We shall accept and bear responsibilities for any legal consequences arising from Agent's exercise of the authority granted hereby. We hereby affirm that in any case Agent shall not be required to bear any liabilities or make any economic compensation for exercising such authority.

We shall provide Agent with full support in its exercise of the authority granted hereby, including timely executing shareholders' consent already agreed upon by Agent or other legal documents when necessary (such as when required by relevant governmental authorities for approval, registration or filing procedures).

If the authority granted to Agent hereby cannot be exercised for any reason other than our breach of the Powers of Attorney within the effective period of the Powers of Attorney, the parties shall seek a closest alternative to the arrangements hereunder and modify or amend the terms and conditions of the Powers of Attorney by signing supplemental agreements to achieve the purpose of the Powers of Attorney.

[THE REMAINDER OF THIS PAGE IS LEFT BLANK INTENTIONALLY, AND THE NEXT PAGE IS THE SIGNATURE PAGE.]

[SIGNATURE PAGE OF THE POWERS OF ATTORNEY]

/s/ Bangxin Zhang
Bangxin Zhang

/s/ Yundong Cao
Yundong Cao

/s/ Yachao Liu
Yachao Liu

/s/ Yunfeng Bai
Yunfeng Bai

Date: August 12, 2009

Exhibit 21.1

List of the Subsidiaries and Affiliated Entities of TAL Education Group

Name	Jurisdiction of Incorporation	Affiliate Relationship with The Registrant
Subsidiaries:		
Beijing Huanqiu Zhikang Shidai Education Consulting Co., Ltd.	PRC	Wholly-owned subsidiary
Beijing Yidu Huida Education Technology Co., Ltd.	PRC	Wholly-owned subsidiary
TAL Education Technology (Beijing) Co., Ltd.	PRC	Wholly-owned subsidiary
Xueersi International Education Group Limited	Hong Kong	Wholly-owned subsidiary
Affiliated Entities:		
Beijing Xueersi Education Technology Co., Ltd.	PRC	Affiliated entity
Beijing Xueersi Network Technology Co., Ltd.	PRC	Affiliated entity
Beijing Dongcheng District Xueersi Training School	PRC	Affiliated entity
Beijing Haidian District Xueersi Training School	PRC	Affiliated entity
Beijing Haidian Lejiale Training School	PRC	Affiliated entity
Beijing Xicheng District Xueersi Training School	PRC	Affiliated entity
Beijing Zhikang Culture Distribution Co., Ltd.	PRC	Affiliated entity
Guangzhou Xueersi Education Technology Co., Ltd.	PRC	Affiliated entity
Hubei Jianli Hafu English Training School	PRC	Affiliated entity
Hubei Qianjiang Xiaohafu English Training School	PRC	Affiliated entity
Shanghai Changning District Xueersi-Lejiale School	PRC	Affiliated entity
Shanghai Lehai Science and Technology Information Co., Ltd.	PRC	Affiliated entity
Shanghai Minhang District Lejiale School	PRC	Affiliated entity
Shanghai Xueersi Education Information Consulting Co., Ltd.	PRC	Affiliated entity
Shenzhen Xueersi Education Technology Co., Ltd.	PRC	Affiliated entity
Tianjin Hexi District Xueersi Training School	PRC	Affiliated entity
Tianjin Xueersi Education Information Consulting Co., Ltd.	PRC	Affiliated entity
Wuhan Jianghanqu Xiaoxinxing English Training School	PRC	Affiliated entity

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form F-1 of our report dated July 1, 2010, except for Note 23, as to which the date is September 29, 2010, relating to the consolidated financial statements of TAL Education Group and its subsidiaries and variable interest entities as of February 28, 2009 and 2010, and for the years ended February 29, 2008, February 28, 2009 and 2010, and the financial statement schedule of TAL Education Group included in Schedule I, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Summary Consolidated Financial Data and Operating Data", "Selected Consolidated Financial Data", and "Experts" in such Prospectus.

/s/ Deloitte Touche Tohmatsu CPA Ltd.
Beijing, the People's Republic of China
September 29, 2010

Exhibit 23.4

August 16, 2010

Board of Directors
TAL Education Group
18/F, Hesheng Building
32 Zhongguancun Avenue, Haidian District
Beijing 100080
People's Republic of China

Subject: Written Consent of iResearch

We hereby consent to the use of our firm's name, and the inclusion of, summary of and reference to the research data and information prepared by us, in TAL Education Group's Registration Statement on Form F-1 (as may be amended or supplemented, the "Registration Statement"), which, as the case may be, is confidentially submitted, to be confidentially submitted or to be publicly filed with the U.S. Securities and Exchange Commission, and in roadshows and other promotional materials in connection with the proposed offering under the Registration Statement. We also hereby consent to the filing of this letter as an exhibit to the Registration Statement.

/s/ iResearch Consulting Group

Exhibit 23.5

American Appraisal China Limited
1506 Dah Sing Financial Centre
108 Gloucester Road / Wanchai / Hong Kong
美國評值有限公司
香港灣仔告士打道108號大新金融中心1506室
Tel +852 2511 5200 / Fax +852 2511 9626

Leading / Thinking / Performing

Board of Directors
TAL Education Group
17/F, Hesheng Building
32 Zhongguancun Avenue, Haidian District
Beijing, 100080, People's Republic of China

Subject: WRITTEN CONSENT OF AMERICAN APPRAISAL CHINA LIMITED

We hereby consent to the references to our name and our final appraisal reports addressed to the board of directors of TAL Education Group (the "Company"), and to references to our valuation methodologies, assumptions and conclusions associated with such reports, in the Registration Statement on Form F-1 of the Company and any amendments and supplements thereto (the "Registration Statement") submitted, to be submitted, filed or to be filed with the U.S. Securities and Exchange Commission. We further consent to the filing of this letter as an exhibit to the Registration Statement.

In reaching our value conclusions, we relied on the accuracy and completeness of the financial statements and other data provided by the Company and its representatives. We did not audit or independently verify such financial statements or other data and take no responsibility for the accuracy of such information. The Company determined the fair values and our valuation reports were used to assist the Company in reaching its determinations.

In giving such consent, we do not hereby admit that we come within the category of persons whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the rules and regulations adopted by the Securities and Exchange Commission thereunder (the "Securities Laws and Regulations"), nor do we admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "experts" as used in the Securities Laws and Regulations .

Yours faithfully,

/s/ AMERICAN APPRAISAL CHINA LIMITED

Exhibit 23.6

September 27, 2010

TAL Education Group
18/F, Hesheng Building
32 Zhongguancun Avenue, Haidian District
Beijing 100080
The People's Republic of China

Ladies and Gentlemen:

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I hereby consent to the references of my name in the Registration Statement on Form F-1 (the "Registration Statement") of TAL Education Group (the "Company"), and any amendments thereto, which indicate that I have accepted the nomination to become a director of the Company. I further agree that immediately upon the Securities and Exchange Commission's declaration of effectiveness of the Registration Statement, I will serve as a member of the board of directors of the Company.

Sincerely yours,

/s/ Jane Jie Sun
Name: Jane Jie Sun

Exhibit 23.7

September 29, 2010

TAL Education Group
18/F, Hesheng Building
32 Zhongguancun Avenue, Haidian District
Beijing 100080
The People's Republic of China

Ladies and Gentlemen:

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I hereby consent to the references of my name in the Registration Statement on Form F-1 (the "Registration Statement") of TAL Education Group (the "Company"), and any amendments thereto, which indicate that I have accepted the nomination to become a director of the Company. I further agree that immediately upon the Securities and Exchange Commission's declaration of effectiveness of the Registration Statement, I will serve as a member of the board of directors of the Company.

Sincerely yours,

/s/ Wai Chau Lin
Name: Wai Chau Lin

EXHIBIT 99.1

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)

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 [•], 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 [•] or e-mail him at [•].

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 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, an employee's ability to make objective and fair business decisions.

It is the responsibility of employees to use good judgment in this area. As a general rule, employees may give or receive gifts or entertainment to or from customers or suppliers only if the gift or entertainment is in compliance with applicable law, insignificant in amount and not given in consideration or expectation of any action by the recipient. All gifts and entertainment expenses made on behalf of the Company must be properly accounted for on expense reports.

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 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. While the FCPA does, in certain limited circumstances, allow nominal "facilitating payments" to be made, any such payment must be discussed with and approved by an employee's supervisor in advance before it can be made.

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 commercial bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, offering or receiving gratuities, employment harassment, environmental protection, occupational health and safety, false or misleading financial information, misuse of corporate assets and foreign currency exchange activities. Employees are expected to understand and comply with all laws, rules and regulations that apply to 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.

* * * * * * * * * * * * *