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

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended February 29, 2020.

OR

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

For the transition period from___to____.

OR

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

Date of event requiring this shell company report

Commission file number: 001-34900

TAL Education Group

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each three representing one Class A common share*	**NYSE: TAL**	**The New York Stock Exchange**
Class A common shares, par value $0.001 per share**	**NYSE: TAL****	**The New York Stock Exchange**

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

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

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

None

(Title of Class)

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

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of February 29, 2020, 132,895,675 Class A common shares, par value $0.001 per share and 66,941,204 Class B common shares, par value $0.001 per share were outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

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

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

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

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

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

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

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

☐ Item 17 ☐ Item 18

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

☐ Yes ☒ No

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

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

☐ Yes ☒ No

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

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INTRODUCTION

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

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

Our financial statements are expressed in U.S. dollars, which is our reporting currency. Certain of our financial data in this annual report on Form 20-F are translated into U.S. dollars solely for the reader's convenience. Unless otherwise noted, all convenient translations from Renminbi to U.S. dollars in this annual report on Form 20-F were made at a rate of RMB6.99 to $1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on February 29, 2020. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, at the rate stated above, or at all.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that reflect our current expectations and views of future events. These forward looking statements are made under the "safe-harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by these forward-looking statements.

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

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

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. You should read this annual report and the documents that we refer to in this annual report completely and with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements with these cautionary statements. Other sections of this annual report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

Our Selected Consolidated Financial Data

The following selected consolidated statement of operations data for our company for the fiscal years ended February 28/29, 2018, 2019 and 2020 and the selected consolidated balance sheet data as of February 28/29, 2019 and 2020 are derived from our audited consolidated financial statements included elsewhere in this annual report. The selected consolidated statement of operations data for our company for the fiscal years ended February 28/29, 2016 and 2017 and the selected consolidated balance sheet data as of February 28/29, 2016, 2017 and 2018 are derived from our audited consolidated financial statements not included in this annual report.

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

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

	For the Years Ended February 28/29,				
	2016	2017	2018	2019	2020
	(in thousands of $, except for share, per share and per ADS data)				
Consolidated Statements of Operations Data:					
Net revenues	$ 619,949	$ 1,043,100	$ 1,715,016	$ 2,562,984	$ 3,273,308
Cost of revenues[1]	(303,635)	(522,327)	(882,316)	(1,164,454)	(1,468,569)
Gross profit	316,314	520,773	832,700	1,398,530	1,804,739
Operating expenses					
Selling and marketing [1]	(73,568)	(126,005)	(242,102)	(484,000)	(852,808)
General and administrative [1]	(161,022)	(263,287)	(386,287)	(579,672)	(794,957)
Impairment loss on intangible assets and goodwill	—	—	(358)	—	(28,998)
Total operating expenses	(234,590)	(389,292)	(628,747)	(1,063,672)	(1,676,763)
Government subsidies	3,327	3,113	4,651	6,724	9,467
Income from operations	85,051	134,594	208,604	341,582	137,443
Interest income	17,733	18,133	39,837	59,614	72,991
Interest expense	(7,499)	(13,145)	(16,640)	(17,628)	(11,820)
Other (expense)/income	(1,256)	23,074	17,406	131,727	(95,297)
Impairment loss on long-term investments	(7,504)	(8,075)	(2,213)	(58,091)	(153,970)
Gain from disposal of components	50,377	—	—	—	—
Income before provision for income tax and loss from equity method investments	136,902	154,581	246,994	457,204	(50,653)
Provision for income tax	(33,483)	(34,066)	(44,653)	(76,504)	(69,328)
Loss from equity method investments	(663)	(8,025)	(7,678)	(16,186)	(7,670)
Net income/(loss)	102,756	112,490	194,663	364,514	(127,651)
Add: Net loss attributable to noncontrolling interest	122	4,390	3,777	2,722	17,456
Net income/(loss) attributable to shareholders of TAL Education Group	102,878	116,880	198,440	367,236	(110,195)
Net income /(loss) per common share attributable to shareholders of TAL Education Group					
Basic	$ 0.64	$ 0.72	$ 1.13	$ 1.93	$ (0.56)
Diluted	$ 0.60	$ 0.66	$ 1.03	$ 1.83	$ (0.56)
Net income /(loss) per ADS attributable to shareholders of TAL Education Group [2]					
Basic	$ 0.22	$ 0.24	$ 0.38	$ 0.64	$ (0.19)
Diluted	$ 0.20	$ 0.22	$ 0.34	$ 0.61	$ (0.19)
Cash dividends per common share[3]	—	—	$ 0.25	—	—
Weighted average shares used in calculating net income/(loss) per common share attributable to shareholders of TAL Education Group					
Basic	160,109,169	162,548,494	174,979,574	189,951,643	198,184,370
Diluted	183,056,255	188,508,419	194,331,305	200,224,934	198,184,370

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

	For the Years Ended February 28/29				
	2016	2017	2018	2019	2020
	(in thousands of $)				
Cost of revenues	$ 43	$ 111	$ 366	$ 706	$ 1,074
Selling and marketing expenses	2,480	3,368	5,037	10,454	19,356
General and administrative expenses	23,325	32,636	41,747	66,117	97,513
Total	25,848	36,115	47,150	77,277	117,943

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

	As of February 28/29				
	2016	2017	2018	2019	2020
	(in thousands of $)				
Summary Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 434,042	$ 470,217	$ 711,519	$ 1,247,140	$ 1,873,866
Total assets	1,061,379	1,828,906	3,054,560	3,735,091	5,571,246
Deferred revenue	289,281	518,874	842,256	436,107	781,000
Total liabilities	620,642	1,148,042	1,414,096	1,204,614	3,027,049
Total equity	440,737	680,864	1,640,464	2,530,477	2,544,197

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

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business

If we are not able to continue to attract students to enroll in our courses without significantly decreasing course fees, our business and prospects will be materially and adversely affected.

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

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

Our teachers are critical to the quality of our services and our reputation. We seek to hire qualified and dedicated teachers who deliver effective and inspirational instruction. There is a limited pool of teachers with these attributes, and we must provide competitive compensation packages to attract and retain such teachers. We must also provide continued training to our teachers to ensure that they stay abreast of changes in student demands, academic standards and other key trends necessary to teach effectively. We may not be able to recruit, train and retain a sufficient number of qualified teachers in the future to keep pace with our growth while maintaining consistent teaching quality in the different markets we serve. In addition, PRC laws and regulations require the teachers to have requisite licenses if they teach, among others, academic subject such as Chinese, mathematics, English, physics, chemistry and other academic subjects in the compulsory education stage and academic subjects related to the entrance to a higher school, but we cannot assure you that our teachers can all apply for and obtain the teaching licenses in a timely manner or at all. If our teachers are not able to apply for and obtain the teaching licenses on a timely basis, or at all, we may need to rectify such noncompliance and may be subject to penalties and risk exposure to regulatory order to suspend operations or cancelation or revocation of the private school operating permit issued by relevant PRC authority in accordance with the PRC Private Education Law, or a Permit for Operating a Private School or other regulatory and disciplinary sanctions. Moreover, if the teachers for our online courses do not fully comply with the teacher qualification requirements, or these teachers are teaching full-time at elementary and middle school at the same time, they may not be able to deliver such online courses, which would eventually adversely affect the delivery of our tutoring services to students. A shortage of qualified teachers or a decrease in the quality of our teachers' services, whether actual or perceived, or a significant increase in compensation for us to retain qualified teachers, would have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

We believe that market awareness of our "Xueersi" brand has contributed significantly to the success of our business, and that maintaining and enhancing the value of this brand is critical to maintaining and enhancing our competitive advantage. If we are unable to successfully promote and market our brand and services, our ability to attract new students could be adversely impacted and, consequently, our financial performance could suffer. We mainly rely on word-of-mouth referrals to attract prospective students. We also use integrated marketing tools and tactics such as the internet, WeChat, social media, public lectures, outdoor advertising campaigns, co-brand promotions, and distribution of marketing materials to promote our brand and service offerings. In order to maintain and increase our brand recognition and promote our new service offerings, we have increased our marketing personnel and expenses over the last several years. We have also sought to strengthen recognition for our other brands, such as our "Haoweilai" brand, which is the umbrella brand for all our brands, our "Xueersi" brand, through which we offer small classes covering major subjects in supplement to school learnings, our "Izhikang" brand, through which we offer personalized premium services, our "Mobby" brand, through which we offer small classes focused on thinking development for young learners, and our "Firstleap" brand, through which we offer all-subject tutoring services in English to students aged two to fifteen. A number of factors could prevent us from successfully promoting our brand, including student dissatisfaction with our services, the failure of our marketing tools and strategies to attract prospective students. In addition, our brand may be adversely affected by misconduct and non-compliance, including those related to license or qualification requirements, of our business partners who purchase our courses and system support. If we are unable to maintain and enhance our existing brand, successfully develop additional brands, or utilize marketing tools in a cost-effective manner, our revenues and profitability may suffer. See "— Our brand image, business and results of operations may be adversely impacted by illegal, fraudulent or collusive activities or other wrongdoings by our employees and third parties acting on our behalf."

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

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

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

Our net revenues increased from $1, 715.0 million in the fiscal year ended February 28, 2018, to $2,563.0 million in the fiscal year ended February 28, 2019 , and further to $3,273.3 million in the fiscal year ended February 29, 2020. Any evaluation of our business and our prospects must be considered in light of the risks and uncertainties encountered by companies at our stage of development. The after-school tutoring service market in China continually develops and evolves, which makes it difficult to evaluate our business and future prospects. In addition, our past results may not be indicative of future performance because of new businesses developed or acquired by us. Furthermore, our results of operations may vary from period to period in response to a variety of other factors beyond our control, including general economic conditions and regulations or government actions pertaining to the private education service sector in China, changes in spending on private education and non-recurring charges incurred under unexpected circumstances or in connection with acquisitions, equity investments or other extraordinary transactions. Due to these and other factors, our historical financial and operating results, growth rates and profitability as well as quarter-to-quarter comparisons of our operating results may not be indicative of our future performance and you should not rely on them to predict our future performance.

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

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

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

The private education market in China is rapidly evolving, highly fragmented and competitive, and we expect competition to persist and intensify. We face competition in each type of services we offer and in each geographic market where we operate. Our competitors at the national level include New Oriental Education & Technology Group Inc, and certain online tutoring service providers that integrate their services with advanced technology.

Our student enrollments may decrease due to intense competition. Some of our competitors may be able to devote greater resources than we can to the development, promotion and sale of their programs, services and products and respond more quickly than we can to changes in student needs, testing materials, admission standards, market trends or new technologies. In addition, some smaller local companies may be able to respond more quickly to changes in student preferences in some of our targeted markets. Moreover, the increasing use of the internet and advances in internet, mobile internet, computer-related technologies, such as online live broadcasting technologies, are eliminating geographic and physical facility-related entry barriers to providing private education services. As a result, smaller local companies or internet-content providers may be able to use the internet or mobile internet to offer their programs, services and products quickly and cost-effectively to a large number of students with less capital expenditure than previously required. Consequently, we may be pressured to reduce course fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities, which could result in a decrease in our revenues and profitability. We will also face increased competition as we expand our operations. We cannot assure you that we will be able to compete successfully against current or future competitors. If we are unable to maintain our competitive position or otherwise effectively respond to competition, we may lose our market share or fail to gain additional market share, and our profitability may be adversely affected.

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

Our business has experienced growth in recent years. The number of our learning centers increased from 594 as of February 28, 2018 to 871 as of February 29, 2020. We plan to continue to expand our operations in different geographic markets in China. The establishment of new learning centers poses challenges and requires us to make investments in management, capital expenditures, marketing expenses and other resources. The expansion has resulted, and will continue to result, in substantial demands on our management and staff as well as our financial, operational, technological and other resources. In addition, we typically incur pre-opening costs associated with our new learning centers, and may incur losses during their initial ramp-up stage because we incur rent, salary and other operating expenses for new learning centers regardless of any revenues we may generate. If the ramp-up of our new learning centers is slower than expected, whether due to our inability to attract sufficient student enrollments or charge hourly rates for our courses that are high enough for us to recover our costs, our overall financial performance may be materially and adversely affected. Our planned expansion will also place significant pressure on us to maintain teaching quality and consistent standards, controls, policies and our culture to ensure that our brand does not suffer as a result of any decrease, whether actual or perceived, in the quality of our programs. To manage and support our expansion, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and management personnel as well as other administrative and marketing personnel. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, maintain or accelerate our current growth rate, maintain or increase our gross and operating profit margins, recruit and retain qualified teachers and management personnel, successfully integrate new learning centers into our operations and otherwise effectively manage our growth. If we are not successful in effectively and efficiently managing our expansion, we may not be able to capitalize on new business opportunities, which may have a material and adverse impact on our financial condition and results of operations.

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

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

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

- we may not be able to successfully integrate acquired businesses and may not be able to achieve the benefits we expect from recent and future acquisitions or investments.

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

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

Although we have expanded our offerings into a broad range of cities in China, we derive a significant portion of our revenues from a limited number of cities. For the fiscal year ended February 29, 2020, we derived approximately 35.0% of our total net revenues from our Xueersi small-class offering in Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing and we expect these five cities to continue to constitute important sources of our revenues. If any of these cities experiences an event negatively affecting its private education market, such as a serious economic downturn, natural disaster or outbreak of contagious disease, adopts regulations relating to private education that place additional restrictions or burdens on us, or experiences an increase in the level of competition for the types of services we offer, our overall business and results of operations may be materially and adversely affected.

We may not achieve expected results from our new initiatives.

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

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

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

We are exposed to the risk of various types of by illegal, fraudulent or collusive activities or other wrongdoings, including but not limited to taking kickbacks, forging documentation, etc. It is not always possible to deter or discover wrongdoings, and the precautionary or remedial measures we take may not be effective in controlling unknown or unmanaged risks or losses. As previously announced in April 2020, ruing our routine internal auditing process for fiscal year 2020, we discovered irregularities and violations of our business conduct and internal control policies by employees in our newly introduced "Light Class" business. Upon such discovery, we immediately reported to the local police, and the employees had been taken into custody by the local police. The employees' wrongdoings inflated "Light Class" transactions. As a result, we issued corrections to certain line items of our previously announced unaudited quarterly condensed consolidated financial statements as of and for the three months ended May 31, 2019, August 31, 2019, and November 30, 2019. The corrections mainly include a reversal of net revenues, cost of revenues, general and administrative, prepaid expenses and other current assets, accounts payable and accrued expenses and other current liabilities. The accumulated negative impact for the first three quarters of fiscal year 2020 on net revenues and net income attributable to TAL Education Group was US$86.1 million and US$26.6 million, respectively. The decrease of basic net income per ADS for the nine months ended November 30, 2019 was US$0.04.

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

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

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

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

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

In addition, as described in “Item 8. Financial Information-A. Consolidated Statements and Other Financial Information-Legal and Administrative Proceedings-Internal Review and SEC Proceeding,” of this annual report, the SEC’s Division of Enforcement has sought the production of certain documents and records related to the transactions identified in the Muddy Water report, the internal reviews and related follow-up work, and other related information, as well as information regarding issues related to the "Light Class" business that we announced in April 2020 which resulted in reversal of our net revenues and net income attributable to our company for the first nine months of fiscal year 2020 in the aggregate amount of US$86.1 million and US$26.6 million, respectively; and the audit committee of our board of directors is overseeing an internal review, conducted by external professional advisers reporting to the audit committee. We are cooperating with the SEC. We cannot predict or provide any assurance as to the timing, outcome or consequences of the SEC investigation or the internal review. We have incurred, and may continue to incur, significant expenses related to legal, accounting, and other professional services in connection with matters relating to or arising from the internal review and SEC investigation. Moreover, if the SEC were to determine that legal violations occurred, we could be required to pay significant civil penalties and/or other amounts and we could become subject to other remedies or conditions imposed as part of any resolution.

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

Under the PRC education system, school admissions rely heavily on examination results. College and high school entrance examinations in most cases are mandatory for high school and middle school graduates to gain admission to colleges and high schools, respectively. Therefore, a student's performance in these examinations is critical to his or her education and future employment prospects. It is therefore common for students to take after-school tutoring classes to improve performance, and the success of our business to a large extent depends on the continued use of assessment process by high schools and colleges in their admissions. However, this heavy emphasis on examination scores may decline or fall out of favor with educational institutions or education authorities in China. We face challenge to help students to improve their overall ability and quality other than improving their school grades.

Admission and assessment processes in China constantly undergo changes and developments in terms of subject and skill focus, question type, examination format and the manner in which the processes are administered. We are therefore required to continually update and enhance our curriculum, course materials and teaching methods. Any inability to track and respond to these changes in a timely and cost-effective manner would make our services and products less attractive to students, which may materially and adversely affect our reputation and ability to continue to attract students, and in turn have a material adverse effect on our business, financial condition and results of operations.

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

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

We have a large number of students and their parents on our premises to attend classes and/or use our facilities, and they may suffer accidents or injuries or other harm on our premises, including those caused by or otherwise arise from the actions of our employees or contractors. Although we have since enhanced preventive measures to avoid similar incidents, we cannot assure you that there will be no similar incidents in the future. We also organize overseas trips for students as a part of certain of our services. Due to our limited experience organizing such trips and unfamiliarity with foreign countries, our students may be involved in accidents or suffer injuries or other harm on these trips.

In the event of accidents or injuries or other harm caused or perceived to be caused by us, our facilities and/or services may be perceived to be unsafe, which may discourage prospective students from attending our classes and participate in our activities. Although we carry certain liability insurance policies for our students and their parents, they may not be sufficient to cover the compensation or even applicable to the accidents or injuries occurred. We could also face claims alleging that we should be liable for the accidents or injuries, or we were negligent, provided inadequate supervision to our employees or contractors and therefore should be held jointly liable for harm caused by them. A material liability claim against us or any of our teachers or independent contractors could adversely affect our reputation, enrollment and revenues. Even if unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management.

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

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

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

Widespread use of the internet for educational purposes is a relatively recent occurrence, and the market for internet-based courses and services is characterized by rapid technological changes and innovations, such as artificial intelligence, augmented reality, virtual reality, as well as unpredictable product life cycles and user preferences. We have limited experience with online courses and services. We must be able to adapt quickly to changing student needs and preferences, technological advances and evolving internet practices in order to compete successfully in online education. Ongoing enhancement of our online offerings and technologies may entail significant expenses and technological risks, and we may not be able to use new technologies effectively and may fail to adapt to changes in the online education market on a timely and cost-effective basis. We began offering online courses through our *www.xueersi.com* in 2010 and revenues generated from our online course offerings through *www.xueersi.com* accounted for 7.0%, 13.3% and 18.9% of our total net revenues in the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively. We expect that revenues from our online course offerings will increase. However, if improvements to our online offerings and technologies are delayed, result in systems interruptions or are not aligned with market expectations or preferences, we may lose market share and our growth prospects could be adversely affected.

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

Our future success depends heavily upon the continuing services of the members of our senior management team. If any member of our senior management team leaves us and we fail to effectively manage a transition to new personnel in the future or if we fail to attract and retain qualified and experienced professionals on acceptable terms, our business, financial condition and results of operations could be adversely affected. Competition for experienced management personnel in the education industry is intense, the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or to attract and retain high-quality senior executives or key personnel in the future.

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

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

Our office space and service and learning centers are presently mainly located on leased premises. We own 7,582 square meters of building space in Beijing and approximately 2,000 square meters in other cities. The lease term of our leased premises generally ranges from one to 15 years and the lease agreements are renewable upon mutual consent at the end of the applicable lease period. We may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms or at all, which could adversely affect our business. We may have to relocate our operations for various other reasons, including increasing rentals, failure in passing the fire inspection in certain locations and the early termination of lease agreements. In addition, if the leased premises where our learning centers located do not pass the fire inspection or do not comply with the relevant fire safety regulations, we may have to close such learning centers. We also have not registered most of our lease agreements with the relevant PRC governmental authorities as required by relevant PRC law. We may be required by the relevant governmental authorities to complete such registration, or otherwise subject to fines ranging from RMB1,000 to RMB10,000 for each lease agreement that has not been registered. However, failure to complete such registration would not affect the enforceability of the relevant lease agreements in practice.

In addition, a few of our lessors have not been able to provide us with document proving completion of the fire inspection of the leased premises, copies of title certificates or other evidentiary documents to prove that they have authorization to lease the properties to us. Our business and legal teams followed an internal guideline to identify and assess risks in connection with leasing the properties, and a final business decision was made after our analysis of the likely impact of the defects on the leasehold interests and the value of the properties to our expansion plan. However, there is no assurance that our decision would always lead to the favorable outcome we expected to achieve. If any of our leases are terminated as a result of challenges by third parties or government authorities for lack of title certificates or proof of authorization to lease, we do not expect to be subject to any fines or penalties but we may be forced to relocate the affected learning centers and incur additional expenses relating to such relocation. If our use of the leased premise is challenged by relevant government authorities for lack of fire inspection, we may be further subject to fines and also be forced to relocate the affected learning centers and incur additional expenses. If we fail to find suitable replacement sites in a timely manner or on terms acceptable to us, our business and results of operations could be materially and adversely affected.

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

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

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

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

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

We cannot assure you that our courses and marketing materials, online courses, products, and platform or other intellectual property developed or used by us do not or will not infringe upon valid copyrights or other intellectual property rights held by third parties. We may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in those disputes. We have adopted policies and procedures to prohibit our employees and contractors from infringing upon third-party copyright or intellectual property rights. However, we cannot assure that our teachers or other personnel will not, against our policies, use third-party copyrighted materials or intellectual property without proper authorization in our classes, on our websites, at any of our locations or via any medium through which we provide our programs. Our users may also post unauthorized third-party content on our websites. We may incur liability for unauthorized duplication or distribution of materials posted on our websites or used in our classes. We have been involved in claims against us alleging our infringement of third-party intellectual property rights and we may be subject to such claims in the future. Any such intellectual property infringement claim could result in costly litigation, harm our reputation and divert our management attention and resources and pay substantial damage.

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

We have made and intend to continue to make acquisitions or equity investments in additional businesses that complement our existing business. We may not be able to successfully integrate acquired businesses. If the businesses we acquire do not subsequently generate the anticipated financial performance or if any goodwill impairment test triggering event occurs, we may need to revalue or write down the value of goodwill and other intangible assets in connection with such acquisitions or investments, which would harm our results of operations.

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

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

We face risks associated with the Firstleap franchisees.

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

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

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

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

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

On February 1, 2019, we signed a 3-year $600 million term and revolving facilities agreement with a group of arrangers led by Deutsche Bank AG, Singapore Branch. The facilities, a $270 million 3-year bullet maturity term loan and a $330 million 3-year revolving facility, are priced at 175 basis points over LIBOR. As of February 29, 2020, we had drawn down $270 million three-year bullet maturity term loan under the facility commitment.

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

We cannot assure you that we will have sufficient funds to fulfill our payment obligations under our indebtedness. Our ability to meet our payment obligations under our indebtedness depends on our ability to generate sufficient cash flow, which is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. Moreover, we are a holding company with no material operations of our own. As a result, we rely upon dividends and other cash distributions paid to us by our subsidiaries to meet our payment obligations under indebtedness incurred at the holding company level. Our subsidiaries are distinct legal entities and do not have any obligation, legal or otherwise, to provide us with dividends or other distributions. We may face tax or other adverse consequences, or legal limitations, on our ability to obtain funds from these entities.

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

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

If we are unable to obtain funding in a timely manner or on commercially acceptable terms, we may not be able to meet our payment obligations under our indebtedness.

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

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

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

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

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

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

System disruptions to our websites or information technology systems, any significant cybersecurity incident or a leak of student data could damage our reputation, limit our ability to retain students and increase student enrollment or give rise to financial or legal consequences.

The performance and reliability of our online and technology infrastructure is critical to our reputation and ability to retain students and increase student enrollment. Any system error or failure, or a sudden and significant increase in online traffic, could disrupt or slow access to our websites. We cannot assure you that we will be able to expand our online infrastructure in a timely and cost-effective manner to meet the increasing demands of our students and their parents. In addition, our information technology systems store and process important information including, without limitation, class schedules, registration information and student data and could be vulnerable to interruptions or malfunctions due to events beyond our control, such as natural disasters and technology failures. For instance, we have in the past experienced interruptions to our operations due to temporary information technology system failures.

Although we have a daily backup system that runs on different servers for our operating data, we may still lose important student data or suffer disruption to our operations if there is a failure of the database system or the backup system. In addition, computer hackers may attempt to penetrate our network security and our website. We have in the past experienced several computer attacks, although they did not materially affect our operations. We may be required to invest significant resources in protecting against the foregoing technological disruptions and/or security breaches, or to remediate problems and damages caused by such incidents, which could increase the cost of our business and in turn adversely affect our financial conditions and results of operations. Unauthorized access to our proprietary business information or customer data may be obtained through break-ins, sabotage, breach of our secure network by an unauthorized party, computer viruses, computer denial-of-service attacks, employee theft or misuse, breach of the security of the networks of our third party providers, or other misconduct. Because the techniques used by computer programmers who may attempt to penetrate and sabotage our network security or our website change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. It is also possible that unauthorized access to customer data may be obtained through inadequate use of security controls by customers. We would suffer economic and reputational damages if a technical failure of our systems or a security breach compromises student data, including identification or contact information, although there has not been any material compromise in the past. Any disruption to our computer systems could therefore have a material adverse effect on our on-site operations and ability to retain students and increase student enrollments.

Our business has been and is likely to continue to be materially adversely affected by the outbreak of COVID-19.

Since the beginning of 2020, outbreaks of COVID-19 have resulted in the temporary closure of many business facilities across China. Normal economic life throughout China was sharply curtailed. While many of the restrictions on movement within China have been relaxed as of the date of this annual report, there is great uncertainty as to the future progress of the disease. Currently, there is no vaccine or specific anti-viral treatment for COVID-19. Relaxation of restrictions on economic and social life may lead to new cases which may lead to the reimposition of restrictions.

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

Offline businesses. Our learning centers across the nation underwent temporary yet prolonged closure as part of precautionary measures we have taken with respect to our offline business and pursuant to government orders with respect to educational institutions as well as business activities in general to combat the outbreak. Following the closure, we immediately took measures to effectively move our offline course offerings online and provide our customers that already purchased offline courses with comprehensive remedies such as refunds, exchanges, or compensation for price differences. Despite our initiatives, there could still be cases of customer dissatisfaction and complaints as a result of the drastic changes. We believe that the decrease in revenues from offline learnings centers will be partially offset by the increase in online revenues.

Expansion. Pending further development of the outbreak, we temporarily slowed down or suspended our offline capacity growth plans, and instead focus on improving the utilization rate and operational efficiency. Moreover, we have two major facilities under construction, the progress of which have been delayed due to restrictions on travel, suspension of business activities, and disease control protocols, that were or still are in place. The construction delay may cause, among others, the projects to miss completion deadline, go over budget, or both, and the raw material cost may fluctuate as a result of the outbreak.

Financial condition and results of operations. Due to the impact of the outbreak of COVID-19, our results of operations for the fourth quarter of fiscal year 2020 were weaker than expected. In addition, the COVID-19 outbreak brings great uncertainty to our financial condition and operating results for fiscal year 2021, including but not limited to negative impact to our total revenues and downward adjustments or impairment to our long-lived assets and long-term investments. Because of the significant uncertainties surrounding the COVID-19 outbreak, the extent of the business disruption and the related financial impact cannot be reasonably estimated at this time.

Corporate responsibilities. To support China’s efforts to fight the pandemic we contributed cash donations and education-related investment to provide free technology, teaching and training and other necessary support for students and sector-wide partners.

We cannot assure you that the COVID-19 pandemic can be eliminated or contained in the near future, or at all, or a similar outbreak will not occur again. If the COVID-19 pandemic and the resulting disruption to our business were to extend over a prolonged period, it could materially and adversely affect our business, financial condition, and results of operations.

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

In addition to the impact of COVID-19, our business could be materially and adversely affected by natural and other disasters, including earthquakes, fire, floods, environmental accidents, power loss, communication failures and similar events. Additionally, our business could be materially and adversely affected by the outbreak of H7N9 bird flu, H1N1 swine influenza, severe acute respiratory syndrome (SARS), Ebola or another health epidemic. While we have not suffered any material loss or experienced any significant increase in costs as a result of any natural and other disaster or other extraordinary event, our student attendance and our business could be materially and adversely affected by any such occurrence in any of the cities in which we have major operations.

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

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

Our management and our independent registered public accounting firm, which has issued an attestation report, identified one material weakness in our internal control over financial reporting as of February 29, 2020 in accordance with the standards established by the Public Company Accounting Oversight Board of the United States and concluded that our internal control over financial reporting was not effective due to this material weakness as of February 29, 2020. The material weakness identified relates to our failure to timely update our design on controls with a sufficient level of precision to prevent and detect misstatements related to our newly developed business. Specifically, the material weakness is a combination of control deficiencies surrounding Light Class business where transactions are conducted through agents, including: (1) lack of continuous and sufficient risk assessment and monitoring on the newly developed business along with the expansion of such business; (2) inadequate review over vendor selection and approval; (3) insufficient review over approval of supplemental agreements; (4) insufficient review over the business substance when approving expenditure payments by the operation department; and (5) insufficient monitoring over hospitality expenses incurred related to newly developed business in light of the higher risks of the potential FCPA violation. The material weakness has resulted in restatement of our unaudited quarterly financial statements for the periods ended May 31, August 31 and November 30, 2019, respectively, to reflect correction of errors which led to reversal of our net revenues and net income attributable to our company for the first nine months of fiscal year 2020 in the aggregate amount of US$86.1 million and US$26.6 million, respectively. We are implementing and will continue to implement a number of remediation measures to address the material weakness and the deficiencies that have been identified. For details, see "Item 15. Controls and Procedures." However, we cannot assure you that we will be able to implement these measures to effectively remediate our material weakness, or that we will not identify any additional material weaknesses or significant deficiencies in the future.

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

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

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

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

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes allegations, anonymous or otherwise, sent to our auditors and/or other third parties regarding our operations, accounting, revenues, business relationships, business prospects and business ethics. Additionally, allegations, directly or indirectly against us, may be posted in internet chat-rooms or on blogs or any websites by anyone, whether or not related to us, on an anonymous basis. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Our reputation may also be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may adversely affect the price of our ADSs.

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

In June 2010, we adopted a 2010 share incentive plan, as amended and restated in August 2013, that permits granting of options to purchase our Class A common shares, restricted shares, restricted share units, share appreciation rights, dividend equivalent rights and other instruments as deemed appropriate by the administrator under the plan. The amended and restated 2010 share incentive plan, or the 2010 Plan, has a term of 10 years, and will terminate as of June 30, 2020. As of May 31, 2020, 9,785,852 non-vested restricted Class A common shares and 975,421 share options to purchase 975,421 Class A common shares under the 2010 Plan previously granted to our employees and directors are outstanding. In June 2020, we adopted a 2020 Share Incentive Plan, or the 2020 Plan, pursuant to which the maximum aggregate number of shares that may be issued pursuant to all awards (including incentive share options) (the "Award Pool") is initially five percent (5%) of our total issued and outstanding shares as of the effective date of the 2020 Plan, provided that (A) the Award Pool shall be increased automatically if and whenever the number of shares that may be issued pursuant to ungranted awards pursuant to the 2020 Plan (the "Ungranted Portion") accounts for less than one percent (1%) of the then total issued and outstanding shares of our company, so that for each automatic increase, the Ungranted Portion immediately after such increase shall equal five percent (5%) of the then total issued and outstanding shares of our company, and (B) the size of the Award Pool shall be equitably adjusted in the event of any share dividend, subdivision, reclassification, recapitalization, split, reverse split, combination, consolidation or similar transactions. As a result of the outstanding grants under the 2010 Plan and potential future grants under the 2020 Plan, we have incurred and will continue to incur share-based compensation expenses. We had share-based compensation expenses of $47.1 million, $77.3 million and $117.9 million for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively. As of February 29, 2020, the unrecognized compensation expenses amounted to $406.8 million related to the non-vested restricted shares, which will be recognized over a weighted-average period of 4.8 years, and $15.6 million related to share options, which will be recognized over a weighted-average period of 3.8 years. Expenses associated with share-based compensation awards granted under our share incentive plan may materially reduce our future net income. However, if we limit the size of grants under our share incentive plan to minimize share-based compensation expenses, we may not be able to attract or retain key personnel.

Risks Related to Our Corporate Structure

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

PRC laws and regulations currently require any foreign entity that invests in the education business in China to be an educational institution with relevant experience in providing education services outside China. None of our offshore holding companies is an educational institution or provides education services. To comply with PRC laws and regulations, we have entered into (i) a series of contractual arrangements among Beijing Century TAL Education Technology Co., Ltd., or TAL Beijing, on the one hand, and Xueersi Education, Xueersi Network, Xinxin Xiangrong and their respective shareholders, subsidiaries and schools, on the other hand, and (ii) a series of contractual arrangements among Beijing Lebai Information Consulting Co., Ltd., or Lebai Information, on the one hand, and Lebai Education and its sole shareholder, subsidiaries and schools, on the other hand. Accordingly, Xueersi Education, Xueersi Network, Xinxin Xiangrong and Lebai Education are our VIEs, and we rely on the contractual arrangements with our VIEs and their respective shareholders, subsidiaries and schools, or the VIE Contractual Arrangements, to conduct most of our services in China. Our VIEs, together with their respective subsidiaries and schools, are our Consolidated Affiliated Entities.

We have been and are expected to continue to be dependent on our Consolidated Affiliated Entities in China to operate our education business until we qualify for direct ownership of educational businesses in China. Pursuant to the VIE Contractual Arrangements, we, through our wholly owned subsidiaries in China, exclusively provide comprehensive intellectual property licensing, technical and business support services to our Consolidated Affiliated Entities in exchange for payments from them. In addition, the VIE Contractual Arrangements provide us with the ability to effectively control our VIEs and their respective existing and future subsidiaries and schools, as applicable.

It is uncertain whether any new PRC laws, rules or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. In August 2018, the Ministry of Justice published a draft Implementation Rules for Private Education Law, or the draft Implementation Rules, for review. The draft Implementation Rules, among other things, provide that entities implementing group-based education shall not control non-profit schools by merger, acquisition, franchise or contractual arrangements. The draft Implementation Rules also provide that transactions among private schools and their affiliates shall be fair and open to public. For those agreements entered into by non-profit schools and their affiliates which is long-term or involving important interests or repeated performance, the educational authorities shall audit the necessity, legitimacy and legal compliance of such agreements. Such requirements, if remained in the final version and signed into law, may challenge the validity and enforceability of our VIE Contractual Arrangements.

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

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

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

We rely on the VIE Contractual Arrangements for our PRC operations, which may not be as effective in providing operational control as direct ownership.

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

We have entered into equity pledge agreements with our VIEs and their respective shareholders to guarantee the performance of the obligations of our Consolidated Affiliated Entities under the exclusive business cooperation agreements they have entered into with us. Pursuant to the equity pledge agreements entered into by and among Xueersi Education, Xueersi Network, Xinxin Xiangrong, the shareholders of the above three companies and TAL Beijing, our wholly owned subsidiary, 100% equity interests of Xueersi Education, Xueersi Network and Xinxin Xiangrong have been pledged to TAL Beijing. Pursuant to the equity pledge agreement entered into by and among Lebai Information, Lebai Education and the sole shareholder of Lebai Education, 100% equity interests of Lebai Education has been pledged to Lebai Information. The pledge of the 100% registered capital of Xueersi Education, Xueersi Network as well as Xinxin Xiangrong to TAL Beijing, and the pledge of the 100% registered capital of Lebai Education to Lebai Information have been registered with the local branch of SAIC. The equity pledge agreements with the shareholders of the VIEs provide that the pledged equity interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the principal service agreements and the scope of pledge shall not be limited by the amount of the registered capital of the VIEs. However, it is possible that a PRC court may take the position that the amount listed on the equity pledge registration forms represents the full amount of the collateral that has been registered and perfected. If this is the case, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amount listed on the equity pledge registration forms could be determined by the PRC court as unsecured debt, which takes last priority among creditors.

In addition, we have not entered into agreements with our VIEs that pledge the assets of our Consolidated Affiliated Entities for the benefit of us or our wholly owned subsidiaries. Consequently, the assets of our Consolidated Affiliated Entities are not secured on behalf of our wholly owned subsidiary, and the amounts owed by our Consolidated Affiliated Entities are not collateralized. As a result, if our Consolidated Affiliated Entities fail to pay any amount due to us under, or otherwise breach, the exclusive business service agreements, we will not be able to directly seize the assets of our Consolidated Affiliated Entities. If the nominee shareholders of the VIEs do not act in the best interests of us when conflicts of interest arise, or if they act in bad faith towards us, they may attempt to cause our Consolidated Affiliated Entities to transfer or encumber the assets of the Consolidated Affiliated Entities without our authorization. In such a scenario, we may choose to exercise our option under the call option agreements to demand the shareholders of the VIEs to transfer their respective equity interests in the VIEs to a PRC person designated by us, and we may need to resort to litigation in the PRC courts to effect such an equity interests transfer and prevent the transfer or encumbrance of the VIEs' assets without our authorization. However, uncertainties in the PRC legal system could limit our ability to enforce the VIE Contractual Arrangements. In the event we are unable to enforce the VIE Contractual Arrangements, we may not be able to have the power to direct the activities that most significantly affect the economic performance of our VIEs and their schools and subsidiaries, and our ability to conduct our business may be negatively affected, and we may not be able to consolidate the financial results of our VIEs and their schools and subsidiaries into our consolidated financial statements in accordance with U.S. GAAP.

Any failure by our VIEs or their respective shareholders to perform their obligations under the VIE Contractual Arrangements would have a material adverse effect on our business and financial condition.

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

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

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

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

We cannot assure you that when conflicts of interest arise, any or all of these individuals will act in the best interests of our company or such conflicts will be resolved in our favor. In addition, these individuals may breach, or cause our Consolidated Affiliated Entities to breach, or refuse to renew, the existing VIE Contractual Arrangements. In June 2013, we entered into a deed of undertaking with Mr. Zhang, which prevents Mr. Zhang from using his majority voting power to remove, replace or appoint any of our directors, and from casting any votes he has as our director or shareholder on any resolutions or matters concerning the deed itself. The deed is irrevocable, and applies to any and all periods during which Mr. Zhang beneficially owns share representing more than 50% of the aggregate voting power of our then total issued and outstanding shares. However, there can be no assurance that such arrangement is sufficient to address potential conflicts of interests Mr. Zhang may encounter. Other than this deed of undertaking we have entered into with Mr. Zhang, we currently do not have any arrangements to address potential conflicts of interest Mr. Zhang, Mr. Liu and Mr. Bai may encounter in their capacity as direct or indirect nominee shareholders of the VIEs (and, as applicable, as directors of the VIEs), on the one hand, and as beneficial owners of our company (and, as applicable, director and/or officers of our company), on the other hand. To a large extent, we rely on the legal owners of the VIEs to abide by the laws of the Cayman Islands and China, which provide that directors and officers owe a fiduciary duty to our company that requires them to act in good faith and in the best interests of our company and not to use their positions for personal gains. If we cannot resolve any conflict of interest or dispute between us and these individuals, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

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

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

We have three major types of chops-corporate chops, contract chops and finance chops. We use corporate chops generally for documents to be submitted to government agencies, such as applications for changing business scope, directors or company name, and for legal letters. We use corporate chops or contract chops for executing leases and commercial contracts. We use finance chops generally for making and collecting payments, including, but not limited to issuing invoices. Use of chops must be approved by the responsible departments and follow our internal procedure. Although we usually utilize chops to execute contracts, the registered legal representatives of our PRC subsidiaries, VIEs and their schools and subsidiaries have the apparent authority to enter into contracts on behalf of such entities without chops.

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

If any of the authorized employees or designated legal representatives obtain and misuse or misappropriate our chops and seals or other controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations.

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

The principal regulations governing private education in China are The Private Education Law, or Private Education Law, and The Implementation Rules for Private Education Law, or Implementation Rules. Before September 1, 2017, under the Private Education Law and Implementation Rules, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school that requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount shall be equivalent to no less than 25% of the annual increase in the net assets of the school, if any. A private school that requires reasonable returns must publicly disclose such election and additional information required under the regulations. A private school shall consider factors such as the school's tuition, ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the investors as reasonable returns. However, none of the current PRC laws and regulations provides a formula or guidelines for determining "reasonable returns." In addition, none of the current PRC laws and regulations sets forth clear requirements or restrictions on a private school's ability to operate its education business based on such school's status as one that does or does not require reasonable returns.

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

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

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

The VIE Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and a finding that we or our Consolidated Affiliated Entities owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

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

If any of our PRC subsidiaries or Consolidated Affiliated Entities becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy certain important assets, which could reduce the size of our operations and materially and adversely affect our business, ability to generate revenue and the market price of our ADSs.

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

We do not have priority pledges and liens against the assets of our Consolidated Affiliated Entities. As a contractual and property right matter, this lack of priority pledges and liens has remote risks. If any of our Consolidated Affiliated Entities undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on the assets. If any of our Consolidated Affiliated Entities liquidates, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed by the entity to our PRC subsidiaries under the applicable service agreements.

In the event that the shareholders of any of our VIEs initiates a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of the relevant VIE without our prior consent, we may need to resort to legal proceedings to enforce the terms of the VIE Contractual Arrangements. Any such litigation may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such litigation would be uncertain.

Risks Related to Doing Business in China

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

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

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

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

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

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

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

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

In addition, uncertainties still exist as the competent authorities may set more specific and stringent operation requirements for after-school tutoring institutions. We may be unable to meet such requirements in a prompt manner or incur additional costs in complying with such requirements, which may adversely affect our business, financial conditions and results of operations.

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

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

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

We routinely collect, store and use personal information during the ordinary course of our business. We are subject to PRC laws and regulations governing the receiving, storing, sharing, using, processing, disclosure and protection of personal information on the internet and mobile platforms. See “Item 4. Information on the Company—B. Business Overview—PRC Regulation—Laws of Protection of Personal Information of Citizen.” The scope of these laws and regulations is evolving and further detailed implementation rules and interpretations may be promulgated. It is possible that these obligations may be interpreted and applied in a manner that is inconsistent with our practices. In addition, the Office of the Central Cyberspace Affairs Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, and the State Administration for Market Regulation jointly issued an announcement on January 23, 2019 regarding carrying out special campaigns against mobile internet application programs collecting and using personal information in violation of applicable laws and regulations, which prohibits business operators from collecting personal information irrelevant to their services, or forcing users to give authorization in disguised manner. As this announcement is relatively new, we cannot assure you we can adapt our operations to it in a timely manner. If we fail to comply with these laws and regulations, we may be penalized by relevant authorities and be subject to litigation or negative publicity against us by consumer advocacy groups or others, and our operations or reputation could be adversely affected.

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

We are required to obtain and maintain various licenses and permits and fulfill registration and filing requirements in order to operate our tutoring service business. For instance, a duly approved private school will be granted a Permit for Operating a Private School, and shall be registered with the Ministry of Civil Affairs or its local branches as a non-profit school or registered with the relevant local branch of the SAIC as a for-profit school. In addition, pursuant to the State Council Opinions 80 and relevant RPC laws and regulations, opening branches or learning centers by any after-school tutoring institution shall also be subject to registration or filing requirements. As of February 29, 2020, certain of our learning centers had not completed filing requirements for permits or registrations, which in the aggregate accounted for an immaterial portion of our total net revenues for the fiscal year ended February 29, 2020.

We are in the process of preparing filings and applying for permits for these learning centers in accordance with the State Council Opinions 80 and relevant PRC laws and regulations but do not expect to complete all such filings and obtain all such permits in the near term. We are also considering other potential locations for certain learning centers we may have difficulty to obtain permits. We have been taking steps to meet these requirements, but there is no assurance that our efforts will result in full compliance given the significant amount of discretion PRC government authorities have in interpreting, implementing and enforcing rules and regulations and due to other factors beyond our control. However, if we fail to obtain or maintain requisite licenses and permits or fulfill requisite registration and filing requirements to operate our after-school tutoring business, including any failure to cure non-compliance in a timely manner, we may be subject to fines, confiscation of the gains derived from non-compliant operations or the suspension of non-compliant operations, which may materially and adversely affect our business and results of operations.

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

We deliver certain tutoring services through our online course offerings.

The MOE, jointly with certain other PRC government authorities, promulgated the Implementation Opinions on Regulating Online After-School Tutoring, or the Online After-School Tutoring Opinions, effective on July 12, 2019. The Online After-School Tutoring Opinions are intended to regulate academic after-school training involving internet technology provided to students in primary and secondary schools. Among other things, the Online After-School Tutoring Opinions require that online after-school training institutions shall file with the competent provincial education regulatory authorities before October 31, 2019 and that such education regulatory authorities shall, jointly with other provincial government authorities, review such filings and the qualifications of the online after-school training institutions submitting such filings. The Online After-School Tutoring Opinions also impose a series of new regulatory requirements, including (i) each class shall not last longer than 40 minutes and shall be taken at intervals of not less than 10 minutes; (ii) live streaming courses provided to students receiving compulsory education shall not end later than 9:00 p.m.; (iii) where fees are charged based on the number of classes, fees are not allowed to be collected in a lump sum for more than 60 classes, and where fees are charged based on the length of the course, the fees shall not be collected for a course length of more than three months; and (iv) instructors are required to obtain the necessary teacher qualification licenses. According to the Online After-School Tutoring Opinions, provincial education regulatory authorities shall promulgate local implementing rules regarding the above-mentioned filing requirements. For details, see “Item 4. Information on the Company-B. Business Overview-PRC Regulation- Regulations on Online and Distance Education.” Moreover, the MOE, jointly with certain other PRC government authorities, issued the Opinions on Guiding and Regulating the Orderly and Healthy Development of Educational Mobile Apps on August 10, 2019, or the Opinions on Educational Apps, which requires, among others, mobile apps that offer services for school teaching and management, student learning and student life, or home-school interactions, with school faculty, students or parents as the main users, and with education or learning as the main application scenarios, be filed with the competent provincial regulatory authorities for education before the end of 2019. See “Item 4. Information on the Company-B. Business Overview-PRC Regulation- Regulations on Educational Applications (Apps).”

We are making efforts to comply with the Online After-School Tutoring Opinions and the Opinions on Educational Apps. As the Online After-School Tutoring Opinions and the Opinions on Educational Apps were newly promulgated, we cannot assure you that we will complete such filing and comply with other regulatory requirements under the Online After-School Tutoring Opinions, the Opinions on Educational Apps and their related local rules in a timely manner, or at all. If we fail to promptly complete such filing and comply with other applicable regulatory requirements, we may be subject to fines, regulatory orders to suspend our operations or other regulatory and disciplinary sanctions, which may materially and adversely affect our online education business and results of operations.

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

In addition, uncertainties still exist as new laws and regulations, including without limitation the amended Implementation Rules, may set more specific and stringent requirements for online educational institutions, such as requiring online educational institutions to obtain Permit for Operating a Private School. We may be unable to comply with such new laws and regulations in a prompt manner or incur additional costs in complying with relevant requirements, which may adversely affect our business, financial conditions and results of operations. Meanwhile, there can be no assurance that we will be able to maintain our existing licenses, approvals, registrations or permits necessary to provide our current online services in China, renew any of them when their current term expires, or update existing licenses or obtain additional licenses, approvals, permits, registrations or filings necessary for our business expansion from time to time. If we fail to do so, our business, financial condition and operational results may be materially and adversely affected.

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

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

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

Some of the personalized premium services we offer in Beijing are offered through Beijing Huanqiu Zhikang Shidai Education Consulting Co., Ltd., or Huanqiu Zhikang, and Zhixuesi Education Consulting (Beijing) Co., Ltd., or Zhixuesi Beijing, both of which are our wholly owned foreign-invested companies under PRC laws. Huanqiu Zhikang and Zhixuesi Beijing together with their branches have obtained business licenses from the Beijing branch of the SAIC but neither of them have obtained Permit for Operating a Private School. In addition, in cities other than Beijing, some of the subsidiaries of our VIEs in the form of limited liability companies engaging in the personalized premium services have not obtained Permit for Operating a Private School, as required by the Private Education Law. See "Item 4. Information on the Company—B. Business Overview—PRC Regulation—The Law for Private Education Law and the Implementation Rules for Private Education Law."

We have been making efforts to apply for the Permit for Operating a Private School for our wholly owned subsidiaries and the subsidiaries of VIEs that engage in personalized premium services but have not obtained such permit. We may not be able to obtain the Permit for Operating a Private School in a timely manner given that the relevant local authorities may have not promulgated the implementing rules and guidelines for applications of such permit and that the local authorities may further set more specific and stringent operation requirements for applying such permit. If we fail to obtain Permits for Operating a Private School for the entities engaging in personalized premium services, the relevant entities may be subject to fines, confiscation of the gains derived from noncompliant operations or the suspension of noncompliant operations, which may materially and adversely affect our business and results of operations.

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

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

The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. While some of these measures benefit the overall PRC economy, they may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments, conversion of foreign exchange into Renminbi or changes in tax regulations and practices that are applicable to us. In addition, future actions or policies of the PRC government to control the pace of economic growth may cause a decrease in the level of economic activity in China, which in turn could materially affect our liquidity and access to capital and our ability to operate our business.

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

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

The global macroeconomic environment is facing challenges, including the end of quantitative easing by the U.S. Federal Reserve, the economic slowdown in the Eurozone since 2014 and the uncertain impact of “Brexit.” The PRC economy has shown slower growth compared to the previous decade since 2012 and such slowdown may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in volatility in oil and other markets. There have also been concerns on the relationship between China and other countries, including the surrounding Asian countries, which may potentially result in economic effects such as foreign investors exiting the China market and other economic effects. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. The ongoing trade war between China and the United States and its potential escalation may have a material adverse effect on global economic conditions and the stability of global financial markets, and they may significantly reduce global trade and, in particular, trade between China and the United States. Any severe or prolonged slowdown in the global or PRC economy may materially and adversely affect our business, results of operations and financial condition. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

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

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

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

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

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

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

- capital contributions to our subsidiaries in China, whether existing ones or newly established ones, provided that the PRC subsidiaries completes the relevant filing and reporting procedures and register with the local bank authorized by State Administration of Foreign Exchange, or SAFE;

- loans by us to our subsidiaries in China, each of which is a foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with local branches of SAFE; and

- loans by us to our Consolidated Affiliated Entities, which are domestic PRC entities, must be registered with the National Development and Reform Commission and must also be registered with SAFE or its local branches.

In addition, SAFE promulgated a notice regulating the conversion by a foreign-invested company of its capital contribution in foreign currency into Renminbi, or SAFE Circular 142, which requires that 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 in charge of foreign investment or by other competent authorities and as registered with the local branch of the SAIC and, unless set forth in the business scope or in other regulations and may not be used to make equity investments in China, unless specifically provided otherwise. Moreover, the approved use of such RMB funds may not be changed without approval from SAFE. RMB funds converted from foreign exchange may not be used to repay loans in RMB if the proceeds of such loans have not yet been used. Any violation of SAFE Circular 142 may result in severe penalties, including substantial fines. We expect that if we convert the net proceeds from offshore offerings into Renminbi pursuant to SAFE Circular 142, our use of RMB funds will be for purposes within the approved business scope of our PRC subsidiaries. However, we may not be able to use such RMB funds to make equity investments in China through our PRC subsidiaries. SAFE promulgated the Notice on Reforming the Management Method relating to Conversion of the Capital Contribution of Foreign Invested Company from Foreign Exchange to Renminbi, or SAFE Circular 19, effective June 2015, which abolished SAFE Circular 142, but the foregoing rules have been retained in SAFE Circular 19. SAFE promulgated the Notice on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, or SAFE Circular 13, effective June 2015. Pursuant to SAFE Circular 13, annual foreign exchange inspection of direct investment is not required anymore and the registration of existing equity is required. SAFE Circular 13 also grants the authority to banks to examine and process foreign exchange registration with respect to both domestic and offshore direct investment. SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, effective June 9, 2016. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

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

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

The Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Circular 75, requires PRC residents to register with the relevant local branch of SAFE before establishing or controlling any company outside China, referred to as an offshore special purpose company, for the purpose of raising funds from overseas to acquire or exchange the assets of, or acquiring equity interests in, PRC entities held by such PRC residents and to update such registration in the event of any significant changes with respect to that offshore company. SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014, which replaced SAFE Circular 75. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. Further, the National Development and Reform Commission, or NDRC, issued the Administrative Measures for Outbound Investment by Enterprises, or Circular 11, on December 26, 2017, which took effect on March 1, 2018, pursuant to which the outbound investment via the overseas enterprises controlled by PRC residents are subject to verification and approval, record-filing and reporting to the NDRC. Failure to comply with such verification and approval, record-filing and reporting requirements may subject such PRC Residents to personal liability. See "Item 4. Information on the Company—B. Business Overview—PRC Regulation—Administrative Measures for Outbound Investment by Enterprises" for more detail of Circular 11.

In June 2015, SAFE promulgated SAFE Circular 13, according to which, local banks authorized by the SAFE are the new registration authorities under the SAFE foreign exchange control policies, instead of the local SAFE branches, in order to simply the procedures of foreign exchange control related to direct investment. The SAFE will strengthen the training and supervision on banks to perform the foreign exchange control policy of direct investment. And therefore, pursuant to the SAFE Circular 13, the registration of PRC residents under SAFE Circular 37 should be conducted with local banks authorized by SAFE.

Our beneficial owners who are PRC residents immediately before our initial public offering had registered with the local branch of SAFE prior to our initial public offering in 2010. However, we may not at all times be fully aware or informed of the identities of all of our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with rules and requirements of SAFE and NDRC; nor can we ensure you that their registrations, if they choose to apply, will be successful. The failure or inability of our PRC resident beneficial owners to make any required registrations or comply with these requirements may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans to our PRC operations, limit our PRC subsidiary's ability to pay dividends or otherwise distribute profits to us, or otherwise materially and adversely affect us.

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

The MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, or the SAT, the SAIC, the China Securities Regulatory Commission, or CSRC, and SAFE jointly adopted regulations commonly referred to as the M&A Rules. The M&A Rules establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Further, pursuant to the Circular 11 issued by NDRC, outbound investment via the overseas enterprises controlled by PRC residents are subject to verification and approval, record-filing and reporting requirements to the NDRC. According to Circular 11, sensitive projects, such as outbound investment in real estate, hotels, news media, cinemas or sports club, carried out by overseas enterprises controlled by PRC residents shall obtain verification and approval from the NDRC prior to the implementation of the project. The non-sensitive projects carried out by the overseas enterprise directly controlled by PRC residents, including by means of making asset or equity investment, or providing financing or guarantee, shall complete record-filing with the competent authority prior to the implementation of the Project. The non-sensitive projects carried out by the overseas enterprise indirectly controlled by PRC residents with the investment amount over RMB0.3 billion shall be reported to the NDRC of relevant information by submitting an information reporting form for large-amount non-sensitive projects. See “Item 4. Information on the Company—B. Business Overview—PRC Regulation—Administrative Measures for Outbound Investment by Enterprises” for more detail of Circular 11. Through our dual-class share structure, Mr. Bangxin Zhang, a PRC citizen, possesses and controls 70.8% of the voting power of our company as of June 8, 2020, thus our investment outside China are subject to the abovementioned verification and approval, record-filing and reporting requirements to the NDRC under Circular 11.

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

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

Pursuant to the EIT Law, as further clarified by subsequent tax regulations implementing the EIT Law, foreign-invested enterprises and domestic enterprises are subject to EIT at a uniform rate of 25%. Certain enterprises may benefit from a preferential tax rate of 15% for consecutive 3 years under the EIT Law if they qualify as “High and New Technology Enterprises” (“HNTE”). And certain enterprises qualified as “Newly Established Software Enterprise” are entitled to an income tax exemption for two calendar years, followed by reduced income tax at a rate of 12.5% for three calendar years. Both of these tax benefits are subject to certain requirements described in the EIT Law and the related regulations.

A number of our PRC subsidiaries and Consolidated Affiliated Entities, such as TAL Beijing, Yidu Huida Education Technology (Beijing) Co., Ltd., or Yidu Huida, Beijing Xintang Sichuang Education Technology Co., Ltd., or Beijing Xintang Sichuang, Beijing Yizhen Xuesi Education Technology Co., Ltd., or Yizhen Xuesi, Beijing Yinghe Youshi Technology Co., Ltd., or Yinghe Youshi, Beijing Lebai Information Consulting Co., Ltd., or Lebai Information are, or are expected to be, entitled to applicable preferential tax treatment based on their status of qualified “HNTE” or “Newly Established Software Enterprise” and accordingly are entitled to applicable preferential tax treatment. Furthermore, Yidu Huida was entitled to preferential tax rate of 10% in 2016 , 2017 and 2018 due to its “Key Software Enterprise” status designated by the relevant government authorities. TAL Beijing and Beijing Xintang Sichuang was entitled to preferential tax rate of 10% in 2018 due to their "Key Software Enterprise" status designated by the relevant government authorities. For calendar year 2019, Yidu Huida, TAL Beijing and Beijing Xintang Sichuang applied for the qualification of Key Software Enterprise to enjoy the preferential tax rate of 10%. As of the date of this annual report, the filings are still being reviewed by the tax authorities. However, there can be no assurance that any of these entities will continue to enjoy the preferential tax rate as a “Key Software Enterprise.” See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation—PRC Enterprise Income Tax.”

The discontinuation of any of the above-mentioned preferential income tax treatments currently available to us in the PRC could have a material and adverse effect on our result of operations and financial condition. We cannot assure you that we will be able to maintain our current effective tax rate in the future.

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

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

In addition, the SAT issued bulletins to provide more guidance on the implementation of the above circular. These bulletins clarified certain matters relating to resident status determination, post-determination administration and competent tax authorities. It also specifies that when provided with a copy of a PRC tax resident determination certificate from a resident PRC-controlled offshore incorporated enterprise, the payer shall not be required to withhold 10% income tax when paying the PRC-sourced dividends, interest and royalties to the PRC-controlled offshore incorporated enterprise.

In addition, the SAT issued the Bulletin on Issues Concerning the Determination of Resident Enterprises on the Basis of their Actual Management Bodies in January 2014 to provide more guidance on the implementation of the above circular. This bulletin further provided that, among other things, an entity that is classified as a "resident enterprise" in accordance with the circular shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors registered. From the year in which the entity is determined as a "resident enterprise ," any dividend, profit and other equity investment gain shall be taxed in accordance with the Article 26 of the EIT law and the Article 17 and Article 83 of its implementation rules. Although both the circular and these bulletins only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. We believe that none of our offshore holding companies should be treated as a "resident enterprise" for PRC tax purposes. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue. If the PRC tax authorities determine that any of our offshore holding companies are "resident enterprises" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementation rules, dividend income between qualified resident enterprises is a "tax-exempt income," we cannot guarantee that dividends paid to TAL Education Group from our PRC subsidiaries through TAL Holding Limited, or TAL Hong Kong, or dividends paid from our PRC subsidiaries to Firstleap Education, which is incorporated in the Cayman Islands, through Firstleap Education (HK) Limited, which is incorporated in Hong Kong, would qualify as "tax-exempt income" and will not be subject to withholding tax, as the relevant government authorities that enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as "resident enterprises" for PRC enterprise income tax purposes. Finally, the "resident enterprise" classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC enterprise shareholders and with respect to gains derived by our non-PRC and enterprise shareholders from transferring our notes, shares or ADSs, if such income is considered PRC-sourced income by the relevant PRC authorities. This could have the effect of increasing our and our shareholders' effective income tax rates and may require us to deduct withholding tax from any dividends we pay to our non-PRC shareholders. In addition to the uncertainties regarding how the "resident enterprise" classification may apply, it is also possible that the rules may change in the future, possibly with retroactive effect.

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

Pursuant to the Arrangement between the PRC and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, dividends declared after January 1, 2008 and distributed to our Hong Kong subsidiaries by our PRC subsidiaries are subject to withholding tax at a rate of 5%, provided that our Hong Kong subsidiaries are deemed by the relevant PRC tax authorities to be "non-PRC resident enterprises" under the EIT Law and hold at least 25% of the equity interest of our PRC subsidiaries. The SAT promulgated the Announcement on Issues concerning "Beneficial Owners" in Tax Treaties, or SAT Circular 9, which provides guidance for determining whether a resident of a jurisdiction with tax treaties with China is the "beneficial owner" of an item of income under PRC tax treaties and tax arrangements. According to SAT Circular 9, a beneficial owner generally must engage in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. A conduit company normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. Although we may use our Hong Kong subsidiaries, namely TAL Holding Limited and Firstleap Education (HK) Limited, as a platform to expand our business in the future, our Hong Kong subsidiaries currently do not engage in any substantive business activities and thus it is possible that our Hong Kong subsidiaries may not be regarded as "beneficial owners" for the purposes of SAT Circular 9 and the dividends they receive from our PRC subsidiaries would be subject to withholding tax at a rate of 10%.

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

Pursuant to the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises issued by the SAT in February 2015, or SAT Bulletin 7, where a non-resident enterprise indirectly transfers properties such as equity in PRC resident enterprises without any justifiable business purposes and aiming to avoid the payment of enterprise income tax, such indirect transfer must be reclassified as a direct transfer of equity in PRC resident enterprise, and gains derived from such transfer will be subject to PRC withholding tax at a rate of up to 10%. To assess whether an indirect transfer of PRC taxable properties has reasonable commercial purposes, all arrangements related to the indirect transfer must be considered comprehensively and factors set forth in SAT Bulletin 7 must be comprehensively analyzed in light of the actual circumstances. SAT Bulletin 7 also provides that, where a non-PRC resident enterprise transfers its equity interests in a resident enterprise to its related parties at a price lower than the fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

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

There is uncertainty as to the implementation details of SAT Bulletin 7 and Bulletin 37. It is possible that we or our non-PRC resident investors may become at risk of being taxed under SAT Bulletin 7 and may be required to expend valuable resources to comply with SAT Bulletin 7 and Bulletin 37 or to establish that we or our non-PRC resident investors should not be taxed under SAT Bulletin 7, which may have an adverse effect on our financial condition and results of operations or such non-PRC resident investors' investment in us.

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

The State Administration of Radio, Film and Television, or SARFT (which was merged with the General Administration of Press and Publication in 2013 to form the State Administration of Press, Publication, Radio, Film and Television, or SAPPRFT), and the Ministry of Information Industry, or MII (which was superseded in 2008 by the Ministry of Industry and Information Technology, or MIIT), issued the Administrative Measures Regarding Internet Audio-Video Program Services, or the Internet Audio-Video Program Measures, revised August 2015. Among other things, the Internet Audio-Video Program Measures stipulate that no entities or individuals may provide internet audio-video program services without a License for Disseminating Audio-Video Programs through Information Network issued by the SARFT or SAPPRFT (as applicable) or the relevant local branches or completing the relevant registration with the SARFT or SAPPRFT (as applicable) or the relevant local branches, and only entities wholly owned or controlled by the PRC government may engage in the production, editing, integration or consolidation, and transmission to the public through the internet, of audio-video programs, or the provision of audio-video program uploading and transmission services. The SARFT and the MII have published a press release confirming that providers of audio-video program services established prior to the promulgation date of the Internet Audio-Video Program Measures that do not have any regulatory non-compliance records can re-register with the relevant government authorities to continue their current business operations. There are still significant uncertainties relating to the interpretation and implementation of the Internet Audio-Video Program Measures, in particular, the scope of Internet Audio-Video Programs.

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

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

We offer certain online courses on our platform. In the fiscal years ended February 28 /29, 2018, 2019 and 2020, revenues derived from audio-video program services offered through *www.xueersi.com* that may be subject to the Audio-Video Program Measures were 7.0 %, 13.3% and 18.9 %, respectively, of our total net revenues. Our teachers and students communicate and interact live with each other via our platforms. The audio and video data are transmitted through the platforms between specific recipients instantly without any further redaction. We believe the nature of the raw data we transmit distinguishes us from general providers of internet audio-visual program services, such as the operator of online video websites, and the provision of the Internet Audio-Video Program Measures and the Broadcasting Audio-Video Programs Regulations are not applicable with regard to our offering of the courses in live streaming format. However, we cannot assure you that the competent PRC government authorities will not ultimately take a view contrary to our opinion. In addition, we also offer video recordings of live streaming courses and certain other educational audio-video contents on our online platforms to our students. If the government authorities determine that our provision of online tutoring services falls within the Internet Audio-Video Program Measures or the Broadcasting Audio-Video Programs Regulations, we may not be able to obtain the required permit or license. If this occurs, we may become subject to significant penalties, fines, legal sanctions or an order to suspend our use of audio-video content.

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

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

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

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

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

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

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

To implement the Administrative Rule on Foreign Exchange Matters of Individuals promulgated by PBOC and its related implementation rule provided by SAFE, SAFE issued the Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Incentive Plan and Stock Option Plan of An Overseas Listed Company, or SAFE Circular 78.

Pursuant to the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in a Stock Incentive Plan of an Overseas Publicly-Listed Company issued by SAFE, or SAFE Circular 7, which terminated both SAFE Circular 78, and the Notice on Relinquishing Power of Approving the First-time Application of Foreign Exchange Purchase Quotas, Opening of Special Bank Accounts issued by SAFE, a qualified PRC agent (which could be the PRC subsidiary of the overseas-listed company) is required to file, on behalf of "domestic individuals" (both PRC residents and non-PRC residents who reside in China for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) who are granted shares or share options by the overseas-listed company according to its stock incentive plan, an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock purchase or stock option exercise. Such PRC individuals' foreign exchange income received from the sale of stocks and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in China opened and managed by the PRC domestic agent before distribution to such individuals. In addition, such domestic individuals must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options and their purchase and sale of stock. The PRC domestic agent also needs to update registration with SAFE within three months after the overseas-listed company materially changes its stock incentive plan or make any new stock incentive plans.

Prior to the issuance of SAFE Circular 7, we received approval from SAFE's Beijing branch in regards to applications we had submitted on behalf of certain of our employees who hold a significant number of restricted shares. Upon the issuance of SAFE Circular 7, we renewed our registration on behalf of these employees in accordance with SAFE Circular 7 as SAFE Circular 78 ceased to be applicable for such registration. From time to time, we need to apply for or to update our registration with SAFE or its local branches on behalf of our employees who are granted options or registered shares under our share incentive plan or material changes in our current share incentive plan. We are in the process of making an application on behalf of certain PRC citizens who participate in our share incentive plan with SAFE or its local branches in compliance with SAFE Circular 7. However, we may not always be able to make applications or update our registration on behalf of our employees who hold our restricted shares or other types of share incentive awards in compliance with SAFE Circular 7, nor can we ensure you that such applications or update of registration will be successful. If we or the participants of our share incentive plan who are PRC citizens fail to comply with SAFE Circular 7, we and/or such participants of our share incentive plan may be subject to fines and legal sanctions, there may be additional restrictions on the ability of such participants to exercise their stock options or remit proceeds gained from sale of their stock into China, and we may be prevented from further granting share incentive awards under our share incentive plan to our employees who are PRC citizens. Such events could adversely affect our business operations.

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

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as auditors of companies that are traded publicly in the United States and a firm registered with the United States Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditors are not currently inspected by the PCAOB. On May 24, 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or the CSRC, and the Ministry of Finance which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. On inspection, it appears that the PCAOB continues to be in discussions with the Mainland China regulators to permit inspections of audit firms that are registered with PCAOB in relation to the audit of Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China.

On April 21, 2020, the SEC and the PCAOB issued another joint statement reiterating the greater risk that disclosures will be insufficient in many emerging markets, including China, compared to those made by U.S. domestic companies. In discussing the specific issues related to the greater risk, the statement again highlights the PCAOB's inability to inspect audit work paper and practices of accounting firms in China, with respect to their audit work of U.S. reporting companies. On June 4, 2020, the U.S. President issued a memorandum ordering the President's working group on financial markets to submit a report to the President within 60 days of the memorandum that should include recommendations for actions that can be taken by the executive branch and by the SEC or PCAOB to enforce U.S. regulatory requirements on Chinese companies listed on U.S. stock exchanges and their audit firms. However, it remains unclear what further actions, if any, the U.S. executive branch, the SEC and PCAOB will take to address the problem.

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

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress that would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges such as the New York Stock Exchange of issuers included on the SEC's list for three consecutive years. On May 20, 2020, the U.S. Senate passed S. 945, the Holding Foreign Companies Accountable Act (the "Kennedy Bill"). If passed by the U.S. House of Representatives and signed by the U.S. President, the Kennedy Bill would amend the Sarbanes-Oxley Act of 2002 to direct the SEC to prohibit securities of any registrant from being listed on any of the U.S. securities exchanges or traded "over-the-counter" if the auditor of the registrant's financial statements is not subject to PCAOB inspection for three consecutive years after the law becomes effective. Enactment of any of such legislations or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, the market price of our ADSs could be adversely affected, and we could be delisted if we are unable to cure the situation to meet the PCAOB inspection requirement in time. It is unclear if and when any of such proposed legislations will be enacted. Furthermore, there have been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets. If any such deliberations were to materialize, the resulting legislation may have material and adverse impact on the stock performance of China-based issuers listed in the United States.

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

If additional remedial measures are imposed on the "big four" PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging such firms' failure to meet specific criteria set by the SEC with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

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

In late 2012, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the mainland Chinese affiliates of the "Big Four" accounting firms (including the mainland Chinese affiliate of our independent registered public accounting firm). A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the Chinese accounting firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the Chinese accounting firms reached a settlement with the SEC whereby the proceedings were stayed. Under the settlement, the SEC accepted that future requests by the SEC for the production of documents would normally be made to the CSRC. The Chinese accounting firms would receive requests matching those under Section 106 of the Sarbanes-Oxley Act of 2002, and would be required to abide by a detailed set of procedures with respect to such requests, which in substance would require them to facilitate production via the CSRC. The CSRC for its part initiated a procedure whereby, under its supervision and subject to its approval, requested classes of documents held by the accounting firms could be sanitized of problematic and sensitive content so as to render them capable of being made available by the CSRC to U.S. regulators.

Under the terms of the settlement, the underlying proceeding against the four PRC-based accounting firms was deemed dismissed with prejudice at the end of four years starting from the settlement date, which was on February 6, 2019. Despite the ending of the proceedings, the presumption is that all parties will continue to apply the same procedures. In other words, the SEC will continue to make its requests for the production of documents to the CSRC, and the CSRC will normally process those requests applying the sanitisation procedure. We cannot predict whether, in cases where the CSRC does not authorize production of requested documents to the SEC, the SEC will further challenge the four PRC-based accounting firms' compliance with U.S. law. If additional challenges are imposed on the Chinese affiliates of the "big four" accounting firms, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in China, which could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding PRC-based, U.S.-listed companies and the market price of our ADSs may be adversely affected.

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

Risks Related to Our ADSs

The market price for our ADSs may be volatile.

The market price for our ADSs has fluctuated significantly since we first listed our ADSs. For the fiscal year ended February 29, 2020, the closing prices of our ADSs have ranged from $30.98 to $59.47 per ADS, and the last reported trading price on June 29, 2020 was $67.44 per ADS.

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

- actual or anticipated fluctuations in our operating results,
- changes in financial estimates by securities research analysts,
- changes in the economic performance or market valuation of other education companies,
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments,

- addition or departure of our executive officers and key personnel,
- detrimental negative publicity about us, our competitors or our industry,
- intellectual property litigation, regulatory investigation or other governmental proceedings against us,
- substantial sales or perception of sales of our ADSs in the public market, and
- general economic, regulatory or political conditions in China and the United States.

In addition, the stock market in general, and the market prices for companies with operations in China in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. The securities of some PRC-based companies that have listed their securities in the United States have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of these PRC-based companies' securities after their offerings may affect the attitudes of investors toward PRC-based companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other PRC-based companies may also negatively affect the attitudes of investors towards PRC-based companies in general, including us, regardless of whether we have conducted any inappropriate activities. Further, the global financial crisis, the ensuing economic recessions in many countries and the slowing PRC economy have contributed and may continue to contribute to extreme volatility in the global stock markets. These broad market and industry fluctuations may adversely affect operating performance. Volatility or a lack of positive performance in our ADS price may also adversely affect our ability to retain key employees, some of whom have been granted share incentive awards under our share incentive plan.

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

Our common shares are divided into Class A common shares and Class B common shares. Holders of Class A common shares are entitled to one vote per share, while holders of Class B common shares are entitled to ten votes per share. We issued Class A common shares represented by our ADSs in our initial public offering in October 2010. As part of the redesignation of our capital structure at the time of our initial public offering, all of our existing shareholders as of September 29, 2010, including our founders, received Class B common shares, and our outstanding preferred shares at the time were automatically converted into Class B common shares immediately prior to the completion of our initial public offering. Each Class B common share is convertible into one Class A common share at any time by the holder thereof. Class A common shares are not convertible into Class B common shares under any circumstances.

Upon any transfer of Class B common shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B common shares shall be automatically and immediately converted into the equal number of Class A common shares. In addition, if at any time, any of the persons who held Class B common shares immediately before our initial public offering and their affiliates collectively own less than 5% of the total number of the issued and outstanding Class B common shares, each issued and outstanding Class B common share owned by such Class B holder shall be automatically and immediately converted into one Class A common share, and no Class B common shares shall be issued by us thereafter. Due to the disparate voting powers attached to these two classes, as of June 8, 2020, holders of our Class B common shares (excluding any Class A common shares such holder may hold in the form of ADSs) collectively held approximately 83.4% the voting power of our outstanding shares and have considerable influence over matters requiring shareholder approval, including election of directors and significant corporate transactions, such as a merger or sale of our company or our assets. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A common shares and ADSs may view as beneficial.

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

As of June 8, 2020, our executive officers, directors and their affiliated entities beneficially owned approximately 34.0% of our total outstanding shares, representing 83.5% of our total voting power. These shareholders, if they acted together, could exert substantial influence over matters requiring approval by our shareholders, including electing directors and approving mergers or other business combination transactions and they may not act in the best interests of other minority shareholders. This concentration of ownership may also discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders.

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

The trading market for our securities depends, in part, on the research reports and ratings that securities or industry analysts or ratings agencies publish about us, our business and the K-12 after-school tutoring market in China in general. We do not have any control over these analysts or agencies. If one or more of the analysts or agencies who cover us downgrades us or our securities, the price of our securities may decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the price of our securities or trading volume to decline.

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

Sales of our ADSs in the public market or the perception that these sales could occur, may cause the market price of our ADSs to decline and could materially impair our ability to raise capital through equity offerings in the future. We have Class A and Class B common shares outstanding, including Class A common shares represented by ADSs. All of our ADSs are freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act. Class A common shares not represented by ADS, such as grants of share incentive awards which have vested, and Class B common shares are available for sale subject to volume and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act. To the extent shares are sold into the market, the market price of our ADSs could decline.

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

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

Our articles of association contain provisions that limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares. These preferred shares may have better voting rights than our Class A common shares, in the form of ADSs or otherwise, and could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting rights of the holders of our common shares and ADSs may be diluted.

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

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

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

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

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

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

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

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

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 duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands.

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

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

We are a Cayman Islands company and substantially all of our assets are located outside the United States. Substantially all of our current operations are conducted in China. In addition, some of our directors and all of our officers are nationals and residents of China. As a result, it may be difficult for you to effect service of process within the United States or elsewhere outside China upon these persons. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or China would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state and it is uncertain whether such Cayman Islands or PRC courts would be competent to hear original actions brought in the Cayman Islands or China against us or such persons predicated upon the securities laws of the United States or any state. In addition, since we are incorporated under the laws of the Cayman Islands and our corporate affairs are governed by the laws of the Cayman Islands, it is difficult for you to bring an action against us based upon PRC laws in the event that you believe that your rights as a shareholder have been infringed.

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

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

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

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

While we do not believe that we were a PFIC for the taxable year ended February 29, 2020 and do not anticipate becoming a PFIC for the foreseeable future, no assurance can be given in this regard because the determination of whether we will be or become a PFIC is a fact-intensive inquiry made on an annual basis that depends, in part, on the composition of our income and assets. Fluctuations in the market price of our ADSs may cause us to become a PFIC for the current or subsequent taxable years because the value of assets for the purpose of the asset test may be determined by reference to the market price of our ADSs from time to time (which may be volatile). The composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets. Under circumstances where our revenue from activities that produce passive income significantly increase relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase.

If we were to be or become classified as a PFIC, a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—General”) may be subject to reporting requirements and may incur significantly increased U.S. federal income tax on gain recognized on the sale or other disposition of the ADSs or common shares and on the receipt of distributions on the ADSs or common shares to the extent such gain or distribution is treated as an “excess distribution” under the U.S. federal income tax rules. Further, if we were a PFIC for any year during which a U.S. Holder held our ADSs or common shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. Holder held our ADSs or common shares. You are urged to consult your tax advisor concerning the U.S. federal income tax consequences of holding and disposing of ADSs or common shares if we are or become classified as a PFIC. See “Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—PFIC Considerations” and “Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—PFIC Rules.”

Item 4. Information on the Company

A. History and Development of the Company

We started our operation in 2005 with the establishment of Xueersi Education, a domestic company in China. We then incorporated TAL Education Group to become our offshore holding company under the laws of the Cayman Islands on January 10, 2008, in order to facilitate foreign investment in our company. TAL Education Group established TAL Holdings Limited in Hong Kong in March 2008 as our intermediary holding company.

In August 2013, we changed the name of TAL Education Technology (Beijing) Co., Ltd. to Beijing Century TAL Education Technology Co., Ltd. In addition, we changed our umbrella brand from “Xueersi” to “Haoweilai.”

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

- in January 2016, we completed the acquisition of Firstleap Education, a provider of all-subject tutoring services in English to children aged from two to fifteen years old in China;
- in February 2016, we acquired majority equity interest of Beijing Yinghe Youshi Technology Co., Ltd., or Yinghe Youshi, which primarily provides online preparation services of English tests for study abroad purposes, and purchased all its remaining noncontrolling interest in 2017;

- in July 2016, we acquired majority interest in Beijing Shunshun Bida Information Consulting Co., Ltd., or Shunshun Bida, which primarily engages in providing professional counseling services to students who desire to study abroad;

- in August 2016, we acquired majority equity interest in Shanghai Yaya Information Technology Co., Ltd., or Shanghai Yaya, which primarily operated an online platform focusing on children, babies and maternity market; in 2019, we acquired the remaining minority interest in steps;

- in fiscal year 2019, we obtained control of Shanghai Xiaoxin Information and Technology Co., Ltd., a previously minority-owned investee. This investee is mainly engaged in the development of communication tools connecting teachers and students;

- in fiscal year 2019, we made two investments in Dada, a company providing one-on-one online English tutoring for children. In March 2020, we entered into a definitive agreement to further invest US$10.4 million, upon the closing of which we would acquire controlling equity interests in Dada together with material deferred revenue liability.

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

- in January 2014, we made a minority equity investment in BabyTree Inc., an online parenting community and an online retailer of products for children, baby and maternity wear in China;

- since April 2015, we have entered into a series of transactions to invest for minority equity interest in Changing Education Inc., which operates a customer-to-customer mobile tutoring platform in China;

- in August 2016 and 2019, we completed two minority equity investment transactions in Shanghai Zhengda Ximalaya Technology Company Limited, an online Frequency Modulation radio platform;

- in July 2018, we invested in minority equity interest in Jiangsu Qusu, a leading K-12 service platform for targeting teaching and learning, which we disposed of in September 2019; and

- in December, 2018, we invested in minority equity interest in Xiamen Meiyou Information and Technology Co., Ltd, an internet company focusing on providing services to female clients; and fiscal year 2019, we completed three transactions with Hyphen, an online one-on-one teaching platform, to acquire its Series C+ convertible redeemable preferred shares.

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

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

In October 2010, we completed an initial public offering of 13,800,000 ADSs. On October 20, 2010, we listed our ADSs on the New York Stock Exchange under the symbol “XRS” and changed the symbol to “TAL” effective from December 1, 2016.

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

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

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

Our principal executive offices are located at 15/F, Danling SOHO, 6 Danling Street, Haidian District, Beijing 100080, People's Republic of China. Our telephone number at this address is +86 (10) 5292 6692. Our registered office in the Cayman Islands is located at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. As of February 29, 2020, we had branch offices in 69 cities in China and one branch office in United States. Our agent for service of process in the United States in connection with our registration statement on Form F-1 for our initial public offering in October 2010 is Law Debenture Corporate Services Inc., located at 400 Madison Avenue, 4th Floor, New York, New York 10017.

B. Business Overview

Overview

We are a leading K-12 after-school tutoring services provider in China. We mainly offer comprehensive tutoring services to K-12 students covering core academic subjects, including among others, mathematics, physics, chemistry, biology, history, geography, political science, English and Chinese. In order to diversify K-12 tutoring services, we also provide consulting services for overseas studies and preparation courses for major standardized tests, as well as operate several online community platforms including through www.jzb.com (together with the "Jiazhang Bang" app) and www.mmbang.com (together with the "Mama Bang" app). We also provide support in various forms such as educational products, contents, technologies, services and other learning resources to educational institutions and public schools in China through our various programs and solutions.

We have successfully established "Xueersi" as a leading brand in the PRC K-12 private education market closely associated with high teaching quality and academic excellence, as evidenced by our students' academic performance, our ability to recruit students through word-of-mouth referrals and the numerous recognitions and awards we have received. In August 2013, we changed our umbrella brand from "Xueersi" to "Haoweilai," and now we offer different service offerings under different brands, such as "Xueersi," "Mobby" and "Firstleap," through which we offer small-class services, "Izhikang," through which we offer personalized premium services, and "Shunshun Liuxue," through which we offer consulting services on overseas studies.

We deliver our tutoring services primarily through small classes (including Xueersi tutoring services, Mobby tutoring services and Firstleap tutoring services), personalized premium services and online course offerings. We are constantly working to expand and supplement our service offerings, through both internal development and strategic investments. As of February 29, 2020, our extensive educational network consisted of 871 learning centers and 767 service centers in 69 cities throughout China and one city in United States, as well as our online courses and online education platform. Our average student enrollments of normal priced long-term course per quarter increased by 55.2% from over 1.9 million in the fiscal year ended February 28, 2019 to approximately 3.0 million in the fiscal year ended February 29, 2020.

We operate www.jzb.com (formerly www.eduu.com), a leading online education platform in China. The website serves as a gateway to our other websites, including (i) those offering online courses, such as small-class training, personalized premium services, tutoring services for thinking development, and (ii) those dedicated to specific topics and offerings, such as college entrance examinations, high school entrance examinations, graduate school entrance examinations, preschool education, mathematics, English, Chinese composition, and raising infants and toddlers. We also offer select educational content through mobile applications. We are constantly working to expand our online offerings, with learning materials and services in varying stages of development. Our online platform enables us to continue to roll out and expand our online course offerings. Our online platform is protected by a combination of PRC laws and regulations that protect trademarks, copyrights, domain names, know-how and trade secrets, as well as confidentiality agreements. In addition to our online education platform, we also operate www.mmbang.com and the "Mama Bang" app, an online platform focusing on children, baby and maternity market.

Our total net revenues increased from $2,563.0 million in the fiscal year ended February 28, 2019 by 27.7% to $3,273.3 million in the fiscal year ended February 29, 2020. Net income attributable to TAL Education Group was $367.2 million in the fiscal year ended February 28, 2019, compared to net loss attributable to TAL Education Group of $110.2 million in the fiscal year ended February 29, 2020.

Our K-12 Tutoring Services

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

Small-Class Offerings

We have been delivering courses in small-class offerings since the inception of our company through Xueersi small classes, which currently covers major subjects in supplement to school learnings. Xueersi small classes course consists of four semesters, namely the two school semesters in Spring and Fall and the two holiday semesters in summer and winter. Throughout the years, we have increasingly integrated online technologies into the course offerings. As of February 29, 2020, 645 of our 871 learning centers and 541 of our 767 service centers offered Xueersi small classes.

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

In January 2016, we acquired 100% of equity interest in Firstleap Education, which provides all-subject small-class tutoring in English to students aged from two to fifteen. Firstleap small classes typically have up to 14 students per class. Most of the Firstleap business is carried out through Lebai Education and its subsidiaries and schools which offered Firstleap small classes. A small portion of the Firstleap business is carried out through franchisees, who are typically located in lower-tier cities and operate their own learning centers not within our network. As of February 29, 2020, 95 of our learning centers and 95 of our service centers offered Firstleap or Mobby small classes, or both.

We believe that, under small-class offerings, students can receive more individual attention from teachers than what they would typically experience in a large class setting and are able to learn in an interactive group environment. We design curricula catering to our students' different educational requirements and needs.

To maximize transparency, improve learning experience and build trust with students and parents, we allow parents to audit most of the small classes their children attend, and for all of our Xueersi small classes, also offer unconditional refunds for any remaining unattended classes net of the costs of materials.

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

Personalized Premium Services

We began to offer personalized premium services in 2007 under our "Izhikang" brand. As of February 29, 2020, our Izhikang network included 128 learning centers and 128 service centers in 18 cities.

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

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

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

One-on-one student-teacher setting, supported by a team of experienced teachers. Each student in our personalized premium service has access to a large pool of experienced teachers. Teachers are chosen by students and their parents based on the interests and needs of each student. Our personalized premium services are mostly offered in one-on-one format, with a small portion of small-group classes, which typically consist of only two to eight students.

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

Online Courses

We began to offer online courses in 2010 through *www.xueersi.com*. Through *www.xueersi.com*, we offer online courses on mathematics, English, Chinese, physics, chemistry, biology, programming and other subjects. We also offer select online courses through other websites. Online courses enable us to leverage our proprietary curricula and course materials and high quality teachers to target markets beyond the reach of our physical network. It also enables our students to access our courses through the internet at times and places most convenient for them and enable more students to access quality courses with affordable prices.

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

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

We plan to further develop our online course offerings to extend our market reach and maximize the potential of our services. In particular, we intend to expand our course offerings to include more subjects and grade levels. We have also made a few acquisitions and investments to expand our online business and enhance our online presence.

Student Services

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

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

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

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

Our Curricula and Course Materials

Curricula

The curricula for our K-12 tutoring services covers the core K-12 subjects. We started our business by offering tutoring classes in mathematics and then gradually rolled out courses in other subjects over years. In terms of grade levels, we initially focused on serving primary school students and over time expanded our course offerings into higher grade levels.

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

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

Curriculum and Course Material Development

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

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

In March 2014, we, through our "Xueersi" brand, collaborated closely with Cambridge University Press, and together, launched a series of English learning materials called "Hello Learner's English." The Hello Learner's English series of learning materials is tailored specifically for Chinese students, from grades one through six, and introduces new learning patterns for students to advance their English speaking, listening, reading and writing abilities, preparing students to pass the government authorized English examinations or well-recognized English assessment tests, and for their future secondary school or college English entrance examinations.

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

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

Our Teachers

We have a team of dedicated and highly qualified teachers with a strong passion for education, whom we believe are essential to our success. We are committed to maintaining consistent and high teaching quality across our business. This commitment is reflected in our highly selective teacher hiring process, our emphasis on continued teacher training and rigorous evaluation, competitive performance-based compensation and opportunities for career advancement. We had 17,868, 21,387 and 27,500 full-time teachers and 2,511, 4,616 and 8,245 contract teachers as of February 28/29, 2018, 2019 and 2020, respectively.

For our Xueersi business, personalized premium services and online education business, we recruit teachers from university graduates, including many top-tier universities in China, as well as experienced teachers with a solid track record and strong reputation from other schools. Each of our newly hired full-time teachers is required to undergo certain standard and customized trainings that focus on education content, teaching skills and techniques as well as our corporate culture and values. In addition, our teachers are regularly evaluated for their classroom performance and teaching results. Our teachers' retention, compensation and promotion are to a large extent based on the results of such evaluations. We offer our teachers competitive and performance-based compensation packages and provide them with prospects of career advancement within the company. Our best teachers may be promoted to become directors of our operations in new geographic markets outside Beijing, invited to participate in our educational content development effort and even considered for senior management positions.

Our Network

As of February 29, 2020, our extensive network consisted of 871 learning centers and 767 service centers in the cities set forth in the table below. Our learning centers are physical locations where classes are conducted. Our service centers offer consultation, course selection, registration and other services, most of which are also provided by our call centers and online platform.

The following table sets forth the number of learning centers and service centers in each of the 70 cities in our physical network as of February 29, 2020.

City	Number of Learning Centers	Number of Service Centers
Beijing	146	133
Nanjing	83	62
Shanghai	80	72
Shenzhen	60	55
Guangzhou	58	58
Hangzhou	55	45
Tianjin	41	32
Wuhan	32	27
Xi'an	31	22
Chongqing	30	29
Zhengzhou	25	24
Chengdu	23	21
Suzhou	23	19
Shenyang	23	22
Jinan	13	13
Changsha	13	8
Taiyuan	11	7
Hefei	11	11
Fuzhou	11	10
Qingdao	8	8
Shijiazhuang	7	7
Nanchang	5	4
Changzhou	5	4
Foshan	5	5
Wuxi	4	4
Zhenjiang	4	4
Ningbo	3	1
Luoyang	3	3
Changchun	3	3
Guiyang	3	3
Xuzhou	3	3
Nantong	3	3
Wenzhou	3	3
Xiamen	2	2
Lanzhou	2	2
Dalian	2	1
Dongguan	2	2
Yangzhou	2	2
Zibo	2	2
Langfang	1	1
Jining	1	1
Zaozhuang	1	1
Taian	1	1
Yancheng	1	1
Suqian	1	1
Taizhou	1	1
Lianyungang	1	1
Jiaxing	1	1
Taizhou	1	1
Jinhua	1	1
Quanzhou	1	1
Zhangzhou	1	1
Shaoxing	1	1
Yantai	1	1
Zhongshan	1	1
Huizhou	1	1
Huaian	1	1
Handan	1	1
Nanning	1	1
Kunming	1	1
Yinchuan	1	1
Urumqi	1	1
Haikou	1	1
Tangshan	1	1
Harbin	1	1
Huhehaote	1	1
Linyi	1	1
Weifang	1	1
Hongkong	1	1
Silicon Valley	1	1
Total	871	767

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

Marketing and Student Recruitment

We recruit students for our small-class business primarily through word-of-mouth referrals. Our reputation and brand have also greatly facilitated our student recruitment. Moreover, we engage in a range of marketing activities to enhance our brand recognition among prospective students and their parents, generate interest in our service offerings and further stimulate referrals. In the fiscal years ended February 28/29, 2018, 2019 and 2020, our selling and marketing expenses were $242.1 million, $484.0 million and $852.8 million, respectively, accounting for 14.1%, 18.9% and 26.1% of our total net revenues, respectively.

Referrals

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

Cross selling

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

Online Platform

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

Public Lectures, Seminars, Diagnostic Sessions and Media Interviews

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

Advertisement and Others

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

Competition

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

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

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

We believe that we compete favorably with our competitors on the basis of the above factors. However, some of our competitors may have more resources than we do, and may be able to devote greater resources than we can to expand their business and market shares. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We face significant competition, and if we fail to compete effectively, we may lose our market share and our profitability may be adversely affected."

Intellectual Property

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

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

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

Website Domain Name	Topic
www.jzb.com *(formerly www.eduu.com)*	Our main webpage which mainly has links to the websites listed below
www.xueersi.com	Online courses
www.gaokao.com	College entrance examinations
www.zhongkao.com	High school entrance examinations
www.jiajiaoban.com	Personalized premium services
www.aoshu.com	Mathematics for primary and middle schools; specialized training for competition mathematics
www.yingyu.com	English language
www.youjiao.com	Preschool and kindergarten education
www.speiyou.com	Small-class tutoring under our Xueersi brand
www.mobby.cn	Tutoring services for students aged two through fifteen under our Mobby brand
www.yuer.com	Raising infants and toddlers
www.kaoyan.com	Post-graduate degree entrance examination
www.firstleap.cn	All-subject tutoring services in English to children aged from two to fifteen years old
www.kmf.com	Preparation of English tests for study abroad purposes
www.vipx.com	Online one-on-one English tutoring services from foreign teachers
www.liuxue.com	Overseas studies services
www.mmbang.com	Communication platform related to pregnant preparations, pregnancy and raising infants and toddlers
www.xeslvl.com *(formerly www.dahai.com)*	Online one-on-one tutoring services for secondary schools students

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

Insurance

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

PRC Regulation

This section summarizes the principal PRC regulations relating to our businesses.

We operate our business in China under a legal regime consisting of the National People’s Congress, which is the country’s highest legislative body, the State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the MoE, the General Administration of Press and Publication, the MIIT, the SAIC, the Ministry of Civil Affairs and their respective local offices.

Regulations on Private Education

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

PRC Education Law

The National People's Congress enacted the PRC Education Law, most recent amendment of which was effective on June 1, 2016. The PRC Education Law sets forth provisions relating to the fundamental education systems of China, including a school system of preschool education, primary education, secondary education (including middle and high schools) and higher education, a system of nine-year compulsory education and a system of education certificates. The PRC Education Law stipulates that the government formulates plans for the development of education, and establishes and operates schools and other institutions of education. Under the PRC Education Law, enterprises, social organizations and individuals are in principle encouraged to operate schools and other types of educational organizations in accordance with PRC laws and regulations. The most recent amendment of Education Law, which became effective on June 1, 2016, abolished the provision that prohibits any organization or individual from establishing or operating a school or any other education institution for profit-making purposes. Nevertheless, schools and other education institutions sponsored wholly or partially by government financial funds and donated assets remain prohibited from being established as for-profit organizations.

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

The principal laws and regulations governing the private education industry in China are the Private Education Law and the Implementation Rules for Private Education Law, or collectively, the Private Education Law and Implementation Rules. The Private Education Law, which was promulgated by the Standing Committee of the National People's Congress in 2002, the material amendments of which were effective in 2013 and 2017. Under the Private Education Law and Implementation Rules, "private schools" are defined as schools established by non-governmental organizations or individuals using non-government funds. In addition, under the regulations, private schools providing certifications, pre-school education, self-study aid and other academic education are subject to approval by the education authorities, while private schools engaging in occupational qualification training and occupational skill training are subject to approval by the authorities in charge of labor and social welfare. A duly approved private school will be granted a Permit for Operating a Private School, and shall be registered in accordance with relevant laws and regulations.

Under Private Education Law and Implementation Rules, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education that are of a special nature. Government-run schools that provide compulsory education are not permitted to be converted into private schools. In addition, under Private Education Law and Implementation Rules, operation of a private school is highly regulated. For example, a private school shall establish an executive council, a board of directors or any other form of decision-making body and such a decision-making body shall meet at least once a year. Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions provided for in the Teachers Law of the PRC, or the Teachers Law, and the other relevant laws and regulations, and there shall be a definite number of full-time teachers in a private school.

Before September 1, 2017, the date the Amended Private Education Law became effective, private education is treated as a public welfare undertaking in all aspects. Nonetheless, investors of a private school may choose to require "reasonable returns" from the annual net balance of the school net of costs, donations received, government subsidies, if any, the reserved development fund and other expenses as required by the regulations. Private schools fell into three categories, including private schools established with donated funds, private schools that require reasonable returns and private schools that do not require reasonable returns.

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

Every private school was required to allocate a certain amount to its development fund for the construction or maintenance of school facilities or procurement or upgrade of educational equipment. In the case of a private school that required reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount shall be equal to no less than 25% of the annual increase in the net assets of the school, if any. Private schools that did not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools requiring reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. However, no regulations had been promulgated by the relevant authorities in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- an amendment to the Implementation Rules for the Law for Private Education Law;
- local regulations relating to legal person registration of for-profit and non-profit private schools in certain areas; and
- specific measures to be formulated and promulgated by the competent authorities responsible for the administration of private schools in the province(s) in which our schools are located, including but not limited to specific measures for registration of pre-existing private schools, specific requirements for authenticating various parties' property rights and payment of taxes and fees of for-profit private schools, taxation policies for for-profit private schools, measures for the collection of non-profit private schools' fees.

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

As of April 30, 2020, none of our affiliated schools enjoys any preferential tax treatments pursuant to the requirements of local governmental authorities.

Regulations on PRC-Foreign Cooperation in Operating Schools

PRC-foreign cooperation in operating schools or training courses is specifically governed by the Regulations on PRC-Foreign Cooperation in Operating Schools, promulgated by the State Council in accordance with the PRC Education Law, the Occupational Education Law and Private Education Law, and the Implementation Rules for the Regulations on PRC-Foreign Cooperation in Operating Schools.

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

Permits for schools jointly operated by PRC and foreign entities shall be obtained from the relevant education authorities or the authorities that regulate labor and social welfare in China. We are not required to apply for such permits since we currently do not have schools jointly operated by PRC and foreign entities.

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

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

Opinions on Regulating Development of After-school Tutoring Institutions

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

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

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

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

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

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

Regulations on Online and Distance Education

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

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

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

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

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

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

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

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

As of the date of this annual report, certain local governments, including but not limited to Beijing, Zhejiang Province, Guangdong Province, Sichuan Province, Jiangsu Province, Tianjin, has issued the implementation rules with respect to the filing requirements in relation to the Online After-School Tutoring Opinions.

Regulations on Educational Applications (Apps)

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

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

Regulations on Publishing and Distribution of Publications

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

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

In addition, pursuant to the Administrative Regulations on Publishing Audio-Video Products promulgated by the State Council on December 25, 2001, which became effective as of February 1, 2002, any entity engaged in the wholesale or retail distribution of audio-video products was required to secure a Business Certificate for Audio-Video Products from the relevant culture authorities. Such Administrative Regulations on Publishing Audio-Video Products was later amended in 2011, 2013 and was most recently amended on December 11, 2017, pursuant to which the Business Certificate for Audio-Video Products was replaced by the Permit for Operating Publications Business and entities or individuals engaging in distribution of audio-video products shall only need to hold a Permit for Operating Publications Business, while a Business Certificate for Audio-Video Products shall no longer be needed.

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

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

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

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

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

Regulations on Value-Added Telecommunications Services

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

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

As a subsector of the value-added telecommunications business, internet information services are also regulated by the Administrative Measures on Internet Information Services promulgated by the State Council, or the Internet Information Measures. The Internet Information Measures require that commercial internet content providers, or ICP providers, obtain a license for internet information services, or ICP license, from the appropriate telecommunications authorities in order to offer any commercial internet information services in China. ICP providers shall display their ICP license number in a conspicuous location on their home page. In addition, the Internet Information Measures also provide that ICP providers that operate in sensitive and strategic sectors, including news, publishing, education, health care, medicine and medical devices, must obtain additional approvals from the relevant authorities regulating those sectors as well.

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

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

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

Regulation of Advertising Services

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

Applicable PRC advertising laws, rules and regulations contain certain prohibitions on the content of advertisements in China (including prohibitions on misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest). Advertisements for anesthetic, psychotropic, toxic or radioactive drugs are prohibited, and the dissemination of advertisements of certain other products, such as tobacco, patented products, pharmaceuticals, medical instruments, agrochemicals, foodstuff, alcohol and cosmetics, are also subject to specific restrictions and requirements.

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

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

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

The SARFT and the MII issued the Internet Audio-Video Program Measures, revised August 2015. Among other things, the Internet Audio-Video Program Measures stipulate that no entities or individuals may provide internet audio-video program services without a License for Disseminating Audio-Video Programs through Information Network issued by the SARFT or SAPPRFT (as applicable) or the relevant local branches or completing the relevant registration with the SARFT or SAPPRFT (as applicable) or the relevant local branches and only entities wholly owned or controlled by the PRC government may engage in the production, editing, integration or consolidation, and transmission to the public through the internet, of audio-video programs, and the provision of audio-video program uploading and transmission services. There are significant uncertainties relating to the interpretation and implementation of the Internet Audio-Video Program Measures, in particular, the scope of "Internet Audio-Video Programs." However, the SARFT promulgated Audio-Visual Program Categories in 2010, which is updated on March 10, 2017, clarifying the scope of Internet Audio-Video Programs. According to the Audio-Visual Program Categories, there are four categories of internet audio-visual program service which in turn are divided into seventeen sub-categories. The third sub-category of the second category covers the making and broadcasting of certain specialized audio-visual programs concerning art, culture, technology, entertainment, finance, sports, and education.

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

In the fiscal year ended February 29, 2020, 18.9% of our total net revenues were derived from audio-video program services offered through www.xueersi.com and that may be subject to the Audio-Video Program Measures. See "Item 3. Key Information—D. Risk Factors—We face risks and uncertainties with respect to the licensing requirement for internet audio-video programs."

Regulations on Television Program Industry

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

The SARFT Circular on the Implementation of Licensing System for the Distribution of Domestically Produced TV Animation Movies provides for a licensing system for the distribution of domestically produced TV animation movies. The Permit for Public Projection of Film or the Permit for Distribution of Domestically Produced TV Animation Movies must be obtained for broadcasting any domestically produced TV animation movie from the SARFT, before a TV animation movie could be broadcasted through television channels.

Xueersi Education, Xueersi Network and certain other VIE's subsidiaries, which carry out producing TV animation movies, have each obtained the License for the Production and Operation of Radio and Television Program from the Beijing branch of the SARFT.

Regulations on Protection of the Right of Dissemination through Information Networks

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

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

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

In July 2014, the MoE promulgated the Guidelines for Overseas Study Tour participated by the Primary and Secondary School Students (Trial). Under the guidelines, overseas study tours participated in by primary and secondary school students means, by adapting to the characteristics and educational needs of the primary and secondary school students, programs that organize such students to travel overseas in the manner of group travel and group accommodation, either during the academic semesters or vacations, to learn foreign languages and other short-term curriculum, perform art shows, compete in contests, visit schools, attend summer/winter school programs, or take part in other similar activities. During these tours, the proportion of study, in terms of both content and duration, must be no less than half of all activities on these tours. The organizer must choose legitimate and qualified institutions to cooperate with, stress the importance of education on safety, and appoint a guiding teacher for each group. The organizer must apply the rules of cost accounting, notify the students and their guardians of the composition of the fees and expenses, and enter into agreements as required by law. Schools and school personnel must not seek any economic benefit from organizing its own students to attend an overseas study tour.

Regulation on Tourism

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

Regulations on Commercial Franchises

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

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

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

Regulations on Intellectual Property Rights Protection

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

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

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

To address copyright infringement related to content posted or transmitted over the internet, the National Copyright Administration and the MII jointly promulgated the Administrative Measures for Copyright Protection Related to the Internet.

Trademark. The PRC Trademark Law, most recent revision effective November 1, 2019, protects the proprietary rights to registered trademarks. The Trademark Office under the SAIC handles trademark registrations and may grant a term of ten years for registered trademarks, which may be extended for another ten years upon request. Trademark license agreements must be filed with the Trademark Office for record. In addition, if a registered trademark is recognized as a well-known trademark, the protection of the proprietary right of the trademark holder may reach beyond the specific sector of the relevant products or services. The transfer of registered trademarks shall be registered with the Trademark Office. An application for registration of a malicious trademark not for use shall be rejected and those who apply for trademark registration maliciously shall be given administrative penalties of warning or fines according to the circumstances; those who file trademark lawsuits maliciously shall be punished by the people's court according to applicable laws.

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

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

The PRC Foreign Investment Law

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

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

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

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

Regulation Related to Foreign Investment Restrictions

According to the list of special management measures for the market entry of foreign investment, or the Negative List promulgated by MOFCOM and NDRC and took effect on July 30, 2019, foreign investors shall comply with such restrictive requirements when engaging in the restricted activities listed in the Negative List. In addition, according to the Negative List, foreign investors shall not engage in the prohibited activities listed in the Negative List. Under the Negative List, the provision of pre-school, ordinary senior high school and higher education services in the PRC is restricted for foreign investors. Foreign investments in such education institutions are only allowed in the form of PRC-foreign cooperative school in which the PRC party shall play a dominant role. It suggests that the principal or the chief executive officer of an education institutions shall be a PRC national and the representatives of the PRC party shall account for no less than half of the total number of members of the board of directors, the executive council or the joint administration committee of a PRC-foreign cooperative school. The Negative List further provides that foreign investors are prohibited from providing compulsory education services.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

SAFE Circular 75 requires PRC residents to register with the relevant local branch of SAFE before establishing or controlling any company outside China, referred to as an offshore special purpose company, for the purpose of raising funds from overseas to acquire or exchange the assets of, or acquiring equity interests in, PRC entities held by such PRC residents and to update such registration in the event of any significant changes with respect to that offshore company.

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

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

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

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

According to the Implementation Rules for the Provisional Regulations on Statistics and Supervision of Foreign Debt promulgated by SAFE in 1997, the Interim Provisions on the Management of Foreign Debts, promulgated by SAFE in 2003, the National Development and Reform Commission and the Ministry of Finance, and Measures for the Administration of the Registration of Foreign Debts, effective May 2015 and revised on May 4, 2016, loans by foreign companies to their subsidiaries in China, which are foreign-invested enterprises, are considered foreign debt, and such loans must be registered with the local branches of SAFE. Under the provisions, these foreign-invested enterprises must submit registration applications to the local branches of SAFE within 15 days following execution of foreign loan agreements, and the registration should be completed within 20 business days from the date of receipt of the application. In addition, the total amount of accumulated medium-term and long-term foreign debt and the balance of short-term foreign debt borrowed by a foreign-invested enterprise is limited to the difference between the total investment and the registered capital of the foreign-invested enterprise.

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

On January 1, 2017, PBOC promulgated Notice of the People's Bank of China on Issues Concerning Macro Prudential Management of Full Scale Cross-border Financing or PBOC Circular 9. According to PBOC Circular 9, PBOC establishes a cross-broader financing regulation system based on the capital or net assets of the micro main body under macro prudential rules, and the legal entities and financial institutions established in PRC including the branches of foreign banks registered in China but excluding government financing vehicles and real estate enterprise, may carry out cross-border financing of foreign currency in accordance with relevant regulations of such system. PBOC Circular 9 provides that, among other things, the outstanding amount of the foreign currency for the entities in cross-border financing shall be limited to the Upper Limit of the Risk Weighted Balance of such entity, which shall be calculated according to the formula provided in PBOC Circular 9; the enterprise shall, after signing the contract for cross-border financing, but not later than three business days before the withdrawal of the borrowing funds, file with the local branches of SAFE for the cross-border financing through SAFE's capital project information system. PBOC Circular 9 also provides that during the one-year period started from January 11, 2017, foreign-invested enterprises may choose one method to carry out cross-broader financing in foreign currency either according to PBOC Circular 9 or according to the Interim Provisions on the Management of Foreign Debts. After the end of such one-year period, the method of foreign-invested enterprises to carry out cross-broader financing in foreign currency will be determined by PBOC and SAFE.

Regulations on Labor

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

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

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

Regulations on Employee Share Incentive Awards Granted by Listed Companies

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

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

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

M&A Regulations

The MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC and SAFE jointly adopted the M&A Rules. The M&A Rules establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise where any of the following situations exist: (i) the transaction involves an important industry in China, (ii) the transaction may affect national "economic security," or (iii) the PRC domestic enterprise has a well-known trademark or historical Chinese trade name in China. Complying with the requirements of the M&A Rules to complete acquisitions of PRC companies by foreign investors could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit the ability to complete such transactions.

Regulations on Cross-border Fund Pool of Multinational Corporations

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

Regulations on Foreign Currency Exchange

Pursuant to applicable PRC regulations on foreign currency exchange, the Renminbi is freely convertible to foreign currencies for current account items only, such as trade-related receipts and payments, interest and dividends. Conversion of Renminbi to foreign exchange for capital account items, such as direct equity investments, loans and repatriation of investments, are subject to the prior approval of SAFE or its local branches or prior registration with banks. Domestic companies or individuals can repatriate payments received from abroad in foreign currencies or deposit those payments abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks. Foreign exchange on the current account and capital account of foreign-invested enterprises can be either retained or sold to financial institutions that have foreign exchange settlement or sales business based on the need of the enterprise without prior approval from SAFE, subject to certain restrictions.

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

- capital contributions to our subsidiaries in China, whether existing ones or newly established ones, provided that the PRC subsidiaries completes the relevant filing and reporting procedures and register with the local bank authorized by SAFE;

- loans by us to our subsidiaries in China, each of which is a foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with the local branches of SAFE; and

- loans by us to our Consolidated Affiliated Entities, which are domestic PRC entities, must be registered with the National Development and Reform Commission and must also be registered with SAFE or its local branches.

In addition, SAFE promulgated SAFE Circular 142, which restricts the use of RMB 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 in charge of foreign investment or by other competent authorities and be registered with the local branch of the SAIC and, unless set forth in the business scope or in other regulations, may not be used to make equity investments China. Moreover, the approved use of such RMB funds may not be changed without approval from SAFE. RMB funds converted from foreign exchange may not be used to repay loans in RMB if the proceeds of such loans have not yet been used. Any violation of SAFE Circular 142 may result in severe penalties, including substantial fines. SAFE promulgated SAFE Circular 19, effective June 2015, to abolish SAFE Circular 142, but the foregoing rules have been retained in SAFE Circular 19. SAFE promulgated SAFE Circular 13, effective June 2015, pursuant to which annual foreign exchange inspection of direct investment is not required anymore and the registration of existing equity is required. SAFE Circular 13 also grants the authority to banks to examine and process foreign exchange registration with respect to both domestic and overseas direct investment. SAFE issued SAFE Circular 16, effective June 9, 2016. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

Under Circular 16, only FIEs with registered business scope include investment activities are allowed to make domestic equity investment with their capital funds. In October 23, 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment, or Circular 28, which cancels such restriction. According to Circular 28, FIEs are allowed to make domestic equity investment with their capital funds subject to Negative List even though investment activities are not included in their registered business scope, with the condition that the projects invested thereby in China are true and compliant.

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

Laws of Protection of Personal Information of Citizen

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

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

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

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

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

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

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

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

Cybersecurity Law

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

- protect networks from disturbance, damage or unauthorized access and prevent network data from being divulged, stolen or tampered with in accordance with the requirements of security graded protection system;
- comply with the compulsory requirements of relevant national standards and take remedial measures to promptly notify users in accordance with relevant provisions and report the same to relevant competent authorities in a timely manner if they find that their network products or services have security defects, loopholes or other risks;
- provide security maintenance for their products and services on a continuous basis;

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

Administrative Measures for Outbound Investment by Enterprises

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

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

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

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

Regulations on Dividend Distribution

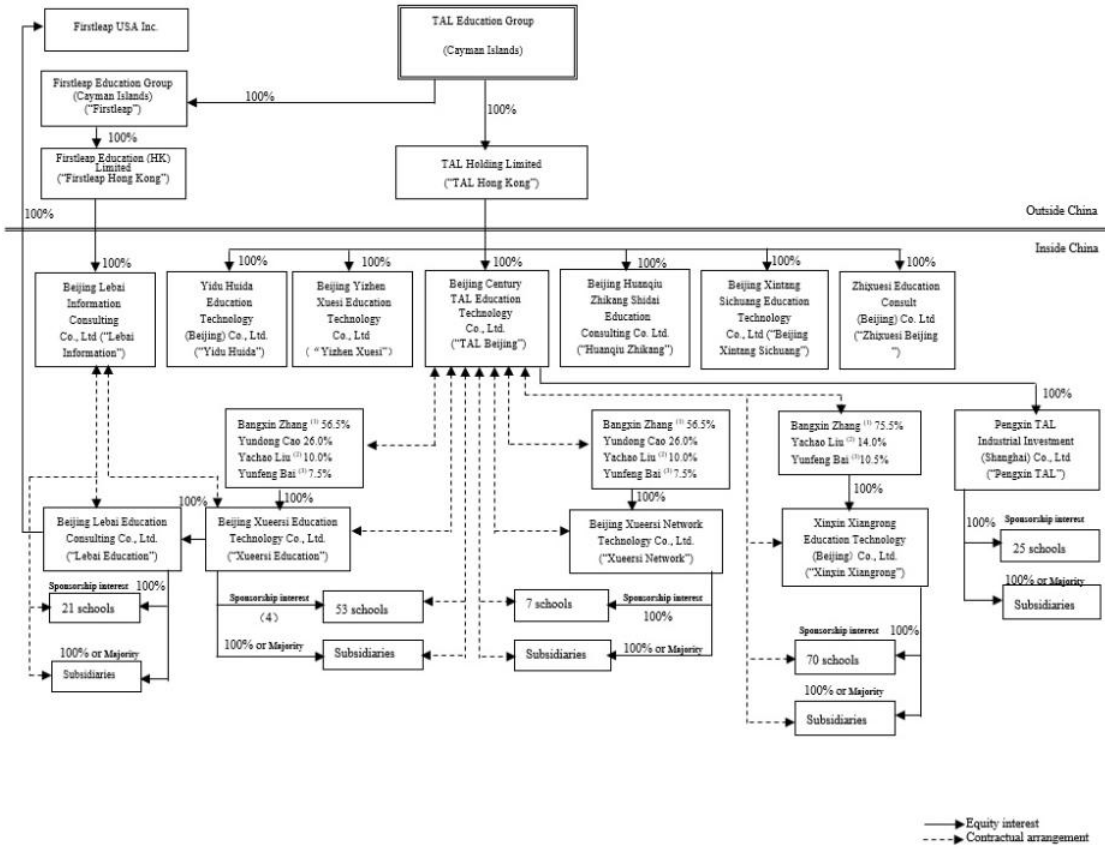
Under applicable PRC laws and regulations, companies in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, companies in China are required to allocate at least 10% of their accumulated profits each year, if any, to fund statutory reserves of up to 50% of the registered capital of the enterprise. Statutory reserves are not distributable as cash dividends. Each of our subsidiaries, VIEs and VIEs' subsidiaries in China are required to comply with this statutory reserves funding requirement. Although the statutory surplus reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. In addition, at the end of each fiscal year, each of our affiliated schools in China is required to allocate a certain amount out of its annual net income, if any, to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment.

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

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

C. Organizational Structure

The following diagram sets out details of our significant subsidiaries and Consolidated Affiliated Entities as of February 29, 2020:



(1) Mr. Bangxin Zhang is director and chief executive officer who owned 28.4% of the common shares and 70.8% of the voting power of TAL Education Group as of June 8, 2020.

(2) Mr. Yachao Liu is our chief operating officer who owned 4.5% of the common shares and 10.3% of the voting power of TAL Education Group as of June 8, 2020.

(3) Mr. Yunfeng Bai is chairman of the Company's board of directors and president who owned 1.0% of the common shares and 2.5% of voting power of TAL Education Group as of June 8, 2020.

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

VIE Contractual Arrangements

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

Exclusive Business Service Agreements. Pursuant to the Exclusive Business Cooperation Agreement entered into on June 25, 2010 by and among TAL Beijing, Xueersi Education, Xueersi Network, the shareholders, subsidiaries and schools of Xueersi Education and Xueersi Network, or the Agreement of Xueersi Education and Xueersi Network, which supersedes all agreements among parties with respect to subject matters thereof, TAL Beijing or its designated affiliates have the exclusive right to provide each of Xueersi Education and Xueersi Network and their subsidiaries and schools comprehensive intellectual property licensing and various technical and business support services. Pursuant to the Exclusive Business Service Agreement entered into by and among TAL Beijing, Xinxin Xiangrong and its shareholders on August 4, 2015, or the Agreement of Xinxin Xiangrong, TAL Beijing and its designated affiliates have the exclusive right to provide Xinxin Xiangrong and its subsidiaries and schools (if any) comprehensive intellectual property licensing and various technical and business support services. Lebai Information, Lebai Education and its sole shareholder, subsidiaries and schools have entered into an Exclusive Business Service Agreement on October 26, 2015, or the Agreement of Lebai Education, the terms of which are substantially the same as the Agreement of Xinxin Xiangrong summarized above. The services under each of these agreements include, but are not limited to, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resource and internal information management, network development, upgrade and ordinary maintenance services, and software and trademark licensing and other additional services as the parties may mutually agree from time to time. Without the prior written consent of TAL Beijing or Lebai Information, none of the VIEs or their respective subsidiaries or schools may accept services provided by any third party which are covered by the agreements set forth above. TAL Beijing and Lebai Information or their designated affiliates owns the exclusive intellectual property rights created as a result of the performance of these agreements. With respect to the Agreement of Xueersi Education and Xueersi Network, the relevant Consolidated Affiliated Entities agree to pay annual service fees to TAL Beijing or its designated affiliates and adjust the service fee rates from time to time at TAL Beijing's discretion. Such agreement will not expire unless terminated pursuant by a mutual agreement of parties. With respect to the Agreement of Xinxin Xiangrong, the relevant Consolidated Affiliated Entities agree to pay service fees regularly to TAL Beijing or its designated affiliates and adjust the service fee rates from time to time at TAL Beijing's discretion. Such agreement will not expire unless terminated pursuant by a mutual agreement of parties. With respect to the Agreement of Lebai Education, the relevant Consolidated Affiliates Entities agree to pay service fees regularly to Lebai Information or its designated affiliates and adjust the service fee rates from time to time at Lebai Information's discretion. The term of such agreement is 10 years and will be renewed for another 10 years at Lebai Information's discretion. Each of these agreements entitle TAL Beijing or its designated affiliates and Lebai Information to charge our Consolidated Affiliated Entities service fees regularly that amount to substantially all of the net income of the Consolidated Affiliated Entities before the service fees.

Call Option Agreement. Pursuant to a call option agreement, dated on February 12, 2009, by and among TAL Beijing, Xueersi Education, Xueersi Network and the respective shareholders of Xueersi Education and Xueersi Network, the respective shareholders of Xueersi Education and Xueersi Network unconditionally and irrevocably granted TAL Beijing or its designated party an exclusive option to purchase from the shareholders part or all of the equity interests in Xueersi Education and Xueersi Network, as the case may be, for the minimum amount of consideration permitted by the applicable PRC laws and regulations under the circumstances where TAL Beijing or its designated party is permitted under PRC laws and regulations to own all or part of the equity interests of Xueersi Education and Xueersi Network or where we otherwise deem it necessary or appropriate to exercise the option. TAL Beijing, Xinxin Xiangrong and the shareholders of Xinxin Xiangrong have entered into a call option agreement on August 4, 2015, and Lebai Information, Lebai Education and the sole shareholder of Lebai Education have entered into a call option agreement on October 26, 2015, the terms of which are substantially the same as the call option agreement summarized above. These agreements become effective on the date of execution and terminate when all of the obligations and rights under such agreement are completely performed. Under each of these agreements, TAL Beijing or Lebai Information has sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the current regulatory restrictions on foreign investment in the educational service business will be removed in the future, the likelihood of which we are not in a position to know or comment on.

Equity Pledge Agreement. Pursuant to an equity pledge agreement, dated on February 12, 2009, by and among TAL Beijing, Xueersi Education, Xueersi Network and the respective shareholders of Xueersi Education and Xueersi Network, and supplemental agreements, dated on June 25, 2010, by and among TAL Beijing, Xueersi Education, Xueersi Network and their respective shareholders, the respective shareholders of Xueersi Education and Xueersi Network unconditionally and irrevocably pledged all of their equity interests in Xueersi Education and Xueersi Network to TAL Beijing to guarantee performance of the obligations of Xueersi Education and Xueersi Network and their respective subsidiaries and schools under the technology support and service agreements with TAL Beijing. The shareholders of Xueersi Education and Xueersi Network agree that, without the prior written consent of TAL Beijing, they will not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice TAL Beijing's interest.

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

Letter of Undertaking. All of the shareholders of Xueersi Education and Xueersi Network have executed a letter of undertaking on September 8, 2010 to covenant with and undertake to TAL Beijing that, if, as the respective shareholders of Xueersi Education and Xueersi Network, such shareholders receive any dividends, interests, other distributions or remnant assets upon liquidation from Xueersi Education and Xueersi Network, such shareholders shall, to the extent permitted by applicable laws, regulations and legal procedures, remit all such income after payment of any applicable tax and other expenses required by laws and regulations to TAL Beijing without any compensation therefore. All of the shareholders of Xinxin Xiangrong have made similar undertakings in a letter of undertaking on August 4, 2015. The sole shareholder of Lebai Education has made similar undertakings in the power of attorney described below.

Power of Attorney. Each of the shareholders of Xueersi Education and Xueersi Network has executed an irrevocable power of attorney on August 12, 2009, appointing TAL Beijing, or any person designated by TAL Beijing as their attorney-in-fact to vote on their behalf on all matters of Xueersi Education and Xueersi Network requiring shareholder approval under PRC laws and regulations and the articles of association of Xueersi Education and Xueersi Network. Each of the shareholders of Xinxin Xiangrong has executed an irrevocable power of attorney on August 4, 2015, and the sole shareholder of Lebai Education has executed an irrevocable power of attorney on October 26, 2015, the terms of which are substantially the same as the power of attorney of Xueersi Education and Xueersi Network summarized above. The power of attorney remains effective as long as the relevant person remains a shareholder of the VIE.

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

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

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

- the ownership structures of our Consolidated Affiliated Entities and wholly owned subsidiaries in China are in compliance with existing PRC laws and regulations; and

- the VIE Contractual Arrangements are valid, binding and enforceable under, and will not result in any violation of, PRC laws or regulations currently in effect.

We have been advised by our PRC counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC counsel. We have been further advised by our PRC counsel that if the PRC government finds that the agreements that establish the structure for operating our PRC education business do not comply with PRC government restrictions on foreign investment in the education business, we could be subject to severe penalties, which could include the PRC government:

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

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

In addition to the VIE Contractual Arrangements, we have entered into a deed of undertaking on June 24, 2013 and a side letter dated July 29, 2013 with Mr. Bangxin Zhang, our director and Chief Executive Officer, or the Deed collectively. Pursuant to the Deed, Mr. Zhang has irrevocably covenanted and undertaken to us that:

- as long as Mr. Bangxin Zhang owns shares in our company, whether legally or beneficially, and directly or indirectly (including shares held through Mr. Bangxin Zhang's personal holding company Bright Unison Limited or any other company, trust, nominee or agent, if any), representing more than 50% of the aggregate voting power of the then total issued and outstanding shares of our company, Mr. Bangxin Zhang will not, directly or indirectly, (i) requisition or call any meeting of our shareholders for the purpose of removing or replacing any of our existing directors or appointing any new director, or (ii) propose any resolution at any of our shareholders meetings to remove or replace any of our existing directors or appoint any new director;
- should any meeting of our shareholders be called by the board of directors or requisitioned or called by our shareholders for the purpose of removing or replacing any of the directors or appointing any new director, or if any resolution is proposed at any of our shareholder meetings to remove or replace any of the directors or appoint any new director, the maximum number of votes which Mr. Bangxin Zhang will be permitted to exercise shall be equal to the total aggregate number of votes of the then total issued and outstanding shares of our company held by all members of our company, other than shares which are owned, whether legally or beneficially, and directly or indirectly by Mr. Bangxin Zhang, less one vote; and
- Mr. Bangxin Zhang will not cast any votes he has as a director or shareholder (if applicable) on any resolutions or matters concerning enforcing, amending or otherwise relating to the Deed being considered or voted upon by our board of directors or our shareholders, as the case may be.

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

D. Property, Plants and Equipment

Facilities

Our headquarters are located in Beijing, China. As of February 29, 2020, we leased approximately 501,520 square meters in Beijing, consisting of approximately 251,255 square meters of learning center and service center space and approximately 250,265 square meters of office space. As of February 29, 2020, we owned approximately 7,582 square meters of office space in Beijing.

In addition to our learning center and service center space and office space leased in Beijing, as of February 29, 2020, we leased an aggregate of approximately 1,442,400 square meters of learning center and service center space and an aggregate of approximately 78,800 square meters of office space in 69 other cities throughout China and in other countries.

On March 19, 2019, we acquired land use rights of a parcel in Zhenjiang, Jiangsu for the construction of office building, at total cost of approximately RMB92 million for approximately 83,025 square meters. In December 2019, we entered into a contract at total cost of approximately RMB1,424 million for the development of office space in Zhenjiang, Jiangsu, covering approximately 222,730 square meters of construction area. As of February 29, 2020, RMB17 million had been paid. We expect to complete the construction in May 2022. We intend to fund the construction through cash on hand and bank financing. On December 19, 2019, we entered into a loan facilities agreement with a group of lenders pursuant to which we can draw down up to RMB1,800 million, provided that the proceeds be used in the construction of the building in Zhenjiang. As of February 29, 2020, we had not withdrawn any amount under the facilities.

On July 8, 2019, we acquired land use rights of a parcel in Beijing for the development of office space, at a total cost of approximately RMB1,360 million for approximately 28,600 square meters. In December 2019, we entered into a contract at total cost of approximately RMB920 million for the development of office space in Changping District, Beijing, as supplemented from time to time, covering approximately 127,670 square meters of construction area. As of February 29, 2020, RMB20 million had been paid. We expect to complete the construction in March 2022. We intend to fund the foregoing construction through cash on hand and/or bank financing.

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

Item 4A Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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

A. Operating Results

Overview

Our extensive network of learning centers and service centers has increased from 676 and 499, respectively, in the fiscal year ended February 28, 2019, to 871 and 767, respectively, in the fiscal year ended February 29, 2020. Our average student enrollments of normal priced long-term course per quarter increased by 55.2% from over 1.9 million in the fiscal year ended February 28, 2019 to approximately 3.0 million in the fiscal year ended February 29, 2020.

We have experienced significant growth in our business in recent years. Our total net revenues increased from $2,563.0 million in the fiscal year ended February 28, 2019 by 27.7% to $3,273.3 million in the fiscal year ended February 29, 2020. Net income attributable to TAL Education Group was $367.2 million in the fiscal year ended February 28, 2019, compared to net loss attributable to TAL Education Group of $110.2 million in the fiscal year ended February 29, 2020.

Factors Affecting Our Results of Operations

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

Our results of operations are also affected by the education system or policies relating to the after-school tutoring service market in China. Due to PRC legal restrictions on foreign ownership and investment in education businesses in China, substantially all of our education business in China is conducted through the VIE Contractual Arrangements. We do not have equity interests in our VIEs. However, as a result of the VIE Contractual Arrangements, we are the primary beneficiary of these entities and treat them as our variable interest entities under U.S. GAAP. In the opinion of Tian Yuan Law Firm, our PRC counsel, (i) the ownership structures of our Consolidated Affiliated Entities and wholly owned subsidiaries in China are in compliance with existing PRC laws and regulations, and (ii) the VIE Contractual Arrangements are valid, binding and enforceable under, and will not result in any violation of, PRC laws or regulations currently in effect. We have been advised by our PRC counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government determines that the agreements that establish the structure for operating our business in China are not in compliance with applicable PRC laws and regulations, we could be subject to severe penalties” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China-Uncertainties with respect to the PRC legal system could have a material adverse effect on us.”

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

Number of Student Enrollments

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

In recent years, we have opened new learning centers to further penetrate our existing markets and enter new markets. The number of our learning centers grew from 676 in 56 cities as of February 28, 2019, to 871 in 70 cities as of February 29, 2020. We plan to open additional learning centers in these existing cities and explore opportunities to open learning centers in other targeted geographic markets in China in order to continue to attract new student enrollments.

In addition, in recent years, we have significantly expanded our course offerings to cover new subjects and additional grade levels. In Beijing, we grew from primarily offering tutoring classes in mathematics to becoming a comprehensive after-school tutoring service provider, covering all core subjects in PRC school curricula at each grade level of the K-12 system. We initially offered only small-class tutoring services, and then added personalized premium services in 2007 and began offering online courses through *www.xueersi.com* in 2010. We also began offering "Dual-Teacher Classroom" courses in certain pilot city in 2015. Our expansion of courses and service offerings allows us to better attract new students with different needs and provides us greater cross-selling opportunities with respect to our existing students.

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

Pricing

Our results of operations are also affected by the pricing for our tutoring services. We generally charge students based on the hourly rates of our courses and the total number of hours for all the courses taken by each student. We determine hourly rates for our courses primarily based on the demand for our courses, cost of our services, the geographic markets where the courses are offered, and the fees charged by our competitors for the same or similar courses.

Costs and Expenses

Our ability to maintain and increase profitability also depends on our ability to effectively control our costs and expenses. A significant component of our cost of revenues is compensation to our teachers. We offer competitive remunerations to our teachers in order to attract and retain top teaching talent. Fees and performance-linked bonuses to our teachers accounted for approximately 23.4%, 21.6% and 21.4% of our net revenues for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively. Another important component of our cost of revenues is rental expenses for our learning and service centers, which accounted for approximately 13.7%, 10.7% and 9.7% of our net revenues for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively. For the fiscal years ended February 28/29, 2018, 2019 and 2020, we incurred share-based compensation expenses representing approximately 2.7%, 3.0% and 3.6%, respectively, of our net revenues, and we expect to continue to incur share-based compensation expenses in the future.

Impact of COVID-19

Since the beginning of 2020, outbreaks of COVID-19 have resulted in the temporary closure of many business facilities across China. Normal economic life throughout China was sharply curtailed. The COVID-19 pandemic has affected many aspects of our business, such as offline businesses, expansion plans, and financial condition and results of operations. Our learning centers across the nation underwent temporary yet prolonged closure. However, we believe that the decrease in revenues from offline learnings centers will be partially offset by the increase in online revenues. Due to the impact of the outbreak of COVID-19, our results of operations for the fourth quarter of fiscal year 2020 were weaker than expected. We may also experience impairment loss on long-term investments, intangible assets and goodwill or other long-lived assets as a result of the outbreak. The duration of the pandemic, disruption to our business and related financial impact cannot be reasonably estimated at this time. See "Risk Factors- Our business has been and is likely to continue to be materially adversely affected by the outbreak of COVID-19."

Key Components of Results of Operations

Net Revenues

In the fiscal years ended February 28/29, 2018, 2019 and 2020, we generated total net revenues of $1,715.0 million, $2,563.0 million and $3,273.3 million, respectively. We derive substantially all of our revenues from tutoring services, including small-class offerings, personalized premium services and online course offerings. Revenues generated from our online course offerings through www.xueersi.com contributed 7.0%, 13.3% and 18.9% of our total net revenues in the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively.

We generally collect course fees in advance, which we initially record as deferred revenues. We had deferred revenues in the amounts of $842.3 million, $436.1 million and $781.0 million, as of February 28/29, 2018, 2019 and 2020, respectively.

Cost of Revenues and Operating Expenses

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

	For the Years Ended February 28/29,					
	2018		2019		2020	
	$	%	$	%	$	%
	(in thousands of $, except percentages)					
Net revenues	$ 1,715,016	100.0	$ 2,562,984	100.0	$ 3,273,308	100.0
Total cost of revenues[(1)]	(882,316)	(51.4)	(1,164,454)	(45.4)	(1,468,569)	(44.9)
Operating expenses:						
Selling and marketing[(2)]	(242,102)	(14.1)	(484,000)	(18.9)	(852,808)	(26.1)
General and administrative[(3)]	(386,287)	(22.5)	(579,672)	(22.6)	(794,957)	(24.3)
Impairment loss on intangible assets and goodwill	(358)	(0.0)	—	—	(28,998)	(0.9)
Total operating expenses	$ (628,747)	(36.7)	$ (1,063,672)	(41.5)	(1,676,763)	(51.2)

(1) Includes share-based compensation expenses of $0.4 million, $0.7 million and $1.1 million for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively.

(2) Includes share-based compensation expenses of $5.0 million, $10.5 million and $19.4 million for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively.

(3) Includes share-based compensation expenses of $41.7 million, $66.1 million and $97.5 million for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively.

Cost of Revenues

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

Operating Expenses

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

Our selling and marketing expenses primarily consist of compensation to our personnel involved in sales and marketing expenses relating to our marketing and branding promotion activities, rental and utilities expenses relating to selling and marketing functions and, to a lesser extent, depreciation and amortization of long-lived assets used in our selling and marketing activities. Our selling and marketing expenses as a percentage of net revenues was 14.1%, 18.9% and 26.1% for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively. Our selling and marketing expenses increased because of more marketing promotion activities to expand our customer base and enhance our brand, as well as a rise in the compensation to sales and marketing staff to support a greater number of programs and service offerings.

Our general and administrative expenses primarily consist of compensation paid to our management and administrative personnel, costs of third-party professional services, rental and utilities expenses relating to office and administrative functions, and, to a lesser extent, depreciation and amortization of long-lived assets used in our administrative activities. Our general and administrative expenses as a percentage of our total net revenues was 22.5%, 22.6% and 24.3% for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively. We expect that our general and administrative expenses will continue to increase in the near term as we hire additional personnel and incur additional expenses in connection with the expansion of our business operations, in particular in connection with our online education initiatives and other new programs and service offerings, the enhancement of our internal controls, the establishment of our internal administrative and technological system and our financial and management control and the provisions of share-based compensation to our employees, as well as other expenses associated with our being a publicly traded company.

Taxation

Cayman Islands

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

Hong Kong

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

PRC Enterprise Income Tax

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

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

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

- Yidu Huida qualified as a Software Enterprise in 2011 and accordingly was entitled to an income tax exemption in 2011 and 2012 followed by reduced income tax at a rate of 12.5% from 2013 through 2015. Yidu Huida was also qualified as a High and New Technology Enterprise from the calendar year of 2015 to the calendar year of 2020 and accordingly was entitled to the 15% preferential tax rate during the period. Yidu Huida was also qualified as a Key Software Enterprise in 2016, 2017 and 2018, which was approved in May 2017, July 2018 and June 2019 and accordingly was entitled to 10% preferential tax rate in 2016, 2017 and 2018. Yidu Huida elected to adopt the 12.5% preferential tax rate in 2015, the 10% preferential tax rate in 2016, 2017 and 2018, and 15% for calendar year 2019 as a HNTE. For calendar year 2019, Yidu Huida applied for the qualification of Key Software Enterprise to enjoy the preferential tax rate of 10%. As of the date of this annual report, the filings are still being reviewed by the tax authorities.

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

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

- TAL Beijing was qualified as a “High and New Technology Enterprise” from 2014 to 2016 and it maintained the qualification from the calendar year of 2017 to the calendar year of 2019, and as a result it continued to enjoy the 15% preferential tax rate during the period. It is expected to be subject to an EIT rate of 15% as long as it maintains its status as an HNTE. TAL Beijing was also qualified as a Key Software Enterprise in 2018, which was approved in June 2019 and accordingly was entitled to 10% preferential tax rate in 2018. TAL Beijing elected to adopt the 10% preferential tax rate in 2018, and 15% for calendar year 2019 as a HNTE. For calendar year 2019, TAL Beijing applied for the qualification of Key Software Enterprise to enjoy the preferential tax rate of 10%. As of the date of this annual report, the filings are still being reviewed by the tax authorities.

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

- Beijing Yizhen Xuesi was qualified as a Software Enterprise in 2017 and accordingly was entitled to an income tax exemption in 2017 and 2018 followed by reduced income tax at a rate of 12.5% from 2019 through 2021.

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

Preferential tax treatments granted to our PRC subsidiaries and Consolidated Affiliated Entities in China by local governmental authorities are subject to review and may be adjusted or revoked at any time. The software enterprises which enjoy preferential tax treatments shall also provide filing documents with respect to preferential tax treatments to the relevant tax authority when filing annual enterprise income tax returns for the settlement of tax payments. The discontinuation of any preferential tax treatments currently available to us, will cause our effective tax rate to increase, which could have a material adverse effect on our results of operations.

PRC Withholding Tax

As a Cayman Islands holding company, we may receive dividends from our PRC operating subsidiaries through TAL Hong Kong. The EIT Law and its implementation rules provide that dividends paid by a PRC entity to a non-resident enterprise for income tax purposes is subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with China. According to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion, dividends paid to shareholders residing in Hong Kong are subject to a reduced 5% rate of tax withholding provided the Hong Kong residents' equity interests in the mainland dividend issuer is above 25%. However, the SAT promulgated SAT Circular 601 in 2009, which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under PRC tax treaties and tax arrangements. In February 2018, the SAT promulgated Circular 9, which supersedes the Circular 601, to clarify the definition of beneficial owner under PRC tax treaties and tax arrangements. According to Circular 9, a beneficial owner refers to a party who holds ownership and control over incomes or the rights or assets from which the incomes are derived. In determining whether a resident of the other contracting party to a double taxation agreement, or a DTA, who is applying for enjoying preferential treatment under the DTA has the status as a beneficial owner, comprehensive analysis shall be conducted in light of the actual circumstances of the specific case and based on several factors, include among others, if (1) an applicant is under the obligation to pay 50% or more of the incomes received to any resident of any third country (region) within 12 months upon receipt of the incomes; and (2) if the business activities carried out by an applicant constitutes substantive business activities. Substantive business activities shall include substantive manufacturing, distribution, management and other activities. Whether an applicant's business activities are substantive shall be determined based on the functions actually performed by the applicant and the risks assumed thereby. The substantive investment and shareholding management activities carried out by the applicant may constitute substantive business activities. Where the applicant concurrently engages in investment and shareholding management activities that do not constitute substantive business activities and other business activities, if the other business activities are not significant enough, the applicant will not be considered as engaging in substantive business activities and hence more likely not a beneficial owner;

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

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

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

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

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

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

According to such SAT Circular 9, if the business activities carried out by an applicant do not constitute substantive business activities, then such applicant is likely not to be regarded as a beneficial owner. Although we may use our Hong Kong subsidiaries as a platform to expand our business in the future, our Hong Kong subsidiaries currently do not engage in any substantive business activities and thus it is possible that our Hong Kong subsidiaries may not be regarded as "beneficial owners" for the purposes of SAT Circular 9 and the dividends they receive from our PRC subsidiaries would be subject to withholding tax at a rate of 10%. In addition, our Hong Kong subsidiaries may be considered PRC resident enterprises for enterprise income tax purposes if the relevant PRC tax authorities determine that our Hong Kong subsidiaries' "de facto management bodies" are within China, in which case dividends received by them from our PRC subsidiaries would be exempt from PRC withholding tax because such income is exempted under the EIT Law for a PRC resident enterprise recipient. As there remain uncertainties regarding the interpretation and implementation of the EIT Law and its implementation rules, it is uncertain whether, if we are deemed a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would be subject to any PRC withholding tax. For a detailed discussion of PRC tax issues related to resident enterprise status, see "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China-Under the EIT Law, we may be classified as a PRC "resident enterprise." Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders."

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

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

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

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

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

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

PRC Business Tax and Value-Added Tax (VAT)

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

With respect to all of our PRC entities for the period immediately prior to the implementation of the VAT reform program, revenues from our services are subject to a 5% or 3% PRC business tax. After implementation of the VAT reform program, revenues from our services are mainly subject to a 6% or 3% PRC VAT. Since January 2020, in accordance with the Announcement on Tax Policies to Support Prevention and Control of Pneumonia Caused by Novel Coronavirus Infection issued by Ministry of Finance and SAT, or the Cai Shui [2020] No.8, due to the COVID-19 virus, the VAT from providing daily life services will be exempted starting on January 1, 2020 until December 31, 2020.

Urban Maintenance and Construction Tax and Education Surcharge

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

Critical Accounting Policies

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

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that could reasonably have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements because they involve the greatest reliance on our management's judgment. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included with this prospectus.

Consolidation of our VIEs

We, through TAL Beijing and Lebai Information, our wholly owned foreign enterprises, has executed a series of contractual agreements with our VIEs, the VIEs' subsidiaries and schools and the VIEs' nominee shareholders. For a description of these contractual arrangements, see "Item 4. Information on the Company-B. Business Overview-Organizational Structure-VIE Contractual Arrangements." These contractual agreements do not provide TAL Beijing and Lebai Information with an equity interest in legal form in the VIEs. As the Company holds no legal form of equity ownership in the VIEs, the Company applied the variable interest entity consolidation model as set forth in Accounting Standards Codification 810, Consolidation ("ASC 810") instead of the voting interest model of consolidation.

By design, the contractual agreements provide TAL Beijing and Lebai Information with the right to receive benefits equal to substantially all of the net income of these entities, and thus under ASC 810, these agreements are considered variable interests. Subsequent to identifying any variable interests, any party holding such variable interests must determine if the entity in which the interest is held is a variable interest entity and subsequently which reporting entity is the primary beneficiary of, and should therefore consolidate the variable interest entity.

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

Determining whether TAL Beijing and Lebai Information are the primary beneficiaries require a careful evaluation of the facts and circumstances, including whether the VIE Contractual Arrangements are substantive under the applicable legal and financial reporting frameworks, i.e. PRC law and U.S. GAAP. We continually review our corporate governance arrangements to ensure that the VIE Contractual Arrangements are indeed substantive.

We have determined that the contractual agreements are in fact valid and legally enforceable. Such arrangements were entered into in order to comply with the underlying legal and/or regulatory restrictions that govern the ownership of a direct equity interest in the VIEs. In the opinion of our PRC counsel, Tian Yuan Law Firm, the contracts are legally enforceable under PRC law. See "Item 4. Information on the Company-B. Business Overview-Organizational Structure-VIE Contractual Arrangements."

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

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

See the consolidated financial statements Note 1 for the presentation of our abbreviated financial information with the VIEs, after elimination of intercompany activity.

Revenue recognition

On March 1, 2018, we adopted Revenue from Contracts with Customers, or Topic 606, applying the modified retrospective method to all contracts that were not completed as of March 1, 2018. Results for reporting periods beginning on March 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior periods.

The primary sources of our revenues are as follows:

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

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

Generally, for small class tutoring services except for Mobby courses, we offers refunds for any remaining classes to students who decide to withdraw from a course. The refund is equal to and limited to the amount related to the undelivered classes. For most Mobby courses, we offer refunds equal to and limited to the amount related to the undelivered classes to students who withdraw from a course, provided the course is less than two-third completed at the time of withdrawal. After two-third of the course is completed, no refund will be granted. For personalized premium services, a student can withdraw at any time and receive a refund equal to and limited to the amount related to the undelivered classes. Historically, we have not experienced material refunds.

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

Other revenues are primarily derived from advertising services provided on our online platforms and consulting service and test preparation courses related to overseas study. Revenue is recognized when control of promised goods or services is transferred to our customers in an amount of consideration to which we expects to be entitled to in exchange for those goods or services. Upon the adoption of Topic 606, we estimate the variable consideration to be earned and recognizes revenue over the service period for overseas study consulting service. Under the prior revenue recognition standard, such revenue was deferred and recognized when student admission is reasonably assured.

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

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

Business combinations

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

Where the consideration in an acquisition includes contingent consideration the payment of which depends on the achievement of certain specified conditions post-acquisition, the contingent consideration is recognized and measured at its fair value at the acquisition date and if recorded as a liability, it is subsequently carried at fair value with changes in fair value reflected in the consolidated statements of operations.

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

Goodwill and impairment of Long-lived assets

The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheets as goodwill. Goodwill is not amortized, but tested for impairment annually or more frequently if event and circumstances indicate that it might be impaired.

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

We do not choose to perform the qualitative assessment for goodwill impairment. For fiscal year 2020, we perform our annual impairment test by comparing the fair value of a reporting unit with its carrying amount. We should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

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

Long-term investments

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

Equity securities without readily determinable fair values

We adopted ASC Topic 321, Investments-Equity Securities, or ASC 321, on March 1, 2018. Prior to fiscal year 2019, for investee companies over which we do not have significant influence or a controlling interest, equity securities of privately held companies were accounted for using the cost method of accounting, measured at cost less other-than-temporary impairment. Starting from fiscal year 2019, for equity securities without readily determinable fair value that qualify for the practical expedient to estimate fair value using net asset value per share, we estimate the fair value using net asset value per share. For other equity securities without readily determinable fair value, we elected to use the measurement alternative to measure those investments at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

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

Equity securities with readily determinable fair values

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

Equity method investments

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

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

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

Available-for-sale investments

For investments in investees' shares which are determined to be debt securities, we account for them as available-for-sale investments when they are not classified as either trading or held-to-maturity investments. Available-for-sale investments are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income as a component of shareholders' equity. Realized gains and losses and provision for decline in value determined to be other than temporary, if any, are recognized in the consolidated statements of operations.

Fair value option investments

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

Held-to-maturity investments

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

Income Taxes

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

We account for income taxes using the asset and liability approach. Under this method, deferred tax assets and liability are recognized based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net of operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws and regulations applicable to us as enacted by the relevant tax authorities.

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

Share-Based Compensation

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument and recognized as compensation expense on a straight-line basis over the requisite service period, with a corresponding impact reflected in additional paid-in capital. Forfeitures are recognized as they occur. Liability-classified awards are remeasured at their fair-value-based measurement as of each reporting date until settlement.

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

Operating leases

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

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

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

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated, both in absolute amounts and as percentages of our net revenues. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Years Ended February 28/29,					
	2018		2019		2020	
	$	%	$	%	$	%
	(in thousands of $, except percentages)					
Net revenues	$ 1,715,016	100.0 %	$ 2,562,984	100.0 %	$ 3,273,308	100.0 %
Cost of revenues[(1)]	(882,316)	(51.4)	(1,164,454)	(45.4)	(1,468,569)	(44.9)
Gross profit	832,700	48.6	1,398,530	54.6	1,804,739	55.1
Operating expenses						
Selling and marketing[(2)]	(242,102)	(14.1)	(484,000)	(18.9)	(852,808)	(26.1)
General and administrative[(3)]	(386,287)	(22.5)	(579,672)	(22.6)	(794,957)	(24.3)
Impairment loss on intangible assets and goodwill	(358)	(0.0)	—	—	(28,998)	(0.9)
Total operating expenses	(628,747)	(36.7)	(1,063,672)	(41.5)	(1,676,763)	(51.2)
Government subsidies	4,651	0.3	6,724	0.3	9,467	0.3
Income from operations	208,604	12.2	341,582	13.4	137,443	4.2
Interest income	39,837	2.3	59,614	2.3	72,991	2.2
Interest expense	(16,640)	(1.0)	(17,628)	(0.7)	(11,820)	(0.4)
Other income/(expense)	17,406	1.0	131,727	5.1	(95,297)	(2.9)
Impairment loss on long-term investments	(2,213)	(0.1)	(58,091)	(2.3)	(153,970)	(4.7)
Income /(loss) before provision for income tax and loss from equity method investments	246,994	14.4	457,204	17.8	(50,653)	(1.5)
Provision for income tax	(44,653)	(2.6)	(76,504)	(3.0)	(69,328)	(2.1)
Loss from equity method investments	(7,678)	(0.4)	(16,186)	(0.6)	(7,670)	(0.2)
Net income/(loss)	194,663	11.4	364,514	14.2	(127,651)	(3.9)
Add: Net loss attributable to noncontrolling interest	3,777	0.2	2,722	0.1	17,456	0.5
Net income/(loss) attributable to TAL Education Group	$ 198,440	11.6	$ 367,236	14.3	$ (110,195)	(3.4)

(1) Includes share-based compensation expenses of $0.4 million, $0.7 million and $1.1 million for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively.

(2) Includes share-based compensation expenses of $5.0 million, $10.5 million and $19.4 million for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively.

(3) Includes share-based compensation expenses of $41.7 million, $66.1 million and $97.5 million for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively.

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

Net Revenues

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

Cost of Revenues

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

Operating Expenses

Our operating expenses increased by 57.6% to $1,676.8 million for the fiscal year ended February 29, 2020 from $1,063.7 million for the fiscal year ended February 28, 2019. This increase primarily resulted from increases in both our selling and marketing expenses and general and administrative expenses.

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

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

Government Subsidies

We received government subsidies related to government sponsored projects and recorded such government subsidies as a liability when such government subsidies were received and recorded it as other operating income when there was no further performance obligation. We received government subsidies of $9.5 million for the fiscal year ended February 29, 2020, compared to $6.7 million for the fiscal year ended February 28, 2019. We recorded $9.5 million and $6.7 million government subsidies as other operating income for the fiscal years ended February 28/29, 2020 and 2019, respectively.

Interest Income

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

Other income/(expense)

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

Impairment loss on long-term investments

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

Provision for Income Tax

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

Net Income/(loss)

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

Fiscal Year Ended February 28, 2019 Compared to Fiscal Year Ended February 28, 2018

Net Revenues

Our total net revenues increased by 49.4% to $2,563.0 million for the fiscal year ended February 28, 2019 from $1,715.0 million for the fiscal year ended February 28, 2018. The increase was mainly driven by an increase in total student enrollments. The increase in total student enrollments resulted primarily from increases of enrollments in the small class offerings and online courses.

Cost of Revenues

Our cost of revenues increased by 32.0% to $1,164.5 million for the fiscal year ended February 28, 2019 from $882.3 million for the fiscal year ended February 28, 2018. This increase was largely due to the increase in teacher fees and performance-linked bonuses to our teachers, and rental costs for our learning centers and service centers. The increase of teacher fees and performance-linked bonuses was primarily due to the increase in the number of our full-time teachers from 17,868 for the fiscal year ended February 28, 2018 to 21,387 for the fiscal year ended February 28, 2019. The increase of rental costs for our facilities was primarily due to the increase in the leased space of learning centers and service centers from approximately 1,149,000 square meters as of February 28, 2018 to approximately 1,351,000 square meters as of February 28, 2019. Cost of revenues for the fiscal year ended February 28, 2019 included $0.7 million in share-based compensation expenses, as compared to $0.4 million for the fiscal year ended February 28, 2018.

Operating Expenses

Our operating expenses increased by 69.2% to $1,063.7 million for the fiscal year ended February 28, 2019 from $628.7 million for the fiscal year ended February 28, 2018. This increase primarily resulted from increases in both our selling and marketing expenses and general and administrative expenses.

Selling and Marketing Expenses. Our selling and marketing expenses increased by 99.9% to $484.0 million for the fiscal year ended February 28, 2019 from $242.1 million for the fiscal year ended February 28, 2018. This increase was primarily due to an increase in salaries and benefits for our selling and marketing personnel and more marketing promotion activities both for brand enhancement and consumer experience. Selling and marketing expenses for the fiscal year ended February 28, 2019 also included $10.5 million in share-based compensation expenses, as compared to $5.0 million for the fiscal year ended February 28, 2018.

General and Administrative Expenses. Our general and administrative expenses increased by 50.1% to $579.7 million for the salaries and benefit for the general fiscal year ended February 28, 2019 from $386.3 million for the fiscal year ended February 28, 2018. This increase was primarily due to an increase of the number of our general and administrative personnel and a rise in compensation to our general and administrative personnel. General and administrative expenses for the fiscal year ended February 28, 2019 included $66.1 million in share-based compensation expenses, as compared to $41.7 million for the fiscal year ended February 28, 2018.

Government Subsidies

We received government subsidies related to government sponsored projects and recorded such government subsidies as a liability when such government subsidies were received and recorded it as other operating income when there was no further performance obligation. We received government subsidies of $6.7 million for the fiscal year ended February 28, 2019, compared to $4.6 million for the fiscal year ended February 28, 2018. We recorded $6.7 million and $4.7 million government subsidies as other operating income for the fiscal years ended February 28, 2019 and 2018, respectively.

Interest Income

We had interest income of $59.6 million for the fiscal year ended February 28, 2019, compared to $39.8 million for the fiscal year ended February 28, 2018. Our interest income in both fiscal years consisted primarily of interest earned from our cash and cash equivalents and short-term investments.

Other income

We recorded other income of $131.7 million for the fiscal year ended February 28, 2019, compared to other income of $17.4 million for the fiscal year ended February 28, 2018. Other income of fiscal year 2019 was mainly from the fair value changes of a long-term investment. The fair value changes of the long-term investment were transferred from accumulated other comprehensive income to other income as the investment was reclassified from available-for-sale investment to equity security with readily determinable fair value upon listing on the Hong Kong Exchange in November 2018.

Impairment loss on long-term investments

We incurred $58.1 million of impairment loss on long-term investments for fiscal year ended February 28, 2019, compared to $2.2 million for the fiscal year ended February 28, 2018. Impairment loss on long-term investments was mainly due to the other-than-temporary declines in the value of long-term investments.

Provision for Income Tax

We had $76.5 million of provision for income tax for the fiscal year ended February 28, 2019, compared to $44.7 million in fiscal year 2018. The increase was mainly due to increase in income before provision for income tax and loss from equity method investments.

Net Income

As a result of the foregoing, our net income increased by 87.3% to $364.5 million for the fiscal year ended February 28, 2019 from $194.7 million for the fiscal year ended February 28, 2018.

Inflation

According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index in China for February 2018, 2019 and 2020 were increases of 2.9%, 1.5% and 5.2%, respectively. Inflation has had some impact on our operations in recent years, in the form of higher salaries for our teachers and other staff and higher rental payments for certain of the office space and service center and learning center space we lease. We can provide no assurance that we will not continue to be affected in the future by higher rates of inflation in China, or that we will be able to adjust our tuition rates to mitigate the impact of inflation on our results of operations.

Recent Accounting Pronouncements

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

B. Liquidity and Capital Resources

Cash Flows and Working Capital

In recent years, we have financed our operations and the expansion of our business primarily through cash flows from operations, proceeds from our initial public offering in October 2010, our offering of convertible senior note in May 2014 and the revolving credit facilities we entered into in June 2016 and February 2019 and a construction loan facility we entered into December 2019. As of February 29, 2020, we had $1,873.9 million in cash and cash equivalents, $345.4 million in short-term investments and $262.0 million long-term debt. Our cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments that are placed with banks and other financial institutions and which are either unrestricted as to withdrawal or use, or have remaining maturities of three months or less when purchased. The short-term investments primarily consist of wealth management produces with variable interest rates with original maturity of less than one year and more than three months.

The following table sets forth a summary of our cash and cash equivalents and short-term investments inside and outside China as of February 29, 2020.

	Cash and cash equivalents in RMB	Cash and cash equivalents in other currencies	Total cash and cash equivalents	Short-term investments in RMB	Short-term investments in other currencies	Total short-term investments
			(in thousands)			
Entities outside China	409	448,420	448,829	—	312,000	312,000
VIEs in China	347,111	537	347,648	—	—	—
Non-VIEs in China	1,075,798	1,591	1,077,389	21,457	12,000	33,457
Entities inside China	1,422,909	2,128	1,425,037	21,457	12,000	33,457
Total	1,423,318	450,548	1,873,866	21,457	324,000	345,457

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

On February 1, 2019, we signed a 3-year $600 million term and revolving facilities agreement with a group of arrangers led by Deutsche Bank AG, Singapore Branch. The facilities, a $270 million 3-year bullet maturity term loan and a $330 million 3-year revolving facility, are priced at 175 basis points over LIBOR. As of February 29, 2020, the Company had drawn down $270 million three-year bullet maturity term loan under the facility commitment.

On December 19, 2019 we, through our consolidated affiliated entities in the PRC, entered into a loan facilities agreement with a group of lenders pursuant to which we can draw down up to RMB1,800 million, provided that the proceeds be used in our construction project in Zhenjiang, Jiangsu. The facilities have a term of eight years and an effective drawdown period of three years. The land and the constructions thereon are collaterals to the loan facilities.

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

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

	For the Years Ended February 28/29,		
	2018	2019	2020
	(in thousands of $)		
Net cash provided by operating activities	$ 685,293	$ 194,361	$ 855,850
Net cash used in investing activities	(832,573)	(166,584)	(338,815)
Net cash provided by financing activities	428,151	475,019	131,231
Effect of exchange rate changes	(31,785)	33,208	3,218
Net increase in cash and cash equivalents and restricted cash	249,086	536,004	651,484
Cash, cash equivalents and restricted cash at the beginning of the period	478,611	727,697	1,263,701
Cash, cash equivalents and restricted cash at end of the period	$ 727,697	$ 1,263,701	$ 1,915,185

Operating Activities

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

Net cash provided by operating activities amounted to $194.4 million in the fiscal year ended February 28, 2019, as compared to $685.3 million in the fiscal year ended February 28, 2018. Net cash provided by operating activities in the fiscal year ended February 28, 2019 reflected net income of $364.5 million, adjusted by certain non-cash expenses and gain, mainly including depreciation of property and equipment of $76.7 million, share-based compensation expenses of $77.3 million, impairment loss on long-term investments of $58.1 million, gain recognized for conversion of debt securities to equity securities of $95.5 million and fair value remeasuring gain of $26.4 million from step acquisition. Other major factors affecting operating cash flow in the fiscal year ended February 28, 2019 mainly included a decrease in deferred revenues of $407.2 million due to the change of tuition fees collection schedule to meet certain regulatory requirement.

Investing Activities

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

Net cash used in investing activities amounted to $166.6 million in the fiscal year ended February 28, 2019, as compared to $832.6 million in the fiscal year ended February 28, 2018. Net cash used in investing activities in the fiscal year ended February 28, 2019 primarily related to purchase of short-term investments of $581.2 million, payments for long-term investments of $243.5 million, prepayments for purchase of land use right of $209.9 million and purchase of property and equipment of $138.4 million, partially offset by proceeds from maturity of short-term investment of $1,103.3 million.

Financing Activities

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

Net cash provided by financing activities amounted to $475.0 million in the fiscal year ended February 28, 2019, as compared to $428.2 million in the fiscal year ended February 28, 2018. Net cash provided by financing activities in the fiscal year ended February 28, 2019 was attributable to the proceeds of $500.0 million from private placement, net proceeds of $189.9 million from long-term debt and short-term debt and partially offset by repayment of long-term debt of $205.0 million.

Holding Company Structure

Overview

We are a holding company with no material operations of our own. Aside from our personalized premium tutoring services in Beijing conducted by our PRC subsidiaries, Huanqiu Zhikang and Zhixuesi Beijing, and a small portion of business conducted by Pengxin and/or its subsidiaries and schools, substantially all of our education business in China is conducted through the VIE Contractual Arrangements. See “Item 4. Information on the Company—B. Business Overview—Organizational Structure—VIE Contractual Arrangements.” In the fiscal years ended February 28/29, 2018, 2019 and 2020, our Consolidated Affiliated Entities contributed 94.1%, 93.9% and 93.4%, respectively, of our total net revenues.

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

Dividend Distributions

As a holding company, our ability to pay dividends and other cash distributions to our shareholders depends upon dividends and other distributions paid to us by our PRC subsidiaries. The amount of dividends paid by our PRC subsidiaries to us primarily depends on the service fees paid to our PRC subsidiaries from our Consolidated Affiliated Entities, and, to a lesser degree, our PRC subsidiaries’ retained earnings. In the fiscal years ended February 28/29, 2018, 2019 and 2020, TAL Beijing, Lebai Information and their designated PRC subsidiaries collectively charged $437.8 million, $657.0 million and $726.7 million in service fees, respectively, to our Consolidated Affiliated Entities. The Consolidated Affiliated Entities collectively paid $426.5 million, $589.3 million and $776.3 million in service fees to TAL Beijing, Lebai Information and its designated PRC subsidiaries in the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively. As of February 28/29, 2018, 2019 and 2020, the balance of the amount payable for the fees was $60.3 million, $128.0 million and $78.4 million, respectively.

Under PRC law, each of our PRC subsidiaries and Consolidated Affiliated Entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory surplus reserve until such reserve reaches 50% of its registered capital and to further set aside a portion of its after-tax profit to fund the reserve fund at the discretion of our board of directors. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation.

Pursuant to the VIE Contractual Arrangements, the earnings and cash of each of our VIEs (including dividends received from their respective subsidiaries and schools) are used to pay service fees in RMB to TAL Beijing or Lebai Information or its designated affiliates, as applicable, in the manner and amount set forth in the VIE Contractual Arrangements. After paying the applicable withholding taxes, making appropriations for its statutory reserve requirement and retaining any profits from accumulated profits, the remaining net profits of TAL Beijing and its designated affiliates would be available for distribution to TAL Hong Kong, and the remaining net profits of Lebai Information and its designated affiliates would be available for distribution to Firstleap Education (HK) Limited then to Firstleap Education, and from TAL Hong Kong and Firstleap Education to our company. See "Item 3. Key Information-D. Risk Factors-Risks Related to Doing Business in China-Dividends we receive from our operating subsidiaries located in China may be subject to PRC withholding tax." and "Item 5. Operating Results-Taxation-PRC" for detailed discussions on withholding taxes; and see "Item 4. Information on the Company-B. Business Overview-PRC Regulation-Regulations on Dividend Distribution" for a detailed discussion on statutory reserve requirement. As of February 29, 2020, the net assets of our PRC subsidiaries and Consolidated Affiliated Entities which were restricted due to statutory reserve requirements and other applicable laws and regulations, and thus not available for distribution, was in aggregate $663.3 million, and the net assets of our PRC subsidiaries and Consolidated Affiliated Entities which were unrestricted and thus available for distribution was in aggregate $1,807.7 million.

We do not believe that these restrictions on the distribution of our net assets will have a significant impact on our ability to timely meet our financial obligations in the future. See "Item 3. Risk Factors—D. Risks Related to Doing Business in China—We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could limit our ability to pay dividends to holders of our ADSs and common shares" for more information.

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

Capital Expenditures

For the fiscal years 2018 to 2020, our primary capital expenditures were mainly related to purchase of land use right, leasehold improvements and purchase of servers, computers, network equipment, and software systems. Our capital expenditures were $126.3 million, $353.3 million and $187.5 million for the fiscal years ended February 28/29, 2018, 2019 and 2020, respectively, representing 7.4%, 13.8% and 5.7% of our total net revenues for such years, respectively. See "Item 4. Information on the Company-C. Property, Plants and Equipment" for more information.

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

Our competitive advantages in the PRC after-school tutoring service market is supported by our up-to-date technology platform, our strong in-house ability in developing curricular and course materials, and a range of our intellectual property rights. In addition, we operate *www.jzb.com* (formerly *www.eduu.com*), a leading online education platform in China. The website serves as a gateway to our online courses, primarily offered through our website *www.xueersi.com*, and other websites dedicated to specific topics and offerings. We also offer select educational content through mobile applications. Our online platform facilitates direct and frequent communications with and among our existing and prospective students, which forms an important part of our efforts to provide a supportive learning environment to our students and support our overall sales and marketing activities. For detailed information about our online course offering, see "Item 4. Information on the Company—B. Business Overview—Our Tutoring Services—Online Courses." We have a strong in-house team responsible for developing, updating and improving our curricula and course materials, and substantially all of our education content for our non-English subject areas is developed in-house. See "Item 4. Information on the Company—B. Business Overview—Our Curricula and Course Materials" for detailed information. Our online platform, course contents and our other intellectual property rights are protected by a combination of PRC laws and regulations that protect trademarks, copyrights, domain names, know-how and trade secrets, as well as confidentiality agreements. For more information about our brands and intellectual property rights, see "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the fiscal year ended February 29, 2020 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

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

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of February 29, 2020:

	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in thousand $)		
Lease property management fee obligations[1]	107,623	22,729	43,324	25,555	16,015
Purchase of property and equipment obligations	404,066	150,556	253,510	—	—
Acquisitions and investments obligations[2]	28,646	28,646	—	—	—
Long-term loan obligations	270,000	—	270,000	—	—
Other commitment[3]	28,361	10,988	17,373	—	—
Total	838,696	212,919	584,207	25,555	16,015

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

(2) Represents obligations in connection with several investments and acquisitions as of February 29, 2020.

(3) Represents interests to be paid for credit facilities entered in February 2019.

G. Safe Harbor

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

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

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

Directors and Executive Officers	Age	Position/Title
Yunfeng Bai	38	Chairman of the Board of Directors and President
Bangxin Zhang	39	Director and Chief Executive Officer
Yachao Liu	38	Chief Operating Officer
Jane Jie Sun	51	Independent Director
Kaifu Zhang	35	Independent Director
Weiru Chen	49	Independent Director
Rong Luo	38	Chief Financial Officer
Mi Tian	37	Chief Technology Officer

Yunfeng Bai has been our chairman since January 2020, and president since October 2016. From April 2011 to October 2016, Mr. Bai was our senior vice president and led our Small Class business throughout China. Prior to this, Mr. Bai served as our vice president between June 2008 and April 2011, and in this capacity he oversaw our personalized premium services. Mr. Bai founded our high school division in 2005 and was the director of our Beijing operations from June 2006 to May 2008. Mr. Bai received his bachelor's degree in engineering automation from Beijing University of Aeronautics and Astronautics in 2003. He attended the CEO course of Guanghua Management School at Peking University between 2008 and 2009 and graduated from the EMBA program of China Europe International Business School in 2012.

Bangxin Zhang is one of our founders and has served as our director and chief executive officer since our inception and our chairman prior to January 2020. Mr. Zhang has been instrumental to the development and success of our business. Mr. Zhang provides vision, overall management, and strategic decision-making relating to marketing, investment planning, and corporate development. Mr. Zhang received his bachelor's degree in Life Sciences from Sichuan University in 2001, was in the postgraduate program of the Life Science School of Peking University from 2002 to 2007, and received an EMBA degree from China Europe International Business School in 2009.

Yachao Liu has served as our chief operating officer since June 2017. Dr. Liu also served as our director from October 2016 to January 2020. Prior to that, Dr. Liu had been our senior vice president from April 2011 to September 2016 and in charge of our Kaoyan business and certain new businesses from February 2015 to September 2016. Dr. Liu was in charge of our strategic investments from November 2014 to January 2015. From February 2013 to October 2014, Dr. Liu was in charge of our online course offerings. From May 2012 to January 2013, Dr. Liu was in charge of our enterprise planning division and information management center in addition to our online course offerings. From April 2011 to April 2012, Dr. Liu was in charge of our teaching and research division, teachers' training school, information management center and network operation center. From January 2008 to April 2011, Dr. Liu was our vice president and was in charge of our online course offerings. From September 2005 to January 2008, Dr. Liu was director of our middle school division. Dr. Liu received his bachelor's degree in Mechanics from Peking University in 2003 and Ph.D. from the Institute of Mechanics of the Chinese Academy of Science in 2008.

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

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

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

Rong Luo has served as our chief financial officer since November 2014 and has been in charge of our international education business since December 2016. Mr. Luo was in charge of strategic investments from February 2015 to December 2016. Mr. Luo has served as an independent director of the Jiangsu Phoenix Pressing Media Co., Ltd, a leading PRC media group listed on Shanghai Stock Exchange since March 2016. Prior to joining us, Mr. Luo was the chief financial officer of eLong Inc from 2013 to 2014. Before that, Mr. Luo was finance senior manager (China) for the Lenovo Group. Prior to Lenovo, Mr. Luo held a number of positions in Beijing and Seattle in the finance function of the Microsoft Corporation, including analyst, manager and senior manager. Mr. Luo holds a double major bachelor's degree in economics and information management & systems from Peking University, a master's degree in management science and engineering from Tsinghua University.

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

Employment Agreements

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

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice and to assign all right, title and interest in them to us, and assist us in obtaining patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and for half a year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our clients, customers or contacts or other persons or entities introduced to the executive officer for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination.

B. Compensation

For the fiscal year ended February 29, 2020, the aggregate cash compensation we paid to our executive officers as a group was approximately $1.9 million. We do not pay our non-executive directors in cash for their services on our board. For the fiscal year ended February 29, 2020, we granted 51,520 non-vested restricted Class A common shares to our executive officers and non-executive directors. For the fiscal year ended February 29, 2020, we recognized a total share-based compensation expense of $6.4 million for our executive officers and non-executive directors. See "-Share Incentive Plan."

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

2010 Share Incentive Plan

In June 2010, we adopted our 2010 Share Incentive Plan in order to attract and retain the qualified personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. The plan permits the grant of options to purchase our Class A common shares, restricted shares, restricted share units, share appreciation rights, dividend equivalent rights and other instruments as deemed appropriate by the administrator under the plan. In August 2013, we amended and restated the 2010 Share Incentive Plan, or the 2010 Plan. Pursuant to the amended and restated 2010 Share Incentive Plan, the maximum aggregate number of Class A common shares that may be issued pursuant to all awards under our share incentive plan is equal to five percent (5%) of the total issued and outstanding shares as of the date when the amended and restated 2010 Share Incentive Plan became effective; provided that, the shares reserved shall be increased automatically if and whenever the unissued shares reserved accounts for less than one percent (1%) of the total then issued and outstanding shares, as a result of which increase the shares unissued and reserved in the Award Pool immediately after each such increase shall equal to five percent (5%) of the then issued and outstanding shares. The 2010 Plan has a term of 10 years, and will terminate as of June 30, 2020.

As of May 31, 2020, 9,785,852 non-vested restricted Class A common shares and 975,421 share options to purchase 975,421 Class A common shares under our share incentive plan previously granted to our employees and directors are outstanding. The following table summarizes, as of May 31, 2020, the share options and non-vested restricted shares granted and outstanding under our share incentive plan to our directors and executive officers and to other individuals as a group.

Name	Number of Class A Common Shares Underlying Share Options and Class A Restricted Shares	Exercise Price ($per share)	Date of Grant	Date of Expiration
Yunfeng Bai	* (1)	—	October 25, 2013/March 1, 2014/October 11, 2018	13 years from the date of the grant
Yachao Liu	* (1)	—	October 25, 2013 / March 1, 2014/October 11, 2018	13 years from the date of the grant
Jane Jie Sun	* (1)	—	January 26, 2018 / October 26, 2018	10 years from the date of the grant
Kaifu Zhang	* (1)	—	January 26, 2018 / October 26, 2018	10 years from the date of the grant
Weiru Chen	* (1)	—	July 26, 2015 / October 26, 2018	10 years from the date of the grant
Rong Luo	* (1)	—	October 26, 2014 / April 26, 2015 / October 11, 2018	14 years from the date of the grant
	* (2)	$ 16.095	April 26, 2015	10 years from the date of the grant
Mi Tian	* (1)	—	July 26, 2019	10 years from the date of the grant
	* (2)	$ 27.0	July 26, 2019	10 years from the date of the grant
Other individuals as a group	8,680,522 (1)	—	—	10 or 13 years from the date of the grant
	915,421 (2)	from $14.5 to $115.8	—	10 or 12 years from the date of the grant

(1) Non-vested restricted shares.

(2) Share options.

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

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

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

Option Exercise Price. The exercise price of an option is determined by the plan administrator and set forth in the award agreement and may be a fixed or variable price related to the fair market value of the shares, to the extent not prohibited by applicable laws. Subject to certain limits set forth in the plan, the exercise price may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive. To the extent not prohibited by applicable laws or any exchange rule, a downward adjustment of the exercise prices of options shall be effective without the approval of the shareholders or the approval of the affected participants.

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

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

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

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

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

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

2020 Share Incentive Plan

In June 12 2020, we adopted our 2020 Share Incentive Plan, or the 2020 Plan, in order to motivate, attract and retain the qualified personnel, provide additional incentives to employees, directors and consultants and promote the success and enhance the value of our business. The plan permits the grant of options to purchase our Class A common shares, restricted shares, restricted share units and other instruments as deemed appropriate by the administrator under the plan. Pursuant to the 2020 Plan, the maximum aggregate number of shares that may be issued pursuant to all awards (including incentive share options) (the "Award Pool") is initially five percent (5%) of our total issued and outstanding shares as of the effective date of the 2020 Plan, provided that (A) the Award Pool shall be increased automatically if and whenever the number of shares that may be issued pursuant to ungranted awards pursuant to the 2020 Plan (the "Ungranted Portion") accounts for less than one percent (1%) of the then total issued and outstanding shares of our company, so that for each automatic increase, the Ungranted Portion immediately after such increase shall equal five percent (5%) of the then total issued and outstanding shares of our company, and (B) the size of the Award Pool shall be equitably adjusted in the event of any share dividend, subdivision, reclassification, recapitalization, split, reverse split, combination, consolidation or similar transactions.

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

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

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

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

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

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

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

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

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

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

As of the date of this annual report, we have not granted any awards under the 2020 Plan.

C. Board Practices

Composition of Board of Directors

Our board of directors consists of five directors. A director is not required to hold any shares in our company by way of qualification. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company must declare the nature of his interest at a meeting of our directors. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at the board meeting at which such contract or proposed contract or arrangement is considered. Subject to our memorandum and articles of association, the directors may exercise all the powers of our company to borrow money and to mortgage its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third party.

Code of Business Conduct and Ethics

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

Duties of Directors

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

Terms of Directors and Executive Officers

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

Committees of the Board of Directors

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

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

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;

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

Compensation Committee. Our compensation committee consists of Mr. Weiru Chen, Mr. Kaifu Zhang and Ms. Jane Jie Sun. Mr. Chen, Mr. Zhang and Ms. Sun satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. Mr. Chen is the chair of our compensation committee. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors; and
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Mr. Kaifu Zhang, Mr. Weiru Chen and Ms. Jane Jie Sun. Mr. Zhang, Mr. Chen and Ms. Sun satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. Mr. Zhang is the chair of our nominating and corporate governance committee. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

D. Employees

We had 28,637, 34,733 and 45,271 full-time employees as of February 28/29, 2018, 2019 and 2020, respectively. Of our total number of full-time employees as of February 29, 2020, 18,357 were located in Beijing, and 26,914 in other places in China and other countries.

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

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our common shares (including shares represented by our ADSs), as of June 8, 2020, by:

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

	Shares Beneficially Owned		
	Number[1]	%[2]	% of Voting Power[3]
Directors and Executive Officers:			
Yunfeng Bai[4]	2,036,103	1.0 %	2.5 %
Bangxin Zhang[5]	56,802,704	28.4 %	70.8 %
Yachao Liu[6]	8,962,290	4.5 %	10.3 %
Jane Jie Sun[7]	*	*	—
Kaifu Zhang[8]	*	*	—
Weiru Chen[9]	*	*	—
Rong Luo	*	*	—
Mi Tian	*	*	—
All directors and executive officers as a group	68,044,764	34.0 %	83.5 %
Principal Shareholders:			
Bright Unison Limited[10]	48,005,204	24.0 %	59.8 %
Morgan Stanley entities[11]	30,233,411	15.1 %	3.8 %
Baillie Gifford & Co [12]	15,729,456	7.9 %	2.0 %
UBS Asset Management division of UBS Group AG[13]	17,203,377	8.6 %	2.1 %

* Less than 1% of our total outstanding shares.

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

(2) For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of (1) 200,109,057, being the number of common shares issued as of June 8, 2020, and (2) the number of shares such person or group has the right to acquire or receive within 60 days after June 8, 2020.

(3) Percentage of total voting power represents voting power with respect to all of our Class A and Class B common shares, as a single class. As of June 8, 2020, our issued and outstanding share capital consisted of 133,167,853 Class A common shares and 66,941,204 Class B common shares. Each holder of our Class B common shares is entitled to ten votes per Class B common share and each holder of Class A common shares is entitled to one vote per Class A common share held by our shareholders on all matters submitted to them for a vote. Our Class A common shares and Class B common shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B common shares are convertible at any time by the holder into Class A common shares on a 1:1 basis.

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

(5) Consists of (i) 12,000 class A common shares in the form of ADS and 47,993,204 Class B common shares held by Bright Unison Limited, a British Virgin Islands company, and (ii) 8,797,500 Class B common shares held by FAITH FIT LIMITED, a British Virgin Islands company. Bangxin Zhang has the power to direct the retention or disposal of, and the exercise of any voting rights attached to, the foregoing shares through a trust structure. For more details, see Schedule 13G/A filed by the relevant reporting persons on February 14, 2020. Bangxin Zhang's business address is 15/F, Danling SOHO, 6 Danling Street, Haidian District, Beijing 100080, People's Republic of China.

(6) Consists of (i) 5,875,000 Class B common shares held by Perfect Wisdom International Limited, a British Virgin Islands company, (ii) 662,000 Class A common shares and 2,275,500 Class B common shares held by COMPLETE HONOUR GLOBAL LIMITED, and (iii) 149,790 Class A common shares in the form of ADSs. Yachao Liu has the power to direct the retention or disposal of, and the exercise of any voting rights attached to, the foregoing shares through a trust structure. For more details, see Schedule 13G/A filed by the relevant reporting persons on February 14, 2020. Yachao Liu's business address is 15/F, Danling SOHO, 6 Danling Street, Haidian District, Beijing 100080, People's Republic of China.

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

(8) The business address of Mr. Zhang is Xi Zhi Men North Street, No 28, 6-202, Beijing, People's Republic of China.

(9) The business address of Mr. Chen is Room 802, Building 2-2, No. 6 Fuchun Road, Hangzhou, Zhejiang, People's Republic of China.

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

(11) Based on Schedule 13G/As filed with the SEC on February 14, 2020 by Morgan Stanley, Morgan Stanley Asia Limited and Morgan Stanley Investment Management Inc., consists of 16,118,979, 10,307,905 and 3,806,527 Class A common shares, respectively, in the form of 90,700,233 ADSs in aggregate. The principal business office of Morgan Stanley and Morgan Stanley Investment Management Inc. is 1585 Broadway New York, NY 10036, United States of America.

(12) Based on Schedule 13G/A filed with the SEC on January 16, 2020 by Baillie Gifford & Co, consists of 15,729,456 Class A common shares in the form of 47,235,605 ADSs. The principal business office of Baillie Gifford & Co is Calton Square, 1 Greenside Row, Edinburg EH1 3AN, Scotland, United Kingdom.

(13) Based on Schedule 13G/A filed with the SEC on February 12, 2020 by UBS Group AG (for the benefit and on behalf of the UBS Asset Management division of UBS Group AG), consists of 17,203,377 Class A common shares (upon conversion of ADSs) beneficially owned by the UBS Asset Management division of UBS Group AG and its subsidiaries and affiliates on behalf of clients. The principal business office of UBS Group AG is Bahnhofstrasse 45, Zurich, Switzerland.

Our common shares are divided into Class A common shares and Class B common shares. Holders of Class A common shares are entitled to one vote per share, while holders of Class B common shares are entitled to ten votes per share. Holders of our Class B common shares may choose to convert their Class B common shares into the same number of Class A common shares at any time. See "Item 10. Additional Information—B. Memorandum and Articles of Association—Common Shares" for a more detailed description of our Class A common shares and Class B common shares.

To our knowledge, as of June 8, 2020, 130,250,272 of our issued and outstanding Class A common shares were held by one record holder in the United States, which was JPMorgan Chase Bank, N.A., the depositary of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our Class A common shares in the United States.

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

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

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

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

B. Related Party Transactions

Transactions with Related Investees

We have amounts due from related parties representing loans, prepayment to certain investees and advances received by an investee on our behalf. As of February 28, 2019, we had $3.3 million current amounts due from related parties, and $1.7 million non-current amounts due from related parties. As of February 29, 2020, we had $3.6 million current amounts due from related parties.

We have amounts due to related parties in connection with investment payable and advanced service fees received from related parties. As of February 28, 2019, we had $24.4 million current amounts due to related parties, and $0.2 million non-current amounts due to related parties. As of February 29, 2020, we had $4.4 million current amounts due to related parties.

We incur services fees in connection with services provided by certain investees to us. For the years ended February 28/29, 2018, 2019 and 2020, respectively, we incurred services fees to related parties of $0.9 million, $1.9 million and $6.4 million.

We generate other revenue from related parties in connection with services provided by us. For the years ended February 28/29, 2018, 2019 and 2020, respectively, we generated other revenue from related parties of $1.0 million, $1.4 million and $4.1 million.

We purchase equipment from related parties used in our educational programs. For the year ended February 28/29, 2019 and 2020, respectively, we purchased equipment in an amount of $1.1 million and $0.1 million.

VIE Contractual Arrangements

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

Employment Agreement

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

Stock Incentives

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

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements.”

Legal and Administrative Proceedings

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

Litigation

On June 18, 2018 and July 17, 2018, two putative shareholder class action lawsuits were filed against our company and certain officers of our company in the U.S. District Court for the Southern District of New York. The putative class action lawsuits are captioned Lea v. TAL Education Group, et al. , Case No. 1:18-cv-05480-RWS (S.D.N.Y.) (filed on June 18, 2018); Extract v. TAL Education Group, et al. , Case No. 1:18-cv-06440 (filed on July 17, 2018). The plaintiffs seek to represent a class of persons who allegedly suffered damages as a result of their trading activities related to our ADSs from April 26 to June 13, 2018. The plaintiffs allege that certain press releases and financial statements made by our company during the alleged class period contained material misstatements and omissions in violation of the federal securities laws, and advances claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, 15 U.S.C. §§ 78(b) and 78t(a), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5 (2013). On September 27, 2018, the Court consolidated the two lawsuits as In re Tal Education Group Securities Litigation, Case No. 1: 18-cv-05480-LAP-KHP. On September 25, 2019, the United States District Court for the Southern District of New York granted the Company’s motion to dismiss the case in its entirety with prejudice. On February 7, 2020, plaintiffs filed their opening brief for the appeal. The Company filed a brief for defendants-appellees on May 28, 2020. On June 18, 2020, plaintiffs filed their reply brief for the appeal.

The action remains in its preliminary stages. We are defending the action vigorously. For risks and uncertainties relating to the pending case against us, please see “Item 3. Key Information-D. Risk Factors-Risks Related to Our Business-We have been named as a defendant in two putative shareholder class action lawsuits and are subject to SEC investigation which could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.”

Internal Review and SEC Proceeding

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

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

The SEC's Division of Enforcement has sought the production of certain documents and records related to the transactions identified in the Muddy Water reports, the aforesaid internal reviews and related follow-up work, and other related information, as well as information regarding the "Light Class" business subsequent to our announcement. We are cooperating with the SEC. We cannot predict the timing, outcome or consequences of the SEC investigation.

Dividend Policy

In November 2010, we paid a $30 million cash dividend to our shareholders of record as of September 29, 2010, the date we declared this dividend. In December 2012, we paid a $39.0 million cash dividend with $0.25 per share to our shareholders of record at the close of business on December 7, 2012. In May 2017, we paid US$41.2 million special cash dividend with $0.25 per share to our shareholders of record at the close of business on May 11, 2017. We expect to source cash for future dividends, if any, from our offshore cash balance, which is more cost-efficient than using onshore cash we hold.

Our board of directors has complete discretion whether to declare dividends, subject to the Companies Law, our articles of association, and the common law of the Cayman Islands. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Even if our board of directors decides to declare dividends, their form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

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

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

B. Significant Changes

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

Item 9. The Offer and Listing

A. Offering and Listing Details

See "C. Markets."

B. Plan of Distribution

Not applicable.

C. Markets

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

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands company and our affairs are governed by our memorandum and articles of association, as amended from time to time, and the Companies Law (2020 Revision) of the Cayman Islands, which is referred to below as the Companies Law, and the common law of the Cayman Islands.

The following are summaries of material provisions of our Fourth Amended and Restated Memorandum and Articles of Association and the Companies Law insofar as they relate to the material terms of our common shares.

Registered Office and Objects

Our registered office in the Cayman Islands is located at Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands or at such other place within the Cayman Islands as our board of directors may from time to time decide. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law, or any other law of the Cayman Islands.

Board of Directors

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

Common Shares

General. Our common shares are divided into Class A common shares and Class B common shares. Holders of our Class A common shares and Class B common shares have the same rights except for voting and conversion rights. Our authorized share capital is $2,000,000 divided into 500,000,000 Class A common shares, with a par value of $0.001 each, 500,000,000 Class B common shares of $0.001 each and 1,000,000,000 undesignated shares with a par value of $0.001 each. Certificates representing the common shares are issued in registered form. Our shareholders who are nonresidents of the Cayman Islands may freely hold and vote their shares.

Dividends. The holders of our common shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law, our articles of association, and the common law of the Cayman Islands. Our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend on its shares out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

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

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

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

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

A quorum required for a meeting of shareholders consists of at least one shareholder present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, and entitled to vote, holding in aggregate not less than one-tenth of the voting power of our shares in issue carrying a right to vote at such meeting. Advance notice of at least ten days is required for the convening of our shareholders' annual general meeting and any extraordinary general meeting of our shareholders.

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

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

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

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

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

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

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

Variations of Rights of Shares. Whenever the capital of our company is divided into different classes, the rights attached to any such class may, subject to the rights and restrictions for the time being attached to any class, only be materially adversely varied or abrogated either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied or abrogated by the creation, allotment or issue of further shares ranking in priority to or pari passu with such previously existing shares, or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied or abrogated by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

Inspection of Books and Records. Holders of our common shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (other than copies of our memorandum and articles of association and any special resolutions passed by our shareholders). However, we will provide our shareholders with annual audited financial statements.

C. Material Contracts

For the two years immediately preceding the date of this annual report, we have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" or elsewhere in this annual report.

D. Exchange Controls

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

E. Taxation

Cayman Islands Taxation

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

People's Republic of China Taxation

Enterprise Income Tax

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

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

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

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

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

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

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

In February 2015, the SAT issued SAT Bulletin 7, which terminated the aforementioned articles of SAT Circular 698. Pursuant to SAT Bulletin 7, where a non-resident enterprise indirectly transfers properties such as equity in PRC resident enterprises without any justifiable business purposes and aiming to avoid the payment of enterprise income tax, such indirect transfer must be reclassified as a direct transfer of equity in PRC resident enterprise. To assess whether an indirect transfer of PRC taxable properties has reasonable commercial purposes, all arrangements related to the indirect transfer must be considered comprehensively and factors set forth in SAT Bulletin 7 must be comprehensively analyzed in light of the actual circumstances. SAT Bulletin 7 also provides that, where a non-PRC resident enterprise transfers its equity interests in a resident enterprise to its related parties at a price lower than the fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

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

In certain practical cases regarding the application of SAT Bulletin 7 and Bulletin 37, intermediary holding companies were actually looked through by the PRC tax authorities, and consequently the non-PRC resident investors were deemed to have transferred the PRC subsidiaries and PRC corporate taxes were assessed accordingly. It is possible that we or our non-PRC resident investors may become at risk of being taxed under SAT Bulletin 7 and Bulletin 37 may be required to expend valuable resources to comply with SAT Bulletin 7 and Bulletin 37 or to establish that we or our non-PRC resident investors should not be taxed under SAT Bulletin 7 and Bulletin 37, which may have an adverse effect on our financial condition and results of operations or such non-PRC resident investors' investment in us.

U.S. Federal Income Tax Considerations

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

General

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

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

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

PFIC Considerations

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

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

Accordingly, assuming that we are the owner of our VIEs and their respective subsidiaries, as applicable, for U.S. federal income tax purposes. Based on our income and assets and the market price of our ADSs, we do not believe that we were a PFIC for the taxable year ended February 29, 2020 and do not anticipate becoming a PFIC for the foreseeable future. While we do not anticipate becoming a PFIC for the foreseeable future, no assurance can be given in this regard because the determination of whether we will be or become a PFIC is a fact-intensive inquiry made on an annual basis that depends, in part, on the composition of our income and assets. Fluctuations in the market price of our ADSs may cause us to become a PFIC for the current or subsequent taxable years because the value of assets for the purpose of the asset test, including the value of our goodwill and other unbooked intangibles, may be determined by reference to the market price of our ADSs from time to time (which may be volatile). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization. If our market capitalization becomes less than anticipated, we may be classified as a PFIC for the current or future taxable years.

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

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

Dividends

Subject to the PFIC rules discussed below, any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or common shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of common shares, or by the Depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution paid will generally be treated as a “dividend” for U.S. federal income tax purposes. A non-corporate recipient of dividend income generally will be subject to tax on dividend income from a “qualified foreign corporation” at a reduced U.S. federal tax rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met.

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

Dividends generally will be treated as income from foreign sources for U.S. foreign tax credit purposes and generally will constitute passive category income. In the event that we are deemed to be a PRC "resident enterprise" under the EIT Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid, if any, on our ADSs or common shares. See "-People's Republic of China Taxation." The U.S. Holder may be eligible to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or common shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld is permitted instead to claim a deduction, for U.S. federal income tax purposes, in respect to such withholdings, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the taxpayer's individual facts and circumstances. Each U.S. Holder is urged to consult its tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Common Shares

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

PFIC Rules

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

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

- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC (a pre-PFIC year) will be taxable as ordinary income;

- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. Holder for that year; and

- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or common shares and any of our non-U.S. subsidiaries is also a PFIC (i.e., a lower-tier PFIC), such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the rules described above. Each U.S. Holder is urged to consult its tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to our ADSs, but not our common shares, provided that the ADSs are regularly traded on a qualified exchange or other market. Our ADSs are listed on the New York Stock Exchange, which is a qualified exchange. Our ADSs are expected to qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes this election, the U.S. Holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. Holder will not be required to take into account the mark-to-market gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

Because a mark-to-market election cannot technically be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

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

If a U.S. Holder owns our ADSs or common shares during any taxable year that we are a PFIC, the holder must generally file an annual Internal Revenue Service Form 8621 and provide such other information as may be required by the U.S. Treasury. In the case of a U.S. Holder who has held ADSs or common shares during any taxable year in respect of which we were classified as a PFIC and continues to hold such ADSs or common shares (or any portion thereof) and has not previously determined to make a mark-to-market election, and who later considers making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs or common shares. Each U.S. Holder is urged to consult its tax advisor concerning the U.S. federal income tax consequences of holding and disposing ADSs or common shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election and the unavailability of the qualified electing fund election.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the Securities and Exchange Commission, or SEC, a registration statement on Form F-1 under the Securities Act with respect to our initial public offering of our Class A common shares represented by ADSs.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC, including the annual filing of a Form 20-F within four months after the end of each fiscal year. Our company's fiscal year ends on February 28/29. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. Copies of reports and other information, when filed, may also be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish JPMorgan Chase Bank, N.A., the depositary of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us. We will file our annual report on Form 20-F, including our audited financial statements, with the SEC. Form 20-F can be accessed on the SEC's website as well the investor relations section of our website. Investors may request a hard copy of our annual report, free of charge, by contacting us.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our exposure to interest rate risk primarily relates to (i) the interest income generated by excess cash invested in liquid investments, and (ii) the interest expense associated with our credit facilities. As of February 29, 2020, we had no other short-term or long-term borrowings.

On February 1, 2019, we signed a 3-year $600.0 million term and revolving facilities agreement with a group of arrangers led by Deutsche Bank AG, Singapore Branch. The facilities, a $270. 0 million 3-year bullet maturity term loan and a $330 million 3-year revolving facility, are priced at 175 basis points over LIBOR. The interest is payable on a quarterly basis. We also pay a commitment fee of 0.35% per annum based on the undrawn portion of the facilities for the period from commencement date to the end of the availability period applicable to the facilities. The use of proceeds of the facilities are for general corporate purposes.

Our future interest income may fluctuate due to changes in market interest rates. The interest expense associated with our credit facilities may also fluctuate because the loans thereunder are priced based on LIBOR.

We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. Currently, we do not have any derivative financial instruments to manage our interest risk exposure. As of February 28, 2019 and February 29, 2020, if interest rates increased/decreased by 1%, with all other variables having remained constant, and assuming the amount outstanding at February 29, 2020 under our credit facilities that bear floating interest was outstanding for the entire fiscal year, profit attributable to equity owner of our company would have been $14.5 million and $19.9 million higher/lower, respectively, mainly as a result of higher/lower interest income from our cash and cash equivalents, restricted cash and short-term investments.

Foreign Exchange Risk

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

Appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars and earnings from, and the value of, any U.S. dollar-denominated investments we make in the future. The value of your investment in our ADSs is affected by the foreign exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in RMB, while the ADSs are traded in U.S. dollars.

Moreover, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. To the extent that we seek to convert Renminbi into U.S. dollars, depreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Assuming we had converted the U.S. dollar-denominated cash and cash equivalent, restricted cash and short investments balance of $779.0 million as of February 29, 2020 into RMB at the exchange rate of $1.00 for RMB6.99 as of February 29, 2020, this cash balance would have been RMB5,442.0 million. Assuming a 1.0% appreciation of the Renminbi against the U.S. dollar, this cash balance would have decreased to RMB5,388.0 million as of February 29, 2020.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a share dividend or share split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, $5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

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

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

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Fees and Other Payments Made by the Depositary to Us

Our depositary has agreed to contribute us for certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses and exchange application and listing fees. There are limits on the amount of expenses for which the depositary will contribute us, and the amount of contribution available to us is not entirely related to the amounts of fees the depositary collects from investors. For the fiscal year ended February 29, 2020, we have received $5.0 million after tax contribution from the depositary, which was paid to us for expenses incurred in connection with the establishment and maintenance of the ADS program.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this annual report, our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon this evaluation, our management has concluded that, as of February 29, 2020, our existing disclosure controls and procedures were not effective because of the material weakness in our internal control over financial reporting as described below.

Management's Annual Report on Internal Control over Financial Reporting

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

Our management conducted an assessment of the design and operation effectiveness of our internal control over financial reporting as of February 29, 2020. In making this assessment, we used the criteria established within the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management has concluded that, as of February 29, 2020, our internal control over financial reporting was not effective due to a material weakness identified in our internal control over financial reporting as of February 29, 2020 in accordance with the standards established by the Public Company Accounting Oversight Board of the United States.

The material weakness identified relates to our failure to timely update our design on controls with a sufficient level of precision to prevent and detect misstatements related to our newly developed business. Specifically, the material weakness is a combination of control deficiencies surrounding Light Class business where transactions are conducted through agents, including: (1) lack of continuous and sufficient risk assessment and monitoring on the newly developed business along with the expansion of such business; (2) inadequate review over vendor selection and approval; (3) insufficient review over approval of supplemental agreements; (4) insufficient review over the business substance when approving expenditure payments by the operation department; and (5) insufficient monitoring over hospitality expenses incurred related to newly developed business in light of the higher risks of the potential FCPA violation. The material weakness has resulted in restatement of our unaudited quarterly financial statements for the periods ended May 31, August 31 and November 30, 2019, respectively, to reflect correction of errors which led to reversal of our net revenues and net income attributable to our Company for the first nine months of fiscal year 2020 in the aggregate amount of US$86.1 million and US$26.6 million, respectively.

We are implementing and will continue to implement a number of remediation measures to address the material weakness and the deficiencies that have been identified, including (1) establishing an internal control committee; (2) strengthening monitoring on newly developed businesses such as increase review frequency, reassess the appropriateness of the levels of aggregation and lower the review threshold for investigation; (3) heightening review of vendor selection, agreement approvals, and expenditure approvals such as enhance our review steps in analyzing vendor backgrounds, the substance of agreements entered and the reasonableness of expenditure paid; (4) reviewing and improving anti-corruption policies and measures, and developing enforcement measures for violations, including holding comprehensive regular and continuous integrity training sessions to educate all relevant personnel; (5) establishing communication protocols between the accounting and finance department and the business departments to facilitate updates of any changes in newly developed business in a timely manner.

We cannot assure you that we will be able to implement these measures to effectively remediate our material weakness, or that we will not identify any additional material weaknesses or significant deficiencies in the future. For risks and uncertainties related to our internal control, see “Item 3. Key Information-D. Risk Factors-Risks Related to Our Business- Failure to maintain effective internal controls over financial reporting could cause us to inaccurately report our financial result or fail to prevent fraud and have a material adverse effect on our business, results of operations and the trading price of our ADSs."

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

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of TAL Education Group and its subsidiaries (the "Company"), as of February 29, 2020, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weakness identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of February 29, 2020, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended February 29, 2020, of the Company and our report dated June 30, 2020, expressed an unqualified opinion on those financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Material Weakness

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 following material weakness has been identified and included in management's assessment: The Company failed to design and maintain effective controls with a sufficient level of precision to prevent and detect misstatements related to Light Class business. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended February 29, 2020, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
June 30, 2020

Changes in Internal Control Over Financial Reporting

Except as disclosed under this Item, there were no changes in our internal control over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

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

Item 16B. Code of Ethics

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

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP, our principal external auditors, for the periods indicated.

	For the Year Ended February 28/29,	
	2019	2020
	(in thousands of $)	
Audit fees[1]	1,358	1,757
Audit-related fees[2]	1,810	—
Tax fees[3]	121	180
All other fees[4]	63	97

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

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

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

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

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

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

Not applicable.

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

On October 24, 2011, our board of directors authorized a share repurchase program, whereby our company may repurchase of up to $50.0 million of our ADSs during the period from October 24, 2011 through October 23, 2012. The share repurchase program was publicly announced on October 25, 2011. On October 24, 2018, our board of directors authorized a share repurchase program, whereby our company may repurchase of up to $100.0 million of our ADSs during the period from October 24, 2018 through October 23, 2019. The share repurchase program was publicly announced on October 25, 2018. On April 28, 2020, our board of directors authorized the repurchase of up to US$500 million of our common shares over the following 12 months and the purchase of our common shares by certain members of our management to be carried out together with the repurchase program, both subject to the applicable rules under the Exchange Act.

We did not make any share purchases in the fiscal year ended February 29, 2020. The table below is a summary of the shares repurchased by us and our management in the open market since the beginning of fiscal year 2021.

Period	Total Number of ADSs Purchased	Average Price Paid Per ADS[(1)]	Total Number of ADSs Purchased as Part of Publicly Announced Plan	Approximate U.S. Dollar Value of ADSs that May Yet Be Purchased Under the Plan
May 2020 (Company)	185,001	$ 53.23	185,001	490,151,691
May 2020 (Management)	36,000	$ 55.55	36,000	98,000,105
Total	221,001	$ 53.61	221,001	—

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

Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

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

companies are required to hold an annual shareholders' meeting during each fiscal year. Under Cayman law, we are not obliged to hold an annual general meeting of shareholders.

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

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

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

Item 18. Financial Statements

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

Item 19. Exhibits

Exhibit Number	Description of Document
1.1	Fourth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Amendment to Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on October 6, 2010)
2.1	Registrant's Form of Class A common share certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Amendment to Form F-1 Registration Statement (file No. 333- 169650) filed with the Securities and Exchange Commission on September 29, 2010)
2.2	Amended and Restate Deposit Agreement, dated October 19, 2010, among the Registrant, the depositary and holders of the American Depositary Receipts (incorporated by reference to Exhibit A to the Registrant's registration statement on Form F-6 (file No. 333-219521) filed with the Securities and Exchange Commission on July 28, 2017)
2.3	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.2 filed with the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2011 (file No. 001-34900), filed with the Securities and Exchange Commission on July 25, 2011 and which is incorporated herein by reference)
2.4*	Description of Securities
4.1	2010 Share Incentive Plan (incorporated by reference to Exhibit 10.1 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.2	Form of Indemnification Agreement with the Registrant's directors and officers (incorporated by reference to Exhibit 10.5 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)

Exhibit Number	Description of Document
4.3	Form of Employment Agreement with the Registrant's officers (incorporated by reference to Exhibit 10.6 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.4	English translation of Exclusive Business Cooperation Agreement, dated June 25, 2010, by and among TAL Education Technology (Beijing) Co., Ltd., Beijing Xueersi Education Technology Co., Ltd., Beijing Xueersi Network Technology Co., Ltd., Bangxin Zhang, Yundong Cao, Yachao Liu, Yunfeng Bai, and other parties thereto (incorporated by reference to Exhibit 10.7 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.5	English translation of Call Option Agreement, dated February 12, 2009, by and among TAL Education Technology (Beijing) Co., Ltd., Beijing Xueersi Education Technology Co., Ltd., Beijing Xueersi Network Technology Co., Ltd., Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 10.8 of Form F-1 (file No. 333169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.6	English translation of Equity Pledge Supplemental Agreement, dated June 25, 2010, by and among TAL Education Technology (Beijing) Co., Ltd., Beijing Xueersi Education Technology Co., Ltd., Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 10.9 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.7	English translation of Equity Pledge Supplemental Agreement, dated June 25, 2010, by and among TAL Education Technology (Beijing) Co., Ltd., Beijing Xueersi Network Technology Ltd., Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 10.10 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.8	English translation of Powers of Attorney, dated August 12, 2009, by Bangxin Zhang, Yundong Cao, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 10.11 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.13	Amended and Restated Shareholders' Agreement among the Registrant, the Series A preferred holder, Tiger Global Five China Holdings and other parties thereto, dated August 12, 2009 (incorporated by reference to Exhibit 4.4 of Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
4.15	Deed of Undertaking executed by and between Bangxin Zhang and TAL Education Group dated June 24, 2013 (incorporated by reference to Exhibit 4.15 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2013 (file No. 001-34900) filed with the Securities and Exchange Commission on June 28, 2013)
4.16	Side letter executed by and between Bangxin Zhang and TAL Education Group dated July 29, 2013 (incorporated by reference to Exhibit 4.16 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2014 (file No. 001-34900) filed with the Securities and Exchange Commission on May 12, 2014)

Exhibit Number	Description of Document
4.18	English translation of Exclusive Business Cooperation Agreement, dated August 4, 2015, by and among Beijing Century TAL Education Technology Co., Ltd., Beijing Dididaojia Education Technology Co., Ltd., Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.18 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.19	English translation of Option Agreement, dated August 4, 2015, by and among Beijing Century TAL Education Technology Co., Ltd., Beijing Dididaojia Education Technology Co., Ltd., Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.19 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.20	English translation of Equity Pledge Agreement, dated August 4, 2015, by and among Beijing Century TAL Education Technology Co., Ltd., Beijing Dididaojia Education Technology Co., Ltd., Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.20 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.21	English translation of Powers of Attorney, dated August 4, 2015, by Bangxin Zhang, Yachao Liu and Yunfeng Bai (incorporated by reference to Exhibit 4.21 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.22	English translation of Exclusive Business Cooperation Agreement, dated October 26, 2015, by and among Beijing Lebai Information Consulting Co., Ltd., Beijing Lebai Education Consulting Co., Ltd. and Beijing Xueersi Education Technology Co., Ltd. (incorporated by reference to Exhibit 4.22 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.23	English translation of Option Agreement, dated October 26, 2015, by and among Beijing Lebai Information Consulting Co., Ltd., Beijing Lebai Education Consulting Co., Ltd. and Beijing Xueersi Education Technology Co., Ltd. (incorporated by reference to Exhibit 4.23 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.24	English translation of Equity Pledge Agreement, dated October 26, 2015, by and among Beijing Lebai Information Consulting Co., Ltd., Beijing Lebai Education Consulting Co., Ltd. and Beijing Xueersi Education Technology Co., Ltd. (incorporated by reference to Exhibit 4.24 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.25	English translation of Powers of Attorney, dated October 26, 2015, by Beijing Lebai Information Consulting Co., Ltd. and Beijing Xueersi Education Technology Co., Ltd. (incorporated by reference to Exhibit 4.25 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)

Exhibit Number	Description of Document
4.26	English translation of Powers of Attorney, dated October 26, 2015, by Beijing Lebai Education Consulting Co., Ltd. (incorporated by reference to Exhibit 4.26 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.27	English translation of VIE Termination Agreement, dated July 2, 2015, by Beijing Century TAL Education Technology Co., Ltd., Beijing Dongfangrenli Science & Commerce Co., Ltd., Bangxin Zhang, Yachao Liu and Yunfeng Bai. (incorporated by reference to Exhibit 4.27 to the Registrant's annual report on Form 20-F for the fiscal year ended February 29, 2016 (file No. 001-34900) filed with the Securities and Exchange Commission on May 31, 2016)
4.31	Term and Revolving Credit Facilities Agreement dated February 1, 2019 for the Registrant arranged by Deutsche Bank AG, Singapore Branch as Coordinating Mandated Lead Arranger and Bookrunner and certain other parties (incorporated by reference to Exhibit 4.31 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2019 (file No. 001-34900) filed with the Securities and Exchange Commission on May 16, 2019)
4.32	English translation of the Contract for Assignment of State-owned Construction Land Use Right dated December 10, 2018, by the affiliate of the Registrant and the assignor named therein, and the Supplement Agreement to Land Assignment between the same parties (incorporated by reference to Exhibit 4.32 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2019 (file No. 001-34900) filed with the Securities and Exchange Commission on May 16, 2019)
4.33	English translation of the Land Development and Construction Compensation Agreement dated November 26, 2018 (incorporated by reference to Exhibit 4.31 to the Registrant's annual report on Form 20-F for the fiscal year ended February 28, 2019 (file No. 001-34900) filed with the Securities and Exchange Commission on May 16, 2019)
4.34*	English translation of the Fixed Asset Syndicated Loan Contract dated December 19, 2019
4.35*	English translation of the Procurement Construction Contract of TAL Changping Education Park Project by Shidai TAL Education Technology (Beijing) Co., Ltd. and Beijing Construction Engineering Group Co., Ltd.
4.36*	English translation of the Construction Contract of TAL Zhenjiang Education Base Phase I Construction Project, dated December 11, 2019, by TAL Education Technology (Jiangsu) Co., Ltd. and China Construction Eighth Engineering Division Corp.Ltd.
4.37*	2020 Share Incentive Plan
8.1*	List of Subsidiaries and Consolidated Affiliated Entities
11.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form F-1 (file No. 333-169650) filed with the Securities and Exchange Commission on September 29, 2010)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit Number	Description of Document
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Tian Yuan Law Firm
15.2*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP
15.3*	Consent of Maples and Calder (Hong Kong) LLP
101.INS*	Inline XBRL Instance Document- The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Documen
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Documen
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith

** Furnished herewith

SIGNATURES

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

TAL EDUCATION GROUP

By: /s/ Bangxin Zhang
Name: Bangxin Zhang
Title: Director and Chief Executive Officer

Date: June 30, 2020

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of Independent Registered Public Accounting Firm
For the years ended February 28, 2018, 2019 and February 29, 2020

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TAL Education Group and its subsidiaries (the "Company") as of February 29, 2020 and February 28, 2019, the related consolidated statements of operations, comprehensive income/(loss), changes in equity and cash flows for each of the three years in the period ended February 29, 2020, and the related notes and the financial statement schedule listed in Schedule I (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 29, 2020 and February 28, 2019, and the results of its operations and its cash flows for each of the three years in the period ended February 29, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of February 29, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 30, 2020, expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

Basis for Opinion

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

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

Critical Audit Matters

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

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

Critical Audit Matters - continued

Goodwill - Refer to Notes 3 and 9 to the financial statements

Critical Audit Matter Description

The Company's goodwill impairment assessment involves the comparison of the fair value of each reporting unit to its carrying value. The Company used the discounted cash flow model to estimate fair value of the reporting units, which requires management to make significant estimates and assumptions related to discount rates and forecasts of future revenues and operating margins. Changes in these assumptions could have a significant impact on either the fair value, the amount of any goodwill impairment charge, or both.

The goodwill carrying value as of February 29, 2020 was $378.9 million, which was allocated to specific reporting units. The fair value of the Company's reporting units exceeded their respective carrying values as of the measurement date except for one reporting unit which resulted in an impairment charge at $29.0 million.

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

How the Critical Audit Matter Was Addressed in the Audit

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

- We tested the effectiveness of controls over management's goodwill impairment assessment, including those over the fair value estimate of the reporting units, such as controls related to management's determination of the discount rates, forecasts of future revenues and operating margins.

- We evaluated management's ability to appropriately forecast future revenues and operating margins by comparing actual results to management's historical forecasts.

- We evaluated the reasonableness of management's forecasts by comparing the forecasts to (1) historical results, and (2) future business plans, developed by the management, of the reporting units.

- We evaluated the competency, capability and objectivity of the independent external valuer assisting the Company in the goodwill impairment assessment.

- With the assistance of our valuation specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) discount rates by testing the mathematical accuracy of the calculations and the source information underlying the determination of the discount rate.

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

Critical Audit Matters - continued

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

Critical Audit Matter Description

The Company has financial assets in which the fair values are based on complex valuation models with unobservable inputs. Under accounting principles generally accepted in the United States of America, these financial instruments are generally classified as Level 3 assets. As of February 29, 2020, the carrying value of the Company's financial instruments measured at fair value that are classified as Level 3 amounted to $310.8 million, including investments accounted for available-for-sale investments of $303.6 million.

Unlike the fair value of other assets that are readily observable and therefore more easily corroborated, the valuation of Level 3 available-for-sale investments is inherently subjective, and often involves the use of valuation techniques and key unobservable inputs.

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

How the Critical Audit Matter Was Addressed in the Audit

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

- We tested the effectiveness of controls over management’s fair value estimate of Level 3 financial instruments.
- We evaluated management’s ability to appropriately estimate fair value by comparing management’s historical estimates to actual results.
- We assessed the consistency by which management has applied significant unobservable valuation assumptions.
- With the assistance of our valuation specialists, we evaluated the reasonableness of the valuation models and key inputs used by the management, and tested the mathematical accuracy of the fair value calculations.

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

June 30, 2020

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

TAL EDUCATION GROUP

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

	As of February 28, 2019	As of February 29, 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,247,140	$ 1,873,866
Restricted cash-current	9,227	28,084
Short-term investments	268,424	345,457
Inventory	7,750	25,832
Amounts due from related parties-current	3,341	3,642
Income tax receivables	7,204	11,548
Prepaid expenses and other current assets	202,630	207,352
Total current assets	1,745,716	2,495,781
Restricted cash-non-current	7,334	13,235
Amounts due from related parties-non-current	1,747	—
Property and equipment, net	287,877	366,656
Deferred tax assets	29,179	79,534
Rental deposits	56,135	72,721
Intangible assets, net	74,776	58,985
Land use rights, net	—	204,853
Goodwill	414,228	378,913
Long-term investments	850,695	571,601
Long-term prepayments and other non-current assets	267,404	85,275
Operating lease right-of-use assets	—	1,243,692
Total assets	$ 3,735,091	$ 5,571,246
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable (including accounts payable of the consolidated VIEs without recourse to TAL Education Group of $98,436 and $104,231 as of February 28, 2019 and February 29, 2020, respectively)	$ 106,493	$ 117,770
Deferred revenue-current (including deferred revenue-current of the consolidated VIEs without recourse to TAL Education Group of $401,027 and $733,253 as of February 28, 2019 and February 29, 2020, respectively)	433,610	780,167
Amounts due to related parties-current (including amounts due to related parties-current of the consolidated VIEs without recourse to TAL Education Group of $18,504 and $4,264 as of February 28, 2019 and February 29, 2020, respectively)	24,375	4,361
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to TAL Education Group of $291,728 and $470,519 as of February 28, 2019 and February 29, 2020, respectively)	365,195	552,650
Income tax payable (including income tax payable of the consolidated VIEs without recourse to TAL Education Group of $36,670 and $43,233 as of February 28, 2019 and February 29, 2020, respectively)	38,743	46,650
Short-term debt and current portion of long-term debt (including short-term debt and current portion of long-term debt of the consolidated VIEs without recourse to TAL Education Group of nil and nil as of February 28, 2019 and February 29, 2020, respectively)	210,027	—
Bond payable, current portion (including bond payable, current portion of the consolidated VIEs without recourse to TAL Education Group of nil and nil as of February 28, 2019 and February 29, 2020, respectively)	5,275	—

TAL EDUCATION GROUP

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

	As of February 28, 2019	As of February 29, 2020
Operating lease liabilities, current portion (including operating lease liabilities, current portion of the consolidated VIEs without recourse to TAL Education Group of nil and $276,712 as of February 28, 2019 and February 29, 2020, respectively)	—	304,960
Total current liabilities	1,183,718	1,806,558
Deferred revenue-non-current (including deferred revenue-non-current of the consolidated VIEs without recourse to TAL Education Group of $2,497 and $833 as of February 28, 2019 and February 29, 2020, respectively)	2,497	833
Amounts due to related parties-non-current (including amounts due to related parties-non-current of the consolidated VIEs without recourse to TAL Education Group of $106 and nil as of February 28, 2019 and February 29, 2020, respectively)	196	—
Deferred tax liabilities (including deferred tax liabilities of the consolidated VIEs without recourse to TAL Education Group of $16,951 and $7,197 as of February 28, 2019 and February 29, 2020, respectively)	17,738	7,789
Long-term debt (including long-term debt of the consolidated VIEs without recourse to TAL Education Group of nil and nil as of February 28, 2019 and February 29, 2020, respectively)	—	261,950
Other non-current liabilities (including other non-current liabilities of the consolidated VIEs without recourse to TAL Education Group of $465 and nil as of February 28, 2019 and February 29, 2020, respectively)	465	—
Operating lease liabilities, non-current portion (including operating lease liabilities, non-current portion of the consolidated VIEs without recourse to TAL Education Group of nil and $883,603 as of February 28, 2019 and February 29, 2020, respectively)	—	949,919
Total liabilities	1,204,614	3,027,049
Commitments and contingencies (Note 21)		
Equity		
Class A common shares ($0.001 par value; 500,000,000 shares authorized, 126,501,071 shares and 132,895,675 shares issued and outstanding as of February 28, 2019 and February 29, 2020, respectively)	127	133
Class B common shares ($0.001 par value; 500,000,000 shares authorized, 70,556,000 shares and 66,941,204 shares issued and outstanding as of February 28, 2019 and February 29, 2020, respectively)	71	67
Class A common shares issuable	1,977	—
Additional paid-in capital	1,485,521	1,675,640
Statutory reserve	58,690	82,712
Retained earnings	920,314	786,097
Accumulated other comprehensive income / (loss)	17,047	(28,913)
Total TAL Education Group shareholders' equity	2,483,747	2,515,736
Noncontrolling interests	46,730	28,461
Total equity	2,530,477	2,544,197
Total liabilities and equity	$ 3,735,091	$ 5,571,246

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

TAL EDUCATION GROUP

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

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Net revenues	$ 1,715,016	$ 2,562,984	$ 3,273,308
Cost of revenues	(882,316)	(1,164,454)	(1,468,569)
Gross profit	832,700	1,398,530	1,804,739
Operating expenses			
Selling and marketing	(242,102)	(484,000)	(852,808)
General and administrative	(386,287)	(579,672)	(794,957)
Impairment loss on intangible assets and goodwill	(358)	—	(28,998)
Total operating expenses	(628,747)	(1,063,672)	(1,676,763)
Government subsidies	4,651	6,724	9,467
Income from operations	208,604	341,582	137,443
Interest income	39,837	59,614	72,991
Interest expense	(16,640)	(17,628)	(11,820)
Other income / (loss)	17,406	131,727	(95,297)
Impairment loss on long-term investments	(2,213)	(58,091)	(153,970)
Income / (loss) before provision for income tax and loss from equity method investments	246,994	457,204	(50,653)
Income tax expense	(44,653)	(76,504)	(69,328)
Loss from equity method investments	(7,678)	(16,186)	(7,670)
Net income / (loss)	194,663	364,514	(127,651)
Add: Net loss attributable to noncontrolling interests shareholders	3,777	2,722	17,456
Net income / (loss) attributable to TAL Education Group's shareholders	$ 198,440	$ 367,236	$ (110,195)
Net income / (loss) per common share			
Basic	$ 1.13	$ 1.93	$ (0.56)
Diluted	$ 1.03	$ 1.83	$ (0.56)
Weighted average shares used in calculating net income / (loss) per common share			
Basic	174,979,574	189,951,643	198,184,370
Diluted	194,331,305	200,224,934	198,184,370

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

TAL EDUCATION GROUP

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

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29 2020
Net income / (loss)	$ 194,663	$ 364,514	$ (127,651)
Other comprehensive income / (loss), net of tax			
Foreign currency translation adjustment	47,469	(35,823)	(48,947)
Unrealized gains on available-for-sale investments:			
Net unrealized gains on available-for-sale investments, net of tax effect of $10,007, $2,018 and $(2,371) for the years ended February 28, 2018, 2019 and , February 29, 2020, respectively	34,556	15,837	1,122
Less: Transfer to statements of operations of realized gains on available-for-sale investments, net of tax effect of nil, nil and nil for the years ended February 28, 2018, 2019 and February 29, 2020	(4,245)	(96,251)	—
Other comprehensive income / (loss)	77,780	(116,237)	(47,825)
Comprehensive income / (loss)	272,443	248,277	(175,476)
Add: Comprehensive loss attributable to noncontrolling interests shareholders	2,453	3,681	19,321
Comprehensive income / (loss) attributable to TAL Education Group's shareholders	$ 274,896	$ 251,958	$ (156,155)

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

TAL EDUCATION GROUP

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

	Class A Common shares		Class B Common shares		Class A common shares Issuable	Additional paid-in capital	Statutory reserve	Retained earnings	Accumulated other comprehensive income / (loss)	Total TAL Education Group shareholders' equity	Non-controlling interest	Total equity
	Shares	Amount	Shares	Amount								
Balance as of February 28, 2017	93,130,615	$ 93	71,456,000	$ 72	—	$ 141,968	$ 28,407	$ 417,836	$ 55,869	$ 644,245	$ 36,619	$ 680,864
Conversion of Class B common shares to Class A common shares	900,000	1	(900,000)	(1)	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	198,440	—	198,440	(3,777)	194,663
Provision for statutory reserve	—	—	—	—	—	—	9,908	(9,908)	—	—	—	—
Issuance of common shares in connection with vesting of non-vested shares	2,314,190	2	—	—	—	(14,000)	—	—	—	(13,998)	—	(13,998)
Share-based compensation	—	—	—	—	—	47,150	—	—	—	47,150	—	47,150
Exercise of share options	76,491	—	—	—	—	2,127	—	—	—	2,127	—	2,127
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	46,145	46,145	1,324	47,469
Net unrealized gains on available-for-sale investments, net of tax effect of $10,007	—	—	—	—	—	—	—	—	34,556	34,556	—	34,556
Conversion of convertible bond to Class A common shares	16,380,780	16	—	—	—	214,406	—	—	—	214,422	—	214,422
Business acquisitions (Note 3)	—	—	—	—	—	—	—	—	—	—	3,643	3,643
Purchase of noncontrolling interests of consolidated subsidiaries (Note 18)	135,264	—	—	—	—	(6,928)	—	—	—	(6,928)	(18,113)	(25,041)
Transfer to statements of operations of realized gains on available-for-sale investments, net of tax effect of nil	—	—	—	—	—	—	—	—	(4,245)	(4,245)	—	(4,245)
Capital injection from noncontrolling interests shareholders	—	—	—	—	—	—	—	—	—	—	20	20
Class A Common shares issued under private placement (Note 18)	5,464,481	6	—	—	—	499,994	—	—	—	500,000	—	500,000
Cash dividend to shareholders (Note 26)	—	—	—	—	—	—	—	(41,166)	—	(41,166)	—	(41,166)
Balance as of February 28, 2018	118,401,821	$ 118	70,556,000	$ 71	—	$ 884,717	$ 38,315	$ 565,202	$ 132,325	$ 1,620,748	$ 19,716	$ 1,640,464
Net income	—	—	—	—	—	—	—	367,236	—	367,236	(2,722)	364,514
Provision for statutory reserve	—	—	—	—	—	—	20,375	(20,375)	—	—	—	—
Issuance of common shares in connection with vesting of non-vested shares	2,073,711	2	—	—	—	(2)	—	—	—	—	—	—
Share-based compensation	—	—	—	—	—	76,720	—	—	—	76,720	—	76,720
Exercise of share options	232,024	1	—	—	—	3,296	—	—	—	3,297	—	3,297
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(34,864)	(34,864)	(959)	(35,823)
Net unrealized gains on available-for-sale investments, net of tax effect of $2,018	—	—	—	—	—	—	—	—	15,837	15,837	—	15,837
Conversion of convertible bond to Class A common shares	443,091	1	—	—	—	5,799	—	—	—	5,800	—	5,800
Exercise of capped call option	—	—	—	—	—	13,270	—	—	—	13,270	—	13,270
Business acquisitions (Note 3)	20,502	—	—	—	1,977	1,726	—	—	—	3,703	29,658	33,361
Transfer to statements of operations of gains recognized for available-for-sale investments, net of tax effect of nil	—	—	—	—	—	—	—	—	(96,251)	(96,251)	—	(96,251)
Capital injection from noncontrolling interests shareholders	—	—	—	—	—	—	—	—	—	—	15	15
Class A Common shares issued under private placement (Note 18)	5,329,922	5	—	—	—	499,995	—	—	—	500,000	—	500,000
Cumulative effect of initially applying new standard (Note 2)	—	—	—	—	—	—	—	8,251	—	8,251	1,022	9,273
Balance as of February 28, 2019	126,501,071	$ 127	70,556,000	$ 71	$ 1,977	$ 1,485,521	$ 58,690	$ 920,314	$ 17,047	$ 2,483,747	$ 46,730	$ 2,530,477
Conversion of Class B common shares to Class A common shares	3,614,796	4	(3,614,796)	(4)	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	(110,195)	—	(110,195)	(17,456)	(127,651)
Provision for statutory reserve	—	—	—	—	—	—	24,022	(24,022)	—	—	—	—
Issuance of common shares in connection with vesting of non-vested shares	2,239,239	2	—	—	—	(2)	—	—	—	—	—	—
Share-based compensation	—	—	—	—	—	116,703	—	—	—	116,703	—	116,703
Exercise of share options	114,793	—	—	—	—	2,550	—	—	—	2,550	—	2,550
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(47,082)	(47,082)	(1,865)	(48,947)
Net unrealized gains on available-for-sale investments, net of tax effect of $(2,371)	—	—	—	—	—	—	—	—	1,122	1,122	—	1,122
Conversion of convertible bond to Class A common shares	401,074	—	—	—	—	5,250	—	—	—	5,250	—	5,250
Exercise of capped call option	—	—	—	—	—	66,346	—	—	—	66,346	—	66,346
Acquisition of noncontrolling interests	—	—	—	—	—	(672)	—	—	—	(672)	(1,755)	(2,427)
Business acquisitions	24,702	—	—	—	(1,977)	2,741	—	—	—	764	—	764
Capital injection from noncontrolling interests shareholders	—	—	—	—	—	(2,797)	—	—	—	(2,797)	2,807	10
Balance as of February 29, 2020	132,895,675	$ 133	66,941,204	$ 67	—	$ 1,675,640	$ 82,712	$ 786,097	$ (28,913)	$ 2,515,736	$ 28,461	$ 2,544,197

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

TAL EDUCATION GROUP

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

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Cash flows from operating activities			
Net income / (loss)	$ 194,663	$ 364,514	$ (127,651)
Adjustments to reconcile net income / (loss) to net cash provided by operating activities			
Depreciation of property and equipment	50,907	76,669	99,511
Amortization of intangible assets	8,307	12,166	15,677
Amortization of land use rights	—	—	2,804
Loss on disposal of property and equipment	48	187	934
Share-based compensation	47,150	77,277	117,943
Impairment loss on operating assets, intangible assets and goodwill	701	2,569	63,420
Impairment loss on long-term investments	2,213	58,091	153,970
Loss from equity method investments	7,678	16,186	7,670
(Gain) / loss from fair value change of investments	(937)	(16,394)	104,239
Gain recognized for the conversion of debt securities to equity securities	—	(95,491)	—
Gain from remeasuring fair value of previously held equity interests upon business acquisitions	—	(26,397)	—
Gain from disposal of long-term investments	(9,026)	(3,363)	(25,002)
Changes in operating assets and liabilities			
Inventory	(2,498)	(2,368)	(18,333)
Amounts due from related parties	369	(690)	(1,589)
Prepaid expenses and other current assets	(47,295)	(34,584)	(24,981)
Income tax receivables	(12,848)	7,889	(4,344)
Deferred income taxes	5,181	(19,786)	(58,339)
Rental deposits	(14,673)	(8,745)	(16,587)
Other non-current assets	(195)	1,033	256
Accounts payable	30,978	49,286	693
Deferred revenue	323,050	(407,150)	343,555
Amounts due to related parties	3,133	610	424
Accrued expenses and other current liabilities	105,232	117,796	204,352
Income tax payable	(6,845)	25,056	7,906
Operating lease right-of-use assets	—	—	(218,829)
Operating lease liability	—	—	228,151
Net cash provided by operating activities	685,293	194,361	855,850
Cash flows from investing activities			
Loan to third parties	(5,531)	(33,700)	(13,590)
Repayment of loan to third parties	74,902	5,231	—
Loan to related parties	(2,641)	(3,989)	(31,681)
Repayment of loan to related parties	2,759	2,322	2,146
Loan to employees	(5,918)	(2,660)	(2,373)
Repayment of loan to employees	5,762	6,269	5,486
Prepayment for investments	(43,572)	(2,562)	(18,489)
Prepayments for purchase of land use rights	—	(209,865)	(6,780)
Purchase of property and equipment	(126,344)	(138,406)	(178,071)
Purchase of intangible assets	(2,079)	(6,738)	(3,213)
Purchase of short-term investments	(1,197,155)	(581,204)	(546,747)
Proceeds from maturity of short-term investments	657,532	1,103,252	517,001
Proceeds from disposal of property and equipment	928	1,709	543
Business acquisitions, net of cash acquired	(14,009)	(66,921)	(7,026)
Payments for long-term investments	(196,559)	(243,542)	(117,508)
Proceeds from disposal of long-term investments	19,352	4,220	61,487
Net cash used in investing activities	(832,573)	(166,584)	(338,815)

TAL EDUCATION GROUP

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

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Cash flows from financing activities			
Net proceeds from long-term debt and short-term debt	—	189,932	270,000
Repayment of long-term debt and short-term debt	—	(205,000)	(209,308)
Payment for upfront fee in related to long term debt (Note 14)	—	(12,600)	—
Payments for purchasing noncontrolling interests	(18,832)	(4,407)	(5,183)
Cash dividend to shareholders (Note 26)	(41,166)	—	—
Capital injection from noncontrolling interests shareholders	20	15	10
Cash received from exercise of capped call option (Note 13)	—	6,369	73,247
Proceeds from private placement (Note 18)	500,000	500,000	—
Proceeds from exercise of share options	2,127	710	2,490
Repayment of convertible bond	—	—	(25)
Cash paid for employee taxes on withheld shares from share-based awards	(13,998)	—	—
Net cash provided by financing activities	428,151	475,019	131,231
Effect of exchange rate changes	(31,785)	33,208	3,218
Net increase in cash, cash equivalents and restricted cash	249,086	536,004	651,484
Cash, cash equivalents and restricted cash at the beginning of year	478,611	727,697	1,263,701
Cash, cash equivalents and restricted cash at the end of year	727,697	1,263,701	1,915,185
Supplemental disclosure of cash flow information:			
Interest paid	$ 13,805	$ 12,556	$ 6,707
Income tax paid	71,021	61,811	122,266
Non-cash investing and financing activities:			
Payable for purchase of property and equipment	$ 9,923	$ 8,466	$ 24,145
Payable for purchase of intangible assets	3,450	2,688	1,436
Payable for investments and acquisitions	14,276	38,630	404
Conversion of convertible bond to Class A common shares	214,422	5,800	5,250
Class A Common shares issued and issuable for business acquisitions	—	3,703	—
Class A Common shares issued for purchase of noncontrolling interests	10,887	—	—
Receivable for exercise of capped call option	—	6,901	—

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 28, 2018, 2019 AND FEBRUARY 29, 2020
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

The Company, its subsidiaries, its consolidated VIEs and VIEs' subsidiaries and schools are collectively referred to as the "Group".

As of February 29, 2020, details of the Company's major subsidiaries, VIEs and VIEs' subsidiaries and schools are as follows:

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of legal ownership	Principal activities	Nature of company
TAL Holding Limited ("TAL Hong Kong")	March 11, 2008	Hong Kong	100%	Intermediate holding company	Subsidiary
Beijing Century TAL Education Technology Co., Ltd. ("TAL Beijing")	May 8, 2008	Beijing	100%	Software sales, and consulting service	Subsidiary
Beijing Huanqiu Zhikang Shidai Education Consulting Co., Ltd. ("Huanqiu Zhikang")	September 17, 2009	Beijing	100%	Education and management consulting service	Subsidiary
Yidu Huida Education Technology (Beijing) Co., Ltd. ("Yidu Huida")	November 11, 2009	Beijing	100%	Software sales and consulting service	Subsidiary
Beijing Xintang Sichuang Education Technology Co., Ltd. ("Beijing Xintang Sichuang")	August 27, 2012	Beijing	100%	Software and Network development, sales, and consulting service	Subsidiary
Zhixuesi Education Consulting (Beijing) Co., Ltd. ("Zhixuesi Beijing")	October 23, 2012	Beijing	100%	Software and Network development, sales, and consulting service	Subsidiary
Pengxin TAL Industrial investment (Shanghai) Co., Ltd. ("Pengxin TAL")	June 26, 2014	Shanghai	100%	Investment management and consulting services	Subsidiary
Firstleap Education ("Firstleap")	January 22, 2016	Cayman Islands	100%	Intermediate holding company	Subsidiary

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of legal ownership	Principal activities	Nature of company
Firstleap Education (HK) Limited (“Firstleap Hong Kong”)	January 22, 2016	Hong Kong	100%	Intermediate holding company	Subsidiary
Beijing Lebai Information Consulting Co., Ltd. (“Lebai Information”)	January 22, 2016	Beijing	100%	Education and management consulting service	Subsidiary
Beijing Yizhen Xuesi Education Technology Co., Ltd. (“Yizhen Xuesi”)	November 3, 2016	Beijing	100%	Software and Network development,sales and consulting service	Subsidiary
Beijing Xueersi Education Technology Co., Ltd. (“Xueersi Education”)	December 31, 2005	Beijing	N/A*	Sales of educational materials and products	VIE
Beijing Xueersi Network Technology Co., Ltd. (“Xueersi Network”)	August 23, 2007	Beijing	N/A*	Technology development and Educational consulting service	VIE
Xinxin Xiangrong Education Technology (Beijing) Co., Ltd. (“Xinxin Xiangrong”)	June 23, 2015	Beijing	N/A*	Technology development and Educational consulting service	VIE
Beijing Lebai Education Consulting Co., Ltd. (“Lebai Education”)	January 22, 2016	Beijing	N/A*	Educational consulting service	VIE
Beijing Haidian District Xueersi Training School ("Beijing Haidian School")	July 3, 2006	Beijing	N/A*	After-school tutoring for primary and secondary school students	VIE’s subsidiaries and schools
Beijing Xicheng District Xueersi Training School ("Beijing Xicheng School")	April 2, 2009	Beijing	N/A*	After-school tutoring for primary and secondary school students	VIE’s subsidiaries and schools
Beijing Haidian District Lejiale Training School ("Beijing Haidian Lejiale")	March 22, 2010	Beijing	N/A*	After-school tutoring for primary and secondary school students	VIE’s subsidiaries and schools
Beijing Chaoyang District Xueersi Training School ("Beijing Chaoyang School")	January 17, 2011	Beijing	N/A*	After-school tutoring for primary and secondary school students	VIE’s subsidiaries and schools
Beijing Xueersi Nanjing Education Technology Co., Ltd. ("Beijing Xueersi Nanjing Education")	January 24, 2011	Beijing	N/A*	Educational consulting service	VIE’s subsidiaries and schools

TAL EDUCATION GROUP

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of legal ownership	Principal activities	Nature of company
Shanghai Xueersi Education Training Co., Ltd. ("Shanghai Education")	July 2, 2009	Shanghai	N/A*	Educational information consulting and educational software development	VIE's subsidiaries and schools
Shenzhen Xueersi Education Technology Co., Ltd. ("Shenzhen Education")	December 22, 2009	Shenzhen	N/A*	Teaching software research, and development	VIE's subsidiaries and schools
Wuhan Jiang'an District Xueersi Education Training School ("Wuhan Jiang'an School")	December 16, 2010	Wuhan	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools
Zhengzhou Jinshui District Xueersi Education Training School ("Zhengzhou Jinshui School")	June 18, 2012	Zhengzhou	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools
Guangzhou Tianhe District Xueersi Training Center ("Guangzhou Tianhe School")	July 12, 2012	Guangzhou	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools
Guangzhou Yuexiu District Xueersi Training School ("Guangzhou Yuexiu School")	March 20, 2013	Guangzhou	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools
Nanjing Xueersi Education Training School ("Nanjing School")	April 19, 2013	Nanjing	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools
Shenzhen Xueersi Training Center ("Shenzhen School")	November 12, 2013	Shenzhen	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment) /operation	Percentage of legal ownership	Principal activities	Nature of company
Hangzhou Xueersi Training School ("Hangzhou School")	November 14, 2013	Hangzhou	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools
Xi'an Beilin District Xueersi Education Training Center ("Xi'an Beilin School")	April 2, 2015	Xi'an	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools
Xi'an Yanta District Xueersi Training Center ("Xi'an Yanta School")	September 22, 2016	Xi'an	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools
TAL Training School (Shanghai) Co., Ltd. ("TAL Shanghai")	February 20, 2019	Shanghai	N/A*	After-school tutoring for primary and secondary school students	VIE's subsidiaries and schools

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

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements

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

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

The VIEs and their subsidiaries and schools hold various licenses upon which the Group's business depends. A substantial majority of the Group's employees who provide the Group's services are hired by the VIEs and their subsidiaries and schools, and the VIEs and their subsidiaries and schools lease a substantial portion of the properties upon which the Group's services are delivered. The net revenue from the VIEs and their subsidiaries and schools accounted for 93.4% of the Group's total net revenue for the fiscal year ended February 29, 2020.

Through the contractual arrangements below, TAL Beijing and Lebai Information have (1) the power to direct the activities of the VIEs and their subsidiaries and schools that most significantly affect their economic performance and (2) the right to receive substantially all the benefits from the VIEs and their subsidiaries and schools. They are therefore considered the primary beneficiaries of the VIEs and their subsidiaries and schools, and accordingly, the results of operations, assets and liabilities of the VIEs and their subsidiaries and schools are consolidated in the Group's financial statements.

Series of exclusive technology support and service agreements: Pursuant to Exclusive Business Cooperation Agreement entered into on June 25, 2010, by and among TAL Beijing, Xueersi Education, Xueersi Network, and the shareholders of Xueersi Education and Xueersi Network, TAL Beijing or its designated affiliates have the exclusive right to provide each of Xueersi Education and Xueersi Network and their subsidiaries and schools comprehensive intellectual property licensing and various technical and business support services. Pursuant to the Exclusive Business Service Agreement entered into by and among group TAL Beijing, Xinxin Xiangrong and its shareholders on August 4, 2015, TAL Beijing and its designated affiliates have the exclusive right to provide Xinxin Xiangrong and its subsidiaries and schools (if any) comprehensive intellectual property licensing and various technical and business support services. The agreements are effective within the operation term of TAL Beijing, its subsidiaries and schools according to PRC Law, unless earlier terminated by mutual agreement of all parties.

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

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

The services under each of these agreements include, but are not limited to, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resource and internal information management, network development, upgrade and ordinary maintenance services, and software and trademark licensing and other additional services as the parties may mutually agree from time to time. TAL Beijing, Lebai Information or their designated affiliates, owns the exclusive intellectual property rights developed in the performance of these agreements. As consideration for these services, TAL Beijing, Lebai Information or their designated affiliates are entitled to charge the VIEs and VIEs' subsidiaries and schools service fees annually or regularly, and adjust the service fee rates from time to time at their discretion.

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

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

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

Equity pledge agreement: Pursuant to the equity pledge agreements, dated on February 12, 2009, by and among TAL Beijing, Xueersi Education, Xueersi Network and the respective shareholders of Xueersi Education and Xueersi Network, and supplemental agreements, dated on June 25, 2010, by and among TAL Beijing, Xueersi Education, Xueersi Network and their respective shareholders, the shareholders of Xueersi Education and Xueersi Network unconditionally and irrevocably pledged all of their equity interests, including the right to receive declared dividends and the voting rights, in the Xueersi Education and Xueersi Network to TAL Beijing to guarantee Xueersi Education and Xueersi Network's performance of their obligations under the exclusive technology support and service agreements. The shareholders of Xueersi Education and Xueersi Network agree that, without prior written consent of TAL Beijing, they will not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice TAL Beijing's interest.

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

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

Letter of Undertaking: All of the shareholders of Xueersi Education and Xueersi Network have executed a letter of undertaking to covenant with and undertake to TAL Beijing that, if, as the respective shareholders of Xueersi Education and Xueersi Network, such shareholders receive any dividends, interests, other distributions or remnant assets upon liquidation from Xueersi Education and Xueersi Network, such shareholders shall, to the extent permitted by applicable laws, regulations and legal procedures, remit all such income after payment of any applicable tax and other expenses required by laws and regulations to TAL Beijing without any compensation therefore. All the shareholders of Xinxin Xiangrong have made similar undertakings in the option agreement dated August 4, 2015, described above. The sole shareholder of Lebai Education has made similar undertakings in the power of attorney, dated October 26, 2015, described below.

Power of attorney: The shareholders of the VIEs have executed an irrevocable power of attorney appointing TAL Beijing or Lebai Information, as applicable, or any person designated by TAL Beijing or Lebai Information as their attorney-in-fact to vote on their behalf on all matters of the VIEs requiring shareholder approval under PRC laws and regulations and the articles of association of each of the VIEs on August 12, 2009, August 4, 2015 and October 26, 2015, respectively. These agreements remain effective during the entire period during which they are shareholders of the VIEs.

The articles of associations of each of the VIEs state that the major rights of the shareholders in shareholders' meeting include the power to approve the operating strategy and investment plan, elect the members of board of directors and approve their compensation and review and approve annual budget and earning distribution plan. Therefore, through the irrevocable power of attorney arrangement TAL Beijing or Lebai Information has the ability to exercise effective control over each of the VIEs respectively through shareholder votes and, through such votes, to also control the composition of the board of directors. As a result of these contractual rights, the Company has the power to direct the activities of each of the VIEs that most significantly impact their economic performance.

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

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

Deed of undertaking: On June 24, 2013 and July 29, 2013, the Company and Mr. Bangxin Zhang executed a deed of undertaking dated June 24, 2013 and a side letter dated July 29, 2013, respectively (collectively, the "Deed"). Pursuant to the Deed, Mr. Bangxin Zhang has irrevocably covenanted and undertaken to the Company that:

- as long as Mr. Bangxin Zhang owns shares in the Company, whether legally or beneficially, and directly or indirectly (including shares held through Mr. Bangxin Zhang's personal holding company Bright Unison Limited or any other company, trust, nominee or agent, if any), representing more than 50% of the aggregate voting power of the then total issued and outstanding shares of the Company;

- Mr. Bangxin Zhang will not, directly or indirectly, (i) request or call any meeting of shareholders for the purpose of removing or replacing any of existing directors or appointing any new director, or (ii) propose any resolution at any of shareholders meetings to remove or replace any of existing directors or appoint any new director; and should any meeting of shareholders be called by the board of directors or requisitioned or called by shareholders for the purpose of removing or replacing any of the directors or appointing any new director, or if any resolution is proposed at any of shareholder meetings to remove or replace any of the directors or appoint any new director, the maximum number of votes which Mr. Bangxin Zhang will be permitted to exercise shall be equal to the total aggregate number of votes of the then total issued and outstanding shares of the Company held by all members of the Company, other than shares which are owned, whether legally or beneficially, and directly or indirectly by Mr. Bangxin Zhang, less one vote; and

- Mr. Bangxin Zhang will not cast any votes he has as a director or shareholder (if applicable) on any resolutions or matters concerning enforcing, amending or otherwise relating to the Deed being considered or voted upon by board of directors or shareholders, as the case may be.

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

Risks in relation to the VIE structure

The Company believes that TAL Beijing and Lebai Information's contractual arrangements with the VIEs and their respective subsidiaries, schools and shareholders are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of any existing PRC laws and regulations, the Group would be subject to fines or potential actions by the relevant PRC regulatory authorities with broad discretions, which could include:

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

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risks in relation to the VIE structure - continued

The imposition of any of these penalties could result in a material adverse effect on the Company's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Company to lose the rights to direct the activities of the VIEs, and the VIEs' subsidiaries and schools, or the right to receive their economic benefits, the Company would no longer be able to consolidate the VIEs, and the VIEs' subsidiaries and schools. The Company does not believe that any penalties imposed or actions taken by the PRC government would result in the liquidation or dissolution of the Company, TAL Beijing, Lebai Information, or the VIEs and their respective subsidiaries and schools.

The four legal owners of Xueersi Education and Xueersi Network are Mr. Bangxin Zhang, Mr. Yachao Liu, Mr. Yunfeng Bai, and Mr. Yundong Cao, and the three legal owners of Xinxin Xiangrong are Mr. Bangxin Zhang, Mr. Yachao Liu and Mr. Yunfeng Bai and the sole legal owner of Lebai Education is Xueersi Education. Mr. Bangxin Zhang, Mr. Yachao Liu and Mr. Yunfeng Bai are shareholders and directors or officers of TAL Education Group. Xueersi Education is a VIE of the Group. The interests of Mr. Bangxin Zhang, Mr. Yachao Liu, Mr. Yunfeng Bai and Mr. Yundong Cao as beneficial owners of Xueersi Education, Xueersi Network and Xinxin Xiangrong may differ from the interests of the Group as a whole, since these parties' respective equity interests in Xueersi Education, Xueersi Network and Xinxin Xiangrong may conflict with their respective equity interests in the Group. When conflicts of interest arise, it is possible that any or all of these individuals may not act in the best interests of the Group, and such conflicts may not be resolved in the Group's favor. In addition, these individuals may breach, or cause Xueersi Education, Xueersi Network and Xinxin Xiangrong, their subsidiaries and schools to breach, or refuse to renew, the existing contractual arrangements the Group has with them and Xueersi Education, Xueersi Network and Xinxin Xiangrong, their subsidiaries and schools. Other than the aforementioned deed of undertaking the Group entered with Mr. Bangxin Zhang, the Group currently does not have any arrangements to address potential conflicts of interest between these individuals and the Company. To a large extent, the Group relies on the legal owners of Xueersi Education, Xueersi Network and Xinxin Xiangrong to abide by the laws of the Cayman Islands and China, which provide that directors and officers owe a fiduciary duty to the Company that requires them to act in good faith and in the best interests of the Company and not to use their positions for personal gains. If the Group cannot resolve any conflict of interest or dispute between it and these individuals, the Group would have to rely on legal proceedings, which could result in disruption of its business and subject it to substantial uncertainty as to the outcome of any such legal proceedings.

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements

The following consolidated financial statement balances and amounts of the Company's VIEs and their subsidiaries and schools, were included in the accompanying consolidated financial statements after the elimination of intercompany balances and transactions amongst the Company, its subsidiaries, its VIEs and VIEs' subsidiaries and schools in the Group.

	As of February 28, 2019	As of February 29, 2020
Cash and cash equivalents	$ 249,108	$ 350,035
Short-term investments	11,956	—
Other current assets	154,977	159,706
Total current assets	416,041	509,741
Property and equipment, net	229,518	286,982
Other non-current assets	953,393	2,038,941
Total assets	1,598,952	2,835,664
Deferred revenue-current	401,027	733,253
Other current liabilities	445,338	898,959
Total current liabilities	846,365	1,632,212
Total non-current liabilities	20,019	891,633
Total liabilities	$ 866,384	$ 2,523,845

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Net revenues	$ 1,614,512	$ 2,406,642	$ 3,058,285
Net income	$ 378,975	$ 606,560	$ 534,070

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Net cash provided by operating activities	$ 325,799	$ 409,103	$ 215,892
Net cash used in investing activities	$ (211,755)	$ (346,183)	$ (134,936)
Net cash used in financing activities	$ (26,965)	$ (4,392)	$ (5,173)

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

As of February 28, 2018, 2019 and February 29, 2020, the balance of the amount payable by the VIEs and their subsidiaries and schools to TAL Beijing, Lebai Information or their designated affiliates related to the service fees was $60,336, $128,088 and $78,357, respectively, and was eliminated upon consolidation. There are no consolidated VIEs' assets that are collateral for the VIEs' obligations and can only be used to settle the VIEs' obligation.

Relevant PRC laws and regulations restrict the VIEs from transferring a portion of their net assets, equivalent to the balance of their paid-in capital and statutory reserve, to the Company in the form of loans and advances or cash dividends. Please refer to Note 24 for disclosure of restricted net assets.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, which are accounted for under the voting interest model, and its VIEs, VIEs' subsidiaries and schools consolidated under the variable interest entity consolidation model. All inter-company transactions and balances have been eliminated upon consolidation.

Consolidation of Variable Interest Entities

The Company through TAL Beijing and Lebai Information, wholly owned foreign enterprises, has executed a series of contractual agreements with its VIEs, the VIEs' subsidiaries and schools and the VIEs' nominee shareholders. For a description of these contractual arrangements, see "Note 1 Organization and Principal Activities—The VIE Arrangements". These contractual agreements do not provide TAL Beijing and Lebai Information with an equity interest in legal form in the VIEs. As the Company holds no legal form of equity ownership in the VIEs, the Company applied the variable interest entity consolidation model as set forth in Accounting Standards Codification 810, Consolidation ("ASC 810") instead of the voting interest model of consolidation.

By design, the contractual agreements provide TAL Beijing and Lebai Information with the right to receive benefits equal to substantially all of the net income of these entities, and thus under ASC 810, these agreements are considered variable interests. Subsequent to identifying any variable interests, any party holding such variable interests must determine if the entity in which the interest is held is a variable interest entity and subsequently which reporting entity is the primary beneficiary of, and should therefore consolidate the variable interest entity.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Consolidation of Variable Interest Entities - continued

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

Determining whether TAL Beijing and Lebai Information are the primary beneficiaries requires a careful evaluation of the facts and circumstances, including whether the contractual agreements are substantive under the applicable legal and financial reporting frameworks, i.e. PRC law and U.S. GAAP. The Company continually reviews its corporate governance arrangements to ensure that the contractual agreements are indeed substantive.

The Company has determined that the contractual agreements are in fact valid and legally enforceable. Such arrangements were entered into in order to comply with the underlying legal and/or regulatory restrictions that govern the ownership of a direct equity interest in the VIEs. In the opinion of the Company's PRC counsel, Tian Yuan Law Firm, the contracts are legally enforceable under PRC law. See "Note 1 Organization and Principal Activities—The VIE Arrangements".

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

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

Please see Note 1 for the presentation of abbreviated financial information of the VIEs and VIEs' subsidiaries and schools, after elimination of intercompany balances and transactions.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue, costs, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Significant accounting estimates reflected in the Group's consolidated financial statements include purchase price allocation relating to business acquisitions, valuation allowance for deferred tax assets, the useful lives of property and equipment and intangible assets, impairment of intangible assets, long-lived assets, goodwill and long term investments, fair value assessment of long-term investments, discount rate for leases and consolidation of variable interest entities.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments, which are unrestricted as to withdrawal or use, or have original maturities of three months or less when purchased.

Restricted cash

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

Short-term investments

Short-term investments include wealth management products, which are mainly deposits with variable interest rates placed with financial institutions and are restricted as to withdrawal and use. The Group classifies the wealth management products as held-to-maturity securities. The original maturities of the short-term investments are greater than three months, but less than twelve months.

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

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives:

Building	35-64 years
Computer, network equipment and software	3 years
Vehicles	4-5 years
Office equipment and furniture	3-5 years
Leasehold improvement	Shorter of the lease term or estimated useful lives

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

Business combinations

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

Where the consideration in an acquisition includes contingent consideration the payment of which depends on the achievement of certain specified conditions post-acquisition, the contingent consideration is recognized and measured at its fair value at the acquisition date and if recorded as a liability, it is subsequently carried at fair value with changes in fair value reflected in the consolidated statements of operations.

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

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Acquired intangible assets, net

Acquired intangible assets other than goodwill consist of trade name and domain names, copyrights, teaching materials, user base, customer relationships, technology, partnership agreements, school cooperation agreements, licenses, etc., and are carried at cost, less accumulated amortization and impairment. Amortization of finite-lived intangible assets is computed using the straight-line method over the estimated useful lives. The amortization periods by intangible asset classes are as follows:

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

Land use rights, net

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

Impairment of long-lived assets

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

Goodwill

The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheets as goodwill. Goodwill is not amortized, but tested for impairment annually or more frequently if event and circumstances indicate that it might be impaired.

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

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill - continued

The Group does not choose to perform the qualitative assessment for goodwill impairment. For fiscal year 2020, the Group performs its annual impairment test by comparing the fair value of a reporting unit with its carrying amount. The Group should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

The Group recognized impairment loss on goodwill of $28,998 in fiscal year ended February 29, 2020.

Long-term investments

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

Equity securities without readily determinable fair values

The Group adopted ASC Topic 321, Investments—Equity Securities ("ASC 321") on March 1, 2018. Prior to fiscal year 2019, for investee companies over which the Group does not have significant influence or a controlling interest, equity securities of privately-held companies were accounted for using the cost method of accounting, measured at cost less other-than-temporary impairment. Starting from fiscal year 2019, for equity securities without readily determinable fair value that qualify for the practical expedient to estimate fair value using net asset value per share, the Group estimates the fair value using net asset value per share and recorded the cumulative effect of the adjustment of $4,163 to the opening balance of retained earnings upon adoption of the new standard. For other equity securities without readily determinable fair value, the Group elected to use the measurement alternative to measure those investments at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

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

Equity securities with readily determinable fair values

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

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Long-term investments-continued

Equity method investments

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

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

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

Available-for-sale investments

For investments in investees' shares which are determined to be debt securities, the Group accounts for them as available-for-sale investments when they are not classified as either trading or held-to-maturity investments. Available-for-sale investments are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income as a component of shareholders' equity.

Realized gains and losses and provision for decline in value determined to be other than temporary, if any, are recognized in the consolidated statements of operations.

Fair value option investments

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

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Long-term investments - continued

Held-to-maturity investments

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

Fair value

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

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

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Fair value of financial instruments is disclosed in Note 15.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

On March 1, 2018, the Group adopted Revenue from Contracts with Customers ("Topic 606"), applying the modified retrospective method to all contracts that were not completed as of March 1, 2018. Results for reporting periods beginning on March 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior periods.

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

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

	For the year ended February 28, 2019
Disaggregation of net revenues	
-Small class tutoring services, personalized premium services and others	$ 2,223,347
-Online education services through www.xueersi.com	339,637
Total	$ 2,562,984

	For the year ended February 29, 2020
Disaggregation of net revenues	
-Small class tutoring services, personalized premium services and others	$ 2,655,323
-Online education services through www.xueersi.com	617,985
Total	$ 3,273,308

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

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

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

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

Generally, for small class tutoring services except for Mobby courses, the Group offers refunds for any remaining classes to students who decide to withdraw from a course. The refund is equal to and limited to the amount related to the undelivered classes. For most Mobby courses, the Group offers refunds equal to and limited to the amount related to the undelivered classes to students who withdraw from a course, provided the course is less than two-third completed at the time of withdrawal. After two-third of the course is completed, no refund will be granted. For personalized premium services, a student can withdraw at any time and receive a refund equal to and limited to the amount related to the undelivered classes. Historically, the Group has not had material refunds.

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

Other revenues are primarily derived from advertising services provided on the Group's online platforms and consulting service and test preparation courses related to overseas study. Revenue is recognized when control of promised goods or services is transferred to the Group's customers in an amount of consideration to which the Group expects to be entitled to in exchange for those goods or services. Upon the adoption of Topic 606, the Group estimates the variable consideration to be earned and recognizes revenue over the service period for overseas study consulting service. Under the prior revenue recognition standard, such revenue is deferred and recognized when student admission is reasonably assured.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

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

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

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

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

The contract liabilities of deferred revenue was $436,107 as of February 28, 2019, substantially all of which was recognized as revenue during the year ended February 29, 2020. As of February 29, 2020, the contract liabilities of deferred revenue was $781,000. The difference between the opening and closing balances of the Group's contract liabilities primarily results from the timing difference between the Group's satisfaction of performance obligation and the customer's payment.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based compensation

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument and recognized as compensation expense on a straight-line basis over the requisite service period, with a corresponding impact reflected in additional paid-in capital. Forfeitures are recognized as they occur. Liability-classified awards are remeasured at their fair-value-based measurement as of each reporting date until settlement.

Value added tax

Pursuant to the PRC tax laws, in case of any product sales, the VAT rate is 3% of the gross sales for small scale VAT payer and 16% (13% starting April 1, 2019) of the gross sales for general VAT payer. TAL Beijing and Xueersi Education are deemed as general VAT payer since January 2010, and August 2010, respectively, for the sales of guidance materials and the intercompany sales of self-developed software. For general VAT payer, VAT on sales is calculated at 16% (13% starting April 1, 2019) on revenue from product sales and paid after deducting input VAT on purchases. The net VAT balance between input VAT and output VAT is reflected in the accounts under other taxes payable.

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

Xueersi Education enjoyed VAT exemption for book sales from February 2014 to December 2017. Pursuant to Cai Shui [2018] No. 53 in June 2018, it can continue to enjoy VAT exemption from 2018 to 2020 for its book sales.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Operating leases

On March 1, 2019, the Group adopted New Leasing Standard ("ASC 842"), using the modified retrospective transition method resulting in the recording of operating lease right-of-use (ROU) assets of $1,024,863 and operating lease liabilities of $1,026,728 upon adoption. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance. The adoption of the new guidance did not have a material effect on the consolidated statements of operations. As of February 29, 2020, the Group recognized operating lease ROU assets of $1,243,692 and total lease liabilities $1,254,879, including current portion at the amount of $304,960.

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

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

Advertising costs

The Group expenses advertising costs as incurred. Total advertising costs incurred were $22,474, $114,697 and $248,807 for the years ended February 28, 2018, 2019 and February 29, 2020, respectively, and have been included in selling and marketing expenses in the consolidated statements of operations.

Government subsidies

The Group reports government subsidies as other income when received from local government authority with no limitation on the use of the subsidies. From time to time, the Group receives government subsidies related to government sponsored projects and records such government subsidies as a liability when received and recognizes as other income when the performance obligation is met or fulfilled.

Foreign currency translation

The functional and reporting currency of the Company is the United States dollar. The functional currency of the Company's PRC subsidiaries, VIEs and VIEs' subsidiaries and schools in the PRC is Renminbi ("RMB").

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency translation - continued

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the year are converted into the functional currencies at the applicable rates of exchange prevailing at the transaction dates. Transaction gains and losses are recognized in the consolidated statements of operations. For the years ended February 28, 2018, 2019 and February 29, 2020, the Group recorded exchange gain of $3,324, exchange loss of $3,108 and exchange loss of $968, respectively, in other expense/income in the consolidated statements of operations.

For translating the results of the PRC subsidiaries into the functional currency of the Company, assets and liabilities are translated from each subsidiary's functional currency to the reporting currency at the exchange rate on the balance sheet date. Equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the period. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income in the consolidated statements of changes in equity and comprehensive income / (loss).

Foreign currency risk

RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. Cash and cash equivalents, and restricted cash of the Group included aggregate amounts of $538,364 and $1,435,739 as of February 28, 2019 and February 29, 2020, respectively, which were denominated in RMB.

Income taxes

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net of operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws and regulations applicable to the Group as enacted by the relevant tax authorities.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

Comprehensive income / (loss)

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

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2. SIGNIFICANT ACCOUNTING POLICIES - continued

Concentration of credit risk

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

Financial instruments

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

Net income / (loss) per share

Basic net income / (loss) per share is computed by dividing net income / (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted net income / (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised into common shares. Common share equivalents are excluded from the computation of the diluted net income / (loss) per share in years when their effect would be anti-dilutive. The Group has share options, non-vested shares and bond payable which could potentially dilute basic earnings per share in the future. To calculate the number of shares for diluted net income / (loss) per share, the effect of the share options and non-vested shares is computed using the treasury stock method. The dilutive effect of the bond payable is computed using as-if converted method.

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

Recent accounting pronouncements adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public companies, the guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the guidance is permitted. In July 2018, ASU 2016-02 was updated with ASU 2018-11, Targeted Improvements to ASC 842, which provides entities with relief from the costs of implementing certain aspects of the new leasing standard. Specifically, under the amendments in ASU 2018-11, (1) entities may elect not to recast the comparative periods presented when transitioning to ASC 842 and (2) lessors may elect not to separate lease and nonlease components when certain conditions are met. Before ASU 2018-11 was issued, transition to the new lease standard required application of the new guidance at the beginning of the earliest comparative period presented in the financial statements.

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2. SIGNIFICANT ACCOUNTING POLICIES – continued

Recent accounting pronouncements adopted – continued

The Group adopted this standard on March 1, 2019, and elected not to recast the comparative periods presented. In addition, the Group elected not to separate lease and nonlease components when certain conditions are met. The consolidated balance sheets and the consolidated statements of operations and cash flows for reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 840.

The adoption did not have a material impact on the Group's consolidated statements of operations or consolidated statements of cash flows, and the adoption of Topic 842 did not result in a cumulative-effect adjustment to retained earnings. Further information is disclosed in Note 16.

In January 2017, the FASB issued ASU 2017-04: Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminated Step 2 from the goodwill impairment test. An entity should apply the amendments in this Update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. A public business entity should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Group early adopted ASU 2017-04 for the annual goodwill impairment test in fiscal year 2020.

Recent accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Statements. This ASU requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All entities may adopt the amendments in this Update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). In April 25, 2019, ASU 2016-13 was updated with ASU 2019-04, which clarifies certain aspects of accounting for credit losses, hedging activities, and financial instruments. ASU 2019-04 provides certain alternatives for the measurement of the allowance for credit losses (ACL) on accrued interest receivable (AIR). These measurement alternatives include (1) measuring an ACL on AIR separately, (2) electing to provide separate disclosure of the AIR component of amortized cost as a practical expedient, and (3) making accounting policy elections to simplify certain aspects of the presentation and measurement of such AIR. For entities that have adopted ASU 2016-13, the amendments in ASU 2019-04 related to ASU 2016-13 are effective for fiscal years beginning after December 15, 2019, and interim periods therein. An entity may early adopt ASU 2019-04 in any interim period after its issuance if the entity has adopted ASU 2016-13. The Group does not expect this standard to have a material impact on its consolidated financial statements.

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2. SIGNIFICANT ACCOUNTING POLICIES – continued

Recent accounting pronouncements not yet adopted – continued

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value". ASU 2018-13 removes and modifies existing disclosure requirements on fair value measurement, namely regarding transfers between levels of the fair value hierarchy and the valuation processes for Level 3 fair value measurements. Additionally, ASU 2018-13 adds further disclosure requirements for Level 3 fair value measurements, specifically changes in unrealized gains and losses and other quantitative information. ASU 2018-13 is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Group does not expect any material impact on its consolidated financial statements and related disclosures as a result of adopting the new standard.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740) - Simplifying the accounting for Income Taxes”. The amendments in this Update simplify the accounting for income taxes by removing the following exceptions:1) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items; 2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; 3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and 4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The amendments also simplify the accounting for income taxes by doing: 1) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax; 2) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction; 3) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements. However, an entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority; 4) requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date; and 5) making minor Codification improvements for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Group is in the process of evaluating the impact of the Update on its consolidated financial statements.

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3. BUSINESS ACQUISITION

Business acquisitions in fiscal year 2020:

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

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

The following summarized unaudited pro forma results of operations for the years ended February 28, 2019 and February 29, 2020 assuming that these acquisitions during the year ended February 29, 2020 occurred as of March 1, 2018. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred as of March 1, 2018, nor is it indicative of future operating results.

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

Business acquisitions in fiscal year 2019:

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

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

The purchase price consisted of the following:

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

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3. BUSINESS ACQUISITION – continued

Business acquisitions in fiscal year 2019 – continued:

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

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

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

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

Other acquisitions

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

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

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3. BUSINESS ACQUISITION - continued

Business acquisitions in fiscal year 2019 – continued:

The following summarized unaudited pro forma results of operations for the years ended February 28, 2019 and February 29, 2020 assuming that these acquisitions during the year ended February 28, 2019 occurred as of March 1, 2017. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred as of March 1, 2017, nor is it indicative of future operating results.

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

Business acquisitions in fiscal year 2018:

During the year ended February 28, 2018, the Group made several business acquisitions. Each acquisition has been recorded using the acquisition method of accounting, and accordingly, the acquired assets and liabilities assumed were recorded at their fair value at the date of acquisition. The results of these acquired entities' operations have been included in the consolidated financial statements since the date of acquisitions. Goodwill primarily represents the expected synergies from combining the acquired businesses with the business of the Group.

The total consideration of business acquisitions made during the year ended February 28, 2018, included cash totaling $16,165, of which $15,866 was paid during fiscal year 2018. The intangible assets, goodwill and noncontrolling interests acquired from these business acquisitions were $5,782, $12,622 and $3,643, respectively. The purchase price allocation was determined by the Group with the assistance of an independent valuation appraiser.

The results of operations for all these acquired entities have been included in the Group's consolidated financial statements from their respective acquisition dates. The acquired goodwill is not deductible for tax purposes.

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3. BUSINESS ACQUISITION - continued

Business acquisitions in fiscal year 2018-continued

The following summarized unaudited pro forma results of operations for the years ended February 28, 2017 and 2018 assuming that these acquisitions during the year ended February 28, 2018 occurred as of March 1, 2016. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred as of March 1, 2016, nor is it indicative of future operating results.

	For the years ended February 28,	
	2017	2018
	(Unaudited)	(Unaudited)
Pro forma net revenues	$ 1,043,718	$ 1,715,774
Pro forma net income attributable to TAL Education Group	$ 115,055	$ 198,105
Pro forma net income per share - basic	$ 0.71	$ 1.13
Pro forma net income per share - diluted	$ 0.65	$ 1.03

4. SHORT-TERM INVESTMENTS

Short-term investments consisted of the following:

	As of February 28, 2019	As of February 29, 2020
Held-to-maturity investments [1]	$ 168,761	$ 345,457
Variable-rate financial instruments [2]	99,663	—
	$ 268,424	$ 345,457

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

(2) The Group purchased several investment products indexed to certain stock or stock markets with maturities less than one year. The Group accounted for them at fair value and recognized a loss of $337 and nil resulting from changes in fair value for the years ended February 28, 2019 and February 29, 2020, respectively.

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5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As of February 28, 2019	As of February 29, 2020
Accounts receivables	$ 50,222	$ 42,654
Prepayments to suppliers [(1)]	45,525	55,342
Interest receivable	5,848	22,108
Staff advances [(2)]	4,636	3,206
Loan to employees, current portion [(3)]	5,467	4,413
Other deposits	3,179	7,550
Prepaid VAT	5,643	6,284
Prepaid rental [(4)]	45,107	7,335
Receivables from investees [(5)]	—	13,304
Loans to third-parties [(6)]	24,410	5,883
Receivables of withholding tax from employees for option exercise (7)	—	34,720
Receivable for exercise of capped call option (Note 13)	6,901	—
Others	5,692	4,553
	$ 202,630	$ 207,352

(1) Prepayments to suppliers are primarily for student recruitment services, advertising fees and server hosting fees. Student recruitment service fees are prepaid by the Group's study abroad business to recruitment agencies. Such prepayments are generally short-term and refundable if performance condition is not met.

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

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

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

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

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

(7) The Group pays for withholding tax on behalf of employees who exercised their options and agreed to repay the tax by deduction from the proceeds of shares sold subsequent to the option exercise. As of February 29, 2020, such proceeds were in transit due to wire transfer processing and the withholding tax paid on behalf of employees was recorded as other receivables.

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6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following:

	As of February 28, 2019	As of February 29, 2020
Building	$ 62,151	$ 59,489
Leasehold improvement	247,898	316,528
Computer, network equipment and software	121,967	178,876
Vehicles	598	704
Office equipment and furniture	30,169	30,596
Construction in progress	—	16,025
Total cost of property and equipment	462,783	602,218
Less: accumulated depreciation	(174,906)	(235,562)
	$ 287,877	$ 366,656

For the years ended February 28, 2018, 2019 and February 29, 2020, depreciation expenses were $50,907, $76,669 and $99,511, respectively.

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

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7. INTANGIBLE ASSETS, NET

Intangible assets, net, consisted of the following:

	As of February 28, 2019	As of February 29, 2020
Trade name and domain names	$ 27,225	$ 27,982
Copyrights and teaching materials	5,974	5,974
User base and customer relationships	24,628	24,803
Technology	13,230	13,230
Partnership agreements and school cooperation agreements	4,858	4,858
Licenses	27,023	28,476
Others	2,542	2,687
Total cost of intangible assets	105,480	108,010
Less: accumulated amortization	(30,253)	(45,930)
Less: accumulated impairment loss	(358)	(358)
Add: foreign exchange difference	(93)	(2,737)
	$ 74,776	$ 58,985

The Group recorded amortization expense of $8,307, $12,166 and $15,677 for the years ended February 28, 2018, 2019 and February 29, 2020, respectively.

Estimated amortization expense of the existing intangible assets for the next five years is $15,108, $12,052, $9,907, $7,338 and $5,829, respectively.

The impairment loss on acquired intangible assets was $358, nil and nil for the years ended February 28, 2018, 2019 and February 29, 2020, respectively.

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8. LAND USE RIGHTS, NET

Land use rights, net, consisted of the following:

	As of February 28, 2019	As of February 29, 2020
Land use rights	$ —	$ 207,657
Less: accumulated amortization	—	(2,804)
Add: foreign exchange difference	—	—
Land use rights, net	$ —	$ 204,853

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

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

Amortization for land use rights for the year ended February 29, 2020, was $2,804. The Group expects to recognize $4,195 in amortization expense for each of the next five years and $183,878 thereafter.

9. GOODWILL

Changes in the carrying amount of goodwill for the years ended February 28, 2019 and February 29, 2020 consisted of the following:

	As of February 28, 2019	As of February 29, 2020
Beginning balance	$ 292,906	$ 415,752
Addition (Note 3)	129,774	3,999
Accumulated impairment loss	(1,524)	(30,522)
Exchange difference	(6,928)	(10,316)
Goodwill, net	$ 414,228	$ 378,913

In the annual goodwill impairment assessment for the year ended February 29, 2020, the Group concluded that the carrying amount of a reporting unit exceeded its fair value and recognized an impairment loss of US$28,998.

The Group recorded impairment losses of nil, nil and US$28,998 for the years ended February 28, 2018, 2019 and February 29, 2020, respectively.

The fair value of the reporting units was determined by the Group with the assistance of independent valuation appraisers using the income-based valuation methodology.

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10. LONG-TERM INVESTMENTS

Long-term investments consisted of the following:

	As of February 28, 2019	As of February 29, 2020
Equity securities with readily determinable fair values		
BabyTree Inc. (“BabyTree”) (1)	132,143	26,696
Equity securities without readily determinable fair values		
Jiangsu Qusu Education and Technology Co., Ltd. (“Jiangsu Qusu”) (2)	48,704	—
Xiamen Meiyou Information and Technology Co., Ltd. (“Xiamen Meiyou”) (3)	—	47,068
Other investments (4)	81,968	84,681
Equity method investments		
Xiamen Meiyou Information and Technology Co., Ltd. (“Xiamen Meiyou”) (3)	48,639	—
Other investments (5)	132,607	102,314
Fair value option investment		
Long-term investment in a third-party technology company	7,484	7,258
Available-for-sale investments		
Changing Education Inc. (“Changing”) (6)	102,581	148,405
Hyphen Education (Cayman) Limited ("Hyphen") (7)	50,808	—
DaDa Education Group ("DaDa") (8)	80,115	—
Ximalaya Inc. ("Ximalaya") (9)	20,017	46,612
Other investments (10)	92,664	108,567
Held-to-maturity investments	52,965	—
Total	$ 850,695	$ 571,601

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

In fiscal year 2018 and 2019, the Group recognized disposal gain of $3,044 and $760, respectively, due to the partial disposal of the equity interest in BabyTree Inc. to a related party.

10. LONG-TERM INVESTMENTS - continued

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

In fisical year 2020, the stock price of BabyTree declined from HK$7.18 to HK$1.44, the Group recognized loss of $105,447 due to the fair value change.

(2) In July 2018, the Group acquired 33.99% equity interest in Jiangsu Qusu, a leading K-12 service platform for targeted teaching and learning. The Group accounted for the investment using the measurement alternative as Jiangsu Qusu is a private company without readily determinable fair value. In September 2019, the Group disposed the investment and recognized a disposal gain of $16,670.

(3) In December 2018, the Group acquired 15.32% equity interest in Xiamen Meiyou, an internet company focusing on providing services to female clients. Since June 2019, the investment was reclassified from equity method to equity investment without readily determinable fair value as the Group no longer has the ability to exercise significant influence due to the restructured capital of Xiamen Meiyou. As of February 29, 2020, no impairment loss has been recorded in regard to the investment.

(4) The Group holds equity interests in certain third-party private companies through investments in their common shares or in-substance common shares, which were accounted for using the cost method prior to the adoption of ASC 321. After the adoption of ASC 321, the Group accounted for these equity investments using the measurement alternative when equity method is not applicable and there is no readily determinable fair value for the investments. The Group recorded nil, $14,489 and $3,444 impairment loss on these investments during the fiscal years ended February 28, 2018, 2019 and February 29, 2020, respectively.

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

The Group recorded $409, $8,719 and $17,198 impairment loss for its equity method investments during the fiscal years ended February 28, 2018, 2019 and February 29, 2020, respectively.

(6) In fiscal year 2016 through 2018, the Group acquired Series B+, Series C and Series D convertible redeemable preferred shares of Changing which operates a customer-to-customer mobile tutoring platform in China. In fiscal year 2020, the Group made additional investment in Changing by purchasing its Series E convertible redeemable preferred shares. As of February 29, 2020, the Group held 34.55% equity interest of Changing. The Group accounted for the investment as available-for-sale investments since the investee’s preferred shares held are determined to be debt securities.

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10. LONG-TERM INVESTMENTS - continued

(7) In fiscal year 2019, the Group completed three transactions with Hyphen, an online one-on-one teaching platform, to acquire its Series C+ convertible redeemable preferred shares. The Group accounted for the investment as available-for-sale investments since the investee's preferred shares held are determined to be debt securities. The Group fully impaired the investment during the fiscal year ended February 29, 2020.

(8) In fiscal year 2019, the Group completed two transactions with DaDa, a company providing children one-on-one online English tutoring, to acquire its series C and D redeemable preferred shares. The Group accounted for the investment as available-for-sale investments since the investee's preferred shares held are determined to be debt securities. The Group fully impaired the investment during the fiscal year ended February 29, 2020.

(9) In fiscal year 2017 and 2020, the Group completed two transactions with Ximalaya, a professional audio sharing platform, to acquire its Series C+ and E-2 convertible redeemable preferred shares. As of February 29, 2020, the Group held 1.73% equity interest of Ximalaya, and accounted for the investment as available-for-sale investments since the investee's preferred shares held are determined to be debt securities.

(10) The Group acquired minority equity interest in several third-party private companies, the majority of which are engaged in online platform or online education services. The Group holds minority equity interests of these companies through purchasing of their convertible redeemable preferred shares. The Group accounted for these investments as available-for-sale investments since the investee's preferred shares held are determined to be debt securities. The Group recorded $1,804, $34,883 and $2,137 impairment loss during the years ended February 28, 2018, 2019 and February 29, 2020, respectively.

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

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

	As of February 28, 2019	As of February 29, 2020
Long-term prepayments [1]	$ 2,562	$ 36,989
Loan to employees [2]	6,512	3,940
Loan receivable [3]	32,069	32,661
Prepayment for land use rights [4]	209,865	—
Other non-current assets [5]	16,396	11,685
	$ 267,404	$ 85,275

(1) The balances at February 28, 2019 and February 29, 2020 represented the Group's prepayments to acquire equity interests in several third-party companies.

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

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

(3) The balances represented long-term loans to several third parties with original maturity over one year. Interest income of $3,555 and $5,368 was accrued for the fiscal years ended February 28, 2019 and February 29, 2020, respectively. The loan principals and all interests will be received upon maturity. The third parties pledged their equity interests in other companies to the Group to guarantee the loan principals and interests.

(4) The balances as of February 29, 2019 represented the Group's prepayment for purchase of land use rights in Beijing and deposit payment of land use rights in Jiangsu. As of February 29, 2020, the amount were fully transferred to land use rights, net. Please see Note 8 for details.

(5) As of February 28, 2019 and February 29, 2020, other non-current assets were primarily made up of prepayment for property and equipment, the construction in process and long-term service fees.

The Group recognized $260, nil and nil impairment loss of long-term prepayments and other non-current assets during the fiscal years ended February 28, 2018, 2019 and February 29, 2020, respectively.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	As of February 28, 2019	As of February 29, 2020
Accrued employee payroll and welfare benefits	$ 208,897	$ 292,001
Refund liabilities	73,184	168,118
Other taxes payable	33,099	7,826
Accrued operating expenses	9,508	40,323
Payable for investments and acquisitions	17,530	404
Professional service fee payable	2,199	13,994
Payable for acquisitions of intangible assets	2,688	1,436
Interest payable	1,698	1,267
Others	16,392	27,281
Total	$ 365,195	$ 552,650

13. BOND PAYABLE

On May 21, 2014, the Company issued $230,000 in aggregate principal amount of convertible bond due on May 15, 2019 ("the Bond"), unless earlier repurchased, converted or redeemed. The Bond bears interest at a rate of 2.5% per year, payable semiannually in arrears on May 15 and November 15 of each year, beginning on November 15, 2014.

The net proceeds from the Bond, after deducting the issuance costs, were $224,723. The Company has accounted for the Bond as a single instrument as bond payable. The value of the Bond is measured by the cash received. As of May 15, 2019, the bond payable was fully paid by cash or through issuance of Company's shares upon conversion to the ADS. Interest expense of $162 and $27 were recognized for the years ended February 28, 2019 and February 29, 2020, respectively.

The debt issuance costs of $5,277 were recorded as a reduction of the bond payable and amortized using the effective interest method over the period from issuance date to the earliest redemption date, May 15, 2017.

The main terms of the Bond are summarized as follows:

Conversion

The Bond are convertible into the Company's ADSs, at the option of the holders, in integral multiples of one thousand dollars principal amount, at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date. The conversion rate equals 229.1856 ADSs per one thousand dollars principal amount of the Bond, which represents the adjusted conversion price of $4.36 per ADS. During the years ended February 28, 2019 and February 29, 2020, certain bond holders converted their bonds with carrying amount of $5,800 and $5,250 to 1,329,273 and 1,203,222 ADSs, respectively. Fractional ADSs were settled in cash upon conversion.

Redemption

The Company does not have the right to redeem the Bond prior to maturity except for certain circumstances involving changes in the tax laws for the relevant tax jurisdiction. Holders of the Bond have the right to require the Company to repurchase in cash all or part of their Bond on May 15, 2017 or upon the occurrence of certain fundamental changes at a repurchase price equal to 100% of the principal amount of the Bond to be repurchased, plus any accrued and unpaid interest to, but excluding, the repurchase date.

Effective on August 16, 2017, the Company adjusted the ratio of its American Depositary Shares ("ADSs") to Class A common shares from one ADS representing two Class A common shares to three ADSs representing one Class A common shares. The information disclosed below have been given effect to the foregoing ADS to share ratio change ("Ratio Change"). In addition, as disclosed in Note 26, the Company declared and paid a cash dividend, which triggered the conversion adjustment provisions of the Bond.

Concurrently with the issuance of the Bond in May 2014, the Company entered into capped call transactions (each a "Capped Call Transaction") with three initial purchasers or their affiliates by purchasing 52,712,642 options, which is the number of adjusted ADS issuable upon conversion of the Bond in full, for $22,885. The Capped Call Transactions are expected generally to reduce the potential dilution to the Class A common shares and ADSs upon conversion of the Bond. The strike price of the Capped Call Transactions corresponds to the adjusted conversion price of the Bond and the cap price is $5.87 per ADS and has been adjusted under the terms of the Capped Call Transactions. The Group accounted for the capped call transactions as equity transactions and recorded the $22,885 purchase price as a deduction of additional paid in capital. The options became exercisable in February 2019 and the Capped Call Transaction terminated upon the maturity date of the Bond in May 2019. The Group elected the cash settlement method and recorded $13,270 and $66,346 as a credit to additional paid in capital for the exercise of the capped call options during fiscal year 2019 and 2020, respectively.

14. LONG-TERM DEBT AND SHORT-TERM DEBT

Facilities Agreement of 2016

On June 30, 2016, the Company entered into a three-year $400,000 term and revolving facilities agreement (the "Facilities Agreement") with a group of arrangers led by Deutsche Bank AG, Singapore Branch. The facilities, a $225,000 three-year bullet maturity term loan and a $175,000 three-year revolving facility, are priced at 250 basis points over LIBOR. The interest is payable on a quarterly basis. The Company also paid commitment fee of 0.75% per annum based on the undrawn portion of the facilities for the period commencing on the commitment fee accrual commencement date to the end of the availability period applicable to the facilities. The use of proceeds of the facilities are for general corporate purposes.

The debt issuance cost of $12,000 for the Facilities Agreement of 2016 was amortized over the period from June 30, 2016 to June 30, 2019, the termination date of the Facilities Agreement.

The Facilities Agreement contains financial covenants on the Group's tangible net worth, interest cover and leverage, and also it has acceleration clauses about the occurrence of an event of default. The Company is required to maintain restricted cash equivalent to a three-month period of interest expense for the duration of the Facilities Agreement.

In connection with the facilities agreement, the Company entered into three interest rate swap agreements, of which the notional amount is $30,000, $30,000 and $50,000, respectively. Pursuant to the interest rate swap agreements, the loans will be settled with a fixed annual interest rate of 3.46%, 4.10% and 4.14% respectively, during the respective term of the loans.

The interest rate swap agreements meet the definition of a derivative in accordance with ASC815. The fair value and the change in fair value of the derivatives related to the interest rate swap agreements were insignificant for the years ended February 28, 2019 and February 29, 2020.

As of February 28, 2019, the balance of the loans under the Facilities Agreement of 2016 was $195,000 with maturity dated June 30, 2019. The facilities had been fully repaid and the interest rate swap agreements were settled and terminated with an immaterial gain recognized during fiscal year 2020.

Facilities Agreement of 2019

On February 1, 2019, the Company entered into a three-year $600,000 term and revolving facilities agreement (the "Facilities Agreement of 2019") with a group of arrangers led by Deutsche Bank AG, Singapore Branch. The facilities, a $270,000 three-year bullet maturity term loan and a $330,000 three-year revolving facility, are priced at 175 basis points over LIBOR. The interest is payable on a quarterly basis. The Company also paid commitment fee of 0.35% per annum based on the undrawn portion of the facilities for the period commencing on the commitment fee accrual commencement date to the end of the availability period applicable to the facilities. The use of proceeds of the facilities are for general corporate purposes.

The Facilities Agreement of 2019 contains financial covenants on the Group's equity, interest cover and leverage, and also it has acceleration clauses about the occurrence of an event of default. The Company is required to maintain restricted cash equivalent to a three-month period of interest expense on the draw down for the duration of the Facilities Agreement of 2019.

14. LONG-TERM DEBT AND SHORT-TERM DEBT - continued

Facilities Agreement of 2019 - continued

The debt issuance cost of $12,600 for the Facilities Agreement of 2019 was amortized over the period from February 1, 2019 to January 31, 2022, and it was presented in the balance sheets as a direct deduction from the principal amount of the loan.

As of February 28, 2019, no draw down of loans was made under the Facilities Agreement of 2019. As of February 29, 2020, the Company had drawn down $270,000 three-year bullet maturity term loan under the facility commitment.

Facilities Agreement of Zhenjiang

In December 2019, the Group signed a RMB1,800 million loan facilities agreement with a group of arrangers led by a PRC bank. The facilities have a term of eight years and an effective drawdown period of three years. The interest rate is prime minus 39 basis points where prime is based on Loan Prime Rate released by the National Inter-Bank Funding Center of the PRC. The interest is payable on a quarterly basis. The principal of the loan facilities is to be repaid on a proportional basis semiannually after the 3-year drawdown period. The use of proceeds of the facilities are for the construction of buildings in the city of Zhenjiang. The loan facilities are collateralized by a pledge of the construction project and the land use rights in Zhenjiang.

As of February 29, 2020, the Group had not made any draw down of the loan under the facilities agreement.

Short-term Loan Agreement

In June 2018, the Group entered into a one-year loan agreement with a PRC bank for amount of $14,945. The use of proceeds of the loan are for general corporate purposes. The loan matured in June 2019 and had been fully repaid as of February 29, 2020.

15. FAIR VALUE

(a) ***Assets and liabilities measured at fair value on a recurring basis***

In accordance with ASC 820-10, the Group measures financial products, available-for-sale investments, fair value option investments and equity securities with readily determinable fair value at fair value on a recurring basis. Equity securities classified within Level 1 are valued using quoted market prices currently available on the Hong Kong Stock Exchange. Variable-rate financial instruments classified within Level 2 are valued using directly or indirectly observable inputs in the market place. The available-for-sale investments and fair value option investments classified within Level 3 are valued using income approach in discounted cash flow method. The discounted cash flow analysis requires the use of significant unobservable inputs (Level 3 inputs), including projected revenue, operating expenses, capital expenditures and a discount rate calculated based on the weighted average cost of capital.

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15. FAIR VALUE – continued

(a) ***Assets and liabilities measured at fair value on a recurring basis – continued***

As of February 28, 2019 and February 29, 2020, information about inputs for the fair value measurements of the Group's assets that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

		Fair Value Measurement at Reporting Date Using		
Description	**February 28, 2019**	**Quoted Prices in Active Market for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Short-term investments				
Variable-rate financial instruments	$ 99,663	—	$ 99,663	—
Long-term investments				
Equity securities with readily determinable fair values	$ 132,143	$ 132,143	—	—
Fair value option investments	$ 7,484	—	—	$ 7,484
Available-for-sale investments	$ 346,185	—	—	$ 346,185
Total	$ 585,475	$ 132,143	$ 99,663	$ 353,669

		Fair Value Measurement at Reporting Date Using		
Description	**February 29, 2020**	**Quoted Prices in Active Market for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Long-term investments				
Equity securities with readily determinable fair values	$ 26,696	$ 26,696	—	—
Fair value option investments	$ 7,258	—	—	$ 7,258
Available-for-sale investments	$ 303,584	—	—	$ 303,584
Total	$ 337,538	$ 26,696	—	$ 310,842

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15. FAIR VALUE - continued

(a) ***Assets and liabilities measured at fair value on a recurring basis-continued***

The roll forward of Level 3 investments are as following:

	US$
Balance as of February 28, 2018	$ 330,564
Purchase	186,628
Disposal	(3,890)
Transfer out due to reclassification	(129,287)
Changes in fair value	12,047
Impairment loss	(34,883)
Foreign exchange difference	(7,510)
Balance as of February 28, 2019	$ 353,669
Purchase	95,269
Disposal	(1,512)
Changes in fair value	(45)
Impairment loss	(133,329)
Foreign exchange difference	(3,210)
Balance as of February 29, 2020	$ 310,842

(b) ***Assets and liabilities measured at fair value on a nonrecurring basis***

The Group's goodwill and intangible assets are primarily acquired through business acquisitions. Purchase price allocation are measured at fair value on a nonrecurring basis as of the acquisition dates. The Group measures its goodwill and intangible assets at fair value on a nonrecurring basis annually or whenever events or changes in circumstances indicate that carrying amount of a reporting unit exceeds its fair value. Acquired intangible assets are measured using the income approach - discounted cash flow method when events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. The Group recognized impairment loss related to goodwill and acquired intangible assets arising from acquisitions of $358, nil and $28,998 for the years ended February 28, 2018, 2019 and February 29, 2020, respectively.

The Group measures long-term investments (excluding the equity securities with readily determinable fair values, available-for-sale investments and fair value option investments) at fair value on a nonrecurring basis only if an impairment or observable price adjustment is recognized in the current period. Please see Note 10(4) and Note 10(5).

For equity securities without readily determinable fair values, the fair value was determined using directly or indirectly observable inputs in the market place (Level 2 inputs). Whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable, the fair value of aforementioned long term investments was determined using models with significant unobservable inputs (Level 3 inputs), primarily the management projection of discounted future cash flow and the discount rate.

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16. LEASES

The Group has operating leases for learning centers, service centers and office spaces. Certain leases include renewal options and/or termination options, which are factored into the Group's determination of lease payments when appropriate.

Operating lease cost for the year ended February 29, 2020 was $338,593, which excluded cost of short-term contracts. Short-term lease cost for the year ended February 29, 2020 was $1,184.

As of February 29, 2020, the weighted average remaining lease term was 4.9 years and weighted average discount rate was 4.8% for the Group's operating leases.

Supplemental cash flow information of the leases were as follows:

	For the year ended，February 29, 2020
Cash payments for operating leases	$ 314,099
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 770,942

The following is a maturity analysis of the annual undiscounted cash flows for lease liabilities as of February 29, 2020:

Fiscal year ending	As of February 29, 2020
February 2021	$ 313,953
February 2022	329,556
February 2023	276,063
February 2024	210,742
February 2025	144,840
Thereafter	168,232
Total future lease payments	$ 1,443,386
Less: Imputed interest	(188,507)
Present value of operating lease liabilities	$ 1,254,879

As of February 29, 2020, the Group has lease contract that has been entered into but not yet commenced amounted to $39,944, and these contracts will commence during fiscal year 2021.

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16. LEASES - continued

As of February 28, 2019, the future minimum lease payments under non-cancellable operating lease contracts under ASC 840 were as follows:

Fiscal year ending	As of February 28, 2019
February 2020	$ 270,093
February 2021	285,653
February 2022	258,355
February 2023	207,371
February 2024	143,145
Thereafter	178,642
Total future lease payments	$ 1,343,259

17. INCOME TAXES

Cayman Islands

The Company and Firstleap are tax-exempted companies incorporated in the Cayman Islands.

Hong Kong

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

PRC

Effective from January 1, 2008, a new Enterprise Income Tax Law, or ("the New EIT Law"), combined the previous income tax laws for foreign invested and domestic invested enterprises in the PRC by the adoption of a unified tax rate of 25% for most enterprises with the following exceptions.

TAL Beijing was qualified as a High and New Technology Enterprises ("HNTE") and was accordingly entitled to a preferential tax rate of 15% from calendar years 2014 through 2019 and is expected to be subject to an EIT rate of 15% as long as it maintains its status as an HNTE. TAL Beijing applied for Key Software Enterprise status for calendar year 2018 and was approved in June 2019 which entitled TAL Beijing at the preferential tax rate of 10%. TAL Beijing applied 10% for calendar year 2018 under the qualification of Key Software Enterprise and 15% for calendar year 2019 as a HNTE. For calendar year 2019, TAL Beijing applied for the qualification of Key Software Enterprise to enjoy the preferential tax rate of 10%, which is still subject to the review by the tax authorities.

17. INCOME TAXES - continued

PRC - continued

Yidu Huida was qualified as a HNTE and was accordingly entitled to a preferential tax rate of 15% from calendar years 2015 through 2020 and is expected to be subject to an EIT rate of 15% as long as it maintains its status as a HNTE. Yidu Huida applied for Key Software Enterprise status for calendar year 2016, 2017 and 2018 and was approved in May 2017, July 2018 and June 2019, respectively, which entitled Yidu Huida at the preferential tax rate of 10%. Accordingly, Yidu Huida applied 10% for calendar year 2016 to 2018 under the qualification of Key Software Enterprise and 15% for calendar year 2019 as a HNTE. For calendar year 2019, Yidu Huida applied for the qualification of Key Software Enterprise to enjoy the preferential tax rate of 10%, which is still subject to the review by the tax authorities.

Beijing Xintang Sichuang was qualified as “Newly Established Software Enterprise” in calendar year 2013 and therefore was entitled to a two-year exemption from EIT and a further reduction to 12.5% from calendar years 2015 through 2017. It applied and was qualified as a HNTE and was subject to an EIT rate of 15% from calendar years 2017 through 2019. It is expected to be subject to an EIT rate of 15% as long as it maintains its status as a HNTE. Beijing Xintang Sichuang applied for Key Software Enterprise status for calendar year 2018 and was approved in June 2019 which entitled Beijing Xintang Sichuang at the preferential tax rate of 10%.Beijing Xintang Sichuang applied an EIT rate of 10% for calendar year 2018 under the qualification of Key Software Enterprise and an EIT rate of 15% for calendar year 2019 as a HNTE. For calendar year 2019, Xintang Sichuang applied for the qualification of Key Software Enterprise to enjoy the preferential tax rate of 10%, which is still subject to the review by the tax authorities.

Beijing Yinghe Youshi Technology Co., Ltd. ("Yinghe Youshi") was also qualified as HNTE and was accordingly entitled to a preferential tax rate of 15% from calendar years 2016 through 2021. It is expected to be subject to an EIT rate of 15% as long as it maintains its status as a HNTE.

Yizhen Xuesi was qualified as “Newly Established Software Enterprise” in calendar year 2017 and therefore it was entitled to a two-year exemption from EIT and a further reduction of tax rate to 12.5% from calendar years 2019 through 2021.

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

Provision (credit) for income tax consisted of the following:

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Current			
- PRC income tax expenses	$ 48,958	$ 94,722	$ 127,731
Deferred			
- PRC income tax expenses	(4,305)	(18,218)	(58,403)
Total	$ 44,653	$ 76,504	$ 69,328

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17. INCOME TAXES - continued

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Group's deferred tax assets and liabilities were as follows:

	As of February 29, 2019	As of February 29, 2020
Deferred tax assets:		
Prepaid rental and advertising	9,763	50,187
Property and equipment	1,877	2,576
Impairment loss on long-term investments	6,563	4,559
Others	8,121	19,526
Tax losses carry-forward	44,376	84,007
Less: valuation allowance	(41,521)	(81,321)
Deferred tax assets, net	$ 29,179	$ 79,534
Deferred tax liabilities:		
Intangible assets	8,869	6,984
Property and equipment	249	805
Long-term investments	8,620	—
Deferred tax liabilities	$ 17,738	$ 7,789

As of February 29, 2020, the Group had operating loss carry-forward of $84,007 from entities in PRC, which will expire on various dates from the end of calendar year 2020 to the end of calendar year 2025. The Company operates its business through its subsidiaries, its VIEs and VIEs' subsidiaries and schools. The Group does not file combined or consolidated tax returns, therefore, losses from individual subsidiaries or the VIEs and their subsidiaries and schools may not be used to offset other subsidiaries' or VIEs' earnings within the Group. Valuation allowance is considered on each individual subsidiary and VIE basis. Valuation allowance of $41,521 and $81,321 had been established as of February 28, 2019 and February 29, 2020, respectively, in respect of certain deferred tax assets as it is considered more likely than not that the relevant deferred tax assets will not be realized in the foreseeable future.

Under U.S. GAAP, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting amounts over tax basis amounts, including those differences attributable to a more than 50% interest in a domestic subsidiary. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Company has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interest in VIEs because it believes such excess earnings can be distributed in a manner that would not be subject to income tax.

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17. INCOME TAXES - continued

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Group has concluded that there are no significant uncertain tax positions requiring recognition in financial statements for the years ended February 28, 2018, 2019 and February 29, 2020. The Group did not incur any significant interest and penalties related to potential underpaid income tax expenses and also does not anticipate any significant increases or decreases in unrecognized tax benefits in the next 12 months. The Group has no material unrecognized tax benefits which would favorably affect the effective income tax rate in future years.

According to the PRC Tax Administration and Collection Law, the tax authority may require the taxpayer or the withholding agent to make delinquent tax payment within three years if the underpayment of taxes is resulted from the tax authority's act or error. No late payment surcharge will be assessed under such circumstances. The statute of limitation will be three years if the underpayment of taxes is due to the computational errors made by the taxpayer or the withholding agent. Late payment surcharge will be assessed in such case. The statute of limitation will be extended to five years under special circumstances which are not clearly defined (but an underpayment of tax liability exceeding RMB0.1 million is specifically listed as a "special circumstance"). The statute of limitation for transfer pricing related issue is ten years. There is no statute of limitation in the case of tax evasion. Therefore, the Group is subject to examination by the PRC tax authorities based on the above.

Reconciliation between the provision for income taxes computed by applying the PRC EIT rates of 25% in fiscal year 2018, 2019 and 2020 to income before provision for income tax and the actual provision for income tax was as follows:

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Income before provision for income tax	$ 246,994	$ 457,204	$ (50,653)
PRC statutory income tax rate	25 %	25 %	25 %
Income tax at statutory income tax rate	61,748	114,301	(12,663)
Effect of non-deductible and super deduction expenses	(2,244)	(6,252)	(18,117)
Effect of income tax exemptions and preferential tax rates	(37,390)	(45,625)	(36,750)
Effect of income tax rate difference in other jurisdictions	14,949	5,214	97,058
Change in valuation allowance	7,590	8,866	39,800
Provision for income tax	$ 44,653	$ 76,504	$ 69,328

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED FEBRUARY 28, 2018, 2019 AND FEBRUARY 29, 2020
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

17. INCOME TAXES - continued

If Yidu Huida, TAL Beijing, Beijing Xintang Sichuang, Yinghe Youshi, Lebai Information and Yizhen Xuesi did not enjoy income tax exemptions and preferential tax rates for the years ended February 28, 2018, 2019 and February 29, 2020, the increase in income tax expenses and net income/(loss) per share amounts would be as follows:

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Increase in income tax expenses	$ 37,390	$ 45,625	$ 36,750
Net income / (loss) per common share-basic	$ 0.90	$ 1.69	$ (0.74)
Net income / (loss) per common share-diluted	$ 0.82	$ 1.61	$ (0.74)

New EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for Chinese Income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the New EIT Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc., occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed a resident enterprise, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25% with the statute subject to the determination by PRC tax authorities.

If the Company were to be non-resident for PRC tax purpose, dividends paid to it out of profits earned after January 1, 2008 would be subject to a withholding tax. In the case of dividends paid by PRC subsidiaries, the withholding tax would be 10%.

The Chinese tax authorities clarified that distributions made out of earnings prior to but distributed after January 1, 2008 will not be subject to withholding tax. The aggregate undistributed earnings of the Company's subsidiaries, VIEs and VIEs' subsidiaries and schools located in the PRC that are available for distribution are $1,337,157 and $1,807,724 as of February 28, 2019 and February 29, 2020, respectively. Upon distribution of such earnings, the Company will be subject to PRC taxes, the amount of which is impractical to estimate. The Company did not record any withholding tax on any of the aforementioned undistributed earnings because it intends to permanently reinvest all earnings in China and the aforementioned subsidiaries do not intend to declare dividends to the Company.

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18. COMMON SHARES

The Company has two classes of common shares, namely, Class A and Class B common shares, following the issuance of Class A common shares upon the IPO in October 2010.

Holders of Class A common shares and Class B common shares have the same rights except for voting and conversion rights. In respect of matters requiring shareholders' vote, each Class A common share is entitled to one vote, and each Class B common share is entitled to ten votes. Each Class B common share is convertible into one Class A common share at any time by the holder thereof. Class A common shares are not convertible into Class B common shares under any circumstances.

The computation of ADSs below have been given effect to the Ratio Change as disclosed in Note 13.

During the years ended February 28, 2018, 2019 and February 29, 2020, 900,000, nil and 3,614,796 Class B common shares were converted into 900,000, nil and 3,614,796 Class A common shares, respectively.

During the years ended February 28, 2018, 2019 and February 29, 2020, 2,314,190, 2,073,711 and 2,239,239 Class A common shares were issued in connection with vested shares, representing 6,942,570, 6,221,133 and 6,717,717 ADSs, respectively.

During the years ended February 28, 2018, 2019 and February 29, 2020, 76,491, 232,024 and 114,793 Class A common shares were issued upon exercise of share options, representing 229,473, 696,072 and 344,379 ADSs, respectively.

During the years ended February 28, 2018, 2019 and February 29, 2020, nil, 20,502 and 24,702 Class A common shares were issued as consideration for the business acquisitions, respectively.

During the years ended February 28, 2018, 2019 and February 29, 2020, 16,380,780, 443,091 and 401,074 Class A common shares issued to bond holders were converted into 49,142,340, 1,329,273 and 1,203,222 ADSs, respectively.

During the year ended February 28, 2018, the Company issued 135,264 common shares to noncontrolling shareholders in relation to the purchase of the remaining noncontrolling interests of certain consolidated subsidiaries.

On January 5, 2018, the Company entered into a subscription agreement with certain investors (the "Purchasers"), pursuant to which the Company issued 5,464,481 Class A common shares to the Purchasers in a private placement for aggregate proceeds of $500,000 which was received on January 12, 2018. On February 18, 2019, the Company entered into another subscription agreement with the Purchasers, pursuant to which the Company issued 5,329,922 Class A common shares to the Purchasers in a private placement for aggregate proceeds of $500,000 which was received on February 25, 2019.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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19. NET INCOME / (LOSS) PER SHARE

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Numerator:			
Net income/(loss) attributable to TAL Education Group's shareholders	$ 198,440	$ 367,236	$ (110,195)
Eliminate the dilutive effect of interest expense of the bond payable	2,465	162	27
Numerator for diluted net income/(loss) per share	$ 200,905	$ 367,398	$ (110,168)
Denominator:			
Weighted average shares outstanding			
Basic	174,979,574	189,951,643	198,184,370
Effect of dilutive securities:			
Dilutive effect of non-vested shares and options (i)	11,084,069	9,689,955	—
Dilutive effect of the bond payable	8,267,662	583,336	—
Denominator for diluted net income/(loss) per share	194,331,305	200,224,934	198,184,370
Net income/(loss) per common share attributable to TAL Education Group's shareholders-basic (ii)	$ 1.13	$ 1.93	$ (0.56)
Net income/(loss) per common share attributable to TAL Education Group's shareholders-diluted	$ 1.03	$ 1.83	$ (0.56)

(i) For the years ended February 28, 2018 and 2019, 381,426 and 2,559,254 non-vested shares and share options were excluded from the calculation, respectively, as their effect was anti-dilutive. For the year ended February 29, 2020, potential shares outstanding of 11,319,817 are excluded from the calculation due to their anti-dilutive effect resulted from net loss reported in fiscal year 2020.

(ii) The Company's common shares are divided into Class A and Class B common shares. Holders of Class A and Class B common shares have the same dividend rights. Therefore, the Company does not present earnings per share for each separate class.

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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20. RELATED PARTY TRANSACTIONS

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

Balances:

	As of February 28, 2019	As of February 29, 2020
Amounts due from related parties-current [(i)]	$ 3,341	$ 3,642
Amounts due from related parties-non-current [(i)]	$ 1,747	$ —
Amounts due to related parties-current [(ii)]	$ 24,375	$ 4,361
Amounts due to related parties-non-current [(ii)]	$ 196	$ —

Transactions:

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Services fees	$ 880	$ 1,888	$ 6,350
Other revenue	$ 1,016	$ 1,374	$ 4,113
Purchase of equipment	$ 947	$ 1,068	$ 120
Disposal gain [(iii)]	$ 3,044	$ 760	$ —

(i) The amounts due from related parties represent loans and prepayments to certain investees for service fees received by an investee on behalf of the Group.

In fiscal year 2020, the Group recorded $33,184 impairment loss on the amounts due from related parties, substantially all was provided during the year ended February 29, 2020.

(ii) The amounts due to related parties include $20,635 and nil investment payable to related parties as of February 28, 2019 and February 29, 2020, respectively. The remaining amounts due to related parties primarily related to service fees payable to related parties.

(iii) As disclosed in Note 10(1), in fiscal year 2018 and 2019, the Group disposed certain equity interests in BabyTree to a related party and recognized disposal gains of $3,044 and $760, respectively.

TAL EDUCATION GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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21. COMMITMENTS AND CONTINGENCIES

Capital commitment

The Group had outstanding capital commitments mainly relating to capital expenditures of office space construction in Beijing and Jiangsu. As of February 29, 2020, the payment due within one year was $150,556 and $253,510 thereafter.

Lease property management fee commitment

Future minimum payments under non-cancelable agreements for property management fees as of February 29, 2020 were as follows:

Fiscal year ending		
February 2021	$	22,729
February 2022		23,873
February 2023		19,451
February 2024		15,041
February 2025		10,514
Thereafter		16,015
Total	$	107,623

Upon the adoption of ASC 842 on March 1, 2019, future minimum lease payments for operating lease commitments as of February 29, 2020 are disclosed in Note 16.

Investment commitment

The Group was obligated to pay $28,646 for several long-term investments under various arrangements as of February 29, 2020 with payment due within one year.

Contingencies

As of February 29, 2020, the Group remains in the process of preparing filings and applying for permits of certain learning centers. The Group cannot reasonably estimate the contingent liability of without the filling of the permit, no liabilities is recorded as of February 29, 2020.

From time to time, the Group is subject to legal proceedings and claims incidental to the conduct of its business. The Group accrues the liability when the loss is probable and reasonably estimable.

22. SEGMENT INFORMATION

The Group is mainly engaged in after-school tutoring in the PRC. The Group’s chief operating decision maker (“CODM”) has been identified as the Chief Executive Officer. The CODM currently regularly reviews the consolidated financial results of the Group. Therefore, the Group has one single operating and reportable segment.

23. MAINLAND CHINA CONTRIBUTION PLAN

Full time employees of the Group in the PRC participate in a government-mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The PRC labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. Total provisions for such employee benefits were $108,463, $173,050 and $220,366 for the years ended February 28, 2018, 2019 and February 29, 2020, respectively.

24. STATUTORY RESERVES AND RESTRICTED NET ASSETS

As stipulated by the relevant PRC laws and regulations, PRC entities are required to make appropriations from net income as determined in accordance with the PRC GAAP to non-distributable statutory reserve, which includes a statutory surplus reserve and a statutory welfare reserve (the "reserve fund"), and a development fund. The PRC laws and regulations require that annual appropriations of 10% of after-tax income should be set aside prior to payments of dividends as statutory surplus reserve until the balance reaches 50% of the PRC entity registered capital.

In private school sector, the PRC laws and regulations require that certain amount should be set aside as development fund prior to payments of dividends. In the case of private school that requires reasonable returns, this amount should be no less than 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount should be no less than 25% of annual increase in the net assets of the school, if any.

The statutory reserve may be applied against prior year losses, if any, and may be used for general business expansion and production or increase in registered capital of the entities. For the years ended February 28, 2019 and February 29, 2020, the Group made apportions of $1,519 and $2,709 to the statutory surplus reserve, respectively, and $18,856 and $21,313 to the development fund, respectively.

As a result of these PRC laws and regulations and the requirement that distribution by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Group. Amounts restricted include paid-in capital and the statutory reserve of the Company's PRC subsidiaries, the VIEs and VIEs' subsidiaries and schools. As of February 28, 2019 and February 29, 2020, paid-in capital balance of such entities was $390,762 and $580,551, respectively, and statutory reserve balance was $58,690 and $82,712, respectively. The total of restricted net assets as of February 28, 2019 and February 29, 2020 was therefore $449,452 and $663,263, respectively.

25. SHARE-BASED COMPENSATION

In June 2010, the Company adopted the 2010 Share Incentive Plan. The plan permits the grant of options to purchase the Class A common shares, share appreciation rights, restricted shares, restricted share units, dividend equivalent rights and other instruments as deemed appropriate by the administrator under the plans. In August 2013, the Company amended and restated the 2010 Share Incentive Plan (the "Amendment"). Pursuant to the Amendment, the maximum aggregate number of Class A common shares that may be issued pursuant to all awards under the share incentive plan is equal to five percent (5%) of the total issued and outstanding shares as of the date of the Amendment. However, the shares reserved may be increased automatically if and whenever the unissued share reserve accounts for less than one percent (1%) of the total then issued and outstanding shares, so that after the increase, the shares unissued and reserved under this plan immediately after each such increase shall equal five percent (5%) of the then issued and outstanding shares.

25. SHARE-BASED COMPENSATION - continued

Non-vested shares

During the year ended February 28, 2018, the Company granted 1,111,836 non-vested shares to employees and directors which generally vest annually in equal batches over a period of 1 to 10 years.

During the year ended February 28, 2019, the Company granted 2,801,437 non-vested shares to employees and directors which generally vest annual in equal batches over a period of 1 to 13 years.

During the year ended February 29, 2020, the Company granted 1,376,628 non-vested shares to employees and directors which generally vest annual in equal batches over a period of 1 to 8 years.

The activities of non-vested shares granted under the 2010 Share Incentive Plan are summarized as follows:

	Number of non-vested shares	Weighted average grant date fair value
Outstanding as of February 28, 2017	13,101,006	15.62
Granted	1,111,836	74.63
Forfeited	187,719	27.95
Vested	2,375,107	14.81
Outstanding as of February 28, 2018	11,650,016	21.21
Granted	2,801,437	86.95
Forfeited	370,028	44.33
Vested	2,095,211	19.82
Outstanding as of February 28, 2019	11,986,214	36.11
Granted	1,376,628	121.85
Forfeited	813,036	40.86
Vested	2,277,114	33.82
Outstanding as of February 29, 2020	10,272,692	47.73

The Company recorded compensation expense of $44,330, $74,231 and $114,027 for the years ended February 28, 2018, 2019 and February 29, 2020 related to non-vested shares, respectively.

As of February 29, 2020, the unrecognized compensation expense related to the non-vested share awards amounted to $406,824, which will be recognized over a weighted-average period of 4.8 years. The total fair value of non-vested shares that vested during the years ended February 28, 2018, 2019 and February 29, 2020 was $35,175, $41,527 and $77,012, respectively.

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25. SHARE-BASED COMPENSATION - continued

Share options

Share options granted to employees and directors expire ranging from 10 to 12 years from the date of grant.

During the year ended February 28, 2018, the Company granted 89,160 share options to employees at exercise prices ranging from $40.05 to $102.00. These share options vest annually in equal batches over 4 years.

During the year ended February 28, 2019, the Company granted 23,000 share options to employees at exercise prices ranging from $107.67 to $109.98. These share options vest annually in equal batches over a period from 3 to 4 years.

During the year ended February 29, 2020, the Company granted 203,179 share options to employees at exercise prices ranging from $63.00 to $115.80. These share options vest annually in equal batches over a period from 3 to 4 years.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants during the applicable periods:

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Risk-free interest rate[(1)]	1.99%-2.55 %	2.89%-2.92 %	1.63%-2.35 %
Expected life (years)[(2)]	6.17-6.25	6.00-6.25	6.00-6.25
Expected dividend yield[(3)]	0 %	0 %	0 %
Volatility[(4)]	32.8%-33.8 %	34.0%-34.5 %	34.2%-35.1 %
Fair value of options at grant date per share	$28.69 to $38.71	$42.09 to $42.55	$43.53 to $72.09

(1) Risk-free interest rate

Risk-free interest rate for periods within the contractual life of the option is based upon the U.S. treasury yield curve in effect at the time of grant.

(2) Expected life (years)

Assumption of the expected term were based on the vesting and contractual terms and employee demographics.

(3) Expected dividend yield

The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

(4) Volatility

The volatility assumption was estimated based on historical volatility of the Company’s share price applying the guidance provided by ASC 718. The Company begins to estimate the volatility assumption solely based on its historical information since October 2010.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
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25. SHARE-BASED COMPENSATION-continued

Share options - continued

Share options activity for the years ended February 28, 2018, 2019 and February 29, 2020 was as follows:

Share options	Number of shares	Weighted average exercise price (US$)	Weighted average remaining contractual life (Years)	Aggregate intrinsic value (US$)
Outstanding as of February 28, 2017	1,338,882	20.12	9.48	30,954
Granted	89,160	59.50		
Exercised	76,491	18.46		
Forfeited	23,850	19.44		
Outstanding as of February 28, 2018	1,327,701	22.87	8.56	120,040
Granted	23,000	108.57		
Exercised	232,024	16.85		
Forfeited	69,740	31.55		
Outstanding as of February 28, 2019	1,048,937	25.50	7.73	85,318
Granted	203,179	79.42		
Exercised	114,793	21.79		
Forfeited	90,198	41.11		
Outstanding as of February 29, 2020	1,047,125	35.03	7.25	134,183
Vested and expected to vest as of February 29, 2020	1,047,125	35.03	7.25	134,183
Exercisable as of February 29, 2020	366,547	24.27	6.37	50,914

The Company recorded compensation expense of $2,820, $3,046 and $3,916 for the years ended February 28, 2018, 2019 and February 29, 2020 related to share options, respectively.

Total intrinsic value of options exercised for the years ended February 28, 2018, 2019 and February 29, 2020 was $5,811, $19,863 and $12,139, respectively. The total fair value of options vested during the years ended February 28, 2018, 2019 and February 29, 2020 was $2,256, $2,764 and $3,225, respectively.

As of February 29, 2020, there was $15,643 unrecognized share-based compensation expense related to share options, which will be recognized over a weighted-average vesting period of 3.8 years.

The total compensation expense is recognized on a straight-line basis over the respective vesting periods. The Group recorded the related compensation expense of $47,150, $77,277 and $117,943 for the years ended February 28, 2018, 2019 and February 29, 2020, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED FEBRUARY 28, 2018, 2019 AND FEBRUARY 29, 2020
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

25. SHARE-BASED COMPENSATION - continued

Share options - continued

Table below shows the summary of share-based compensation expense:

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Cost of revenues	$ 366	$ 706	$ 1,074
Selling and marketing expenses	5,037	10,454	19,356
General and administrative expenses	41,747	66,117	97,513
Total	$ 47,150	$ 77,277	$ 117,943

26. DISTRIBUTION TO SHAREHOLDERS

On April 27, 2017, the Company declared a cash dividend of $0.25 per share to the Company's common shareholders recorded at the close of business on May 11, 2017. $41,166 cash dividend was paid in full in May 2017 and was recorded as a reduction of retained earnings. No dividend has been declared during the year ended February 28, 2019 and February 29, 2020.

27. SUBSEQUENT EVENTS

Novel coronavirus ("COVID-19") has spread rapidly to many parts of China and other parts of the world in the first quarter of calendar year 2020. The epidemic has resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities in China and elsewhere. Substantially all of the Group's revenue and workforce are concentrated in China. Consequently, the COVID-19 outbreak may affect the Group's offline business operations and its financial condition and operating results for fiscal year 2021, including but not limited to negative impact to the Group's total revenues and downward adjustments or impairment to the Group's long-lived assets and long term investments. Because of the significant uncertainties surrounding the COVID-19 outbreak, the extent of the business disruption and the related financial impact cannot be reasonably estimated at this time.

In March 2020, the Company had entered into a definitive agreement to further invest US$10.4 million of cash in exchange of controlling equity interests in an online provider of one-on-one English tutoring services with material deferred revenue liability. Before the completion of the foregoing transaction, the Company has minority equity interests in the investee.

On April 28, 2020, the Company's board of directors authorized the repurchase of up to US$500 million of the Company's common shares over the next 12 months, subject to the applicable rules under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, the Company's management, informed the Company of their intention to repurchase up to a total US$100 million of the Company's common shares, subject to the applicable rules under the Exchange Act.

In May 2020, the Company has repurchased 185,001 ADSs equal to 61,667 common shares in the open market, at an average price of US$53.23 per ADS for an aggregate consideration of approximately US$9.85 million. Such common shares were cancelled upon the completion of the transaction.

In June 2020, the Group adopted the 2020 Share Incentive Plan and as of the date of this annual report, the Group has not granted any awards under this plan. The 2010 Share Incentive Plan has a term of 10 years, and will terminate as of June 30, 2020.

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Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
Balance Sheets
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

	As of February 28, 2019	As of February 29, 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 697,962	$ 442,001
Restricted cash-current	5,105	—
Short-term investments	173,943	312,000
Amounts due from subsidiaries and related parties-current	77,396	308,831
Prepaid expenses and other current assets	38,261	21,410
Total current assets	992,667	1,084,242
Restricted cash-non-current	—	2,589
Amounts due from subsidiaries and related parties-non-current	1,000	—
Intangible assets, net	720	612
Goodwill	57,206	57,206
Long-term investments	645,328	454,746
Long-term prepayments and other non-current assets	8,060	24,675
Investments in its subsidiaries, and VIEs and the VIEs' subsidiaries and schools	1,137,833	1,336,905
Total assets	$ 2,842,814	$ 2,960,975
LIABILITIES AND EQUITY		
Current liabilities		
Amounts due to subsidiaries and related parties-current	154,885	179,977
Accrued expenses and other current liabilities	3,907	3,312
Short-term debt and current portion of long-term debt	195,000	—
Bond payable, current portion	5,275	—
Total current liabilities	359,067	183,289
Long-term debt	—	261,950
Total liabilities	359,067	445,239
Equity		
Class A common shares ($0.001 par value; 500,000,000 shares authorized, 126,501,071 shares and 132,895,675 shares issued and outstanding as of February 28, 2019 and February 29, 2020, respectively)	127	133
Class B common shares ($0.001 par value; 500,000,000 shares authorized, 70,556,000 shares and 66,941,204 shares issued and outstanding as of February 28, 2019 and February 29, 2020, respectively)	71	67
Class A common shares issuable	1,977	—
Additional paid-in capital	1,485,521	1,675,640
Statutory reserve	58,690	82,712
Retained earnings	920,314	786,097
Accumulated other comprehensive income / (loss)	17,047	(28,913)
Total TAL Education Group shareholders' equity	2,483,747	2,515,736
Total liabilities and equity	$ 2,842,814	$ 2,960,975

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Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
Statements of Operations
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Cost of revenues	(149)	(605)	(1,034)
Operating expenses			
Selling and marketing	(4,904)	(10,447)	(19,423)
General and administrative	(36,849)	(62,084)	(94,608)
Operating loss	(41,902)	(73,136)	(115,065)
Interest income	5,240	13,114	27,813
Interest expense	(16,640)	(17,194)	(11,730)
Other income / (loss)	8,495	106,179	(131,283)
Impairment loss on long-term investments	—	(29,382)	(132,120)
Income tax expense	(2,268)	(2,202)	(2,689)
Gain from equity method investments	1,295	1,409	995
Equity in earnings of its subsidiaries, the VIEs and the VIEs' subsidiaries and schools	244,220	368,448	253,884
Net income / (loss)	198,440	367,236	(110,195)

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Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
Statements of Comprehensive Income
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29 2020
Net income / (loss)	$ 198,440	$ 367,236	$ (110,195)
Other comprehensive income / (loss), net of tax			
Foreign currency translation adjustment	46,145	(34,864)	(47,082)
Unrealized gains on available-for-sale investments, net of tax	34,556	15,837	1,122
Less: Transfer to statements of operations of realized gains on available-for-sale investments, net of tax	(4,245)	(96,251)	—
Other comprehensive income / (loss)	76,456	(115,278)	(45,960)
Comprehensive income / (loss) attributable to TAL Education Group's shareholders	$ 274,896	$ 251,958	$ (156,155)

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Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
Statements of Cash Flows
(In thousands of U.S. dollars, except share and share related data or otherwise noted)

	For the year ended February 28, 2018	For the year ended February 28, 2019	For the year ended February 29, 2020
Net cash provided by operating activities	14,141	64,362	(200,408)
Cash flows from investing activities			
Loan to third parties	—	(22,940)	(13,304)
Repayment of loan to third parties	74,902	—	—
Loan to related parties	—	(1,000)	(23,527)
Prepayment for investments	(11,068)	—	(6,175)
Purchase of intangible assets	—	—	(56)
Purchase of short-term investments	(370,000)	(148,918)	(312,000)
Proceeds from maturity of short-term investments	60,776	371,001	224,943
Payments for long-term investments	(117,868)	(246,261)	(84,929)
Proceeds from disposal of long-term investments	6,376	578	7,504
Investment in subsidiaries	(18,381)	(36,754)	(1,238)
Net cash used in investing activities	(375,263)	(84,294)	(208,782)
Cash flows from financing activities			
Net proceeds from long-term debt and short-term debt	—	175,000	270,000
Repayment of long-term debt	—	(205,000)	(195,000)
Payment for upfront fee in related to long term debt	—	(12,600)	—
Cash dividend to shareholders	(41,166)	—	—
Cash received from exercise of capped call option	—	6,369	73,248
Proceeds from private placement	500,000	500,000	—
Proceeds from exercise of share options	2,127	710	2,490
Repayment of convertible bond	—	—	(25)
Net cash provided by financing activities	460,961	464,479	150,713
Net change in cash, cash equivalents and restricted cash	99,839	444,547	(258,477)
Cash, cash equivalents and restricted cash at the beginning of year	158,681	258,520	703,067
Cash, cash equivalents and restricted cash at the end of year	258,520	703,067	444,590

TAL EDUCATION GROUP
Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
Note to the Financial Statements

1. BASIS FOR PREPARATION

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

2. INVESTMENTS IN SUBSIDIARIES AND VIEs

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

Description of Rights of Each Class of Securities
Registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act")

American Depositary Shares ("ADSs") each representing three Class A common shares of TAL Education Group, (the "we," "our," "our company," or "us") are listed and traded on the New York Stock Exchange and, in connection with this listing (but not for trading), the Class A common shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of Class A ordinary shares and (ii) the holders of ADSs. Class A common shares underlying the ADSs are held by JPMorgan Chase Bank, N.A., as depositary, and holders of ADSs will not be treated as holders of the Class A common shares.

Description of Class A Common Shares

The following is a summary of material provisions of our currently effective fourth amended and restated memorandum and articles of association (our "Memorandum and Articles of Association"), as well as the Companies Law (2020 Revision) of the Cayman Islands (the "Companies Law") insofar as they relate to the material terms of our ordinary shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which has been filed with the SEC as an exhibit to our Registration Statement on Form F-1 (File No. 333-169650).

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Each Class A common share has US$0.001 par value. The number of Class A common shares that have been issued as of the last day of the financial year ended December 31, 2019 is provided on the cover of the annual report on Form 20-F filed on June 30, 2020 (the "Form 20-F"). Our Class A common shares may be held in either certificated or uncertificated form.

Preemptive Rights (Item 9.A.3 of Form 20-F)

Our shareholders do not have preemptive rights.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

We have a dual-class voting structure such that our common shares consist of Class A common shares and Class B common shares. Each Class A common share shall entitle the holder thereof to one vote on all matters subject to the vote at general meetings of our company, and each Class B common share shall entitle the holder thereof to ten votes on all matters subject to the vote at general meetings of our company. Due to the super voting power of our Class B common shares, the voting power of the holders of our Class A common shares may be materially limited.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Class A Common Shares (Item 10.B.3 of Form 20-F)

Classes of Common Shares

Our common shares are divided into Class A common shares and Class B common shares. Holders of our Class A common shares and Class B common shares have the same rights except for voting and conversion rights. Our authorized share capital is US$2,000,000 divided into (i) 500,000,000 Class A common shares, with a par value of $0.001 each, (ii) 500,000,000 Class B common shares of $0.001 each, and (iii) 1,000,000,000 undesignated shares with a par value of $0.001 each of such class or classes (howsoever designated) as our board of directors may

determine in accordance with our articles of association. Our common shares are issued in registered form and are issued when registered in our register of members (shareholders). Our shareholders who are nonresidents of the Cayman Islands may freely hold and vote their shares.

Dividends

The holders of our common shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law, our Memorandum and Articles of Association, and the common law of the Cayman Islands. Our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend on its shares out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

Conversion

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

Voting Rights

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

Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, has advised that such voting structure is in compliance with current Cayman Islands law as in general terms, a company and its shareholders are free to provide in the articles of association for such rights as they consider appropriate, subject to such rights not being contrary to any provision of the Companies Law and not inconsistent with common law.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attached to the ordinary shares cast by those shareholders entitled to vote who are present in person or by proxy (or, in the case of corporations, by their duly authorized representatives) at a general meeting, while a special resolution requires the affirmative vote of a majority of no less than two-thirds of the votes attached to the ordinary shares cast by those shareholders who are present in person or by proxy (or, in the case of corporations, by their duly authorized representatives) at a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Law and our Memorandum and Articles of Association. A special resolution will be required for important matters such as a change of name or making changes to our Memorandum and Articles of Association.

General Meetings and Shareholder Proposals.

As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our Memorandum and Articles of Association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as

such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors. We, however, will hold an annual shareholders' meeting during each fiscal year, as required by the rules of the New York Stock Exchange. To hold a general meeting, at least ten days' notice shall be given specifying the place, the day and the hour of the meeting and the general nature of the business.

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

A quorum required for a meeting of shareholders consists of at least one shareholder present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, and entitled to vote, holding in aggregate not less than one-tenth of the voting power of our shares in issue carrying a right to vote at such meeting. Advance notice of at least ten days is required for the convening of our shareholders' annual general meeting and any extraordinary general meeting of our shareholders.

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

Transfer of Ordinary Shares

Subject to the restrictions of our Memorandum and Articles of Association, as applicable, any of our shareholders may transfer all or any of his or her common shares by an instrument of transfer in the usual or common form or any other form approved by our board.

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

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

Liquidation Rights

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. We are a "limited liability" company registered under the Companies Law, and under the Companies Law, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our Memorandum and Articles of Association contains a declaration that the liability of our members is so limited.

Calls on Ordinary Shares and Forfeiture of Ordinary shares

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

Redemption, Repurchase and Surrender of Ordinary Shares

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

Requirements to Change the Rights of Holders of Class A Common Shares (Item 10.B.4 of Form 20-F)

Variations of Rights of Shares

Whenever the capital of our company is divided into different classes, the rights attached to any such class may, subject to the rights and restrictions for the time being attached to any class, only be materially adversely varied or abrogated either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied or abrogated by the creation, allotment or issue of further shares ranking in priority to or pari passu with such previously existing shares, or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied or abrogated by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

Limitations on the Rights to Own Class A Common Shares (Item 10.B.6 of Form 20-F)

There are no limitations under the laws of the Cayman Islands or under our Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote Class A common shares.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

Anti-Takeover Provisions. Some provisions of our 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.

Ownership Threshold (Item 10.B.8 of Form 20-F)

There are no provisions under the laws of the Cayman Islands which are applicable to our company or under our Memorandum and Articles of Association that require our company to disclose shareholder ownership above any particular ownership threshold.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

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, and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands 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. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a "parent" of a subsidiary if it holds issued shares that together represent at least ninety percent (90.0%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provide the dissenting shareholder complies strictly with the procedures set out in the Companies Law. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Law also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, 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 sanction 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.

The Companies Law also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of dissentient minority shareholders upon a tender offer. When a tender 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 their shares to the offeror 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 an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted, in accordance with the foregoing statutory provisions, a 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 to sue for a wrong done to us as a company, and as a general rule 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, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative action in the name of the company to challenge actions where:

- 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 Memorandum and Articles of Association, a director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company must declare the nature of his interest at a meeting of our directors. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at the board meeting at which such contract or proposed contract or arrangement is considered.

Anti-Takeover Provisions. Some provisions of our 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.

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 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 are required to declare the nature of their interest at a meeting of the board of directors. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at the board meeting at which such contract or proposed contract or arrangement is considered.

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 company, we are allowed to follow home country practices in lieu of certain corporate governance requirements under the New York Stock Exchange 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 New York Stock Exchange rules.

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 Memorandum and 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 Memorandum and Articles of Association allow our shareholders holding in aggregate not less than one-third of such of our issued shares as carries the right of voting at general meetings of our company to requisition an extraordinary general meeting of the shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our Memorandum and Articles of Association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

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 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 Memorandum and 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 Memorandum and Articles of Association, our directors can be removed by an ordinary 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 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 Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our Memorandum and Articles of Association which require our company to disclose shareholder ownership above any particular ownership threshold.

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 Memorandum and Articles of Association, we shall indemnify our directors (including alternate directors), secretary, assistant secretary, and other officers for the time being and from time to time and the personal representatives of the same (each an "Indemnified Person") against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such Indemnified Person, other than by reason of such Indemnified Person's own dishonesty, wilful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such Indemnified Person in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere.

We enter into indemnification agreements with our directors and executive officers to indemnify them to the fullest extent permitted by applicable law and our Memorandum and 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.

Changes in Capital (Item 10.B.10 of Form 20-F)

Our shareholders may from time to time by ordinary resolution:

- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- convert all or any of our paid up shares into stock and reconvert that stock into paid up shares of any denomination;

- sub-divide our existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or

- cancel any shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so canceled.

Our shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital or any capital redemption reserve in any manner permitted by law.

Debt Securities (Item 12.A of Form 20-F)

Not applicable.

Warrants and Rights (Item 12.B of Form 20-F)

Not applicable.

Other Securities (Item 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

JPMorgan Chase Bank, N.A., as depositary, issues the ADSs. Each ADS represents an ownership interest of three Class A ordinary shares, deposited with the custodian, as agent of the depositary, under the deposit agreement among our company, the depositary, and the holders of the American Depositary Receipts (“ADRs”) thereunder. Each ADS also represents ownership of any securities, cash or other property deposited with by the depositary but which they have not been distributed directly to you. Unless certificated ADSs are specifically requested by you, all ADSs will be issued on the books of the 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 4 New York Plaza, Floor 12, New York, NY, 10004.

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 Islands 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 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. Under the deposit agreement, as an ADR holder, you agree that any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement, the ADSs or the transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and you irrevocably waive any objection which you may have to

the laying of venue of any such proceeding and irrevocably submit to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. The amended and restate deposit agreement has been filed with the SEC as an exhibit to a Registration Statement on Form F-6 (File No. 333-219521) for our company. The form of ADR is on file with the SEC as an exhibit to a Registrant's Specimen American Depositary Receipt on Form 20-F (File No. 001-34900) filed on July 25, 2011.

Share Dividends and Other Distributions

How will you 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 after the depositary has received proper and complete notification from the custodian of a deposit of shares.

Shares deposited 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 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 you 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 our company prior to the record date established by us for such meeting.

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.

Further, we are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers and, accordingly, file certain reports with the SEC. All information filed with the SEC can be obtained over the internet at the SEC's website at www.sec.gov.

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 90 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 shall (i) instruct its custodian to deliver all deposited securities to our company along with a general stock power that refers to the names set forth on the ADR Register and (ii) provide our company with a copy of the ADR Register. After providing such instruction to the custodian and delivering a copy of the ADR Register to us, the depositary and its agents will perform no further acts under the deposit agreement and this ADR and shall cease to have any obligations under the deposit agreement and/or the ADRs.

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.

TAL Education Technology (Jiangsu) Co., Ltd.
(好未来教育科技(江苏)有限公司)
and
Beijing Xueersi Education Technology Co., Ltd.
(北京学而思教育科技有限公司)
(as Borrowers)

Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch
(上海浦东发展银行股份有限公司镇江分行)
(as Lead Manager)

Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch
(上海浦东发展银行股份有限公司镇江分行)
China Merchants Bank, Zhenjiang Branch
(招商银行股份有限公司镇江分行)
and
China Minsheng Banking Corp, Shanghai Pilot Free Trade Zone Branch
(中国民生银行股份有限公司上海自贸试验区分行)
(as Lenders)

Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch
(上海浦东发展银行股份有限公司镇江分行)
(as Agent)

and

Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch
(上海浦东发展银行股份有限公司镇江分行)
(as Security Agent)

Regarding

TAL Zhenjiang Education Base Phase I Construction Project

RMB 1,800,000,000

Fixed Asset Syndicated Loan Contract

Dated: 19 December 2019

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This Contract is executed by and among the following parties in [Zhenjiang] on [19 December 2019]:

I. TAL Education Technology (Jiangsu) Co., Ltd. (好未来教育科技(江苏)有限公司) as the Borrower A ("Borrower A")

Registered Office:	Tower B, Twin Tower, 466 Ding Mao Zhi Hui Avenue, New District, Zhenjiang
Legal Representative:	FAN Baorong (樊保荣)

II Beijing Xueersi Education Technology Co., Ltd. (北京学而思教育科技有限公司) as Borrower B ("Borrower B", jointly and severally referred to as "Borrowers" along with Borrower A)

Registered Office:	Suite 102, 1/F, Tower A, Zhong Ding Tower, 18 North No.3 Ring West Road Jia, Haidian District, Beijing
Legal Representative:	FAN Baorong (樊保荣)

III Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch (上海浦东发展银行股份有限公司镇江分行) as Lead Manager ("Lead Manager")

Registered Office:	11 Changjiang Road, Zhenjiang
Person in charge:	ZHANG Taiyuan (张太元)

IV Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch (上海浦东发展银行股份有限公司镇江分行) as Agent ("Agent")

Registered Office:	11 Changjiang Road, Zhenjiang
Person in charge:	ZHANG Taiyuan (张太元)

V Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch (上海浦东发展银行股份有限公司镇江分行) as Security Agent ("Security Agent")

Registered Office:	11 Changjiang Road, Zhenjiang
Person in charge:	ZHANG Taiyuan (张太元)

VI The following financial institutions, as Lenders ("Initial Lenders")

Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch (上海浦东发展银行股份有限公司镇江分行)

Registered Office:	11 Changjiang Road, Zhenjiang
Person in charge:	ZHANG Taiyuan (张太元)

China Merchants Bank Co., Ltd., Zhenjiang Branch (招商银行股份有限公司镇江分行)

Registered Office:	Building 169, Block 1, City of Charm, 10 Tanshan Road, Runzhou District, Zhenjiang
Person in charge:	ZHUANG Li (庄立)

Managing Bank:	China Merchants Bank Co., Ltd., Zhenjiang New District Sub-branch (招商银行股份有限公司镇江新区支行)
Registered Address of Managing Bank:	126 Zhaosheng Road, Da Gang Town, New District, Zhenjiang
Person in charge of Managing Bank:	HU Wei (胡巍)

China Minsheng Banking Corp., Ltd Shanghai Pilot Free Trade Zone Branch (中国民生银行股份有限公司上海自贸试验区分行)

Registered Office:	40/F, 100 South Pudong Road, Pudong New District, Shanghai
Person in charge:	OUYANG Yong (欧阳勇)

WHEREAS:

For the development and construction of TAL Zhenjiang Education Base Phase I Project, the Borrowers intend to apply for a fixed asset loan with Initial Lenders.

Upon friendly and equal consultation, based on true expression of intentions, the Parties execute this Contract as follows for the mutual observance.

I. Definitions and Interpretation

1.1 Definitions

In this Contract:

Guarantee Contract	means Guarantee Contract I and Guarantee Contract II.
Guarantee Contract I	means a Guarantee Contract executed by and between Guarantor A and Security Agent on or about the date hereof.
Guarantee Contract II	means a Guarantee Contract executed by and between Guarantor B and Security Agent on or about the date hereof.
Guarantors	means Guarantor A and Guarantor B.
Guarantor A	means Beijing Century TAL Education Technology Co., Ltd. (北京世纪好未来教育科技有限公司).
Guarantor B	means Beijing Xin Tang Si Chuang Education Technology Co., Ltd. (北京新唐思创教育科技有限公司).
Fiscal Year	means January 1 (inclusive) each calendar year to December 31 (inclusive) of that calendar year.
Commitment Ratio	with respect to each Lender, means the ratio between then Commitment of such Lender to then Total Commitments.
Commitment	means: 1. with respect to each Initial Lender, Initial Commitment minus its portion in all Loans that have been utilised and then minus its portion of amount cancelled or transferred hereunder; or

	2. with respect to each Transferee, the Commitment transferred to it under Article 18 (*Transfer*), minus its portion in all Loans that have been utilised and then minus its portion of amount cancelled or transferred hereunder.
Initial Commitment	means the Initial Commitment of each Initial Lender specified in Article 2 (*Commitment*) and Exhibit 1 *(Initial Commitments of Lenders*).
Lender	means Initial Lenders and/or Transferee.
Interest Rate	with respect to each Loan, means the annual interest rate specified in Article 5.1 (*Interest Rate*) herein.
Outstanding Loan	means the total amount of Loans that have been drawn down but not repaid by the Borrowers.
Loans	means any principal of Loans that have been or to be drawn down hereunder.
Loans Account	means such account as specified in Exhibit 4 (*Accounts*) hereof.
Agent	Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch or Successor Agent.
Agent Payment Account	means such account as specified in Exhibit 4 (*Accounts*) hereof.
Guarantee Contract	means Guarantee Contract, Mortgage Contract and/or Custody Contract.
Guarantor	means Guarantor and/or Mortgagor.
Security Interest	means any mortgage, pledge, lien, deposit or any agreement or arrangement with effect or purpose of Security (whether or not such agreement or arrangement is concluded or interpreted in accordance with PRC laws).
Mortgage Contract	means the Land Use Right Mortgage Contract executed by and between the Mortgagor and Security Agent on or about the date hereof, and subsequent Completion Mortgage Contract and Construction in Progress Mortgage Contract.
Mortgagor	means Borrower A, TAL Education Technology (Jiangsu)

	Co., Ltd.
Majority Lenders	At any time, means: 1. one or more Lenders whose Commitment Ratio reaches 66⅔% or more prior to expiration (inclusive) of Availability Period; 2. one or more Lenders whose percentage in Total Credit Line reaches 66⅔% or more after the expiration of Availability Period.
Penalty Interest Rate	means Overdue Penalty Interest Rate and/or Misappropriation Penalty Interest Rate.
Fee Letter	means Fee Letter in relation to Transaction hereunder executed by the Borrowers and related parties.
Interest Payment Date	the next day upon expiration of each Interest Period.
Liabilities	mean all obligations of Borrowers of payment or repayment of whatever nature or form, as principal or guarantor, whether actual or contingent, whether mature or not.
Repayment Date	means each date to repay the Loan as specified in Article 6 (*Repayment*).
Benchmark Interest Rate	with respect to each Loan, LPR of five years or longer tenor published by National Inter-Bank Funding Center on each Interest Rate Determination Date.
Custody Contract	means Custody Contract I and Custody Contract II.
Custody Contract I	means the Account Custody Contract executed by and among Borrower A, Security Agent and account bank designated by the Agent on or about the date hereof.
Custody Contract II	means the Account Custody Contract executed by and among Borrower B, Security Agent and account bank designated by the Agent on or about the date hereof.
Interest Settlement Date	means the twentieth (20th) day of the last month in each quarter and the interest shall be settled quarterly.
Account of Counterparty of Borrowers	means such account as notified by the Borrowers to the Agent.

Managing Bank	the managing institution performing this Contract of any Syndicate Member specified herein, including the Managing Bank changed in accordance with Article 18.9 (*Change Managing Bank*).
Accounting Principles	means the Accounting Principles in line with PRC laws and regulations and generally accepted in China.
Grace Period	means thirty-six (36) months upon expiration of the First Utilisation Date.
Interest Rate Determination Date	with respect to Loans, means (i) on the First Utilisation Date, the date of LPR of five years or longer tenor loan published by National Inter-Bank Funding Center in the calendar month prior to the First Utilisation Date shall be the Interest Rate Determination Date on the Utilisation Date, and (ii) as of the First Utilisation Date, the date of LPR of five years or longer tenor loan published by National Inter-Bank Funding Center in the calendar month in each year corresponding to the calendar month of the Interest Rate Fixing Date on the Utilisation Date.
Interest Period	The term specified in accordance with Article 5.4 (*Interest Period*) herein.
Potential Event of Default	means any event or condition that will constitute Event of Default upon expiration of remedy period, notice or any decision or other event and/or similar events.
PBOC	means the People's Bank of China.
RMB	means the statutory currency of China.
Finance Documents	include this Contract, any Fee Letter, each Guarantee Contract and each Transfer Certificate (if any) and other documents designated as Finance Documents by the Agent and the Borrowers.
Effective Date	has the mean ascribed to it in Article 27 (*Entry into Force*) herein.
AMR	means State Administration of Market Regulation, local Administration of Market Regulation and/or its branches.
First Utilisation Date	means the date on which the Borrowers first utilise Loans. To avoid any doubt, the Borrowers shall utilise Loans within

	12 months upon execution hereof.
Taxes	The tax, levy, duty, withholding tax imposed by the tax, fiscal or other administrative authority of any jurisdiction or taxes and fees of other similar nature and penalty and interest payable for delay in payment of the foregoing amount.
Tax Bureau	means State Administration of Taxation, local tax bureau and/or its branches.
Availability Period	means thirty-six (36) months upon expiration of the First Utilisation Date.
Utilisation Date	means the date on which the Borrowers utilise the Loans in the Availability Period. If the actual Utilisation Date is different from such date as specified in the Notice of Utilisation to utilise such Loans, it shall be the date on which such Loans is transferred to the Loan Account.
Notice of Utilisation	with respect to the utilisation of each Loan, means a Notice of Utilisation filled in and submitted by the Borrowers as provided herein.
Events of Default	means any event or circumstance specified in Article 15.1 (*Events of Default*).
Document Acknowledgment	means a Document Acknowledgment signed and submitted by the Borrowers substantially in the form and substance required in Exhibit 2 (*Form of Document Acknowledgment*).
Project	means TAL Zhenjiang Education Base Phase I Construction Project.
Business Day	a day when each Syndicate Member opens for general corporate banking business (other than Saturday and Sunday (not including working Saturdays and Sundays for off duty in lieu according to State regulation) and other statutory holidays).
Syndicate Members	mean Lead Manager, each Lender, Agent and/or Security Agent.
Syndicate Member Account	means such account of each Syndicate Member as specified in Exhibit 4 (*Accounts of Parties*) hereof.

Material Adverse Effect	means Material Adverse Effect on any of the following aspects on the Borrowers or any Guarantor: 1. business, financial condition, operation, capability of performance, assets or prospect of the Borrowers or any Guarantor; 2. the ability of the Borrowers or any Guarantor under any Finance Documents to which it is a party; or 3. the legality, validity or enforceability of any of the Finance Documents, or sequence of claims under Finance Documents or the rights or remedies of any Syndicate Member under any Finance Document.
PRC	means the People's Republic of China, for the purpose of this Contract only, excludes Hong Kong SAR, Macau SAR and Taiwan.
Certified Public Accountants	mean Certified Public Accountants qualified for practising in China as approved by the Agent and in good standing.
Transfer Certificate	means a transfer document signed and submitted by the Transferer, Transferee and Agent substantially in the form and substance of Exhibit 3 (*Form of Transfer Certificate*).
Total Commitments	means the total Commitment of each Lender.
Total Credit Line	means Total Commitments plus Outstanding Loan.

1.2 Interpretation

In this Contract:

1. Content and headings are for convenience only and shall be disregarded in interpreting this Contract.

2. “Assets” shall be interpreted as including all current and future tangible and intangible assets, properties, incomes, revenues, accounts receivables and other interests.

3. “Person” shall include any natural person, company, partnership, enterprise or any other legal person or unincorporated organisation or legal entity.

4. an Event of Default last means such Event of Default has occurred and has not been terminated or fully cured or exempted hereunder.

5. One month means a period starting from one day in a calendar month and

ending on a corresponding day in the next calendar month; but if the next calendar month has no such corresponding day, such period shall end on the last day of the following calendar month.

6. The winding-up, dissolution, liquidation, bankruptcy, reorganisation, settlement and restructuring shall include any same or similar legal proceedings conducted according to the laws of the place of its incorporation or business, "starting" such legal proceedings include starting such legal proceedings through its resolution or upon application by any other person.

7. Any reference to one party hereto or any other person includes its legal successors and transferees.

8. This Contract, any other agreement or document shall include these documents and any amendment, revision, replacement or supplement thereto as provided therein.

II Facility

All Lenders agree to provide a mid and long-term facility with the total principal no more than RMB 1,800,000,000 to the Borrowers as provided herein.

The Initial Commitment of each Initial Lenders is specified in Exhibit 1 (*Initial Commitments of Lenders*).

III Purpose

3.1 The Borrowers shall use each Loan to be utilised for the purpose of development and construction of the Project; provided that the usage of Loans shall comply with relevant laws and regulation, the policy of the State and applicable rules of the Lenders.

3.2 The Borrowers shall use each Loan actually for the purpose stipulated herein and without prior written consent from the Agent (as decided by the Majority Lenders), the Borrowers shall not change the purpose of Loans.

3.3 Notwithstanding Article 4.3.5 and Article 14.1.12 (*Positive Obligations*), no Syndicate Member shall have any liability for actual usage of each Loan by the Borrowers.

IV Utilisation

4.1 Utilisation

Subject to Articles 4.2 and 4.3 below, the Borrowers shall utilise the Loans based on the progress in development and construction of the Project. Each Borrower is severally and jointly obligated to repay hereunder. To avoid any doubt, any Borrower shall be severally and jointly liable for all or any part of the outstanding amount under

credit line of the other Borrower, whether or not the Borrower requested to repay actually utilised or used the amount under relevant credit line, and whether or not the Borrower requested to repay knows the actual purpose of the Loans.

4.2 Conditions Precedent to First Utilisation

1. Unless the Agent confirms to the Borrowers and each Lender that it has received the following documents to the satisfaction of the Majority Lenders in form and substance, the Borrowers may not submit the first Notice of Utilisation to the Agent. After the Agent receives the foregoing documents, it shall notify the Borrowers and each Lender promptly. If the foregoing conditions are not satisfied, the Borrowers may not utilise the Loan.

(1) Each original Finance Documents (other than Construction in Progress Mortgage Contract and Completion Mortgage Contract) duly executed and effective.

(2) a Document Acknowledgment signed by the legal representative or authorised signatory of the Borrowers and the original or photocopy of the following documents (in case of photocopy, the copy shall be affixed with a common stamp of the Borrowers or (as applicable) relevant Guarantors:

1) Business License for enterprise legal person specifying the latest uniform social credit code of the Borrowers and each Guarantor issued by AMR.

2) the Shareholders Agreement or Joint Venture Contract (as supplemented and amended from time to time) (if any) of the Borrowers and each Guarantor.

3) the latest Articles of Association of the Borrowers and each Guarantor (as supplemented and amended from time to time).

4) the list of current shareholders of the Borrowers and each Guarantor and corresponding signature specimen of shareholders who sign on the resolutions provided by the Borrowers and each Guarantor according to following item 7) and 8).

5) Identity certificate of the legal representative of the Borrowers and each Guarantor.

6) Capital Verification Report issued by the Certified Public Accountant to confirm the registered capital of the Borrowers has been paid according to its Articles of Association.

7) The original resolution of the following contents approved by shareholders' meeting of the Borrowers:

(a) to approve the Finance Documents to which it is a party and approve the execution and performance of such Finance Documents by the Borrowers;

(b) to authorise relevant persons to execute on behalf of the Borrowers the Finance Documents to which it is a party; and

(c) to authorise relevant persons to execute on behalf of the Borrowers all documents and notices under the Finance Documents to which it is a party.

8) The original resolution of the following contents approved by the shareholders of each Guarantor:

(a) to approve the terms of Guarantee Contract to which such Guarantor is a party and approve the execution and performance of such Guarantee Contract by such Guarantor;

(b) to authorise relevant persons to execute on behalf of such Guarantor the Guarantee Contract to which it is a party; and

(c) to authorise relevant persons to execute on behalf of such Guarantor all documents and notices under the Guarantee Contract to which it is a party.

9) identity certificate and signature specimen of the legal representative or authorised signatory of the Borrowers and each Guarantor.

10) the latest annual financial statement or audited financial statements of the Borrowers and each Guarantor.

11) materials on the actual progress of the Project confirmed in writing by the Agent (as instructed by all Lenders).

12) approval document or consent from the government authority or other competent authority required for the Finance Documents and the transaction thereunder.

(3) the original Letter of Legal Opinions issued by King & Wood Mallesons to Syndicate Members in relation to the Finance Documents; the original Conditions Precedent Confirmation issued by King & Wood Mallesons stating that the Conditions Precedent to First Utilisation has satisfied formal requirements.

(4) the original certificate to certify the mortgage on land use right under Mortgage Contract has been registered.

(5) all amounts payable by the Borrowers under Article 17 (*Expense and Indemnity*) have been paid.

2. After receiving the documents specified in paragraph 1 in this Article, the Agent shall circulate the photocopy of a scanned copy of such document to each Lender within five (5) Business Days, and the Agent shall carry out a formal examination of the conditions precedent documents submitted by the Borrowers at the same time and confirm whether the form complies with the foregoing paragraph 1. Each Lender shall notify the Agent whether it accepts the form and substance of such documents within five (5) Business Days after receiving such documents. Lenders shall be deemed to have accepted the format and substance of such documents if it fails to notify the Agent whether it accepts them or not within the aforementioned five (5) Business Days.

3. After the Conditions Precedent to the first utilisation set forth in this Article is satisfied, the Agent shall notify the Borrowers that it may give a Notice of Utilisation. The Borrowers shall give the Notice of Utilisation to the Agent at least ten (10) Business Days prior to the scheduled Utilisation Date set forth in the Notice of Utilisation.

4. The Agent shall forward a hard copy or a scanned soft copy of the Notice of Utilisation to each of the Lenders within three (3) Business Days upon the receipt of such Notice of Utilisation and notify each of the Lenders of its Commitment Ratio and the amount.

5. The Agent shall properly keep the originals of each Finance Documents and documents pertaining to relevant utilisations.

4.3 Conditions Precedent to Each Utilisation

Upon satisfaction of each of the following conditions, each Lender shall disburse each Loan through the Agent in accordance with the Commitment Ratio notified by the Agent pursuant to Article 8.1 *(Disbursement of Loans)* hereof.

1. The Borrowers have submitted to the Agent the Notice of Utilisation in accordance with this Contract ten (10) Business Days prior to the scheduled Utilisation Date set forth in the Notice of Utilisation, and the Agent is satisfied with the format and substance of the Notice of Utilisation.

2. On the date of the Notice of Utilisation for the Loans and the scheduled Utilisation Date set forth therein, all factual statements made by the Borrower in Article 13 (*Representations*) hereof are true and accurate with respect to the facts and circumstances then existing.

3. No Event of Default or Potential Event of Default shall have occurred or persisted, and the utilisation of the Loans will not give rise to any Event of Default or Potential Event of Default.

4. None of the circumstances set forth in the Article 5.2.2 and Article 8.2.4 hereof has occurred.

5. The self-raised funds of the Project shall not be less than 40.26% of the total investment amount of the Project, among which the Project Capital (to account under the title of Owner's Equity) shall not be less than 35% of the total investment amount of the Project (where the total investment amount reaches RMB 3.012 billion, the self-raised funds shall not be less than RMB1.21285 billion, among which the capital funds (to account under the title of Owner's Equity) shall not be less than RMB1.0545 billion). In the case that the self-raised funds are in place before the Loans are in place, the Borrowers shall provide a special audit report to prove that its capital funds are in place, and the actual progress of the Project is consistent with its investment amount.

6. The Agent has received certificates and receipts pertaining to Project development and construction, such as the project approval report, environmental assessment report, state-owned land use right certificate, the permit for construction land planning, the permit for construction project planning, and construction permit etc., and such documents and certificates are complete and valid, in the format and content satisfactory to the Agent.

7. The Mortgagor and the Security Agent have jointly applied for the mortgage registration of the Project in progress agreed in the Mortgage Contract to the Real Property Registration Departments at the place where the Project is located; where the Project satisfies the conditions for the mortgage registration of the Project in progress required by the local Real Property Registration Department, the Mortgagor shall submit the originals of the relevant registration documents to the Agent; upon completion of the Project, real property mortgage registration formalities for the Project shall be completed, and the originals of the relevant registration documents shall be submitted to the Agent.

8. None of the circumstances set forth in Article 7.5.2 hereof has occurred.

V Interest

5.1 Interest Rate

The interest rate of each Loan hereunder shall be the Benchmark Interest Rate on each Interest Rate Determination Date minus 39 BPSo on each Interest Rate Determination Date. If the Benchmark Interest Rate is adjusted, then the loan interest rate shall be adjusted accordingly pursuant to the change in Benchmark Interest Rate from the first day of the immediately following Interest Period after such change. On each Interest Rate Determination Date, the Agent shall determine the applicable Interest Rate or Penalty Interest Rate in accordance with the terms and conditions hereof and shall notify the Borrowers and the Lenders immediately after such determination. For the avoidance of doubt, failure by the Agent to provide such notice for interest rate adjustment shall not release the Borrowers from its obligation to pay interests payable as set forth herein.

5.2 Penalty Interest Rate

1. If the Borrowers fails to pay any amount due and payable pursuant to this Contract, interests shall be calculated based on such amount at 150% of the Interest Rate (the "Overdue Penalty Interest Rate") from the normal due date until the date on which all amounts are paid.

2. If the Borrowers misappropriate any Loan, the interest on such Loan shall be calculated based on such amount at 200% of the Interest Rate (the "Misappropriation Penalty Interest Rate") from the date of misappropriation to the date of settlement of such misappropriation.

3. If the same Loan is overdue and misappropriated, the applicable Penalty Interest Rate shall be the higher one.

4. With respect to the interests accrued on the basis of either the Overdue Penalty Interest Rate or the Misappropriation Penalty Interest Rate (the "Penalty Interest"), the same provisions of Article 5.4 hereof shall apply to such Interest Period. The first Interest Period shall start from the due date of payment in respect of any amount hereunder and end with the Interest Settlement Date immediately following (excluding such date). If the Borrowers fail to pay Penalty Interest on the Repayment Date, the Lender shall calculate and collect compound interest on the Penalty Interest as the principal in accordance with the Overdue Penalty Interest Rate or the Misappropriation Penalty Interest Rate during the next Interest Period.

5. The Lender's right to collect such penalty interest shall not prejudice its other rights or remedies under any Finance Documents or applicable law.

5.3 Alternative Interest Rate

1. The Agent shall give market disruption notices to the Borrowers and each Lender promptly upon becoming aware of the following events ("Market Disruption Event"), which shall set out the relevant Market Disruption Events and all information on which it is involved in reasonable detail:

   (1) Due to changes in relevant laws and regulations after the date hereof, the Benchmark Interest Rate is no longer permitted to be used as the interest rate for RMB-denominated loans or similar financing for reference; or

   (2) There is no Benchmark Interest Rate for reference on the Interest Rate Determination Date.

2. Within thirty (30) Business Days of such market disruption notices, the Borrowers and the Agent (as determined by all the Lenders) shall negotiate in good faith an alternative basis for determining the interest rate.

3. Within such thirty (30) Business Days, the Borrowers and the Agent (as determined by all the Lenders) shall agree in writing on the alternative basis, which shall be binding on each of the Lenders and the Borrowers and shall come into effect, in accordance with its terms and conditions, on the date on

which such Market Disruption Event occurs or another date otherwise as agreed by the Borrowers and the Agent (as determined by all the Lenders).

4. If no alternative basis is agreed in writing between the Borrowers and the Agent (as determined by all the Lenders) within such thirty (30) Business Days and the Borrowers are required to pay interest within such thirty (30) Business Days, the Interest Rate applicable as from the date of the occurrence of the Market Disruption Event shall be the cost of funds of the Lenders notified to the Borrowers.

5. During the period in which the alternative basis remains in force, the Borrowers and the Agent (as determined by all the Lenders) shall regularly consult to determine whether the relevant Market Disruption Event is still continuing and the earliest possible date on which the alternative basis should no longer be in force. If the Market Disruption Event ceases to exist, the Benchmark Interest Rate shall apply again immediately from the first day of the next Interest Period unless otherwise required by relevant laws and regulations.

5.4 Interest Period

1. Interests of a Loan shall be calculated for specific successive periods ("Interest Periods") prior to repayment of the Loan. Unless otherwise agreed herein, each Interest Period shall be three (3) months.

2. Under this Contract:

   (1) The first Interest Period for each Loan hereunder shall start from the Utilisation Date (including the date) and end on the Interest Settlement Date immediately following the Utilisation Date (excluding the date). Each Interest Period thereafter shall start from the last day of the immediately preceding Interest Period for such Loan and end on the Interest Settlement Date immediately following (excluding the day).

   (2) The amount of each Loan utilised after the first utilisation shall be consolidated with the amount of the Loan existing before it and at the end of its first Interest Period.

   (3) The first Interest Period for each Loan utilised hereunder shall start from the last Interest Settlement Date (including the date) and end on the Interest Settlement Date immediately following (excluding the date).

   (4) The last Interest Period of the Loans shall end on the last Repayment Date (excluding that date).

3. If the original Interest Payment Date is not a Business Day, such date shall be extended to the nearest Business Day within that calendar month (if any) or advanced to the nearest Business Day within that calendar month (if there is no Business Day thereafter in that calendar month)/ advanced to the nearest Business Day before that Non-business Day.

5.5 Interest Accrual

1. Interest and/or Penalty Interest accrued on any Loan hereunder shall be calculated on a daily basis in accordance with the number of days during which the Loan is disbursed, and the daily interest rate/ the daily Penalty Interest Rate; daily interest rate/ daily Penalty Interest Rate is equal to the corresponding annual interest rate/360.

2. On each Interest Rate Determination Date, the Agent shall determine the applicable Interest Rate in accordance with the terms and conditions hereof and shall notify the Borrowers and each Lender immediately after such determination.

5.6 Payment of Interest

1. The Borrowers shall pay interest accrued in accordance with this Contract on each Interest Payment Date.

2. The Agent shall five (5) Business Days prior to each Interest Payment Date notify the Borrowers of the amount of interest and/or penalty interest payable on each Interest Payment Date.

VI Repayment

6.1 Loan Term

1. The Loan Term hereunder shall be ninety-six (96) months commencing from and the First Utilisation Date (including the Date, hereinafter referred to as "Loan Term"). The Borrowers shall, before the end of the Loan Term, repay all debts hereunder in accordance with the terms and conditions hereof.

2. Any extension of the Loan Term shall be subject to the consent of all the Lenders.

6.2 Repayment

The Borrowers shall make repayments on each Repayment Date in accordance with the following repayment schedule.

Repayment Date	Amount of Repayment
The date of the 6th month after the expiry of the Grace Period	2.5% of the loan principal in total
The date of the 12th month after the expiry of the Grace Period	2.5% of the loan principal in total
The date of the 18th month after the expiry of the Grace Period	5% of the loan principal in total
The date of the 24th month after the expiry of the Grace Period	5% of the loan principal in total

The date of the 30th month after the expiry of the Grace Period	10% of the loan principal in total
The date of the 36th month after the expiry of the Grace Period	10% of the loan principal in total
The date of the 42nd month after the expiry of the Grace Period	15% of the loan principal in total
The date of the 48th month after the expiry of the Grace Period	15% of the loan principal in total
The date of the 54th month after the expiry of the Grace Period	17.5% of the loan principal in total
The date of the 60th month after the expiry of the Grace Period	17.5% of the loan principal in total

VII Prepayment and Cancellation

7.1 Voluntary Repayment

1. When the Borrower intends to repay all or part of the Outstanding Loan in advance, it shall submit a Prepayment Notice ("Prepayment Notice") to the Agent no later than thirty (30) Business Days before the intended Prepayment Date and obtain its written consent (based on the decision of all Lenders).

2. Prepayment Notice shall specify the amount and date of the intended prepayment.

3. For part of the Outstanding Loan, the amount prepaid shall be no less than RMB 10,000,000 and shall be an integral multiple of RMB 10,000,000.

4. All interests and/or interest penalties incurred up to the Prepayment Date shall be paid off together with the prepayment principal.

5. The prepayment shall offset the principal of the Outstanding Loan in reverse order in accordance with the expiry order of the relevant Outstanding Loan listed in Article 6 (*Repayment*) hereof, and the later due loan shall be repaid firstly.

6. Any prepayment shall not be withdrawn again.

7. The Borrowers have no right to withdraw any Prepayment Notice it has issued; the Borrowers shall prepay at the Prepayment Date specified in the Prepayment Notice.

7.2 Voluntary Cancellation

1. When the Borrowers intend to cancel all or part of the Total Commitments, it shall submit a Cancellation Notice ("Cancellation Notice") to the Agent no later than thirty (30) Business Days before the intended Cancellation Date and obtain its written consent (based on the decision of all Lenders).

2. Cancellation Notice shall specify the amount and date of the intended cancellation.

3. For part of the Total Commitments, the cancelled amount shall be no less than RMB 50,000,000 and shall be an integral multiple of RMB 10,000,000.

4. The cancellation shall take effect on the cancellation date specified in the Cancellation Notice. The date shall be a Business Day during the Availability Period.

5. If the Total Commitments are cancelled, the proportion of the Commitments of each Lender shall decrease correspondingly from the effective date of the cancellation.

6. Any cancelled Total Commitments cannot be recovered.

7. The Borrowers have no right to cancel any Cancellation Notice they have issued.

7.3 Automatic Cancellation

Unless otherwise agreed by the parties to this contract, after the end of the Availability Period, all Total Commitments that were not withdrawn at that time will be automatically cancelled, and the Commitments of each Lender will be cancelled at the same time, and any such cancelled Total Commitments and Commitments cannot be recovered.

7.4 Mandatory Cancellation

1. The Commitments of the Law Change Affected Lenders shall be cancelled in accordance with Article 11 (*Law Change)* hereof.

2. If there are changes in the Borrowers' control power:

(1) the Borrowers shall promptly notify the Agent upon becoming aware of that event;

(2) No Lender is obliged to provide Loans for any utilisation; and

(3) The Agent (according to the decision of all Lenders) shall require the Borrowers to repay the loan in advance and cancel the Total Commitments after giving notice to the Borrowers no later than ten (10) Business Days in advance, and all loans under the Finance Documents shall be due on the date stated in the notice.

The change on control power mentioned above means that Zhang Bangxin is no longer the actual controller of the Borrowers.

3. Any cancelled Total Commitments cannot be recovered.

7.5 Restrictions on Prepayment

1. Any loan principal prepaid in accordance with Article 7 (*Prepayment and Cancellation*) shall be paid off with the fees, interest and/or penalty interest incurred.

2. The prepayment shall offset the principal of the Outstanding Loan in reverse order in accordance with the expiry order of the relevant Outstanding Loan listed in Article 7 (*Prepayment and Cancellation*) hereof, and the later due loan shall be repaid firstly.

VIII Payment Provisions

8.1 Disbursement of Loans

When participating in the release of each Loan in accordance with the provisions hereof, each Lender shall pay its share of the Loans to the Agent Payment Account before 15:00 (Beijing time) on the scheduled Utilisation Date of such Loans.

If any Lender has not released its share of the Loans to be withdrawn, the Borrowers shall still withdraw the Loans released by other Lenders in accordance with the Notice of Utilisation.

Each Lender shall release its share of the Loans to be drawn according to the Proportion of its Commitments. In order to facilitate the performance hereof, the allocation of the commitment ratio of the Lenders in the Loans under this contract may be negotiated flexibly through all Lenders. While these arrangements shall not affect the total disbursement released by each Lender to the Borrower under this Contract.

8.2 Payment of Loans

Payment of Loans under this contract shall be made by way of entrusted payment. The method of entrusted payment means that the Agent will release the relevant Loans to the Loan Account on the Utilisation Date according to the Borrower's payment entrustment, and transfer the relevant Loans to the Account of Counterparty of Borrowers promptly.

In the case of entrusted payment, the Borrowers shall submit to the Agent a certificate of use of the Loans and other materials required by the Agent before submitting the Notice of Utilisation. The Agent (at its discretion) shall disburse the Loans after approval. No Syndicate Member is responsible for the authenticity and legality of the transaction corresponding to the entrusted payment. The current interest generated from the funds in the Loan Account may be used to pay the Borrowers' counterparty.

8.3 Borrowers' Payment

The Borrowers shall authorise the Account Bank to pay the due payment to the Agent Payment Account according to the instructions of the Security Agent before 15:00 (Beijing time) on the maturity date of any payables under this contract, and the Borrower is deemed to have fulfilled the corresponding repayment obligations upon these amounts are paid to the Agent's Payment Account unless the funds in the

Agent's Payment Account have been frozen or deducted by any competent Authority in accordance with relevant Chinese laws and regulations.

8.4 Agent's Payment

1. The Agent shall pay the relevant Loans received in accordance with the provisions of Article 8.1 (*Disbursement of Loans*) to the Loan Account before 17:00 (Beijing time) on the day of each Utilisation Date, and The payment shall be made in accordance with the relevant provisions of Article 8.2 (*Payment of Loans*). The Agent is obliged to inform the Lenders of the Payment of Loans.

2. The Agent shall pay all the funds it received to each Syndicate Member Account in accordance with the provisions of Article 8.3 (*Borrowers' Payment*) hereof before 17:00 (Beijing time) on the day of receipt,based on the order and proportion agreed in Article 8.5 (*Payment Order*).

3. In the case of the Lender's entrusted payment, if the entrusted payment information and related transaction information provided by the Borrowers are untrue, inaccurate, or incomplete, causing the Agent's failure to perform the payment obligations promptly, the Agent shall not bear any responsibility, and the Borrowers' repayment obligations under this contract shall not be affected.

4. In the event of a refund from the Account of Counterparty of Borrowers, causing the Agent's failure to pay the Loans to its counterparty in a timely manner, the Agent shall not bear any responsibility, and the Borrower's repayment obligations under this contract shall not be affected. The Borrower hereby authorises the Agent to freeze the amount returned by the Account of Counterparty of Borrowers. In this case, the Borrower shall re-submit the payment entrustment, evidence materials of use and so on, and pay the Loans to the Account of Counterparty of Borrowers through the Loan Account after being reviewed and approved by the Agent (at its own discretion).

8.5 Payment Order

Unless otherwise required by laws and regulations, the Agent shall distribute the amounts it receives under Article 8.3 (*Borrowers' Payment*) in the following order:

1. Pay any agency fees due and payable as stipulated in Article 17.1 (*Syndicate Costs*) hereof and compensate the Agent and Security Agent for reasonable costs and expenses incurred in the process of executing Finance Documents;

2. Pay any arrangement fees due under Article 17.1 (*Syndicate Costs*) hereof;

3. Pay any commitment fee due and payable under Article 17.1 (*Syndicate fees*) hereof in accordance with the Lenders' Commitment Ratio;

4. Pay to the Lenders any interest (including but not limited to any compound interest and penalty interest) due under this contract in the proportion of the Loans they have disbursed to the Borrowers;

5. Pay to the Lenders any principal due and payable under this contract in proportion to the actual amount of the Loans they have disbursed to the Borrower; and

6. Pay other sums due under this Contract.

8.6 Advances

The Agent may (but has no obligation to) advance any sums on behalf of either party to this contract.

8.7 Payment Currency

Unless otherwise agreed by the Parties, any sums under this Contract shall be paid in RMB.

8.8 Set-Off

The Borrowers shall not exercise any right of Set-Off when paying any sums under this contract.

8.9 Non-Business Day

If the due date of payment is not a Business Day, the Payment Date will be postponed to the nearest Business Day after the calendar month in which the non-Business Day is located (if any) or advanced to the most recent previous Business Day closed to the non-Business Day (if there is no Business Day during the calendar month later)/advanced to the last Business Day closest to the non-Business Day.

8.10 Apportionment

1. Except as otherwise provided in paragraph 4 of this Article, if any Syndicate Member ("Receiving Bank") receives any due payment from the Borrowers under this contract in any way other than that in Article 8.3 (*Borrower's Payment*), the Receiving Bank shall notify the Agent on the day when it receives such payments ("Apportionment Payment") and transfer the Apportionment Payment to the Agent promptly.

2. Where the Receiving Bank transfers the "Apportionment Payment" to the Agent in accordance with paragraph 1 hereof, it shall be deemed that the Borrowers have not paid such sums to the Receiving Bank.

3. The Agent shall regard the "Apportionment Payment" it has received in accordance with the provisions of paragraph 1 above as being paid by the Borrower and shall pay such "Apportionment Payment" to the Syndicate Member Account in accordance with the provisions of paragraph 2 of Article 8.4 (*Agent's Payment*).

4. The above Paragraphs 1 to 3 shall not apply to any of the following:

(1) Any payment received by the Lenders for the transfer or indirect sub-loan in accordance with the provisions of Article 18 (*Transfer*) hereof; or

(2) Any payment received by the Syndicate Member in the litigation or arbitration against the Borrowers in respect of the disputes under this contract, while such inapplicability is subject to the following conditions: (i) it has notified other Syndicate Members in advance, and (ii) other Syndicate Members have not participated in such litigation or arbitration or have explicitly stated that they will not participate in such litigation or arbitration within thirty (30) Business Days after receipt of such notice.

IX Taxes

9.1 Taxes

1. Any payment or payable by the Borrowers to any Syndicate Member in accordance with the terms of the Finance Documents, and any payment or payable by the Agent to any other Syndicate Member in accordance with the terms of the Finance Documents shall not deduct Taxes and fees of any other nature unless otherwise required by laws and regulations.

2. Regarding any payment or payable by the Borrowers to any Syndicate Member in accordance with the terms of the Finance Documents and any payment or payable by the Agent to any other Syndicate Member in accordance with the terms of the Finance Documents, for any Taxes or other expenses that have been deducted in accordance with laws and regulations, the Borrower shall pay an additional payment at the same time as paying such payment to ensure that the payment received and held by the Syndicate Member is equal to the amount that the Syndicate Member should have received and held without deducting Taxes or fees.

3. For any payment or payable by the Borrowers to any Syndicate Member in accordance with the terms of the Finance Documents and any payment or payable by the Agent to any other Syndicate Member in accordance with the terms of the Finance Documents, if any Syndicate Member paid any Taxes or other fees on such received or receivables in accordance with laws and regulations, the Borrower shall pay an additional payment to such Syndicate Member at the same time as paying such payment to within five (5) Business Days ensure that the payment received and held by the Syndicate Member is equal to the amount that the Syndicate Member should have received and held without deducting Taxes or fees.

4. The above paragraphs 2 and 3 shall not apply to any of the following:

   (1) Taxes on the gross operating income or gross profit of the Syndicate Member or any of its branches by the place of registration of any

Syndicate Member or any of its subsidiaries or any jurisdiction that regards the Syndicate Member or any of its subsidiaries as a tax resident, including but not limited to business tax and income tax.

(2) Any Taxes or other fees incurred by any Syndicate Member for failing to comply with any applicable laws and regulations.

9.2 Notification Obligation

1. If any Syndicate Member intends to make a request in accordance with paragraph 3 of Article 9.1 (*Deductions and Compensation*) hereof, it shall notify the Agent and provide a reasonably detailed calculation basis for such request; upon receiving such request, the Agent shall notify the Borrowers promptly.

2. The Borrower shall immediately notify the Agent and provide detailed calculation basis for such deductions after knowing that it is required or will be required to make taxes or deductions of other nature as described in paragraph 2 of Article 9.1 (*Deductions and Compensation*) hereof.

9.3 Taxes Certificate

Within five (5) Business Days of the Borrowers' deducting and paying Taxes or other fees to the relevant collection authorities in accordance with Article 9.1.2 *(Deductions and Compensation)* hereof, the Borrowers shall submit the original receipt (or a copy certified by the collection authorities) certifying that such Taxes or other fees have been fully paid.

9.4 Stamp Taxes

The Borrowers and each Syndicate Member shall bear the stamp taxes related to the Finance Documents in accordance with the laws and regulations.

X Cost Increase

10.1 Notice of Cost Increase

After the Effective Date, if any of the Lenders ("Cost Affected Lender") incurs or would incur any of the following costs ("Increased Cost") due to promulgation, implementation or change of any applicable laws and regulations or interpretations thereof, and/or for compliance with the requirements of the central bank, financial, tax, financial regulatory or other administrative authorities of jurisdiction over it:

1. cost increased or additional cost incurred due to the execution or performance of the Finance Documents;

2. decrease in any amount received or receivable in accordance with the Finance Documents; and/or

3. cost increased or additional cost incurred for participation in paying any Loan,

maintaining or raising its Commitment or its portion in any Outstanding Loan,

the Cost Affected Lender shall, after becoming aware of such situation, promptly give a notice ("Notice of Cost Increase") to the Agent, stating in detail the reasons for Increased Cost and the basis of calculation; the Agent shall, after receipt of a Notice of Cost Increase, promptly notify the Borrowers.

10.2 Compensation

The Borrowers shall, within five (5) Business Days after receipt of the Notice of Cost Increase, pay a sum in the amount of the Increased Cost to the Cost Affected Lender via the Agent. Nevertheless, with respect to the following Increased Cost, the Borrowers are not required to make compensation;

1. The Borrowers have compensated in accordance with other terms of the Finance Documents;

2. The Increased Cost arising out of changes in tax rate or calculation basis of Taxes levied on gross operating revenue or gross profit of any Lender or any branch thereof;

3. The Increased Cost arising out of the failure on the part of any Lender to comply with any applicable laws and regulations or requirements of the central bank, financial, tax, financial regulatory or other administrative authorities of jurisdiction over it;

4. The Increased Cost arising out of downgrade of any Lender's credit rating; and/or

5. The Increased Cost arising out of any Lender's transactions other than those under the Finance Documents.

XI. Law Change

11.1 Notice of Law Change

After the Effective Date, if any Lender ("Law Change Affected Lenders") performs the Finance Documents, participates in paying any Loan, maintains or raises its Commitment or keep its portion in any Outstanding Loan, which is or becomes unlawful or violates or would violate regulatory provisions due to the promulgation, implementation or change of any applicable laws and regulations or interpretations thereof, and/or compliance with the requirements of the central bank, financial, tax, financial regulatory or other administrative authorities of jurisdiction over it, such Law Change Affected Lender shall, after becoming aware of such situation, promptly give a notice ("Notice of Law Change") to the Agent, stating in detail the reasons for such unlawfulness or violation of regulatory provisions and the basis. The Agent shall, after receipt of a Notice of Law Change, promptly notify the Borrowers.

11.2 Cancellation and Prepayment

1. Where the Borrowers receive the Notice of Law Change and the Law Change Affected Lender and the Borrowers, have negotiated with each other, but no other alternative solution is reached, the Commitment of the Law Change Affected Lender shall be immediately cancelled in full automatically.

2. The Borrowers shall, within five (5) Business Days upon request of the Law Change Affected Lenders (which is no later than the last day of any applicable Grace Period permitted by laws), prepay their respective portion in any Outstanding Loan and interest accrued thereon to the Law Change Affected Lenders.

3. In the case of cancellation of the Commitment and prepayment hereunder, the Law Change Affected Lenders are not obliged to pay any penalty or fee to the Borrowers.

XII. Mitigation of Loss

12.1 Mitigation of Loss

In any of the following cases, the affected Syndicate Member shall negotiate in good faith with the Borrowers and other Syndicate Members, and shall make reasonable efforts to mitigate the impact caused by such cases; however, provided that the obligations of the Borrowers under the Finance Documents shall not be released or reduced by operation of the provisions of this Article:

1. The Borrowers shall compensate any Lender for any Increased Cost in accordance with the provisions of Article 10 (*Cost Increase*) hereof;

2. The Borrowers shall prepay any Lender in accordance with the provisions of Article 11 (*Law Change*) hereof; and/or

3. Any Commitment shall be cancelled in accordance with the provisions of Article 11 (*Law Change*) hereof.

The measures that shall be taken by any Syndicate Member hereunder shall include without limitation:

(a) Changes in the Managing Bank;

(b) Transfer of its Commitment or portion in relevant Outstanding Loan to any other person who will not be affected by circumstances set out herein; and/or

(c) Application for any waiver, allowance, tax reimbursement or grace to which it is entitled according to law.

12.2 Obligation Restriction

1. If an Event of Default or a Potential Event of Default has occurred, or any Syndicate Member believes at its reasonable discretion that any measure to

be taken in accordance with the provisions of this Article 12.1 (*Mitigation of Loss*) hereof would have an adverse effect on its business, operation or financial conditions, such Syndicate Member is not obliged to take such measure.

2. The Borrowers shall compensate the relevant Syndicate Member for any reasonable costs and expenses incurred by such Syndicate Member taking any measures in accordance with the provisions of Article 12.1 (*Mitigation of Loss*) hereof.

3. Nothing in this Contract will set forth that any Syndicate Member commits any acts or omissions that violate (or would violate at its reasonable discretion) any applicable laws and regulations.

XIII. Representations

The Borrowers make the following representations to each Syndicate Member at the Effective Date, each date of Notice of Utilisation, each Utilisation Date and each interest payment date respectively based on the then-current facts and circumstances;

1. Legal status

The Borrowers and the Guarantors are corporate persons legally established and validly existing under the laws and regulations of their places of incorporation.

2. Capacity to Contract

The Borrowers and the Guarantors have the necessary capacity for civil conduct and capacity for civil right to own their assets and operate their businesses, execute and perform the Finance Documents to which they are a party.

3. Corporate authorisation

All internal corporate authorisations necessary for execution and performance by the Borrowers and the Guarantors of the Finance Documents to which they are a party have been obtained and are in full effect. Such Finance Documents have been duly executed by their legal representatives or authorised signatories.

4. Licence

In order to lawfully own assets and operate businesses, execute and perform the Finance Documents to which they are a party, the Borrowers and the Guarantors have obtained all necessary approvals, permits, consents, registrations and filings which are in full effect.

5. Business Information Submission

The Borrowers and the Guarantors have submitted annual reports as required under laws, and none of the Borrowers and the Guarantors has been listed in the directory of business exceptions or the list of severe law-breaking enterprises.

6. Effectiveness of Terms

The obligations of the Borrowers and the Guarantors under the Finance Documents to which they are a party are lawful, valid and binding on them.

7. Governing Law and Enforcement

(1) The governing law of the Finance Documents will be recognised and enforced in the Borrowers' jurisdictions of incorporation.

(2) The court decisions relating to the Finance Documents will be recognised and enforced in the Borrowers' jurisdictions of incorporation.

8. Violation of Laws or Other Documents

The execution and performance by the Borrowers and the Guarantors of the Finance Documents to which they are a party do not and will not violate or conflict with any of the followings:

(1) any contracts, agreements or other documents which are binding on them or their assets;

(2) their Shareholders Agreement, Articles of Association and other corporate governance documents; and/or

(3) any laws and regulations.

9. Litigation and Arbitration

There has been or exists no court litigation, arbitration, administrative proceeding, judicial or administrative enforcement proceedings or other proceedings of similar nature against the Borrowers or any of the Guarantors which have or may have any Material Adverse Effect on the Finance Documents to which they are a party.

10. Liquidation and Bankruptcy Event

No winding-up, dissolution, liquidation, bankruptcy, restructuring, settlement, rectification or similar proceedings have been initiated by or against the Borrowers and the Guarantors.

11. Events of Default

No Event of Default has occurred or persisted.

12. Compliance with Law

The Borrowers and the Guarantors comply with all laws and regulations that are applicable to them in all respects and do not violate any laws and regulations in connection with their businesses and operations.

13. Order of the Creditor's Rights

The creditor's rights of each Syndicate Member under the Finance Documents for the Borrowers or the Guarantors (as the case may be) shall rank at least the same order of discharge with the unsecured creditor's rights or creditor's rights without legal priority of other creditors of the Borrowers or the Guarantors (as the case may be) for the Borrowers or the Guarantors (as the case may be).

14. Security

To the extent that all registration formalities have been completed, the Guarantee Contract creates the security over assets mentioned therein in accordance with the provisions thereunder, and there is no other preferred Security Interest over such assets.

15. Judicial Immunity

In any judicial proceedings, the Borrowers, the Guarantors and their respective assets have no immunity and privilege in respect of prosecution, decision, enforcement, property preservation or other proceedings.

16. Disclosure of Information

(1) The financial statements and reports recently provided by the Borrowers to each Syndicate Member are prepared in accordance with the Accounting Principles and reflect financial conditions of the Borrowers as of the date of such financial statements and reports in a fair, truthful, complete and accurate way; and such financial statements and reports have no omissions in respect of any material Liabilities, material revenue or material loss of the Borrowers.

(2) All materials provided by the Borrowers to each Syndicate Member are truthful, complete and valid, and not misleading in any respect, without any concealment or omission, and the provision or qualification of any information will not cause such information untruthful or misleading in any material respect.

17. No Material Adverse Effect

No event or circumstance has occurred which has a Material Adverse Effect.

XIV. Covenants

The Borrowers undertake that as of the Effective Date until the date when all obligations of the Borrowers hereunder have been fully performed:

14.1 Positive Obligations

1. Order of the Creditor's Rights

The creditor’s rights of each Syndicate Member under the Finance Documents for the Borrowers or the Guarantors (as the case may be) shall rank at least in the same order of discharge with the present and future unsecured creditor’s rights or creditor’s rights without legal priority of other creditors of the Borrowers or the Guarantors (as the case may be) for the Borrowers or the Guarantors (as the case may be). The Borrowers shall ensure that the repayment of shareholder loans or advances they obtain is subordinated to their payment obligation under the Finance Documents.

2. Legal Status and Capacity

The Borrowers shall (and procure the Guarantors to) keep its corporate legal status valid, continuing and validly existing, and ensure that they have the necessary capacity for civil conduct and capacity for civil right to perform the Finance Documents to which they are a party.

3. Compliance with Law

The Borrowers shall (and procure the Guarantors to) ensure compliance with all laws and regulations regarding their businesses and operations in all respects, including but not limited to laws and regulations regarding environmental protection and taxation, and laws and regulations, governmental rules and industrial regulatory measures regarding energy saving and emission reduction.

4. Licence

The Borrowers shall (and procure the Guarantors to) promptly obtain, comply with and maintain in full effect all approvals, permits, consents, registrations and filings necessary for the performance of the Finance Documents to which they are a party.

5. Business Information Submission

The Borrowers shall (and procure the Guarantors to) submit annual reports to the AMR and ensure none of the Borrowers and the Guarantors has been listed in the directory of business exceptions or the list of severe law-breaking enterprises.

6. Good Operation

The Borrowers shall maintain their property and business at good operating conditions.

7. Insurance

The Borrowers shall effect insurances with well-reputed insurers in connection with their businesses and assets, and the types of insurances effected shall be those normally effected by companies conducting the same or similar businesses; the Borrowers shall keep such insurances in full effect and renew them in a timely manner.

8. Provision of Materials

(1) The Borrowers shall, within twenty (20) Business Days after the end of each quarter, provide the Agent with financial statements for such quarter (including schedules thereto).

(2) The Borrowers shall, within ninety (90) Business Days after the end of each half of a Financial Year, provide the Agent with financial statements for such half of the Financial Year (including schedules thereto).

(3) The Borrowers shall, within one hundred and fifty (150) Business Days after the end of each Financial Year, provide the Agent with the annual financial statements (including schedules thereto) for such Financial Year that have been audited by the Certified Public Accountant, as well as professional audit opinions issued by the Certified Public Accountant for such statements.

(4) The Borrowers shall (and procure the Guarantors to) ensure that their financial statements are prepared in accordance with applicable laws and regulations and the Accounting Principles.

(5) The Borrowers shall, within thirty (30) Business Days upon the request of the Agent or Security Agent, provide the Agent with copies of all approvals, permits, consents, registration and filings obtained by the Borrowers or the Guarantors (as the case may be) under paragraph 4 of Article 14.1 (*Positive Obligations*) hereof.

(6) The Borrowers shall, within thirty (30) Business Days upon the request of the Agent or Security Agent, provide the Agent with copies of policies or insurance contracts in respect of insurances effected under paragraph 7 of Article 14.1 (*Positive Obligations*) hereof.

(7) When the Borrowers shall provide copies of financial statements or other materials under this Article, they shall also provide a certificate signed by a director or the chief financial officer of the Borrowers and affixed with the company seal stating that such copy is consistent with the original and the information disclosed therein is accurate, complete and updated.

(8) The Borrowers shall promptly provide records and materials for the use of the Loans at the request of the Agent.

(9) The Borrowers shall (and procure the Guarantors to) provide each Syndicate Member with accurate, complete and valid materials.

9. Notification Obligation

In any of the following cases, the Borrowers shall notify the Agent immediately once informed:

(1) the occurrence of an Event of Default or Potential Event of Default;

(2) the occurrence of court litigation, arbitration, administrative proceeding, judicial or administrative enforcement proceedings or other proceedings of similar nature against or by the Borrowers or any Guarantor, in the amount of RMB 10,000,000 or above; and/or

(3) the occurrence of an event that has or may have a Material Adverse Effect.

10. Project Capital

The Borrowers shall ensure that the Project capital is put in place before the Loans and that the Project capital is used together with the Loans.

11. Project Schedule

The Borrowers shall ensure that the actual progress of the Project matches with the investment amount. If the Project is overspent, the Borrowers and their shareholders shall raise funds by themselves, provided that the percentage of the Project capital shall be no less than that stipulated by relevant national regulations.

12. Loan Management

The Agent and its designated affiliates may at any time inspect and supervise the application of each sum of Loans by the Borrowers, and the Borrowers shall cooperate with the Agent and its designated affiliates in loan payment management, post-loan management and relevant inspections. The means of inspection and supervision by the Agent and its designated affiliates shall include without limitation: (i) requiring the Borrowers to provide valid certificates to prove their application of the Loan; (ii) conducting account analysis, voucher inspection or spot investigation with respect to the application of the Loan; and (iii) other means permitted by laws and regulations. The Loan utilised by the Borrowers hereunder shall be matched with the actual progress of the Project.

13. Security or Support

The Borrowers and the Guarantors agree to provide the Lenders with the following support or security:

(1) The guarantee under the Guarantee Contract;

(2) The land use right, construction in progress and real estate mortgage under the Mortgage Contract, i.e. the Mortgagor shall complete the mortgage registration for land use right prior to the First Utilisation Date under the Mortgage Contract, and deliver the original of relevant registration certificate to the Agent; the Mortgagor shall complete the mortgage registration for land use right and construction in progress within seven (7) Business Days after the Project meets the conditions for mortgage registration as required by local real estate registration authority, and deliver the original of relevant registration certificate to the Agent; the Mortgagor shall complete the real estate mortgage registration for the Project on the date when the real estate registration authority issues the real estate ownership certificate for the Project, and deliver the original of relevant registration certificate to the Agent;

(3) Account custody arrangement under the Custody Contract, i.e. the Borrower B shall ensure that 80% of monthly revenue for online classes will be transferred to the settlement account pursuant to the Custody Contract, and the expenditure for subsequent construction of the Project will be operated fully through the Settlement Account. If the Borrower B receives the revenue for online classes via third-party payment institutions such as WeChat and Alipay, the Borrower B shall change the utilisation account for such third-party payment institutions as the settlement account.

14. Positive Covenants

Before the debts under the Finance Documents are irrevocably discharged in full, the status of the Guarantors as principal owners of assets of Tomorrow Advancing Life (TAL) Group and entities where funds are concentrated will remain unchanged; if the status of the Guarantors as entities where the Group's funds are concentrated has changed, the Guarantors undertake that new entities where funds are concentrated shall be added as the Guarantors in respect of the Borrowers' debts under the Finance Documents.

14.2 Restrictions

1. External Financing, External Investment and Security Interest

Except for the Liabilities and Security Interest set under the Financing Documents, the Borrowers shall ensure that they will not use project assets for additional financing, providing a guarantee, external investment, external mortgage, and each of the Borrowers shall ensure that it will not set or create any Security Interest over its equity interests, project assets, accounts receivables and any other assets, unless as agreed by the Majority Lenders.

2. Disposal of Assets

The Borrowers shall ensure that they will not sell, lease, assign, transfer or otherwise dispose of any of their material assets through a single or multiple transactions or a series of transactions, unless as agreed by the Majority Lenders.

3. Division and Merge

The Borrowers shall ensure that they will not conduct any merge, division, contracted operation or similar arrangement, unless as agreed by the Majority Lenders.

4. Decrease of Registered Capital

The Borrowers shall ensure that their shareholders will not decrease their registered capital or withdraw their investments, unless as agreed by the Majority Lenders.

5. Profit-Sharing Restriction

The Borrowers shall not distribute profits without the consent of the Majority Lenders.

XV. Events of Default

15.1 Events of Default

Any of the following cases constitute an Event of Default;

1. Default in Payment

The Borrowers fail to pay any sum when due according to the amount, currency, payment method and timing agreed under the Finance Documents.

2. Loan Embezzlement

The Borrowers fail to use any sum of Loans for purposes agreed herein.

3. Misrepresentation

Any of the representations made by the Borrowers under Article 13 (*Representations*) hereof and/or other Finance Documents are untrue, inaccurate, incomplete or misleading in any material respect.

4. Violation of Covenants or Other Obligations

The Borrowers fail to observe all obligations and covenants under Article 14 (*Covenants*) or fail to perform or observe any other obligation and covenant in accordance with the provisions of Finance Documents.

5. Cross Default

The Borrowers and any member or affiliate under their groups fail to discharge any Liabilities when due.

6. Insolvency

(1) Any creditor of the Borrowers declares that any Liabilities of the Borrowers become due and payable ahead of the scheduled maturity date, and the total amount is RMB 10,000,000 or above.

(2) The Borrowers start to discuss with any creditor deferred payment and other debt restructuring arrangements in respect of any Liabilities, and the total amount is RMB 10,000,000 or above.

(3) The Borrowers cease or suspend payment to their creditors, or become insolvent when debts are due, admit such insolvency or are presumed or deemed insolvent, or declare that they will not perform debts when due.

7. Liquidation and Bankruptcy Event

No winding-up, dissolution, liquidation, bankruptcy, restructuring, settlement, rectification or similar proceedings have been initiated by or against the Borrowers and any Guarantor.

8. Event of Enforcement

The assets of the Borrowers in the aggregate market value or carrying value (whichever is earlier) of RMB 10,000,000 or above are sealed up, frozen, detained, enforced, expropriated, confiscated or otherwise, and such measures have not been released within twenty (20) Business Days after commencement thereof.

9. Financial Indicators

The Borrowers fail to observe any of the following financial indicators agreed under paragraph 9 (*Compliance with Financial Indicators*) of Article 14.1 (*Positive Obligations*) hereof.

10. Material Adverse Effect

Any event or circumstance that have a Material Adverse Effect occurs.

11. Invalid Finance Documents

Finance Documents become invalid or unenforceable.

12. Repudiation

The Borrowers repudiate the Finance Documents or evidence an intention to repudiate the Finance Documents.

13. Discontinued Operation

Unless with the prior written consent of the Agent (as instructed by the Majority Lenders, the Borrowers and/or the Guarantors suspends or ceases their businesses or important part thereof that they conduct.

15.2 Remedy of Syndicate Members

1. Notices

(1) If the Borrowers or any Lender is aware of an Event of Default or other facts or circumstances reasonably deemed by it as an Event of Default, it shall notify the Agent in a timely manner.

(2) After receipt of the above notice, the Agent shall notify each Lender in a timely manner.

(3) If the Borrowers fail to notify the Agent of any Event of Default, the Agent shall promptly notify the Borrowers once informed for the Borrowers to make a confirmation and give an explanation or take remedial measures.

2. Remedies

During the existence of any Event of Default, the Agent (at the discretion of the Majority Lenders) may exercise one or more rights as follows:

(1) To waive the relevant Event of Default, or agree to the remedy of the relevant Event of Default;

(2) To declare the suspension of utilising any or part of the Loans that have not been utilised as required under any Notice of Utilisation; after such declaration, the utilisation of such portion of the Loans shall be immediately suspended;

(3) To cancel all or part of Total Commitments; once so declared, the Commitment of each Lender shall be cancelled proportionately, and such cancelled Total Commitments cannot be restored;

(4) To declare all or part of the Outstanding Loan together with any accrued interest, costs and other sums hereunder to become due and payable immediately; once so declared, such sums will become due and payable immediately, without any further notice from the Agent;

(5) To require the Borrowers to provide additional security measures immediately;

(6) To enforce the Guarantee Contract, and/or

(7) Any other rights granted by laws and regulations and this Contract.

3. Action of the Agent

(1) All remedies listed in paragraph 2 (*Remedies*) of Article 15.2 (*Remedy of Syndicate Members*) hereof or any right to initiate the dispute resolution proceeding against the Borrowers shall be implemented via the Agent, provided that if the Agent does not take such action as per the decision of the Majority Lenders, the relevant Syndicate Member may take such action by itself.

(2) During the existence of an Event of Default, the Agent has the right to at any time take actions as it deems necessary or reasonable to protect the rights and interests of each Syndicate Member hereunder.

4. Covenants of Each Syndicate Member

(1) Each Syndicate Member will not exercise its rights hereunder in a manner that conflicts with this Contract.

(2) Each Syndicate Member undertakes to other Syndicate Members that unless otherwise expressly agreed herein:

1) It will not independently require or accept any form of debt discharge from any person for the purpose of discharging any debt owed by the Borrowers to such Syndicate Member hereunder; and/or

2) It will not independently require or accept any Security Interest or financial support with respect to any debt of the Borrowers for such Syndicate Member hereunder.

5. Deduction

During the existence of an Event of Default, each Syndicate Member has the right to deduct the balance in any account opened by the Borrowers at such Syndicate Member (including any of its branches), and transfer it to the Agent for apportionment in accordance with the provisions of Article 8.10 (*Apportionment*) hereof.

XVI. Relationship Among the Syndicate Members

16.1 Appointment of Agent and Security Agent

1. Each of other Syndicate Members than the Agent hereby appoints the Agent as the agent of such Syndicate Member hereunder and authorises the Agent to exercise the rights expressly conferred upon the Agent by the terms of this Contract and all other rights reasonably attached.

2. Each of other Syndicate Members than the Security Agent hereby appoints the Security Agent as the agent of such Syndicate Member hereunder and

authorises the Agent to exercise the rights expressly conferred upon the Security Agent by the terms of this Contract and all other rights reasonably attached. The Security Agent acknowledges that it holds interest under the Guarantee Contract for the benefit of the Syndicate Members.

3. For the purpose of guarantee registration under the Guarantee Contract, each of other Syndicate Members hereby authorises the Security Agent to enter into amendments or supplementary agreements to the Guarantee Contract directly with the relevant Guarantor according to the principles provided hereunder and relevant facts, or to execute and submit the Guarantee Contract in a form as required by the local registration authority, or to properly reduce the amount of guaranteed creditor's right as required by the local registration authority to meet the requirement that the amount of relevant guaranteed creditor's right must be lower than the valuation of guaranty.

16.2 Agency Relationship

1. The relationship between the Agent or the Security Agent and other Syndicate Members is an agency relationship. As agents of the Syndicate, the Agent and the Security Agent shall be responsible for serving the Lenders and protecting interests of the Syndicate hereunder, performing the agreed duties in a diligent, observant, dedicated and professional way, ensuring that all provisions and the instructions and authorisations of the Lenders are effectively implemented, and their affairs are transactional.

2. The Agent and the Security Agent shall not serve as agents of the Borrowers in any respect.

16.3 Responsibilities of Agent and Security Agent

1. The Agent shall, within three (3) Business Days after receipt of originals or copies of any documents forwarded by any Party to any of other Parties via the Agent, forward such documents to such other parties; unless otherwise agreed herein, the Agent is not responsible for reviewing adequacy, accuracy or completeness of format and content of any documents forwarded by it.

2. The Agent shall establish and keep registers in connection with this Contract, and provide such registers for the Lenders at their request.

3. The Agent shall disburse and pay the Loan, and manage and control it in accordance with Article 8.1 (*Disbursement of Loans*) and Article 8.2 (*Payment of Loans*) of this Contract.

4. The Agent shall conduct post-loan inspections of the Borrowers and the Guarantors such as site visit in a diligent and dedicated way, which will not relieve other Syndicate Members from their own duty to conduct post-loan inspections of the Borrowers and the Guarantors.

5. The Agent shall, within three (3) Business Days after receipt of the notice on the occurrence of an Event of Default from any Party hereto, notify each

Syndicate Member of the same.

6. The Agent shall, within three (3) Business Days after it is aware that any Party hereto fails to pay any payable sum when due to any other Syndicate Member pursuant to this Contract, notify each Syndicate Member of the same. If any of the foregoing circumstances is found, the Agent shall conduct the necessary investigation and promptly transmit any information obtained through such investigation to each Lender.

7. The Agent shall, at the discretion of the Majority Lenders, procure each Syndicate Member to initiate and/or participate any litigation, arbitration or legal dispute proceeding in connection with this Contract, provided that each Lender has indemnified or prepaid the Agent any costs, fees, expenses (inducing but not limited to attorney's fee) and liabilities that have been or may be spent or incurred by the Agent due to compliance with such discretion.

8. The Agent and the Security Agent shall not be liable to any other Parties due to violation of this Contract by any other Party hereto.

9. The Security Agent shall promptly notify the Agent of contents of any notice sent by it to or from the Borrowers or any Guarantor in the capacity of the Security Agent under any Finance Document.

10. Where any decision of Majority Lenders or acting in accordance with such decision violates or would lead to a violation of laws and regulations, the Agent, with prior notice to all Syndicate Members, may not act in accordance with such decision.

11. The Agent and Security Agent shall perform their duties under this Contract with diligence and responsibility. The obligations of the Agent and Security Agent under the Finance Documents is to administrate only. Except as expressly provided in the Finance Documents, the Agent and Security Agent shall not assume any other liability.

16.4 Rights of Agent and Security Agent

1. Unless aware of the opposite situation, the Agent and Security Agent may assume that:

   (1) The factual representations in this Contract or to any person in respect of this Contract are true, complete and accurate;

   (2) No Event of Default has occurred or persisted;

   (3) No other party under this Contract violates its obligations hereunder;

   (4) No other party or Majority Lenders under this Contract exercise any of their rights; and / or

   (5) If any notice is issued by the Borrower or required to be issued by the

Borrower but is issued by any authorised person, such authorised person shall have the right and continuing right to take any action on behalf of the Borrower in accordance with this Contract, unless otherwise specified in a written notice issued by the Borrower.

Provided that the Agent and Security Agent are informed if the Agent and Security Agent, or any other party under this Contract are informed of the opposite situation, the Agent and Security Agent shall have both the right and the obligation to notify the Lenders in accordance with the relevant provisions hereof.

2. The Agent and Security Agent may, as it deems necessary, engage a lawyer, accountant, appraiser, translator or other professionals and pay for and rely on their advice or services.

3. The Agent and Security Agent may rely on any communication or document which they reasonably believe to be true.

4. The Agent and Security Agent may disclose to any other party hereunder any information which they deem reasonable and which they receive in accordance with this Contract.

5. Notwithstanding other provision of any Finance Documents to the contrary, the Agent and Security Agent or Arranger is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law, regulation, fiduciary duty or duty of confidentiality.

16.5 Independent Credit Assessment

Lenders acknowledge that they have and will continue to independently investigate, review and evaluate Borrowers' financial condition, credit standing, business status, legal status and other information, make independent judgments and decisions, and bear risks accordingly, including but not limited to:

1. the adequacy, accuracy or completeness of any information about any other party to this Contract or the transactions hereunder, whether such information is provided to the Lenders by the Agent or Lead Manager;

2. the financial condition, credit standing, business status, legal status or other information of any other party of this Contract; and / or

3. the legality, validity, binding force, sufficiency or enforceability of this Contract or any relevant document or any action taken or to be taken by any other party to this Contract.

Accordingly, the Agent shall not be responsible for the above problems and possible risks to any Lender.

16.6 Agent, Security Agent and Lead Manager as Lenders

Where an Agent, Security Agent or Lead Manager is a Lender, it shall, in accordance with the terms hereof, enjoy the rights and assume the obligations as a Lender.

16.7 Syndicate Meeting

1. Decision-making mechanism for Lenders

(1) In case of any matter which is expressly required to be determined by the Majority Lenders in this Contract, any Lender shall promptly notify the Agent after being informed, and the Agent shall, upon receipt of such notice or upon being informed of such matter, immediately notify the Lenders for voting.

(2) Each Lender shall, upon receipt of the aforesaid notice from the Agent, notify the Agent of its decision within the period specified in the notice.

(3) Unless otherwise stipulated in this Contract, the Agent shall act in accordance with the decision made by Majority Lenders or all Lenders in accordance with this Contract; When the Agent acts in accordance with the decision made by Majority Lenders or all Lenders (whether it is an act or omission), the Agent shall not be liable to any other party under this Contract.

(4) The decision made by Majority Lenders or all Lenders in accordance with this Contract shall be binding upon all Lenders. All Lenders shall fully cooperate with the Agent to implement the decision made by Majority Lenders or all Lenders.

(5) If Majority Lenders or all Lenders fail to decide in accordance with this Article, the Agent shall propose an initial solution to such matter and shall solicit opinions from all Lenders in accordance with the above procedures. If either Lender fails to notify the Agent of its decision within the period specified in the notice issued by the Agent, it shall be deemed to have consented to the solution proposed by the Agent.

(6) If the Agent considers that an act or omission is the most beneficial to Lenders, the Agent may (but is not obliged to) make such act or omission.

2. Matters agreed upon by all Syndicate Members

Unless otherwise provided for in this Contract, any amendment to any of the following provisions hereunder shall be agreed upon by all Syndicate Members:

(1) the change of the Commitment, Total Commitments or Loans currency;

(2) the change of the Availability Period and Loan Term;

(3) the change of the Interest Rate and Penalty Interest Rate;

(4) the change of currency, amount and date of payment of the payments or payables to any Syndicate Member;

(5) the amendment of the definition of "Majority Lenders";

(6) the amendment of Article 21 (*Amendment and Immunity*) hereof; and / or

(7) the change of such important matters as Guarantors, Guarantee Type, Guarantee Amount and Security Period.

3. Procedures of Syndicate Meeting and rules of procedure

(1) In the event of a matter which requires the Agent to act in accordance with the decision of Majority Lenders or all Lenders (as the case may be), the Agent shall organise and presided over a Syndicate Meeting.

(2) In addition to the above paragraph (1), the Agent shall promptly convene a Syndicate Meeting if:

(a) the Lead Manager considers it necessary to convene a Syndicate Meeting; or

(b) a written proposal is submitted by Lenders with shares of more than 10% of the Total Credit Line.

(3) The Agent shall, at least five (5) Business Days in advance or within a shorter period as determined by the Agent, notify Lenders if the Syndicate Meeting is called. The meeting notice shall include the time, venue (if applicable), manner and the proposal for the Syndicate Meeting.

(4) A Syndicate Meeting may be held through on-site meeting, communication meeting or written consents. Where possible, the Agent shall hold the meeting through written consents.

(5) All Lenders shall, within five (5) Business Days upon receipt of the meeting notice, notify the Agent whether they will attend the Syndicate Meeting, and may submit provisional proposals no later than five (5) Business Days prior to the date of the meeting.

(6) Each Lender may assign one or two Authorised Representatives and several ordinary representatives to attend the Syndicate Meeting. All representatives may participate in the discussion and express their opinions, but only Authorised Representatives have the right to vote on behalf of the Lenders. Each Authorised Representatives of the Lender must hold a legal and valid power of attorney with a clear scope of authorisation. The power of attorney issued by each Lender shall

expressly state that a document signed by an Authorised Representative (without official seal) is legally binding on the Lender. The company seal of Lenders shall be put on record in the Agent. Authorised Representatives of Lenders shall provide the power of attorney sealed with the official company seal so that the Agent can verify the effectiveness of the power of attorney.

(7) The effective resolution made on the Syndicate Meeting shall be made in writing by the Agent and signed by Authorised Representatives of each Lender; Lenders who disagree with the resolution shall also sign on it. This resolution is binding on all Lenders subject to the relevant provisions of this Contract. Each Lender receives a valid original resolution of the Syndicate Meeting. If the resolution is related to the Borrowers' rights and obligations under the Finance Documents, an effective original resolution of the Syndicate Meeting shall be submitted to the Borrowers.

4. Lenders may negotiate and sign a syndicated loan interbank agreement separately.

16.8 Lenders' Compensation

1. In case of all reasonable costs, fees, losses, expenses (including attorney fee) and liabilities (excluding those caused by negligence or fault of the Agent and Security Agent) incurred or may be incurred by the act of agency of the Agent and Security Agent in accordance with this Contract, the Agent and Security Agent shall be first demand compensation from the Borrowers. In case that the Borrowers fail to make such compensation within ten (10) Business Days after the Agent and Security Agent request, it shall be treated in accordance with Paragraph 2 of Article 16.8 (*Lenders' Compensation*) hereof.

2. Each Lender shall, within ten (10) Business Days after the Agent and Security Agent request and in accordance with Commitment Ratio, indemnify the Agent and Security Agent for all reasonable costs, fees, losses, expenses (including but not limited to attorney fees, fees charged by the real property registration authority to be borne by the Syndicate Member, and appraisal fees for the charged property) and liabilities (excluding those caused by the negligence or fault of the Agent or Security Agent) incurred by the act of agency of the Agent or Security Agent in accordance with the Finance Documents, (unless the Agent and the Security Agent have obtained repayment from the Borrower in accordance with the Finance Documents), the Agent and the Security Agent shall provide the Lender with copies of the corresponding invoices.

3. The Borrowers shall, within ten (10) Business Days upon receipt of the request from the Agent and Security Agent, reimburse the Lender for any compensation or advance payment made by the Lender to the Agent and Security Agent in accordance with Paragraph 2 of Article 16.8 (*Lenders' Compensation*) of this hereof. Any Lender who intends to make compensation in accordance with this paragraph shall have the right to require the Agent and

Security Agent to provide a detailed basis for the calculation of such compensation; the Agent and Security Agent shall provide such calculation basis for the Lender within ten (10) Business Days after the request of the Lender.

16.9 Resignation of the Agent and Security Agent

1. The Agent ("Resigned Agent") or Security Agent ("Resigned Security Agent") may, at any time, notify the Lenders of its intention to resign.

2. Majority Lenders shall, within thirty (30) Business Days upon receipt of the notice of resignation from the Agent and Security Agent in accordance with paragraph 1 above, appoint a qualified, reputable and seasoned financial institution as the successor of the Agent ("Successor Agent") or the successor of the Security Agent ("Successor Security Agent"). If Majority Lenders fail to appoint a Successor Agent (or Successor Security Agent), the Resigned Agent (or Resigned Security Agent) may appoint a qualified, reputable and seasoned financial institution to be the Successor Agent (or Successor Security Agent).

3. The resignation of the Resigned Agent (or Resigned Security Agent) and the appointment of the Successor Agent (or Successor Security Agent) shall take effect from the date on which the Successor Agent (or Successor Security Agent) notifies the other parties to this Contract of its formal succession.

4. Any further right and obligation of the Resigned Agent (or Resigned Security Agent) as the agent of other Syndicate Members under this Contract shall be immediately terminated and the Successor Agent (or Successor Security Agent) shall undertake any further right and obligation as the agent of other Syndicate Members under this Contract from the date on which the resignation of the Resigned Agent (or Resigned Security Agent) and the appointment of the Successor Agent (or Successor Security Agent) take effect.

5. The Resigned Agent (or Resigned Security Agent) shall, within ten (10) Business Days upon receipt of the notice of succession from the Successor Agent (or Successor Security Agent), provide documents, records and necessary assistance as may be reasonably required by the Successor Agent (or Successor Security Agent) to exercise its rights and perform its obligations under this Contract.

6. Majority Lenders may notify the Agent or Security Agent to resign in accordance with paragraph 1 above; the Agent or Security Agent shall, upon receipt of such notice, resign in accordance with this Article. Otherwise, Majority Lenders may decide to replace the Agent or Security Agent.

16.10 Deduction by the Agent or Security Agent

In case of any arrearage unpaid by any Syndicate Member to the Agent or Security Agent, the Agent or Security Agent, after notifying such Syndicate Member, may deduct the amount not exceeding such arrearage from any payment paid by the

Syndicate Member to repay the arrearage in accordance with this Contract. Such deductions shall be deemed to have been received by the Syndicate Member.

16.11 Other business

Each Syndicate Member (including its branch) may accept deposits from the Borrowers, make other loans to the Borrowers or conduct any other kind of banking business.

16.12 Dealings with Lenders

Unless otherwise notified by the Relevant Lenders in accordance with this Contract, the Agent and Security Agent may consider that the Lender is entitled to receive payments in accordance with this Contract and act through its Managing Bank.

XVII Expense and Indemnity

If the parties have signed a Fee Letter with the Related Parties regarding the transactions hereunder and the following provisions of this Contract are inconsistent with those in the Fee Letter, the one set forth in the Fee Letter shall prevail.

17.1 Syndicate Costs

1. All reasonable costs and expenses incurred by the Syndicate Member concerning the negotiation, preparation, execution, drafting, amendment and Immunity of the Finance Documents shall be borne by the Borrowers, including but not limited to legal, assessment, audit, insurance, financing interruption costs and other reasonable costs and expenses incurred by loans.

2. All costs and expenses incurred by any Syndicate Member in enforcing or maintaining its rights under the Finance Documents in any jurisdiction shall be borne by the Borrower, including but not limited to legal, assessment, auction and other reasonable costs. Fees of litigation or arbitration and enforcement, and fees charged by the real property registration authority shall be borne by both the Borrower and the Syndicate Member. The appraisal fees for the charged property shall be borne by the Syndicate Member.

17.2 Compensation for Damage

The Borrowers shall, within five (5) Business Days upon receipt of the request from any Syndicate Member, indemnify such Syndicate Member for any loss suffered or incurred by such Syndicate Member, excluding penalty interest, due to the Borrowers' violation of its obligations hereunder (including but not limited to any of the following):

(1) the Borrowers have not paid off any of the payments before the Maturity Date;

(2) the Borrowers have paid off any of the payments on the day beyond the Maturity Date;

(3) any Event of Default or potential Event of Default occurs;

(4) any Loans are not fully withdrawn on time because of the Borrowers;

(5) the Borrowers violate this Contract to cancel the Commitment of any Lender;

(6) the information and materials provided by the Borrowers are not accurate; and / or

(7) any query, investigation, subpoena (or similar order) or litigation with respect to the Borrowers or with respect to the transactions contemplated or financed under this Contract.

The Borrowers shall promptly indemnify the Agent and Security Agent for any costs, losses or liabilities incurred as a result of:

(1) investigating any event which it reasonably considers to be a breach of contract; or

(2) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

17.3 Monetary Compensation

If any payment made by the Borrowers under this Contract is not made in the currency payable ("Contract Currency") as expressly agreed herein, but in any currency other than the contract currency ("Payment Currency"), and if the amount is less than the amount that should be received by such Syndicate Member after Syndicate Member converts the Payment Currency into the Contract Currency at the market exchange rate, the Borrowers shall indemnify the Syndicate Member for the shortage and relevant exchange expenses incurred by such Syndicate Member.

17.4 Calculation Basis

Any Syndicate Member who prepares to make a request in accordance with Article 17.2 (*Syndicate Costs*), Article 17.3 (*Compensation for Damage*) and / or Article 17.4 (*Monetary Compensation*) hereof shall notify the Agent and provide reasonable and detailed calculation basis for such request; the Agent shall promptly notify the Borrower upon receipt of such request.

17.5 Exemption from Compensation

The Borrower shall not be liable to any Syndicate Member in accordance with Article 17.2 (*Syndicate Costs*), Article 17.3 (*Compensation for Damage*) and / or Article 17.4 (*Monetary Compensation*)hereof under the following circumstances:

1. liability arising from gross negligence, fault or willful misconduct of the Syndicate Member; and / or

2. the Borrowers have made compensation to the Syndicate Member in accordance with other terms of this Contract.

XVIII Transfer

18.1 Transfer by the Borrowers

Borrowers shall not transfer all or any of their rights or obligations under this Contract.

18.2 Transfer by the Lenders

1. Any Lender (the "Transferer") that intends to transfer all or any of its rights and / or obligations under this Contract to one or more financial institutions (the "Transferee") shall give prior notice ("Transfer Notice") to the Borrower and Agent at least sixty (60) business days in advance.

2. Notwithstanding the above provisions, if the national statutes and regulations or regulatory authorities have other provisions on syndicated loans, the Lenders shall abide by such provisions when making the transfer.

18.3 Entry into Force of Transfer

The transfer made by the Lenders in accordance with Article 18.2 (*Transfer by the Lenders*) shall take effect on the Transfer Date recorded on the transfer certificate after the Transferer, the Transferee and the Agent have executed the transfer certificate fully completed in accordance with the form and content of Exhibit III (*Form of Transfer Certificate*) to this contract. The Agent shall not refuse or delay the signing of the transfer certificate.

18.4 Binding Force of Transfer

Any transfer made and completed in accordance with Article 18 (*Transfer*) hereof shall be binding on the parties to this contract.

18.5 Consequences of Transfer

As of the effective date of the transfer, the Transferee shall formally become a Lender, within the scope of the subject matter of the transfer specified in the transfer certificate:

1. The Transferer shall no longer enjoy and assume all rights and obligations relating to the subject matter of the transfer under this contract; and

2. The Transferee shall enjoy and assume all rights and obligations relating to the subject matter of the transfer under this contract.

18.6 Exemption of the Transferer

The Transferer shall not bear any responsibility to the Transferee for any of the following matters:

1. the valid signature, authenticity, accuracy, completeness, legality, validity or enforceability of this contract or any other document relating to this contract;

2. whether the payables under this contract can be received; and

3. The truthfulness, accuracy and completeness of the factual representations made by any other party in this contract or to any person in respect of this contract.

18.7 Further Exemption of the Transferer

The Transferer shall be under no obligation to:

1. repurchase from any Transferee any rights and obligations that the Transferer has transferred to the Transferee in accordance with Article 18.2 (*Transfer by the Lenders*).

2. compensate any loss suffered by the Transferee as a result of the failure of the Borrowers or any other Syndicate Member to perform any of its obligations under this contract.

18.8 Bookkeeping and Archiving

The Agent shall keep the list of the parties to this contract, be responsible for the transfer registration, record the previous transfers of syndicated loans, and promptly notify other parties to this contract after the transfer occurs.

18.9 Change Managing Bank

Any Lender may change its Managing Bank after notifying the Borrowers and the Agent at least five (5) Business Days in advance.

XIX. Relationship Between the Rights and Obligations of Syndicate Members

19.1 Independence of Obligations

The obligations of Syndicate Members under this contract are independent of each other. If any Syndicate Member fails to perform its obligations under this contract, it shall not affect or exempt any other Syndicate Member from performing its respective obligations under this contract. No Syndicate Member shall bear any responsibility for the obligations of any other Syndicate Member under this contract.

19.2 Independence of Rights

The rights of the Syndicate Member under this contract are independent of each other. Any debt incurred by either party under this contract to any Syndicate Member from time to time is a separate debt. Unless otherwise stipulated in this contract, each Syndicate Member shall be entitled with the right to exercise its rights under this contract separately. No Syndicate Member shall fail to perform any of its obligations under this contract on the grounds of independence of rights.

XX. Confidentiality Obligations

20.1 Scope of Confidentiality

The parties to this contract shall have an obligation to keep confidential any information marked as confidential provided to them by other parties in accordance with this contract. However, the parties shall be entitled with the right to the right to disclose such information under the following circumstances:

1. Such information is already known to the public (but not because of a breach of this Article by the Syndicate Member);

2. Such information is disclosed in any litigation, arbitration or administrative proceedings, judicial or administrative enforcement proceedings or other proceedings of a similar nature;

3. Such information is disclosed in accordance with the requirements of any statutes and regulations and within the scope required by such statutes and regulations;

4. Such information is disclosed in accordance with the listing and trading rules of the stock exchange where it is listed;

5. Such information is disclosed to any government, financial, tax or other administrative authority within limits required by such institutions;

6. Such information is disclosed to the disclosing party's directors, managers, employees or professional advisers (including but not limited to lawyers, auditors, etc.), provided that the disclosed party has undertaken to comply with the confidentiality obligations set out in this Article to the Syndicate Member;

7. Such information is disclosed within the permitted scope of Article 20.2 (*Other Disclosures*);

8. Such information is disclosed by each Syndicate Member to the relevant rating agencies in the loan debt securitisation transaction; and/or

9. Such information is disclosed with the consent of the confidential information provider.

20.2 Other Disclosures

Any Syndicate Member may disclose the following information to any person who may or has entered into any transfer or indirect sub-loan agreement under Article 18 (*Transfer*) with the Syndicate Member:

1. A copy of this Contract; and/or

2. any information that the Syndicate Member has obtained about the Borrowers, this contract and the transactions under this contract.

However, the disclosed party must, before receiving any such information, undertake to the Syndicate Member to comply with the confidentiality obligations set out in Article 20 (*Confidentiality Obligations*).

20.3 Replacement

The Articles 20.1 (*Scope of Confidentiality*) and 20.2 (*Other Disclosures*) hereof supersede any confidentiality undertaking made by any Syndicate Member with respect to the Borrowers, this contract and the transactions under this contract before becoming a party to this contract.

20.4 Information Collection

The Borrowers agree and irrevocably authorise the following: The Syndicate Member shall, on the premise that it does not violate the prohibitive provisions of the regulations on the *Administration of Credit Industry* and relevant statutes and regulations, and in accordance with the collection requirements of the basic financial credit information database established by the state, be entitled with the right to provide information about all contracts/agreements/commitments signed between the Borrowers and the Syndicate Member, including the performance information related to all the above-mentioned contracts/agreements/commitments, and the basic enterprise information and other information provided by the Borrowers, to the basic database of financial credit information established by the state for inquiry and use by units qualified for inquiry. Meanwhile, the Syndicate Member shall also be entitled with the right to inquire and use the credit information about the Borrowers that have been entered into the basic database of financial credit information established by the state. This authorisation covers all aspects of the necessary management of the business under this contract by the Syndicate Member before and after the signing of this contract, and the period of validity expires with the actual termination of this contract.

XXI. Amendment and Immunity

21.1 Application and Consent for Amendment or Immunity

1. After the Borrowers have submitted an application for amendment and immunity of the terms of this contract, the Agent shall review the written application submitted by the Borrowers and examine whether the Borrowers have provided the necessary information (such as cash flow forecasts and financial statements, etc.) for the decision-making of each Lender in accordance with the requirements stipulated in this contract. After receiving the above-mentioned documents, the Agent shall promptly notify each Lender to ask for a vote.

2. If any Lender proposes any amendment to the terms of this contract, it shall first notify the Agent, and after receiving the notice, the Agent shall promptly notify other Lenders to ask for a vote. If the voting matters put forward by the Lenders involve the Borrowers and any Guarantor, the Agent shall also send a copy of the notice to the Borrowers and the Guarantors, and negotiate with

the Borrowers to amend the terms of the contract on behalf of the syndicate in accordance with the relevant provisions of this contract.

3. For the amendment or immunity proposed by the Borrowers or any Lender, the Agent shall determine whether the matter requires the consent of the Majority Lenders or the consent of all Lenders in accordance with the relevant provisions of this contract. If there is no explicit agreement in this contract, or if there is a dispute between the Lenders and the Borrowers, the consent of all Lenders shall be required.

4. After receiving the application for amendment or immunity from the Borrowers or any Lender, the Agent shall complete the voting procedure in accordance with Article 16.7 (*Syndicate Meeting*) of this contract, and promptly notify each Lender, Borrower and relevant Guarantors of the final valid voting result.

21.2 Written Amendment

Any amendment to any of the provisions of this contract shall be made in writing and shall enter into force after it has been signed by the parties to this contract.

21.3 Consent of the Agent

Amendments to the terms relating to any of the following matters shall be subject to the consent of the Agent:

1. Article 8 (*Payment Provisions*), Article 16 (*Relationship Among the Syndicate Members*) or Article 21 (*Amendment and Immunity*) and/or

2. Amendment or waiver of any rights of the Agent under the Finance Documents or any other obligations of the Agent.

XXII. Notices

22.1 Through the Agent

All communications between the Borrowers and any Syndicate Member relating to this contract shall be carried out through the Agent.

22.2 Notification Mode

Any notice, request or other documents sent by either party to any other party shall be sent to the contact address or telex number or fax number or e-mail specified by the recipient at any time in writing and the contact person shall be indicated (if any). The initial contact address, telex number, fax number, e-mail and contact person (if any) specified by the parties shall be listed on the signature page of this contract.

Either party to this contract shall confirm that the contact information originally designated by the parties on the signature page of this contract or subsequently changed in accordance with this contract is the address for the service of the litigation

or arbitration documents involved in the dispute under this contract, and shall bear the legal consequences arising therefrom.

22.3 Service of Notices

Any communication between the parties to this contract shall be deemed to have been received by the recipient if the following conditions are satisfied:

1. At the time of actual delivery if delivered by a special person;

2. Upon completion of the transmission and receipt of the correct reply number or fax report if transmitted by telex or fax;

3. Upon receipt of clear text if sent by e-mail;

4. Five (5) Business Days after the letter is sent to the above notice address or after the letter is delivered to the post office in a fully postage-paid envelope with the above notice address if mailed by letter;

5. If the above address expressly indicates that the notices should be served on that department or staff member, the notices shall be served on that department or staff member.

Notwithstanding the foregoing provisions of this Article, any communication or document made or delivered in accordance with this Article shall be deemed to be effective on the next Business Day if it is received after 17:00 (Beijing time) on the day of receipt at the place where the communication or document is received.

22.4 Address Change

Any party to this contract shall notify the Agent of such changes promptly when changing the contact address, telex number, fax number and e-mail. Upon receipt of such notice of change, the Agent shall immediately notify the other parties to this contract.

22.5 Language of Notices

The notices under this contract shall be made in Chinese.

XXIII. Proof of Debts

Any Syndicate Member shall, in accordance with its business practices, record in its account books the accounts and records relating to this contract. If there is no apparent error, the Borrowers' debt to the Syndicate Member under this contract shall be subject to the records in the accounting vouchers issued by the Syndicate Member in accordance with its business practices.

XXIV. Accumulation of Rights and Independence of Terms

24.1 Accumulation of Rights

The failure or delay of any Syndicate Member to exercise any of its rights under this contract shall not be deemed to be a waiver of such rights. The individual or partial exercise of any such rights by any Syndicate Member shall not preclude the subsequent or further exercise of such rights or any other rights by such Syndicate Member. The rights and remedies stipulated in this contract are cumulative, and any other rights or remedies conferred on any Syndicate Member by statutes and regulations shall not be excluded.

24.2 Independence of Terms

If any provision of this contract becomes illegal, invalid or unenforceable at any time, the legality, validity or enforceability of the other provisions of this contract shall not be affected or derogated.

XXV. Contract Text

25.1 Language

This contract shall be drafted and executed in Chinese.

25.2 Original

The original of this contract shall be in sixteen (16) copies, of which the Agent and the Security Agent shall hold eight (8) copies, other Syndicate Members and Borrowers each shall hold two (2) copies, and two (2) copies shall be used for registration. Each copy shall be equally authentic.

XXVI. Applicable Law and Dispute Resolution

26.1 Applicable Law

This contract shall be governed by and construed in accordance with Chinese law.

26.2 Dispute Resolution

Any dispute arising out of or in connection with this contract shall be settled amicably through negotiation by all parties within thirty (30) Business Days after receipt of written notice from any other party. If no agreement can be reached within that time limit, either party shall be entitled with the right to choose to refer the dispute to the people's court of the place where the Lead Manager is registered for settlement through litigation.

26.3 Waiver of Immunities

The Borrowers hereby irrevocably waives immunity from any action or judicial proceedings enjoyed or may be enjoyed by the Borrowers or their assets in any jurisdiction.

XXVII. Entry into Force

This contract shall take effect from the date on which the legal representative / responsible person or authorised signatures of each party signs and affixes the company seal or the special seal of the contract ("Effective Date").

Exhibit I Initial Commitments of Lenders

Initial Lenders	Initial Commitment
Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch (上海浦东发展银行股份有限公司镇江分行)	RMB 900,000,000
China Merchants Bank Co., Ltd., Zhenjiang Branch (招商银行股份有限公司镇江分行)	RMB 450,000,000
China Minsheng Banking Corp., Ltd Shanghai Pilot Free Trade Zone Branch (中国民生银行股份有限公司上海自贸试验区分行)	RMB 450,000,000

Borrowers

TAL Education Technology (Jiangsu) Co., Ltd.

Address: [***]

Telephone: [***]

Contact: [***]

Legal Representative (or Authorized Signatory)

/s/ Authorized Signatory

Name:

Position:

/stamp/

Official Seal/Contract Seal

Borrower

Beijing Xueersi Education Technology Co., Ltd.

Address: [***]

Telephone: [***]

Contact: [***]

Legal Representative (or Authorized Signatory)

/s/ Authorized Signatory

Name:

Position:

/stamp/

Official Seal/Contract Seal

Lead Manager

Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch

Address: [***]

Postcode: [***]

Telephone: [***]

Facsmile: [***]

Contact: [***]

Email: [***]

Legal Representative (or Authorized Signatory)

/s/ Authorized Signatory

Name:

Position:

/stamp/

Official Seal/Contract Seal

Agent

Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch

Address: [***]

Postcode: [***]

Telephone: [***]

Facsmile: [***]

Contact: [***]

Email: [***]

Legal Representative (or Authorized Signatory)

/s/ Authorized Signatory

Name:

Position:

/stamp/

Official Seal/Contract Seal

Security Agent

Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch

Address: [***]

Postcode: [***]

Telephone: [***]

Facsmile: [***]

Contact: [***]

Email: [***]

Legal Representative (or Authorized Signatory)

/s/ Authorized Signatory

Name:

Position:

/stamp/

Official Seal/Contract Seal

Lender

Shanghai Pudong Development Bank Co., Ltd., Zhenjiang Branch

Address: [***]

Postcode: [***]

Telephone: [***]

Facsmile: [***]

Contact: [***]

Email: [***]

Legal Representative (or Authorized Signatory)

/s/ Authorized Signatory /stamp/

Name: Official Seal/Contract Seal

Position:

Lender

China Merchants Bank, Zhenjiang Branch

Address: [***]

Postcode: [***]

Telephone: [***]

Facsmile: [***]

Contact: [***]

Email: [***]

Legal Representative (or Authorized Signatory)

/s/ Authorized Signatory

Name:

Position:

/stamp/

Official Seal/Contract Seal

Lender

China Minsheng Banking Corp, Shanghai Pilot Free Trade Zone Branch

Address: [***]

Postcode: [***]

Telephone: [***]

Facsmile: [***]

Contact: [***]

Email: [***]

Legal Representative (or Authorized Signatory)

/s/ Authorized Signatory

Name:

Position:

/stamp/

Official Seal/Contract Seal

Exhibit 4.35

THE SYMBOL "[***]" DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED

Contract No. : **[***]**

Procurement Construction Contract of TAL Changping Education Park Project

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Project Owner: Shidai TAL Education Technology (Beijing) Co., Ltd. (时代好未来教育科技(北京)有限公司)

Contractor: Beijing Construction Engineering Group Co., Ltd. (北京建工集团有限责任公司)

Date: _____, 2019

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Part I Contract Agreement

Contract Agreement

Project Owner (Full Name): Shidai TAL Education Technology (Beijing) Co., Ltd. (时代好未来教育科技(北京)有限公司)

Contractor (Full Name): Beijing Construction Engineering Group Co., Ltd. (北京建工集团有限责任公司)

The parties hereby, in accordance with the provisions of *Contract Law of the People's Republic of China*, *Construction Law of the People's Republic of China* and other relevant laws, administrative regulations and normative documents comply with the principles of equality, free will, fairness and honesty, mutually agree upon the Procurement Construction of TAL Changping Education Park Project and reach the following agreement.

I. Project overview

Project name: TAL Changping Education Park Project

Project name on the Construction Planning Permit: Comprehensive Commercial and Financial Service Project (for Commercial Use and Business Office) on QLQ-004 Plot in Qiliqu Nanbei Village, Shahe Town, Changping District

Project location: QLQ-004 Plot in Qiliqu Nanbei Village, Shahe Town, Changping District

Project scale: area for land use: 28622.32 m^2, total building area: 127780 m^2 (of which approximately 71556 m^2 is above ground, and 56220 m^2 is underground), 3 floors underground, 9 floors above ground and 45 meters high in maximum. All of the above data are subject to the construction drawings and data indicated on the construction permit.

Project contents: Including but not limited to foundation pit support, water stop and precipitation, the basement foundation project, civil air defence projects, reinforced concrete structuring project, steel structuring project, masonry structuring project, waterproof project, thermal insulation project, building roof project, curtain wall project, floodlighting project, elevator project, interior fine decoration project, basement decoration (garage and machine room), electrical project, water supply and drainage project, ventilation and air conditioning project, weak electrical project, fire protection project, emergency power supply project, external power supply project, transformer and power distribution project, gas project, landscaping project (including house garden) and landscape lighting project (within the scope of garden landscape), charging pile project, outdoor pipelines project within the boundary line, roads built jointly by the north and other related projects.

Project approval No.: Jing Fa Gai (Approval) [2019] No.120

Source of fund: self-raised funds of enterprises

II. Procurement construction scope

Scope of contracting:

(1) The part constructed by the Contractor: including but not limited to foundation pit support, water stop and precipitation, the basement foundation project, civil air defence projects, reinforced concrete structuring project, steel structuring project, masonry structuring project, waterproof project, thermal insulation project, building roof project, projects of doors and windows, interior initial decoration project, basement decoration (garage and machine room), electrical project, elevator installation project, water supply and drainage project, ventilation and air conditioning project, fire protection project, emergency power supply project, transformer and power distribution project, outdoor pipelines project within the boundary line, roads built jointly by the north and other related projects;

(2) The part for professional subcontracting: including external power supply projects, weak electrical project, gas project, curtain wall project, floodlighting project, interior fine decoration project, charging pile project, landscaping project and garden lighting project.

The supply of materials and equipment, construction and installation, inspection and detection, experimental testing, commissioning, acceptance, record-filing, cleaning, training, warranty, completion data preparation and handover (including as-completed drawings), project handover to the Project Owner or the third party designated by the Project Owner, cooperation, coordination, management, service, etc. for all the above projects, as well as cooperation, coordination, management, service, etc. for Professional Subcontractors and Independent Contractors and other work not listed but necessary for the completion of the project.

See Chapter V "Technical Standards and Requirements" for details.

III. Contract term

Planned commencement date: November 15, 2019 (Provisional)

Planned completion date: March 31, 2022 (Provisional)

The total calendar days of the time limit for the Project are 867 days, and the commencement date shall be consistent with Article 11.1.1 hereof.

Milestone node requirements (requirements for each node):

(1) Completion date of the main basement structure: August 30, 2020

(2) Completion date of the main structure above-ground : January 15, 2021

(3) Completion date of curtain wall project: July 30, 2021

(4) Date of ready-for-acceptance: March 6, 2022

IV. Quality standards

Project quality standard: Qualified

V. Award requirements

Required to have: ① Beijing Model Construction Site of Green Construction;

② Gold Award for Beijing Construction Great Wall Cup (including structure) ;

③ Gold Award for China Construction Engineering Steel Structure Prize;

④ Two-star Green Building (GB/ T 50378-2019 Green Building Evaluation Standard)

⑤ AAA-level safe, civilized, standardized and honest construction site

⑥ National Quality Engineering Award

VI. Form of Contract

This Contract shall be made in the form of **fixed comprehensive unit prices**.

VII. Contract price

Amount (in words): nine hundred and twenty million, and two hundred and four thousand, eight hundred and five yuan and three cents (RMB)

(in figures) ¥: 920,204,805.03

Of which: fees for safe and civilized construction: ¥ 38,521,476.71

Fees for construction waste transportation and disposal: ¥ 1,938,523.04

Provisional sum (excluding tax): ¥: 0.00

Provisional estimate of professional engineering (excluding tax) ¥ 298,889,908.00

Of which: the Contract amount excluding the value-added tax (VAT) is ¥ 844,224,591.77, the VAT rate is [9]%, and the VAT amount is ¥ 75,980,213.26.

The above VAT rate and VAT amount are provisional. If the VAT rate applicable to the Contract according to the law is adjusted due to the change of national tax policy during the process of actual payment, for the unpaid part, the value-added tax amount will be determined according to the adjusted tax rate, but the contract amount excluding the value-added tax shall not be affected. For the avoidance of doubt, the Contractor confirms that all taxes (excluding VAT) related to this Contract have been included in the contract amount excluding VAT and shall be borne by the contractor. For the contract amount excluding VAT, no adjustment will be made due to the change of tax (fee) type, tax (fee) rate, tax (fee) base and other factors. If the increase of tax

(excluding VAT) is caused by the change of national tax policy, the Contractor shall bear such expenses.

Tax information is as follows:

The information about Project Owner

Name: Shidai TAL Education Technology (Beijing) Co., Ltd (时代好未来教育科技(北京)有限公司)

Taxpayer Identification Number: **[***]**

Address: 801, Unit 3, Wing 2, Yard No. 42, Qibei Road, Beiqijia Town, Changping District, Beijing

Tel: **[***]**

Account-opening bank and the account number: **[***]**

Reference:

Project name: Comprehensive Commercial and Financial Service Project (for Commercial Use and Business Office) on QLQ-004 Plot in Qiliqu Nanbei Village, Shahe Town, Changping District

Address: Qiliqu Nanbei Village, Shahe Town, Changping District

Information about the Contractor

Name: Beijing Construction Engineering Group Co., Ltd. (北京建工集团有限责任公司)

Taxpayer Identification Number: **[***]**

Address: No.1 Guanglian Road, Xicheng District, Beijing

Tel: **[***]**

Account-opening bank and the account number: **[***]**

VIII. Contractor's project manager

Name: **[***]**; Title: Senior Engineer;

ID Card No.: **[***]**; Constructor Qualification Certificate No.: **[***]**;

Registered Constructor Certificate No.: **[***]**.

Constructor Qualification Seal No.: **[***]**.

Safety Production Approval Certificate No.: Jing Jian An B (2004) 0034098, Supplement 1.

IX. Composition of Contract Documents

See Article 1.4 of Special Terms and Conditions of the Contract for composition and priority of interpretation of Contract Documents.

X. In this Agreement, relevant words and expressions shall have the same meanings as are respectively assigned to them in the terms and conditions of Contract referred to.

XI. The contractor shall undertake to carry out construction, completion and delivery following the Contract and undertake the warranty liability for quality defects.

XII. The Project Owner shall undertake to pay the Contract price to the contractor following the terms and conditions, time limit and method stipulated in the Contract.

XIII. This agreement, together with other Contract Documents, shall be made in duplicate, with each party holding one copy; the copies shall be made in quintuplicate, with each party holding two copies, one of which shall be kept when the Contract is submitted to the construction administrative department for record-filing.

XIV. Other matters not covered hereof shall be made into supplementary agreements by the parties separately. The supplementary agreement is an integral part of the Contract Documents.

Project Owner: (company seal)		Contractor:(company seal)	
Legal Representative or		Legal Representative or	
Authorized Agent:	/s/ Authorized Signatory	Authorized Agent:	/s/ Authorized Signatory
Date_____		Date_____	

Signed in: _____

Part II Notification of Award and Bidder Commitment Letter

Part III General Terms and Conditions of the Contract

1. General Provisions

1.1 Definitions

The following expressions in the General Terms and Conditions of the Contract, Special Terms and Conditions of the Contract shall have the meaning ascribed to them in this article.

1.1.1 Contract

1.1.1.1 Contract Documents(or Contract): Contract Agreement, Bid-winning Notice, Bid Letter and Schedule to Bid Letter, Special Terms and Conditions of the Contract, General Terms and Conditions of the Contract, technical standards and requirements, drawings, Priced Bill of Quantities and other Contract Documents.

1.1.1.2 Contract Agreement: Contract Agreement mentioned in Article 1.5.

1.1.1.3 Bid-winning Notice: means the letter from the Project Owner notifying the Contractor of being selected.

1.1.1.4 Bid Letter: means the Bid Letter that constitutes a part of the Contract Documents and is completed and signed by the Contractor.

1.1.1.5 Schedule to the Bid Letter: means Schedule to the Bid Letter that constitutes the Contract Documents and is attached to the Bid Letter.

1.1.1.6 Contact Terms: General Terms and Conditions of the Contact and Special Terms and Conditions of the Contract that constitute part of Contract Documents.

1.1.1.7 Technical Standards and Requirements: document titled as technical standards and requirements that constitute a part of the Contract Documents, including the agreements between the Parties and the amendment or supplement thereto.

1.1.1.8 Drawing: engineering drawing included in the contract and any supplementary and revised drawings provided by the Project Owner as provided herein, including supportive explanations.

1.1.1.9 Priced Bill of Quantities: means the Bill of Quantities that constitutes the Contract Documents and is completed and indicated price by the Contractor according to the required form and requirements.

1.1.1.10 Other Contract Documents: other Documents confirmed by both parties to form part of the Contract Document.

1.1.2 Contract parties and personnel

1.1.2.1 Parties to the Contract: means the Project Owner and/or the Contractor.

1.1.2.2 Project Owner: the party stipulated in the Contract Agreement as having the qualification as engineering project owner and undertaking to pay the project price to the Contractor on the conditions, within the term and in the manner agreed in the contract and legitimate successor to the qualification of such party. The name of Project Owner is specified in the **Special Terms and Conditions of the Contract**.

1.1.2.3 Contractor: the party stipulated in the Contract Agreement as qualifying a contractor of an engineering project and undertaking to construct, complete, deliver the project as provided herein and undertaking warranty liability for quality defect and legitimate successor to the qualification of such party. The name of the Contractor is specified in the **Special Terms and Conditions of the Contract**.

1.1.2.4 The Project Manager of the Contractor: person in full charge as designated by the Contractor to work on the construction site.

1.1.2.5 Subcontractor: the subcontractor which subcontracts a part of works under the contract from the Contractor and concludes a the subcontracting contract with the Contractor.

1.1.2.6 Supervisor: the legal person or other organization entrusted by the Project Owner to manage the performance of the Contract. The name of the Supervisor is specified in the **Special Terms and Conditions of the Contract**.

1.1.2.7 Chief Supervisory Engineer: the person in full charge as designated by the Supervisor to work on the construction site and manage the performance of the Contract.

1.1.2.8 Project Owner's Representative: the person in full charge as designated by the Project Owner to work on the construction site. Relevant information of Project Owner's Representative is specified in the Special Terms and Conditions of the Contract.

1.1.2.9 Professional Subcontractor: the subcontractor selected by the Project Owner and the Contractor by bidding in accordance with the provisions of Article 15.8.1 of the Contract.

1.1.2.10 Special Supplier: the supplier selected by the Project Owner and the Contractor by bidding in accordance with the provisions of Article 15.8.1 of the Contract.

1.1.2.11 Independent Contractor: means any party who directly executes the construction contracting contract with the Project Owner and is responsible for the other work in relation to the project.

1.1.3 Works and equipment

1.1.3.1 Works: means the Permanent Work and/or Temporary Work.

1.1.3.2 Permanent Work: means the works constructed, completed and handed over to the Project Owner according to the Contract, including engineering equipment. The provisions on Permanent Work are in the Special Terms and Conditions of the Contract.

1.1.3.3 Temporary Work: means various temporary works constructed for completing the Permanent Work as agreed in the Contract, excluding engineering equipment. The provisions on Temporary Work are in the Special Terms and Conditions of the Contract.

1.1.3.4 Unit Work: means the part of Permanent Work which has relatively independent design document, can be constructed and used separately.

1.1.3.5 Engineering Equipment: means the M&E equipment, metal structure and equipment, instruments and other similar equipment and devices that constitute or are intended to constitute a part of the Permanent Work.

1.1.3.6 Construction Equipment: means all equipment, instruments and other articles required for completing each work specified in the Contract, excluding Temporary Work and materials.

1.1.3.7 Temporary Facility: means temporary production and living facilities for completing various tasks agreed in the Contract.

1.1.3.8 Equipment of the Contractor: the Construction Equipment supplied by the Contractor

1.1.3.9 Construction Site(or site): means the site for construction of the project specified herein, and other places specified in the Contract as part of the construction sites, including Permanent Land Occupation and Temporary Land Occupation.

1.1.3.10 Permanent Land Occupation: means the land for permanent occupation for the project specified herein. The provisions on Permanent Land Occupation are in the **Special Terms and Conditions of the Contract**.

1.1.3.11 Temporary Land Occupation: means the land for temporary occupation for the project specified herein. The provisions on Temporary Land Occupation are in the **Special Terms and Conditions of the Contract**.

1.1.3.12 Materials mean all types of items (other than Engineering Equipment) that form or to form part of the Permanent Works, including materials, if any, to be supplied by the Contractor under the Contract.

1.1.4 Date

1.1.4.1 Commencement Notice: the letter from the Supervisor as provided in Article 11.1 to notify the Contractor to commence construction.

1.1.4.2 The Commencement Date shall be the Commencement Date specified in the Commencement Notice issued by the Supervisor as provided in Article 11.1.

1.1.4.3 Term: the period required for completion of contract project as undertaken by the Contractor in the Bid Letter, including the change made according to Article 11.3, 11.4 and 11.6.

1.1.4.4 Completion Date: the date when the term expires as provided in Article 1.1.4.3. Actual Completion Date shall be the date specified in the project acceptance certificate.

1.1.4.5 Defects Liability Term: the period during which the defects liability provided in Article 19.2 shall be performed, including the extension provided in Article 19.3. The specific term of Defects Liability Term is specified in the **Special Terms and Conditions of the Contract**.

1.1.4.6 Base Date means the date 28 days before the deadline for submission of the bid.

1.1.4.7 Day: unless specially indicated, means calendar day. If a period is calculated by day in the Contract, the period shall be calculated from the following day instead of the starting date. The last day of such period shall end on 24:00 of that day.

1.1.4.8 Warranty Period: the period specified in Article 19.7 in the Contract during which the Contractor shall perform warranty obligation concerning the quality issues within the warranty scope as specified herein and undertake the liability for compensation against the loss caused therefrom according to relevant currently effective laws.

1.1.5 Contract prices and costs

1.1.5.1 Contract Price: total contract amount as specified in the Contract Agreement when executing a contract, including Provisional Sum and Provisional Valuation.

1.1.5.2 Actual Price: the amount payable from the Project Owner to the Contractor after the Contractor completes all contracted works including the Defects Liability Term as specified herein, including the changes and adjustments made as provided herein during contract performance.

1.1.5.3 Expenses: means all reasonable expenses incurred or to be incurred for the performance of the Contract, including management fees and other costs to be allocated, but excluding profits.

1.1.5.4 Provisional Sum: Provisional Sum specified in the Priced Bill of Quantities which is the amount for construction not confirmed or unforeseeable at the

time of contract execution and the materials, Engineering Equipment and Services required therefor, including the amount paid in the way of Day-wage Work.

1.1.5.5 Provisional Valuation: means the amount provided by the Project Owner in the Bill of Quantities for payment for the materials and Engineering Equipment and the professional works, which must occur but the price of which may not determine temporarily.

1.1.5.6 Day-wage Work: a method of pricing odd jobs and the price of Day-wage Work shall be calculated and paid according to the specific item of Day-wage Work in the Contract.

1.1.5.7 Quality Deposit (or retention money): means the amount agreed in Article 17.4.1 as the security for guarantee performance of the obligation to repair the defects during the Defects Liability Term.

1.1.6 Written Form

Written form: means the form carrying information in a tangible way, such as a Contract Document, a letter, a telegram and fax.

1.1.7 Dispute review board

Dispute review board: means independent and just third party temporary organization formed by persons jointly engaged by the Project Owner and the Contractor, generally composed of one or three experts on contract management and/or project management. The dispute review board is responsible for reviewing the dispute submitted by the Project Owner and/or the Contractor for reviewing hereunder and providing review opinions within a specified time limit. If neither party raises an objection against the review opinions within a specified time limit, such opinions shall be finally binding upon both parties. The Project Owner and the Contractor shall respectively execute engagement agreement with engaged dispute review expert to agree on the scope of dispute to be reviewed, force and effect of review opinions and other necessary matters.

1.1.8 Other contents that needed to be supplemented shall be specified in **Special Terms and Conditions of the Contract**.

1.2 Language

Except for special terms, the language used herein shall be Chinese. When necessary, the special terms shall have Chinese notes.

1.3 Laws

Laws applicable to the Contract means the PRC laws, administrative regulations and department rules, and the local regulations, autonomous regulations, separate regulations and local government rules at the place where the project is located.

1.4 Order of precedence of the Contract Documents

The documents constituting the Contract shall serve as mutual interpretation. Unless otherwise specified in the Special Terms and Conditions of the Contract, the priority in the interpretation of the Contract Documents are as follows:

(1) Contract Agreement;

(2) Bid-winning Notice;

(3) Bid Letter and Schedule to Bid Letter;

(4) Special Terms and Conditions of the Contract;

(5) General Terms and Conditions of the Contract;

(6) Technical Standards and Requirements;

(7) Drawings;

(8) Priced Bill of Quantities;

(9) other Contract Documents.

Note: If there is any conflict or discrepancy between the drawings and the technical standards and requirements, the stricter standards shall prevail.

Any Supplementary Agreement signed by the Parties during contract performance which does not violate material contents of the Contract shall also be an integral part of the Contract Documents, and the order of precedence thereof shall be determined according to its content and relationship with other Contract Document.

1.5 Contract Agreement

means the document jointly executed by the Project Owner and the Contractor to specify the contractual relationship between the parties. The Contract Agreement executed by the Contractor and the Project Owner at the time specified in the Bid-winning Notice shall become effective after the legal representative or its authorized agent of Project Owner and Contractor sign and affix common stamp on the Contract Agreement, unless otherwise provided in laws or Special Terms and Conditions of the Contract. The conditions for the contract to become effective are specified in the Special Terms and Conditions of the Contract.

1.6 Drawings and Contractor's documents

1.6.1 Provision of drawings

(1) The Project Owner shall provide drawings to the Contractor as provided in the Contract. If the Project Owner fails to provide drawings timely and causes a delay in the term, Article 11.3 shall be implemented. If the Contractor needs to increase the number of copies of drawings, the Project Owner shall duplicate on its behalf at the expense of the Contractor.

(2) Regarding the contract schedule formulated according to Article 10.1 of Special Terms and Conditions of the Contract or contract schedule revised according to Article 10.2 of Special Terms and Conditions of the Contract, within 7 days upon approval from the Supervisor, the Contractor shall prepare or revise the drawing supply plan and submit the same to the Supervisor according to the contract schedule or revised contract schedule and time limit to provide drawings and number of drawings specified in this article. The drawing supply plan shall specify the latest date on which the latest version of drawings (including the revision drawing as provided in Article 1.6.3) shall be requested by the Contractor and the Supervisor shall reply or propose for revision within 7 days after receiving the drawing supply plan, otherwise the drawing supply plan shall be deemed to have been approved.

(3) The latest drawing supply plan approved by the Supervisor shall be binding upon both parties and shall be a major basis of providing drawings to the Contractor by the Project Owner or Supervisor. Where the Project Owner or Supervisor fails to provide drawings as agreed in the drawing supply plan, increasing Expenses of the Contractor and/or the delay of term, the Project Owner shall assume the compensation liability.

(4) If the Contractor fails to submit drawing supply plan at the time agreed resulting in a failure in providing corresponding drawings by the Project Owner or the Supervisor within the specified time limit or failure in organizing construction by the Contractor according to drawing supply plan, the increase of Expense and/or delay in term shall be undertaken by the Contractor.

(5) Time limit, number and other provisions on the provision of drawings by the Project Owner are specified in the **Special Terms and Conditions of the Contract**.

1.6.2 Documents to be provided by the Contractor

(1) The documents to be provided by the Contractor include detail drawing and processing drawing of part of the project and the Contractor shall submit the same to the Supervisor based on the agreed scope, numbers and time limit and the Supervisor shall reply within the agreed time limit. The scope, number, time limit of

document provision by the Contractor and time limit of reply from the Supervisor and other provisions are provided in the **Special Terms and Conditions of the Contract**.

(2) In addition to design documents to be provided by the Contractor as provided in Article 4.1.10, the documents to be provided by the Contractor as provided in this article, including required processing drawing and detail drawing shall not be deemed as the basis of calculation and payment hereunder.

1.6.3 Modification of drawings

Where the drawings are required for modification and supplementation, the Supervisor shall sign and issue the modified drawings to the Contractor according to the binding drawing supply plan as agreed in Article 1.6.1 (2) of the Contract. The Contractor shall construct according to the modified drawings.

1.6.4 Errors in the drawings

If the Contractor finds manifest error or omission in the drawings provided by the Project Owner, it shall timely notify the Supervisor.

1.6.5 Keeping of Drawings and Contractor's documents

The Supervisor and the Contractor shall both keep a complete set of drawings and documents of the Contractor including the contents specified in Article 1.6.1, 1.6.2 and 1.6.3 on the construction site.

1.7 Contact

1.7.1 Any Notice, Approval, certification, certificate, instruction, requirement, request, consent, opinion, determination and decision in relation to the Contract shall be made in writing.

1.7.2 Any Notice, Approval, certification, certificate, instruction, requirement, request, consent, opinion, determination, decision and correspondence as provided in Article 1.7.1 shall be made in writing and delivered to the designated recipient at the designated place and complete the formalities of signing to acknowledge receipt.

(1) Period for delivering correspondence: if the period is specified in the Contract, the period for delivering correspondence shall be within 24 hours after the correspondence is sent; if the period for delivering Notice, providing or submitting document is specified in the Contract, such period shall be period for delivering the same.

(2) The recipient designated by the Project Owner and place designated for receiving correspondence is specified in the **Special Terms and Conditions of the Contract**.

(3) The recipient designated by the Supervisor and place designated for receiving correspondence is specified in the **Special Terms and Conditions of the Contract**.

(4) The recipient designated by the Contractor shall be the project manager or his/her authorized representative specified in the Contract Agreement. The Contractor shall notify the Supervisor within 7 days after receiving the Commencement Notice of the name and scope of authority of the project manager who is authorized to represent it to receive correspondence as provided in Article 4.5.4 herein. Unless otherwise stipulated herein, the office of construction site management body of the Contractor shall be the place designated by the Contractor for receiving correspondence.

(5) In case of a change in recipient or place for receiving correspondence designated by either the Project Owner (including the Supervisor) or the Contractor, it shall notify the other party in writing at least one working day before the actual change. The Project Owner (including Supervisor) and the Contractor shall ensure the recipients respectively designated by them will work at the designated place for receiving correspondence within statutory working hours and/or working hours provided herein. If the designated recipients leave the office and fail to receive correspondence, it shall be deemed as a refusal to sign to acknowledge receipt of correspondence.

(6) Either the Project Owner (including the Supervisor) or the Contractor shall timely sign to acknowledge receipt of the correspondence sent by the other party to designated place; failing which, the party delivering the correspondence may deliver with registered mail or notarization and direct and indirect increase of Expenses incurred therefrom (including the Expense incurred due to forced delivery in a special way) and/or delayed term shall be undertaken by the party refusing to sign to acknowledge receipt.

1.8 Assignment

Unless otherwise agreed herein, without consent from the other party, neither party shall transfer all or part of the rights hereunder to the third party or transfer all or part of obligations hereunder.

1.9 Prohibition of bribery

The parties shall not seek improper benefits or damage the interests of the other party in the way of bribery or disguised bribery. In case of loss caused by bribery, the offender shall compensate for the loss and undertake corresponding legal liability.

1.10 Fossils and cultural relics

1.10.1 All cultural relics, monuments and other relics, fossils, coins or articles of geological research or archaeological value excavated at the construction site shall belong to the state. Once such cultural relics are found, the Contractor shall take reasonable and effective protective measures to prevent any person from moving or damaging such articles, immediately report to the local cultural relic administrative authority and notify the Supervisor. The Project Owner, the Supervisor and the Contractor shall take proper protective measures as required by the cultural relic administrative authority, and the liability for Expenses increased and/or the term delayed shall be borne by the Project Owner.

1.10.2 Where the Contractor fails to report or conceal any cultural relics after it finds the same, resulting in loss or damage of such cultural relics, the Contractor shall compensate for the losses and bear the corresponding legal liability.

1.11 Patent technology

1.11.1 The Contractor shall be liable to the infringement on the patent right or other intellectual property rights during the use of any materials, equipment of Contractor, Engineering Equipment or the application of construction processes unless the infringement is caused by conformity with the design or technical standards and requirements provided by the Project Owner.

1.11.2 If the Contractor uses patent technology in Tender Documents, the usage fee of patent technology shall be included in the bid Quotation.

1.11.3 The trade secret of the Contractor and materials and information expressly specified by it to be confidential shall not be disclosed by the Project Owner or the Supervisor to others for a purpose other than this Contract.

1.12 Confidentiality of drawings and documents

1.12.1 Without consent from the Project Owner, the Contractor shall not disclose the drawings and documents provided by the Project Owner or publicly publish and quote for purposes other than this Contract.

1.12.2 Without consent from the Contractor, the Project Owner and the Supervisor shall not disclose the drawings and documents provided by the Contractor or publicly publish and quote for purposes other than this Contract.

2. Project Owner's Obligations

2.1 Compliance with laws

The Project Owner shall comply with the law in the performance of the Contract, and hold the Contractor harmless from any liability arising out of the Project Owner's violation of the law.

2.2 Issuance of the commencement notice

The Project Owner shall entrust the Supervisor to issue the commencement notice to the Contractor following Article 11.1.

2.3 Provision of the construction site

The Project Owner shall ensure that the construction site has construction conditions and is handed over the Contractor within the agreed time limit. Specific construction conditions are set out in Section 1 "General Requirements" of "Technical Standards and Requirements". The Project Owner shall provide the Contractor with materials relating to underground pipelines and underground facilities in the construction site no later than the time of handover of the construction site, and shall ensure that these materials are truthful, accurate and complete.

Refer to Special Terms and Conditions of the Contract for the time limit of the handover of the construction site by the Project Owner.

2.4 Assistance given to the Contractor for the application of certificates and approvals

The Project Owner shall assist the Contractor in obtaining relevant construction permits and approvals stipulated by law.

2.5 Organization of design disclosure

The Project Owner shall organize the Designer to conduct design disclosure to the Contractor according to the standard contract schedule.

The Project Owner shall, before the commencement date agreed in Article 11.1.1, organize the Designer to conduct overall design disclosure of the contract project (including joint review of drawings) for the Contractor. The Project Owner shall also organize and arrange phased project design disclosure (including joint review of drawings) according to the phased design disclosure time set out in the contract schedule. The Contractor shall submit a written application of adding design disclosure to the Project Owner via the Supervisor. The Project Owner shall organize such design disclosure as soon as possible as it deems necessary or when conditions permit.

2.6 Payment of contract price

The Project Owner shall promptly pay the contract price to the Contractor as provided under the Contract.

2.7 Completion acceptance

The Project Owner shall promptly organize completion acceptance as provided under the Contract.

2.8 Submittal of payment guarantee to the Contractor

(1) If the Project Owner requires the Contractor to provide performance guarantee, except as otherwise agreed in Special Terms and Conditions of the Contract, when the Contractor submits to the Project Owner the performance guarantee agreed in the Contract pursuant to Article 4.2 of the Contract, the Project Owner shall submit a payment guarantee to the Contractor according to the principle of matching between amount and condition and in a form stipulated in the Contract Documents or such other form as recognized by the Contractor in advance. Refer to **Appendix 6 to Special Terms and Conditions of the Contract** for the form of providing the payment guarantee by the Project Owner.

(2) The payment guarantee shall be valid from the effective date of this Contract to the date of actual completion payment by the Project Owner.

(3) If the Project Owner is unable to obtain the performance guarantee that does not have a specific deadline, the payment guarantee shall set forth "in the case of the change in the date of completion payment, the guarantee period will be adjusted accordingly based on the changed date of completion payment" or similar provisions.

(4) The payment guarantee shall be returned to the Project Owner within 28 days after the Project Owner pays off the completion payment; the Contractor shall not bear any interest or other similar costs or gains incurred by the Project Owner in connection with the payment guarantee.

2.9 Handling with project quality supervision procedures

The Project Owner shall promptly handle project quality supervision procedures as stipulated.

2.10 Environmental protection responsibility

The Project Owner shall take overall responsibility for the treatment of construction waste and construction dust.

2.11 Handover of project files

In accordance with the regulations of the competent construction administrative department or the urban construction archives administration agency, the Project Owner shall collect, sort, volume and file the project data, and shall deliver the required project files to the competent construction administrative department or the urban construction archives administration agency within the prescribed time.

2.12 Approval and confirmation

Where the Supervisor or the Project Owner shall make reply, approval, approval and confirmation as agreed in the Contract, or the Contractor proposes a requirement, request, application and approval on revision comments, as of the date when the recipient designated by the Supervisor or Project Owner receives the corresponding requirement, request, application and approval sent by the Contractor, if the Supervisor or Project Owner fails to make reply, approval, confirmation or proposes revision comments within the time limit agreed in the Contract, it shall be deemed that the Supervisor and the Project Owner have agreed, confirmed or approved.

2.13 Other obligations

Refer to **Special Terms and Conditions of the Contract** for other obligations that shall be performed by the Project Owner.

3. Supervisor

3.1 Supervisor's duties and powers

3.1.1 Entrusted by the Project Owner, the Supervisor has the power agreed in the Contract. The Supervisor shall obtain prior approval of the Project Owner before exercising certain powers. If no express provisions are set forth in the General Terms and Conditions of the Contract, such provisions shall be expressly provided in the Contract. Where the Supervisor performs the powers that shall be approved by the Project Owner before exercise, the Supervisor shall present to the Contractor the document proving that its exercise of such powers has been approved by the Project Owner or other legal and valid proofs. Refer to **Special Terms and Conditions of the Contract** for powers that shall be exercised only after approval of the Project Owner.

3.1.2 Any instruction issued by the Supervisor shall be deemed as the Project Owner's approval, provided that the Supervisor is not entitled to waive or modify rights, obligations and liabilities of the Project Owner and the Contractor as agreed in the Contract.

3.1.3 The obligations and liabilities that shall be assumed by the Contractor as agreed in the Contract shall not be reduced or released due to the Supervisor's examination or approval of documents submitted by the Contractor, inspection and verification of the project, materials and equipment, implementation of instructions given by the Supervisor and other duty behaviour.

3.2 Chief Supervisory Engineer

The Project Owner shall notify the Contractor of the appointment of the Chief Supervisory Engineer before issuance of the Commencement Notice. In the case of replacement of the Chief Supervisory Engineer, the Project Owner shall notify the Contractor 14 days in advance. If the Chief Supervisory Engineer leaves the construction site temporarily, he shall appoint a representative to perform his duties and notify the Contractor of the same.

3.3 Supervisory personnel

3.3.1 The Chief Supervisory Engineer may authorize other supervisory personnel to be responsible for implementing one or more supervisory work designated by him. The Chief Supervisory Engineer shall notify the Contractor of the

name of the authorized supervisory personnel and the authorization scope. The instructions issued by the authorized supervisory personnel within the authorization scope shall be deemed consent given by the Chief Supervisory Engineer, and have equal force with instructions issued by the Chief Supervisory Engineer. When the Chief Supervisory Engineer cancels certain authorization, he shall promptly notify the Contractor of the decision on cancellation of authorization.

3.3.2 In case that the supervisory personnel fails to express an adverse opinion on the Contractor's any work, project or materials and engineering equipment adopted within an agreed or reasonable period of time, they shall be deemed to have been approved, provided that the Supervisor's right to reject such work, project, materials and engineering equipment in future will be unaffected.

3.3.3 If the Contractor has any question about instructions given by supervisory personnel authorized by the Chief Supervisory Engineer, it may provide written objection to the Chief Supervisory Engineer who shall confirm, change or cancel such instruction within 48 hours.

3.3.4 The Chief Supervisory Engineer shall not authorise or delegate powers that shall be determined by the Chief Supervisory Engineer as provided under Article 3.5 of the General Terms and Conditions of the Contract to other supervisory personnel.

3.4 Supervisor's instructions

3.4.1 The Supervisor shall issue instructions to the Contractor as agreed in Article 3.1, and such instructions shall be affixed with

the construction site organization seal authorized by the Supervisor, and signed by the Chief Supervisory Engineer or supervisory personnel authorized by the Chief Supervisory Engineer as agreed in Article 3.3.1.

3.4.2 After receipt of the instructions issued by the Supervisor in accordance with Article 3.4.1, the Contractor shall follow such instructions. If such instructions constitute a change, the provisions of Article 15 shall apply.

3.4.3 In emergency cases, the Chief Supervisory Engineer or authorized supervisory personnel may issue temporary written instructions at the site, and the Contractor shall follow such instructions. The Contractor shall, within 24 hours after receipt of the above temporary written instructions, issue written confirmation letter to the Supervisor. If the Supervisor fails to reply within 24 hours after receipt of the written confirmation letter, such written confirmation letter shall be deemed as formal instruction of the Supervisor.

3.4.4 Unless otherwise agreed in the Contract, the Contractor may only obtain instructions from the Chief Supervisory Engineer or the supervisory personnel authorized under Article 3.3.1.

3.4.5 Where the Supervisor fails to issue instructions as agreed in the Contract, delays in issuing instructions or issues wrong instructions, resulting in the increase of Expenses of the Contractor and/or the delay of term, the Project Owner shall assume the compensation liability.

3.5 Negotiation or determination

3.5.1 Where the Chief Supervisory Engineer shall agree or determine any matter in accordance with this Article, the Chief Supervisory Engineer shall, in consultation with the parties to the Contract, reach an agreement as far as possible. If no agreement is reached, the Chief Supervisory Engineer shall prudently determine after careful study.

3.5.2 The Chief Supervisory Engineer shall notify the parties to the Contract of the agreed or determined matters, with a detailed basis. If the parties to the Contract have objections to the determination of the Chief Supervisory Engineer, constituting a dispute, the matter shall be handled in accordance with Article 24. Before the dispute is resolved, the parties shall temporarily perform according to the determination by the Chief Supervisory Engineer; if the determination of the Chief Supervisory Engineer shall be revised in accordance with Article 24, the revised results shall prevail.

3.6 Forbearance of the Supervisor

Forbearance by the Supervisor or the Project Owner of certain breach by the Contractor of any liability and obligation agreed in the Contract shall not affect the treatment by Supervisor and the Project Owner of other breaches of the Contractor at any time hereafter in strict accordance with the provisions of the Contract, or mean the waiver by the Project Owner of any of its rights and compensation claims relating to the above breach as agreed in the Contract.

4. Contractor

4.1 Contractor's general obligations

4.1.1 Compliance with the law. The Contractor shall comply with the law in the performance of the Contract, and hold the Project Owner harmless from any liability arising out of the Contractor's violation of the law.

4.1.2 Tax payment in accordance with the law. The Contractor shall pay taxes in accordance with the relevant laws, and payable taxes are included in the Actual Price. The Contractor shall pay taxes in accordance with the relevant laws, and payable taxes are included in the Actual Price.

4.1.3 Completion of the contracting work

(1) The Contractor shall, as agreed in the Contract and as instructed by the Supervisor in accordance with Article 3.4, implement and complete all works,and repair any defect in the works. Except for the materials and engineering equipment provided by the Project Owner as agreed in Article 5.2 and the construction equipment and temporary facilities provided by the Project Owner as agreed in Article 6.2, the Contractor shall be responsible for providing labour services, materials, construction equipment, engineering equipment and other items necessary for completing the contractual work, and shall be responsible for the design, construction, operation, maintenance, management and demolition of temporary facilities as agreed in the Contract.

(2) The Contractor shall also develop the accountability system for comprehensive treatment of construction dust, clearing and absorption of construction garbage, earth and gravel, prohibited use of high-emission non-road moving machinery and industrial treatment of volatile organic compounds (for example, for construction facade coating, steel structure, etc. replacement of oil paint with water paint is encouraged) compliance with laws and regulations, develop specific control mechanism and implementation plan, and strictly carry out such mechanism and plan.

4.1.4 Responsible for completeness of construction operations and construction methods

The Contractor shall prepare construction organization design and construction measure plan according to the job content and construction progress requirements provided by the Contract, and be liable for the completeness, safety and reliability of all construction operations and construction methods.

4.1.5 Ensure the safety of engineering construction and personnel

The Contractor shall take construction safety measures according to the provisions of Article 9.2 to ensure the safety of projects and their personnel,

materials, equipment and facilities, and prevent bodily injury and property loss caused by engineering construction.

4.1.6 Be responsible for the protection of the Construction Site and its surrounding environment and ecological protection

The Contractor shall be responsible for the protection of the Construction Site and its surrounding environment and ecological protection according to the provisions of Article 9.4.

4.1.7 Prevent the construction from damaging the interests of the public and others

The Contractor shall not prejudice the rights of the Project Owner and others to use public roads, water source, municipal pipe network and other public facilities in performing jobs as agreed under the Contract, avoiding interruptions caused to adjacent public facilities. If the Contractor occupies or uses others' construction site affecting others' operation or life, the Contractor shall assume the corresponding liability.

4.1.8 Provision of convenience to others

(1) The Contractor shall be obliged to manage, coordinate, cooperate, look after and serve Independent Contractor that performs other work relating to the contractural project at the construction site or the area near the construction site, and fees incurred thereby shall be deemed included in the Contract Price of the Contractor (total bidding quotation). For specific work contents and requirements, refer to **Special Terms and Conditions of the Contract**.

(2) The Contractor shall also provide possible conditions for persons other than the Independent Contractor to perform other work relating to contractural engineering at the construction site or the area near the construction site as instructed by the Supervisor, and any possible fee will be agreed or determined in accordance with Article 3.5 of the General Terms and Conditions of the Contract.

4.1.9 Maintenance and care of the project

Before issuance of the project acceptance certificate, the Contractor shall be responsible for the care and maintenance of the project. In the event of any uncompleted works at the time of issuance of the project acceptance certificate, the Contractor shall also be responsible for the care and maintenance of such uncompleted works until it is completed and handed over to the Project Owner.

4.1.10 Contractor's design work

As entrusted by the Project Owner and to the extent permitted by its design qualification grade and business, the Contractor shall complete the design of the

construction drawings or the supporting design of the project as agreed, which shall be confirmed by the Supervisor before use, and the costs and reasonable profit incurred thereby shall be borne by the Project Owner. The design documents that shall be completed by the Contractor will be provided by the Contractor as agreed in Article 1.6.2 in the Contract. The Contractor shall provide the documents as per the time limit and quantity agreed in Article 1.6.2 of the Special Terms and Conditions of the Contract, and fees incurred thereby shall be deemed included in the Contract Price of the Contractor (total bidding quotation). Refer to **Special Terms and Conditions of the Contract** for the design of the construction drawings or supporting design of the project to be responsible by the Contractor.

4.1.11 Deposit for wages of migrant workers

The Contractor shall set a special account of deposit for wages in a bank specially for paying wages of migrant workers in the case of back pay. The use of funds in the account shall be subject to the approval of the competent construction authority and the labour and social security authority.

4.1.12 Other obligations

Refer to **Special Terms and Conditions of the Contract** for other obligations that shall be performed by the Contractor.

4.2 performance guarantee

4.2.1 Form and amount of the performance guarantee

If the Contractor submits a performance guarantee as agreed in the Contract, the Contractor shall, prior to the execution of the Contract, submit a performance guarantee to the Project Owner in the form agreed by the Project Owner or such other form as recognized by the Project Owner. For the performance guarantee in such other forms as recognized by the Project Owner in writing in advance, the substantial content of its guarantee clauses shall be kept consistent with the form contents agreed by the Project Owner in the Contract Documents. Refer to **Special Terms and Conditions of the Contract f**or whether the Contractor submits the performance guarantee and the amount of performance guarantee to be submitted. Refer to **Appendix 5 to Special Terms and Conditions of the Contract f**or the form of the Contractor's performance guarantee.

4.2.2 Term of validity of performance guarantee

The performance guarantee shall be valid from the effective date of the Contract to the date when the Project Owner approves and the Supervisor issues the project acceptance certificate to the Contractor. If the Contractor is unable to obtain the

guarantee that does not have a specific deadline, the performance guarantee shall set forth "in the case of the change in the completion date, the guarantee period will be adjusted accordingly based on the changed date of completion" or similar provisions.

4.2.3 Return of performance guarantee

The performance guarantee shall be returned to the Contractor within 28 days after the Supervisor issues the project acceptance certificate to the Contractor. The Project Owner shall not be liable for any interest or other similar costs or benefits incurred by the Contractor in connection with the performance guarantee.

4.2.4 Notification obligation

Notwithstanding the provisions of performance guarantee, the Project Owner shall, no later than 28 days after requesting for compensation or redemption according to the guarantee provisions:

notify the Contractor of the same stating the nature or reason of breach resulting in such request for compensation or redemption. Accordingly, notwithstanding the provision of the terms of the payment guarantee agreed in Article 2.8, the Contractor shall, no later than 28 after requesting for compensation or redemption according to the guarantee provision, also notify the Project Owner of the same stating the nature or reason of breach resulting in such request for compensation or redemption. Nevertheless, the notice agreed hereunder shall not be interpreted as seeking the consent of the Contractor or the Project Owner in any sense.

4.3 Subcontraction

4.3.1 The Contractor shall not subcontract all projects contracted by it to a third person, or divide all projects contracted by it and outsource them to third persons in the name of subcontracting.

4.3.2 The Contractor shall not subcontract the main body of the project or key work to any third person.

4.3.3 Without the consent of the Project Owner, the Contractor shall not subcontract other part or work within the scope of its construction project to any third person. Non-main body of the Project and non-key work that may be subcontracted by the Contractor as agreed by the Project Owner shall include:

(1) Subcontracted works agreed in the Schedule to the Bid Letter;

(2) in addition to subcontracted works agreed in the Schedule to the Bid Letter, other non-main body and non-key work agreed by the Project Owner and the Supervisor, provided that the subcontractor shall be subject to examination and

approval of the Project Owner and the Supervisor. The Project Owner and the Supervisor have the right to reject the Contractor's subcontracting request and the subcontractor selected by the Contractor.

4.3.4 Where professional works whose Provisional Valuation has been made by the Project Owner in the Bill of Quantities, including professional works that are recognized under the Provisional Sum, reach the scale under which tender process shall be initiated according to law or does not reach the specified scale but the Contract stipulates that the method of bid invitation will be taken, the provisions of Article 15.8.1 shall apply, i.e. the Project Owner and the Contractor call for bids to determine the Professional Subcontractor. Except as specially approved by the examination and approval department of the Project, the bid invitation for professional works with Provisional Valuation shall be conducted in a manner same as that for PC.

4.3.5 Within 7 days after the relevant subcontract is concluded and reported to the relevant competent administrative authority of construction for filing, the Contractor shall submit a copy to the Supervisor and ensure that the subcontracted works will be subcontracted again.

4.3.6 The price of subcontracted works will be settled between the Contractor and the Project Owner (including Professional Subcontractor). Without the consent of the Contractor, the Project Owner shall not pay any project payment under the relevant subcontract to the Subcontractor (including Professional Subcontractor) in any form. Where the Project Owner directly pays any project payment under the relevant subcontract to the Subcontractor (including Professional Subcontractor) without the consent of the Contractor, which affects the Contractor's work, the Project Owner shall be liable for the increase in the Contractor's expenses and/or delay in the term caused thereby.

4.3.7 For subcontracted works and subcontractors without the examination and approval of the Project Owner and the Supervisor, the Project Owner has the right to refuse to accept the subcontracted works and pay relevant sums, and the Contractor shall be liable for the increase in its expenses and/or delay in the term.

4.3.8 The subcontractor's qualification and capability shall be matched with the standard and scale of its subcontracted works.

4.3.9 For subcontracted works with the consent of the Project Owner, the Contractor shall provide a copy of the Contract for the Project Owner and the Supervisor.

4.3.10 The Contractor and the subcontractor shall be severally and jointly liable to the Project Owner for subcontracted projects.

4.4 Consortium

4.4.1 All parties to the consortium shall sign a Contract Agreement with the Project Owner. All parties to the consortium shall be jointly and severally liable for the performance of the Contract.

4.4.2 The consortium agreement shall be attached as an Exhibit to the Contract with the confirmation of the Project Owner. In the process of the Contract Performance, without the consent of the Project Owner, the consortium agreement shall not be modified.

4.4.3 The consortium lead is responsible for contacting with the Project Owner and the Supervisor, and receiving prompts, and organizing all members of the consortium to fully perform the Contract.

4.5 Contractor's Project Manager

4.5.1 The Contractor's Project Manager must be the person as promised by the Contractor in bidding and be on board before the Commencement Date determined under Article 11.1.1. Before the Supervisor issues the project acceptance certificate to Contractor, the Project Manager shall not concurrently serve as the project manager of any other project. Without the written approval of the Project Owner, the Contractor shall not replace the Project Manager. Details of the Contractor's Project Manager such as name, title, ID card number, registered qualification certificate number, registered certificate number, practising seal, safety production certification number, etc. shall be set out in the Contract Agreement. The replacement of the Project Manager by the Contractor shall be subject to the prior consent of the Project Owner, and the Project Owner and the Supervisor shall be notified of the same 14 days in advance. If the Contractor's Project Manager leaves the construction site temporarily, he shall obtain the prior consent of the Supervisor and appoint a representative to perform his duties.

4.5.2 The Contractor's Project Manager shall, as agreed in the Contract and as instructed by the Supervisor in accordance with Article 3.4, be responsible for organizing the implementation of the contract works. In emergency cases where the Supervisor cannot be reached, the Contractor may take emergency measures to guarantee the project and life and property safety of personnel, and submit written report to the Supervisor within 24 hours after taking such measures.

4.5.3 All correspondences sent by the Contractor for Performance of Contract shall be affixed with the seal of the body governing the construction site as

authorized by the Contractor and signed by the Contractor's Project Manager or his Authorized Representative.

4.5.4 The Contractor's Project Manager may authorize its personnel to perform certain duties, provided that he shall notify the Supervisor of names and authorization scope of such personnel.

4.6 Management of the Contractor's personnel

4.6.1 Within 28 days after receipt of the Commencement Notice, the Contractor shall submit to the Supervisor the report relating to the Contractor's governing body of the construction site and staffing, including setup of the governing body, name list of technical and management personnel in key positions and qualifications thereof, and arrangement of technical workers of various types of work. The Contractor shall submit the report about the change in personnel at the construction site to the Supervisor.

4.6.2 To complete various jobs agreed in the Contract, the Contractor shall dispatch or employ the following personnel of sufficient quantity to the construction site:

(1) professional technical workers with corresponding qualifications and qualified ordinary workers;

(2) technical personnel with corresponding construction experience;

(3) management personnel of various levels with corresponding position qualification.

4.6.3 The main management personnel and key technical personnel arranged by the Contractor to work at the construction site shall be relatively stable. The Contractor shall obtain the consent of the Supervisor during the replacement of main management personnel and key technical personnel.

4.6.4 Personnel in special positions shall possess the corresponding qualification certificate and the Supervisor has the right to check at any time. The Supervisor may conduct site assessment as he deems necessary.

4.7 Withdrawal and replacement of the Contractor's Project Manager and other personnel

The Contractor shall carry out effective management for its Project Manager and other personnel. If the Supervisor requires to replace the Contractor's Project

Manager and other personnel who are incompetent, have misconducts or are neglect of duty, the Contractor shall replace them.

4.8 Protection of legitimate rights and interests of the Contractor's personnel

4.8.1 The Contractor shall sign employment agreements with its employees and pay them on time.

4.8.2 The Contractor shall in accordance with the labour law arrange its employee's working time to secure their right to rest and vacation. Occupation of holidays or the Adjourned of Working time due to the special requirement of the construction shall not exceed the legal limit, and the Contractor shall make up the missed rest or make the payment for the occupation in accordance with to the applicable laws and regulations.

4.8.3 The Contractor shall provide its employees with necessary accommodation conditions, and living environment that complies with environmental protection and hygiene requirements, and shall, in a construction site in a remote area, also provide necessary medical personnel and facilities for injury and illness prevention and control and first aid.

4.8.4 The Contractor shall, in accordance with national regulations regarding labour protection, adopt effective labour protection measures to prevent dust, reduce noise, control the emission of harmful gases, and to ensure safe operation at high temperature, and in high and cold weather, or high altitude work. In case the Contractor's employees are injured during construction, the Contractor shall immediately take effective measures for rescue and treatment.

4.8.5 The Contractor shall take out insurance for its employees in accordance with relevant laws and regulations and contractual provisions.

4.8.6 The Contractor shall be responsible for problems arising from a work-related injury accident of its employees.

4.9 The project payment shall be used for its specified purpose only

The payments that the Project Owner pays to the Contractor as agreed in the Contract shall be exclusively used for contractual works.

4.10 Contractor's site survey

4.10.1 The Project Owner shall provide the Contractor with the on-site geological survey data and hydro-meteorological data, and be liable for their

accuracy. However, the Contractor shall be liable for any interpretation and presumption it makes after reading the above relevant data.

4.10.2 The Contractor shall conduct a survey of the construction site and the surrounding environment, and collect relevant geological conditions, hydrological conditions, meteorological conditions, traffic conditions, customs and other local information relating to the completion of the contract work. In all contractual jobs, the Contractor shall be deemed as having fully estimated due liabilities and risks.

4.11 Adverse material conditions

4.11.1 Adverse material conditions generally refer to the unforeseen natural material conditions, unnatural material obstacles, and pollutants that the Contractor has encountered at the construction site, including underground and hydrological conditions, but excluding climatic conditions. Refer to **Special Terms and Conditions of the Contract** for a specific scope of adverse material conditions.

4.11.2 In the event of adverse material conditions, the Contractor shall take reasonable measures to adapt to the adverse material conditions to continue the construction and notify the Supervisor in a timely manner. The Supervisor shall give instruction in time. Any instruction constituting a change should be implemented in accordance with Article 15. If the Supervisor does not issue any instruction, the Project Owner shall be liable for the increase in expenses and/or delay in the term due to reasonable measures taken by the Contractor.

5. Materials and Engineering Equipment

5.1 Materials and engineering equipment provided by the Contractor

5.1.1 Except the materials and engineering equipment provided by the Project Owner as stipulated in Article 5.2, the materials and engineering equipment provided by the Contractor shall be purchased, transported and kept by the Contractor. However, where materials and engineering equipment whose Provisional Valuation has been made by the Project Owner in the Bill of Quantities, including materials and engineering equipment that is recognized under the Provisional Sum, fall within the scope of bidding that must be procured according to law and reach the scale under which tender process shall be initiated according to law or does not fall within the scope of bidding that must be procured according to the law but the Contract stipulates that the method of bid invitation will be taken, the provisions of Article

15.8.1 shall apply, i.e. the Project Owner and the Contractor call for bids to determine the Special Supplier. For the list of main materials and engineering equipment to be provided by the Contractor, see **"Annex III List of Materials and Engineering Equipment Supplied by the Contractor" in the Special Terms and Conditions of the Contract.**

5.1.2 The Contractor shall, within the time limit agreed in the Contract, submit to the Supervisor the suppliers, varieties, specifications, quantities and delivery time of materials and engineering equipment for approval. The Contractor shall submit to the Supervisor the quality certification documents of the materials and engineering equipment, which shall meet the quality standards stipulated in the Contract. The time limit for the approval of suppliers, varieties, specifications, quantities and delivery time of materials and engineering equipment submitted by the Contractor to the Supervisor is specified in the **Special Terms and Conditions of the Contract**.

5.1.3 The Contractor shall, together with the Supervisor, conduct inspection and delivery acceptance on the materials and engineering equipment provided by the Contractor, check the material qualification certificates and product qualification certificates, and conduct sampling inspection on materials and inspections and tests on engineering equipment in accordance with the Contract and the Supervisor's instructions. The inspection and test results shall be submitted to the Supervisor at the expense of the Contractor.

5.2 Materials and engineering equipment provided by the Project Owner

5.2.1 For the name, specification, quantity, price, delivery method, delivery place and planned delivery date of the materials and engineering equipment provided by the Project Owner, see **"Annex IV List of Materials and Engineering Equipment Supplied by the Project Owner" in the Special Terms and Conditions of the Contract.**

5.2.2 The Contractor shall, in accordance with the contract schedule, submit to the Supervisor the delivery schedule that the Project Owner is required to follow. The Project Owner shall submit materials and engineering equipment to the Contractor in accordance with the delivery schedule agreed upon by the Supervisor and both parties to the Contract.

5.2.3 The Project Owner shall notify the Contractor 7 days before the arrival of the materials and engineering equipment, and the Contractor and the Supervisor shall go to the delivery place for joint acceptance within the agreed time. After

acceptance of the materials and engineering equipment provided by the Project Owner, the Contractor shall be obliged to receive, transport and keep them.

5.2.4 If the Project Owner requests to deliver the goods to the Contractor in advance, the Contractor shall not refuse, but the Project Owner shall bear the increased expenses incurred by the Contractor.

5.2.5 If the Contractor requests to change the delivery date or place, it shall report to the Supervisor for approval in advance. Any increased expenses and / or delayed term due to any change in delivery time or place requested by the Contractor shall be borne by the Contractor.

5.2.6 In case that the specification, quantity or quality of the materials and engineering equipment provided by the Project Owner fails to comply with the requirements in the Contract, or the delivery is delayed and the delivery place is changed due to the Project Owner, the Project Owner shall be liable for the increased Expenses and/or delayed term, and also pay the Contractor reasonable profit.

5.3 Materials and engineering equipment must be exclusively used for the project

5.3.1 The materials and engineering equipment transported into the construction site, including spare parts, special tools for installation and delivery attached documentation must be exclusively used for the Contract project. Without the consent of the Supervisor, the Contractor shall not transport them out of the construction site or divert them to other purposes.

5.3.2 Spare parts, special tools and delivery attached documentation transported into the construction site with the engineering equipment shall be sealed by the Contractor and the Supervisor after checking in accordance with the Supplier's packing list. They shall not be used without the consent of the Supervisor. If the Contractor needs the above-mentioned goods for the Contract work, it shall apply to the Supervisor.

5.4 Prohibition on the use of substandard materials and engineering equipment

5.4.1 The Supervisor is entitled to refuse the substandard materials or Engineering Equipment provided by the Contractor and require the Contractor to replace it immediately. The Supervisor shall perform the inspection and testing again

after the replacement, with the increased expenses and / or delayed term borne by the Contractor.

5.4.2 In case that the Supervisor finds the use of any unqualified materials and engineering equipment that by the Contractor, the Supervisor shall immediately instruct the Contractor to correct, and those unqualified materials and engineering equipment shall not be applied in the construction.

5.4.3 In case that the materials or engineering equipment provided by the Project Owner fails to meet the requirements in the Contract, the Contractor is entitled to refuse to receive them and request the Project Owner to replace them, with the increased expenses and / or delayed term borne by the Project Owner.

6. Engineering Equipment and Temporary Facilities

6.1 Contractor-supplied engineering equipment and temporary facilities

6.1.1 The Contractor shall, in accordance with the requirements of the Construction Schedule in the Contract, allocate engineering equipment and build temporary facilities in a timely manner. The Contractor's equipment entering the Construction Site should be inspected by the Supervisor before being put into use. If the Contractor replaces its equipment specified in the Contract, it shall report the situation to the Supervisor for approval.

6.1.2 Unless otherwise stipulated in the Contract, the Contractor shall bear the expenses of its own construction of temporary facilities. In case of temporary land occupation, the Project Owner shall go through the application procedures and bear corresponding expenses. The scope of the temporary facilities to be built by the Contractor and the required temporary land occupation is specified in the **Special Terms and Conditions of the Contract.**

6.2 Project Owner-supplied engineering equipment and temporary facilities

The undertaker for the expenses of operations, maintenance, demolition, evacuation and removal of engineering equipment or temporary facilities provided by the Project Owner is specified in the **Special Terms and Conditions of the Contract.**

6.3 Requirement for the Contractor to add or replace engineering equipment

In case that the engineering equipment used by the Contractor fails to meet the Construction Schedule in the Contract and / or quality requirements, the Supervisor

is entitled to require the Contractor to increase or replace the engineering equipment with the incurred Expenses or delayed term borne by the Contractor.

6.4 Engineering equipment and temporary facilities must be exclusively used for the project

6.4.1 All engineering equipment brought into the construction site by the Contractor and temporary facilities built on the construction site shall be used only for the Contract project, except for providing conditions for the Independent Contractor and others instructed by the Supervisor as stipulated in Section 4.1.8. Without the consent of the Supervisor, any part of the aforesaid engineering equipment and temporary facilities shall not be transported out of the construction site or diverted to other purposes.

6.4.2 With the consent of the Supervisor, the Contractor may withdraw idle engineering equipment according to the contract schedule.

7. Transportation

7.1 Road traffic right and off-site facilities

Unless otherwise specified in the Special Terms and Conditions of the Contract, the Project Owner shall, in accordance with the construction requirements of the Contract project, be responsible for obtaining the right to access to the construction site via the special and temporary roads and the right to build off-site facilities for the engineering construction, and bear relevant expenses. The Contractor shall assist the Project Owner in handling the above procedures.

7.2 In-site construction road

7.2.1 Unless otherwise stipulated in the Special Terms and Conditions of the Contract, the Contractor shall be responsible for the construction, maintenance, curing and management of temporary roads and traffic facilities required for the construction, including maintenance, curing and management of the roads and traffic facilities provided by the Project Owner, and bear corresponding expenses.

7.2.2 The Project Owner and the Supervisor shall have the right to use roads and traffic facilities built by the Contractor free of charge.

7.3 Off-site traffic

7.3.1 The Contractor shall bear the toll, road maintenance fee and taxes for its vehicles driving on the off-site public roads.

7.3.2 The Contractor shall comply with the applicable traffic regulations, strictly follow the restricted load of roads and bridges, and obey the inspection and supervision by the traffic administrative authorities.

7.4 Transportation of oversized and overweight items

With respect to the oversized or overweight items to be transported by the Contractor, the Contractor shall be responsible for going through the application procedures with the traffic administrative authorities, to which the Project Owner shall provide assistance. Expenses on temporary reinforcement and improvement of roads and bridges for transportation for oversized or overweight items and any other related costs shall be borne by the Contractor unless otherwise specified in the Special Terms and Conditions of the Contract.

7.5 Liability for damage to roads and bridges

If any public roads or bridges inside and outside the Construction Site are damaged due to the transportation by the Contractor, the Contractor shall bear all costs for repairing the damages and the possible compensation therefrom.

7.6 Water and air transportation

The water transport and air transport are applicable to the items above under this Article. The term of "roads" includes rivers, routes, locks, airports, docks, dykes, and other similar structures in water or air transportation; and the term of "vehicles" includes ships and aeroplanes.

8. Surveying Settingout

8.1 Construction control network

8.1.1 The Project Owner shall, within the time limit stipulated in the Contract, provide the Contractor with the datum point, datum line, datum mark and their written documents through the Supervisor. The deadline for providing the datum point, datum line, datum mark and relevant documents for the Contractor is specified in the **Special Terms and Conditions of the Contract.**

8.1.2 The Contractor shall set up the construction control network in accordance with the national surveying and mapping datum, surveying and mapping system, technical specifications for engineering surveying, the above datum point (line) and accuracy requirements for the Contract project. Other requirements for the Contractor to set up the construction control network are specified in the **Special Terms and Conditions of the Contract.** The materials of the construction control network shall be submitted to the Supervisor for approval within the agreed time limit, and the time limit for the approval of the Supervisor is specified in the **Special Terms and Conditions of the Contract.**

8.1.3 The Contractor shall be responsible for managing the construction control network. If the construction control network is lost or damaged, the Contractor shall repair it in time and bear the management and repair expenses. After the completion of the project, the construction control network will be handed over to the Project Owner.

8.2 Construction surveying

8.2.1 The Contractor shall be responsible for all the surveying and settingout during the construction process and have qualified surveyors, apparatus, equipment and other items.

8.2.2 The Supervisor may instruct the Contractor to conduct sampling retesting. When faults or errors beyond the Contract are found in the retesting, the Contractor shall correct or do a supplementary survey and bear corresponding expenses for retesting.

8.3 Liability for incorrect datum data

The Project Owner shall be responsible for the authenticity, accuracy, and completeness of the provided surveying datum point, datum line, datum mark, baselines, and their written Documents. In case of any reworking of the surveying and settingout for the Contractor or loss to the project, because the Project Owner makes a mistake in providing above baseline information, the Project Owner shall bear the increased expenses and / or delayed term, and pay the Contractor a reasonable profit. If the Contractor finds manifest error or omission in the baseline information provided by the Project Owner, it shall timely notify the Supervisor.

8.4 Supervisor's use of construction control network

If the Supervisor needs the construction control network, the Contractor shall provide necessary assistance and the Project Owner will no longer pay for it.

9. Construction Safety, Public Security and Environmental Protection

9.1 Project Owner's responsibility for construction safety

9.1.1 The Project Owner shall perform the safety duties as stipulated in the Contract, authorize the Supervisor to supervise the safety work according to the Contract, inspect the Contractor's implementation of the safety work, and organize the Contractor and relevant units to conduct safety inspections.

9.1.2 The Project Owner shall be responsible for the industrial accidents of all personnel employed by its on-site organizations, while the Contractor shall bear the responsibility if the Project Owner's personnel are injured due to the Contractor.

9.1.3 The Project Owner shall be responsible for the compensation for the personal injury and property damage of the third party in the following circumstances:

(1) Third party's property Loss caused by land occupation by all or any part of construction;

(2) Personal injuries and property loss to third parties at the construction site and adjacent areas due to the Project Owner.

9.2 Contractor's responsibility for construction safety

9.2.1 The Contractor shall perform the safety duties as stipulated in the Contract, implement the Supervisor's instructions on safety work, prepare the construction safety measures plan within the time limit specified in the Special Terms and Conditions of the Contract in accordance with the safety work stipulated in the Contract, and submit it to the Supervisor for approval. The Supervisor shall reply whether to approve or not within the time limit agreed in the Special Terms and Conditions of the Contract.

9.2.2 The Contractor shall strengthen the management of construction safety, especially the management of inflammable and explosive materials, pyrotechnic equipment, toxic and corrosive materials, volatile organic compounds and other dangerous goods, and the management of blasting operations and underground engineering construction and other dangerous operations.

9.2.3 The Contractor shall formulate construction safety operation procedures in strict accordance with national safety standards, equipped with necessary facilities for safety production and labour protection, strengthen safety education for the Contractor's personnel, and issue safety work manuals and labour protection tools.

9.2.4 The Contractor shall, in accordance with the Supervisor's instructions, formulate an emergency response to disasters and submit it to the Supervisor for approval. The Contractor shall also carry out a safety inspection in accordance with the emergency response plan, allocate necessary relief materials and equipment, and effectively protect the personal and property safety of relevant personnel.

9.2.5 The expenses of the safe working environment and safe construction measures agreed in the Contract shall comply with the relevant provisions and be included in the Actual Price of the relevant work. The increased expenses due to the adoption of the safe working environment and safe construction measures not stipulated in the Contract shall be negotiated or determined by the Supervisor in accordance with Article 3.5.

9.2.6 The Contractor shall be responsible for the industrial accidents of all personnel employed to perform the Contract, including the Subcontractor's personnel, while the Project Owner shall bear the responsibility if the Contractor's personnel are injured due to the Project Owner.

9.2.7 Personal injuries and property loss to third parties at the construction site and adjacent areas due to the Contractor shall be borne by the Contractor.

9.3 Public security

9.3.1 The Project Owner shall, through consultation with the local public security department, establish public security administration organization or joint defence organization on the site, and shall be responsible for the unified management of public security matters of the construction site, and perform the public security duties of the contract project.

9.3.2 In addition to the assistance with assisting the in-site public security administration organization or joint defence organization for the maintenance of the public security of the Construction Site, the Project Owner and the Contractor shall also well preserve public security in the security of the Activity in their respective jurisdictions, including the living area.

9.3.3 The public security management plan for construction site shall be prepared before the commencement of construction, and the emergency response plan for security emergencies shall be formulated. The Project Owner and the

Contractor should immediately report to the local government violent incidents such as riots, explosions, and sudden mass security incidents such as group fights and weapon fights in the progress of the construction. The Project Owner and the Contractor shall actively assist the relevant local authorities in taking measures to calm down the situation, preventing the situation from expanding, reducing property loss and avoiding personal injuries. The person responsible for formulating the public security management plan and emergency response plan for public security incidents of the construction site is stipulated in the **Special Terms and Conditions of the Contract.**

9.4 Environmental protection

9.4.1 In the construction process, the Contractor shall comply with laws related to environmental protection, perform the environmental protection obligations stipulated in the Contract, and shall take responsibility for the environmental damage, personal injury and property damage caused by the violations of laws and obligations as agreed in the Contract.

9.4.2 The Contractor shall also develop the accountability system for the treatment of construction dust, clearing and absorption of construction garbage, earth and gravel, prohibited use of high-emission non-road mobile machinery and industrial treatment of volatile organic compounds (for example, for construction facade coating, steel structure, etc. replacement of oil paint with water paint is encouraged) compliance with laws and regulations, develop specific implementation plan according to the project characteristics, and strictly carry out such plan. In case of dust control, the Contractor shall publicize the construction dust control measures, responsible persons and competent authorities on the construction site, and timely report the implementation of such measures to local authorities.

9.4.3 The Contractor shall prepare the environmental protection measures plan (including the implementation scheme specified in Section 9.4.2) within the time limit specified in the Special Terms and Conditions of the Contract in accordance with the environmental protection work stipulated in the Contract, and submit it to the Supervisor for approval. The Supervisor shall reply whether to approve or not within the time limit agreed in the Special Terms and Conditions of the Contract.

9.4.4 The Contractor shall stack and dispose construction wastes in an orderly manner in accordance with the approved construction environmental protection measures plan to avoid damage to the environment. The Contractor shall be responsible for the consequences due to the Contractor's arbitrary stacking or

disposal of construction wastes, such as obstructing public transportation, affecting the lives of urban residents, reducing the flood discharge capacity of rivers, endangering residents' safety, destroying and polluting the environment, or affecting other Contractors' construction.

9.4.5 The Contractor shall take effective measures in accordance with the Contract, timely support the side slope excavated during the construction, maintain drainage facilities, and protect water and soil resources to avoid geological hazards caused by the construction.

9.4.6 The Contractor shall regularly monitor the drinking water source in accordance with the national management standards for drinking water to prevent the construction activities from contaminating the drinking water source.

9.4.7 The Contractor shall, in accordance with the Contract, strengthen the control over noise, dust, exhaust gas, wastewater and waste oil, strive to reduce the noise, control the concentration of dust and waste gas, carry out the treatment and discharge of wastewater and waste oil.

9.5 Accident disposal

In the event of an accident during the progress of the construction, the Contractor shall immediately send relevant Notice to the Supervisor, and the Project Owner should be notified by the Supervisor. The Project Owner and the Contractor shall immediately organize personnel and equipment for emergency rescue and urgent repair to reduce casualties and property damage, to prevent the accident from expanding, and to protect the accident scene. The site items required to be moved should be marked and recorded to properly preserve relevant evidence. The Project Owner and the Contractor shall promptly and truthfully report to the relevant authorities the accident, the emergency measures being taken, and any other relevant matters in accordance with the applicable national rules.

10. Schedule Plan

10.1 Contract schedule

10.1.1 The Contractor shall, within 7 days after receipt of the Commencement Notice issued by the Supervisor under Article 11.1.1, prepare detailed Construction Schedule and construction scheme description and submit them to the Supervisor. The Construction Schedule shall set out the time when the Project Owner is required

to organize the Designer to conduct phased engineering design disclosure. The Supervisor shall give approval or propose modification opinion within 14 days upon receipt of the relevant schedule and construction scheme description submitted by the Contractor, failing which, such schedule will be deemed approved. The construction schedule approved by the Supervisor is referred to as the contract schedule and is the basis for controlling the progress of the contract. Refer to **Special Terms and Conditions of the Contract** for the contents of the Construction Schedule and construction scheme description prepared by the Contractor.

10.1.2 The Contractor shall also prepare phased or itemized schedules in a more detailed manner as agreed under Article 10.1.1 and report them to the Supervisor for approval in accordance with the contract schedule. Refer to **Special Terms and Conditions of the Contract** for the contents of the required time limit of phased or itemized Construction Schedule and construction scheme description prepared by the Contractor.

10.1.3 If Unit Works in group projects is constructed in phases, the Contractor shall prepare the schedule and construction scheme description in respect of these Unit Works in accordance with the required time limit for the Project Owner's provision of drawings and relevant materials. Refer to **Special Terms and Conditions of the Contract for** the requirements of preparing schedule and construction scheme description in group projects.

10.2 Revision of contract schedule

10.2.1 In the case of inconsistency between actual project progress with the Contract progress under Article 10.1 for whatever reasons, the Contractor may, within the time limit agreed in the Special Terms and Conditions of the Contract, submit the application report for revision of the Contract schedule attached with relevant measures and materials to the Supervisor for examination and approval;

10.2.2 The Supervisor may also directly give instruction on revising the Contract schedule to the Contractor who shall revise the Contract schedule as instructed and report it to the Supervisor for examination and approval. The Supervisor shall reply whether to approve or not within the time limit agreed in the Special Terms and Conditions of the Contract. The Supervisor shall obtain the Project Owner's consent before approval.

11. Commencement and Completion

11.1 Commencement

11.1.1 The Supervisor shall issue the commencement notice to the Contractor 7 days prior to the commencement date. The Supervisor shall obtain the consent of the Project Owner before issuing the Commencement Notice. The term shall be calculated from the Commencement Date set out in the Commencement Notice sent by the Supervisor. The Contractor shall commence construction as soon as possible after the commencement date.

11.1.2 The Contractor shall submit the review request on Project commencement to the Supervisor as per the Contract schedule agreed in Article 10.1. once approved by the Supervisor, the request can be implemented. The review request on Project commencement should detail the implementation of construction roads, temporary facilities, materials and equipment, and construction personnel and other construction measures required for the normal construction based on Contract schedule, together with the scheduling.

11.2 Completion

The Contractor shall complete the Contract project within the time limit agreed in Article 1.1.4.3. Actual Completion Date shall be set out in the acceptance certificate.

11.3 Delay of the Project Owner's construction term

During the performance of the Contract, the Contractor shall be entitled to require the Project Owner to extend the term and/or increase the cost and pay reasonable profit if the critical lines of the Contractor are delayed by the following reasons due to the Project Owner. If the Contract schedule shall be revised, the provisions of Article 10.2 shall apply.

(1) Increase in the contents of the contract work;

(2) Change in the quality requirements or other characteristics of any work in the contract;

(3) The Project Owner's delay in providing materials, engineering facilities or change of delivery place;

(4) Suspension of construction due to the reasons of the Project Owner;

(5) Delay in providing the drawings;

(6) Failure to promptly pay the advance payment and progress payment as agreed in the Contract;

(7) Failure to commence at the Commencement Date stipulated in the Commencement Notice issued by the Supervisor due to the reasons of the Project Owner;

(8) Refer to **Special Terms and Conditions of the Contract** for other reasons for which the Project Owner causes a delay in the term.

11.4 Exceptional adverse weather conditions

If the term is delayed due to extreme climate, the Contractor has the right to require the Project Owner to extend the term. Refer to **Special Terms and Conditions of the Contract** for the scope and standard of the extreme climate.

11.5 Delay of the Contractor's construction term

11.5.1 If the Contractor fails to complete the work or the Supervisor believes that the Contractor's construction progress cannot meet the term required by the Contract due to the reason of the Contractor, the Contractor shall take measures to accelerate the progress and bear the costs increased therefor.

11.5.2 If the project cannot be completed as scheduled due to the reason of the Contractor,

the Supervisor shall, within 7 days after the completion date as agreed in the Contract (including any extension of the term pursuant to the Contract), notify the Contractor in writing as agreed under Article 23.4.1, stating that the Project Owner has the right to obtain the liquidated damages for overdue completion. For the standard and method of calculating the liquidated damages for overdue completion, refer to the **Special Terms and Conditions of the Contract**. However, the final amount of the liquidated damages for overdue completion shall not exceed the ceiling of the liquidated damages for overdue completion as agreed in the Contract. Refer to **Special Terms and Conditions of the Contract** for the ceiling of the liquidated damages for overdue completion.

If the Supervisor fails to issue the written notice as stipulated in this Article within the prescribed time limit, the Project Owner will lose the right to claim liquidated damages for delayed completion.

11.5.3 The Contractor's payment of liquidated damages for overdue completion should not relieve the Contractor's obligation to complete construction and the repair work of defects.

11.6 Early completion of construction term

In case that the Project Owner requires the Contractor to complete the construction earlier than scheduled, or the Contractor's proposal about early completion can bring benefits to the Project Owner, the Supervisor and the Contractor shall jointly negotiate about measures to speed up the progress and revise the contractual schedule. The Project Owner shall bear additional expenses incurred by the Contractor therefrom and pay corresponding prize money to the Contractor. Refer to **Special Terms and Conditions of the Contract** for the incentive method for Early Completion.

12. Construction Suspension

12.1 Contractor's Liability for suspension of construction

The Contractor shall be liable for the increase in expenses and/or delay in the term due to construction suspension under the following circumstances:

(1) Construction suspension caused by a breach of the Contractor;

(2) Construction suspension necessary for reasonable project construction and security due to the reason of the Contractor;

(3) The Contractor suspends construction without authorization;

(4) Refer to **Special Terms and Conditions of the Contract** for other circumstances under which the Contractor shall be liable for construction suspension.

12.2 Project Owner's liability for suspension of construction

If the term is delayed due to construction suspension for a reason attributed to the Project Owner, the Contractor shall be entitled to require the Project Owner to extend the term and/or increase the cost and pay a reasonable profit.

12.3 Supervisor's instruction on construction suspension

12.3.1 The Supervisor may give the Contractor an instruction on Construction Suspension, which it considers to be necessary, and the Contractor shall implement it accordingly as instructed by the Supervisor. Irrespective of the reason why the construction is suspended, the Contractor shall be responsible for properly protecting the project and provide safeguard during construction suspension.

12.3.2 In emergency cases where the construction is suspended due to the reason of the Project Owner, and the Supervisor fails to issue a suspension instruction in time, the Contractor may suspend construction, and timely provide

written request of construction suspension to the Supervisor. The Supervisor shall reply within 24 hours after receipt of the written request. If the Supervisor fails to do so, he shall be deemed to agree to the Contractor's request for construction suspension.

12.4 Resumption of construction after suspension of construction

12.4.1 After the construction is suspended, the Supervisor shall negotiate with the Project Owner and the Contractor to take effective measures to actively eliminate the impact of the construction suspension. When the condition of work resumption is met, the Supervisor shall immediately send the Contractor notice of resumption. After receipt of the Notice of resumption, the Contractor shall make resumption within the specified time limit as requested by Supervisor.

12.4.2 If the Contractor delays and refuses to resume work without any cause, the Contractor shall be liable for increased costs and delay in term; if the Contractor is unable to resume work for reasons attributable to the Project Owner, the Contractor shall be entitled to require the Project Owner to extend the term and/or increase the cost and pay a reasonable profit.

12.4.3 In accordance with Article 12.4.1, after the Supervisor sends the notice of resumption, the Supervisor shall, together with the Contractor, check project, material and Engineering Equipment that are affected by construction suspension. The Contractor shall be responsible for repairing any damage, defect or loss in respect of project, material and Engineering Equipment occurred during construction suspension, and the repair costs shall be borne by the responsible person who assumes the responsibility for construction suspension.

12.4.4 In the case of construction suspension for more than 56 consecutive days, materials and Engineering Equipment provided by the Contractor as agreed in the Contract have been purchased by the Contractor before construction suspension but have not been transported to the construction site due to construction suspension, the Project Owner shall pay the corresponding purchasing amount pursuant to the purchase contract of the Contractor.

12.5 Suspension of construction for more than 56 days

12.5.1 If the Supervisor fails to send the notice of resumption to the Contractor within 56 days after giving instruction on construction suspension, except that such construction suspension belongs to the circumstance set forth in Article 12.1, the Contractor may submit the Supervisor a written notice for the permission on the work

resumption for the suspended project or part thereof within 28 days after the receipt of the notice. If the Supervisor refuses to approve within the time limit, the Contractor may notify the Supervisor that affected part of the project will be deemed as the revocable work stated in item 1 in Article 15.1. If the entire project is affected by construction suspension, it shall be deemed a breach by the Project Owner, in which case, the provisions of Article 22.2 shall apply.

12.5.2 In the case of construction suspension for a reason attributable to the Contractor, if the Contractor fails to carefully take effective resumption measures within 56 days after receipt of the instruction on construction suspension issued by Supervisor, causing a delay in the term, it shall be deemed a breach by the Contractor, in which the provisions of Article 22.1 shall apply.

13. Project Quality

13.1 Requirements for project quality

13.1.1 The acceptance inspection for project quality shall be implemented according to the acceptance criteria set out in the Contract.

13.1.2 In the event that the project quality does not meet the acceptance criteria agreed in the Contract for reasons attributable to the Contractor, the Supervisor is entitled to require the Contractor to rework until the requirements under the Contract are met, with the increased expenses and/or delayed term borne by the Contractor.

13.1.3 In the event that the project quality fails to meet the agreed acceptance criteria in the Contract, as is attributed to the Project Owner, the Project Owner shall bear the increased expenses and/or delayed term caused by the Contractor's rework, and pay the Contractor a reasonable profit.

13.2 Contractor's quality control

13.2.1 The Contractor shall set special quality inspection body at the construction site, equipped with full-time quality inspection personnel, and establish a sound quality inspection system. The Contractor shall, within the time limit specified in the Special Terms and Conditions of the Contract, submit the document relating to project quality assurance measures, including organization of quality inspection body and job responsibilities, the composition of quality inspection personnel, quality inspection procedures and implementing rules, to the Supervisor for examination and approval. The Supervisor shall complete the examination and approval within the time limit agreed in the Special Terms and Conditions of the Contract.

13.2.2 The Contractor shall strengthen quality education and technical training for construction personnel, periodically assess their labour skills, and strictly implement the specifications and operating procedures.

13.3 Contractor's quality inspection

The Contractor shall, as agreed under the Special Terms and Conditions of the Contract, carry out full-process quality inspection and test on materials, Engineering Equipment, all parts of works and their construction craft, make detailed records, prepare Project quality statements, and submit them to the Supervisor for review. The Supervisor shall complete the review within the time limit agreed in the Special Terms and Conditions of the Contract.

13.4 Supervisor's quality inspection

The Supervisor shall have the right to inspect and test all parts of the works and their construction processes, materials and engineering equipment. The Contractor shall provide convenience for the Supervisor's test and inspection, including the Supervisor to inspect and review the original construction records at the construction site, manufacturing or processing place, or other places agreed by the Contract. The Contractor shall also, as instructed by the Supervisor, perform sampling and test on construction site, project review measurements and equipment performance testing, provide test samples, submit the test reports, measurement results, and other work required by the Supervisor. The inspection and test carried out by the Supervisor shall not relieve the Contractor's due obligations as agreed upon by the Contract. Refer to **Special Terms and Conditions of the Contract** for other places where the Supervisor may inspect and review the original construction records.

13.5 Inspection of concealed works before coverage

13.5.1 Notice of inspection to the Supervisor

After the Contractor confirms that conditions for coverage of concealed works are met after the Contractor's self-inspection, the Contractor shall notify the Supervisor to conduct an inspection within the time limit specified in the Contract. The Contractor's Notice shall be attached with self-inspection record and necessary inspection materials. The Supervisor shall conduct the inspection at the site on time. The Contractor can perform covering work only after the Supervisor's inspection and confirmation on the satisfaction of the quality requirement for the concealment and its

signature on the inspection record. If the result of the Supervisor's inspection is confirmed unqualified, the Contractor shall complete the repair and rework within the time instructed by the Supervisor and give it for the re-inspection by the Supervisor. Refer to **Special Terms and Conditions of the Contract** for the time limit for the Supervisor's inspection of concealed works.

13.5.2 Failure of the Supervisor to conduct a site inspection

In the event that the Supervisor fails to perform the inspection as agreed under Article 13.5.1, unless otherwise instructed by the Supervisor, the Contractor may complete the covering work on its own and submit the corresponding records to the Supervisor for its signature as approval. In the event that the Supervisor has any doubts about the inspection records after the inspection, he may conduct re-inspection in accordance with the provisions in Article 13.5.3.

13.5.3 Re-inspection by the Supervisor

In the event that the Supervisor has any doubt on the quality of covering work done by the Contractor under Articles 13.5.1 or 13.5.2, it may require the Contractor to drill holes or uncover for re-inspection. The Contractor shall follow the instructions and recover to the original state after inspection. In the event that the work is inspected to meet the quality requirements specified in the Contract, the Project Owner should bear the increased cost and/or the delayed term, and pay the Contractor reasonable profit; if the work is inspected to be not qualified, the increased Expenses and/or the delayed term shall be borne by the Contractor.

13.5.4 The performance of the covering work by the Contractor at its discretion

If the Contractor fails to give the Supervisor the Notice to perform the inspection on site and cover the concealed part at its discretion, the Supervisor is entitled to instruct the Contractor to drill holes or unfold for inspection, with the increased Expense and/or delayed term borne by the Contractor.

13.6 Removal of unqualified works

13.6.1 In the event that the Contractor uses unqualified materials and Engineering Equipment, or adopts improper construction process, or improperly conducts construction, causing construction unqualified, the Supervisor may give instruction at any time to require the Contractor to immediately take measures to remedy such situation until the quality standard required by the Contract is satisfied, with the increased Expenses and/or delayed term borne by the Contractor.

13.6.2 In case that the materials or Engineering Equipment provided by the Project Owner are unqualified causing the project unqualified, and as a result of

which the Contractor shall take measures to make a remedy, the Project Owner shall be liable for the increased Expenses and/or delayed term and also pay the Contractor reasonable profit.

13.7 Quality dispute

In case that the Project Owner and the Contractor are in dispute over the project quality, in addition to the settlement of the dispute according to the Article 24, the Supervisor may request the qualified engineering quality testing institution entrusted by the Parties to carry out the appraisal. The required expenses and losses caused thereby shall be borne by the responsible party; in case that such amount is caused by the Parties, then the Parties shall be liable separately according to their responsibilities. If, after the testing, the works have quality defects, then the accepted or unaccepted works that have been completed but actually put into use shall be settled in accordance with the terms of the project warranty; the completed works that have not been accepted and have not actually been put into use, as well as the works under the suspension of construction, may be settled in accordance with the settlement scheme determined based on the testing results or according to the disposal decision of the engineering quality supervision organization.

14. Test and Inspection

14.1 Test and inspection of materials, engineering equipment and projects

14.1.1 The Contractor shall carry out tests and inspections on materials, Engineering Equipment and work in accordance with the Contract agreement, and shall provide necessary test data and original records for the Supervisor to inspect the above materials, Engineering Equipment and works quality. In accordance with the Contract agreement, the Contractor shall provide the necessary test data and original records for the tests and inspections jointly performed by the Supervisor and the Project Owner.

14.1.2 In the event that the Supervisor fails to assign personnel to perform the test and inspection as agreed in the Contract unless otherwise instructed by the Supervisor, the Contractor may complete the test and inspection on its own and submit the corresponding results to the Supervisor for its signature as approval.

14.1.3 If the Supervisor doubts the results of test and inspection conducted by the Contractor or requires the Contractor to retest and re-inspect for the

ascertainment of reliability of the results, the Supervisor and the Contractor may conduct the test jointly as agreed in the Contract. If the results of retesting and reinspection indicates that the material, engineering equipment or project quality fail to meet the requirements under the Contract, the incurred expenses and / or delayed term should be borne by the Contractor; if the result satisfies the requirement of the Contract, the Project Owner shall be liable for the increased Expenses and / or delayed term, and also pay the Contractor reasonable profit.

14.2 Field material test

14.2.1 As for the on-site material test conducted by the Contractor according to the Contract agreement or the Supervisor's instructions, the Contractor shall be provided with the test site, test personnel, test equipment and other necessary test conditions.

14.2.2 If necessary, the Supervisor may use the site, test equipment and other test conditions provided by the Contractor to perform material review tests for the Purpose of Project quality inspection, and the Contractor shall provide assistance.

14.3 Site process test

The Contractor shall conduct the Site Process Test as required by the Contract agreement or the Supervisor's instruction. As for large Site Process Tests, when the Supervisor considers it necessary, the Contractor shall prepare procedure plan for the Site Process Test according to the process test requirements proposed by the Supervisor, and submit it to the Supervisor for approval.

15. Changes

15.1 The scope and content of changes

15.1.1 If one of the following situations occurs in the performance of the contract, the change shall be made in accordance with the provisions of this Article.

(1) Cancellation of any work in the Contract, but the cancelled work cannot be conducted by the Project Owner or others;

(2) Change in the quality requirements or other characteristics of any work in the Contract;

(3) Change in the datum line, elevation, position or size of works in the Contract;

(4) Change in the time of construction or the approved construction process or sequence of any work in the Contract;

(5) Additional work required to complete the project;

(6) Other changes are set out in the **Special Terms and Conditions of the Contract**.

15.1.2 If the Project Owner violates paragraph 15.1 (1), the cancelled work in the Contract shall be transferred to the Project Owner or others. The Contractor may issue a notice to the Supervisor, requiring the Project Owner to take effective measures to correct the breach. If the Project Owner fails to correct the breach within 28 days after the Supervisor receives the notice from the Contractor, it shall compensate the Contractor for losses (including reasonable profits) and bear other liabilities arising therefrom. The Contractor shall, in accordance with Section 23.1(1), submit to the Supervisor notice of intention of claim within 28 days after the expiration of the aforesaid 28-day period, and promptly submit to the Supervisor the formal notice of claim in accordance with Section 23.1(2), stating the compensation for damage to which it is entitled, together with necessary records and supporting materials. The compensation for damage paid by the Project Owner to the Contractor shall include the Contractor's management fees, profits and corresponding taxes and stipulated fees included in the contract value of the cancelled work.

15.2 Right of change

During the performance of the Contract, with the consent of the Project Owner, the Supervisor can issue the instruction for changes to the Contractor in accordance with the change procedures stipulated in Article 15.3 and the Contractor shall comply with the instruction. The Contractor shall not change without the Supervisor's instruction for changes.

15.3 Change procedures

15.3.1 Proposal of changes

(1) In case of any circumstance stipulated in Section 15.1.1 during the performance of the Contract, the Supervisor shall issue the intent letter for change to the Contractor. The intent letter for change shall state the specific content of the change and the Project Owner's time requirement for the change, and necessary drawings and relevant materials shall be attached. The intent letter for change shall require the Contractor to submit an implementation scheme with plans, measures

and completion date for the proposed implementation of the change. If the Project Owner agrees to the change the implementation scheme submitted by the Contractor according to the intent letter for change, the Supervisor shall issue the instruction for changes in accordance with Section 15.3.3.

(2) In case of any circumstance stipulated in Section 15.1.1 during the performance of the Contract, the Supervisor shall issue the change instruction to the Contractor in accordance with Section 15.3.3.

(3) After the Contractor receives the drawings and documents issued by the Supervisor in accordance with the Contract, if it finds that there is any circumstance stipulated in Section 15.1.1 after inspection, the Contractor may make a written proposal for a change to the Supervisor. The proposal for change shall state the basis for the change requested and necessary drawings and explanations shall be attached. The Supervisor shall, after receiving the written proposal from the Contractor, jointly study with the Project Owner and give the change instruction within 14 days after receiving the written proposal from the Contractor after confirming the existence of the changes. If the change is not agreed after the study, the Supervisor shall reply to the Contractor in writing.

(4) If the Contractor finds it difficult to implement the change upon receipt the intent letter for change from the Supervisor, it shall immediately notify the Supervisor, explain the reason and attach the detailed basis. The Supervisor, Contractor and Project Owner shall decide to cancel, to change or not to change the original intent letter for change after negotiation.

15.3.2 Valuation of changes

(1) Unless otherwise stipulated in the Special Terms and Conditions of the Contract, the Contractor shall submit the changed quotation to the Supervisor within 14 days upon receipt of the instruction for changes or intent letter for change. The quotation shall set out in detail the price composition and basis of the changes in accordance with the valuation principles stipulated in Article 15.4, together with the description of the necessary construction methods and relevant drawings. Refer to **Special Terms and Conditions of the Contract for** the time limit for the Contractor to submit the changed quotation.

(2) If the change affects the term, the Contractor shall provide the specific details of the term adjustment. The Supervisor may ask the Contractor to submit the construction schedule and the corresponding construction measures to advance or extend the term if they deem it necessary.

(3) Unless otherwise stipulated in the Special Terms and Conditions of the Contract, the Supervisor shall, within 14 days upon receipt of the changed quotation from the Contractor, negotiate or determine the price change in accordance with Article 3.5 and the valuation principles stipulated in Article 15.4. Refer to Special Terms and Conditions of the Contract for the time limit for the Supervisor's negotiation or determination of the price change.

(4) If the Contractor fails to submit a change quotation within the prescribed period after receiving the instruction for changes, the Supervisor may decide whether to adjust the contract price and the specific amount adjusted accordingly when the Supervisor decides to adjust the contract price.

15.3.3 Instruction for changes

(1) The instruction for changes can only be issued by the Supervisor.

(2) The instruction for changes shall state the purpose, scope, content, quantities, schedule and technical requirements of the change, and relevant drawings and materials shall be attached. The Contractor shall implement the instruction for changes only after receiving the instruction from the Project Owner.

15.4 Valuation principles for changes

Price adjustments caused by the omission of items in the Bill of Quantities (only applicable when the Unit Price Contract is adopted as specified in Contract Agreement) or changes shall be handled in accordance with the provisions of this Article.

15.4.1 If there is any item applies to the change in the Priced Bill of Quantities, the unit price of such item can be adopted.

15.4.2 If there is no item applied to the change in the Priced Bill of Quantities, the unit price of any similar item can be referred to within a reasonable scope if there is any. The unit price of the change shall be negotiated or determined by the Supervisor according to Article 3.5.

15.4.3 If there is no item applicable to the change or similar item in the Priced Bill of Quantities, the Supervisor may, on the principle of cost plus profit, negotiate or determine the unit price of the change according to Article 3.5.

15.4.4 In case of any change in measures caused by the omission of items in the Bill of Quantities (only applicable when the Unit Price Contract is adopted as specified in Contract Agreement) or changes, the measures, the method of offer for the original construction costs shall be adopted for the items included in the original construction costs; For items not included in the original construction costs, the

Contractor shall propose an appropriate change in the construction costs according to the change in items, and the Supervisor shall negotiate or determine the construction costs of items to be changed in accordance with Article 3.5.

15.4.5 When Unit Price Contract is adopted as specified in Contract Agreement, the unit price may be adjusted if there is an increase or decrease in the quantities provided in the Priced Bill of Quantities due to reasons other than the Contractor, and if the quantities exceed the scope agreed in the Contract and cause a change in the total costs of the sub-divisional work to a certain extent. Otherwise, the unit price shall not be adjusted due to any increase or decrease in the quantities provided in the Priced Bill of Quantities. The adjustment principles are set out in the **Special Terms and Conditions of the Contract**.

15.4.6 Refer to Special Terms and Conditions of the Contract for other treatments for price adjustments due to changes.

15.5 Reasonable proposals for a contractor

15.5.1 During the performance of the Contract, the drawings, technical requirements and other reasonable proposals provided by the Contractor to the Project Owner shall be submitted to the Supervisor in writing. The reasonable proposals shall include a detailed description of the suggested work, schedule, benefits, coordination of other work and necessary design documents. The Supervisor shall negotiate with the Project Owner whether to adopt the suggestions. If any proposal is adopted and constitutes a change, the instruction for change shall be issued to the Contractor in accordance with Article 15.3.3.

15.5.2 If the reasonable proposal provided by the Contractor lowers the actual price, shortens the term or improves the project economic benefits, the Project Owner can reward the Contractor in accordance with the relevant national regulations. Refer to Special Terms and Conditions of the Contract for the reward method for reasonable proposals for Contractor.

15.6 Provisional Sum

The Provisional Sum can only be used according to the Supervisor's instructions and the actual price shall be adjusted accordingly.

15.7 Day-wage work

15.7.1 If the Project Owner deems it necessary, the Supervisor shall notify the Contractor to carry out the odd jobs of the change in the way of day-wage work. The price shall be calculated according to the items priced with day-wage work and their unit prices provided in the Priced Bill of Quantities.

15.7.2 Any change priced with day-wage work shall be paid from the Provisional Sum. During the performance of such change, the Contractor shall submit the following statements and relevant vouchers to the Supervisor for review every day:

(1) Work Name, Content and Quantity;

(2) Name, job, level, and consumed man-hours of all personnel engaged in the work;

(3) Material type and quantity invested in the work;

(4) The model, quantity, and consumed machine-hour of the engineering equipment invested in the work;

(5) Other materials and proofs required by the Supervisor.

15.7.3 The day-wage work collected by the Contractor shall be listed in the application form of progress payment in accordance with Section 17.3.2. After the Supervisor's review and the Project Owner's approval, the day-wage work can be included in the progress payment.

15.8 Provisional valuation

15.8.1 If the materials, engineering equipment and professional engineering with provisional valuations provided by the Project Owner in the Bill of Quantities are included in the scope of legally necessary tendering or meet the required scale standards, the Project Owner and the Contractor shall choose the Special Supplier or Professional Subcontractor by bidding. The rights and obligations of the Project Owner and the Contractor are as follows:

(1) The Contractor shall, as the tenderer, organize the bidding according to law and accept the supervision of the competent administrative supervision department for bidding and tendering of construction projects.

(2) Expenses related to the organizing the bidding work shall be considered to have been included in the Contractor's contract price (total bidding quotation).

(3) The difference between the accepted bidding price and the provisional valuation provided in the Bill of Quantities and corresponding taxes shall be included in the actual price.

(4) Prior to the start of an invitation for bids, the Contractor shall prepare a bidding work plan within the time limit as stipulated in the Special Terms and Conditions of the Contract and submit it to the Project Owner for approval through the Supervisor. The bidding work plan shall include the bidding work schedule, the bidding method to be adopted, the qualification review method to be used, the content of the preparation of the main bidding process documents, the qualification requirements for bidders, the selection standards and methods, the composition of bidding evaluation committee, whether to prepare the controlled bidding price and / or pre-tender estimate and controlled bidding price and / or pre-tender estimate preparation principles. The Project Owner shall grant approval or propose amendment suggestions within the time limit as stipulated in the Special Terms and Conditions of the Contract after the Supervisor receives the bidding work plan submitted by the Contractor. The contractor shall carry out the bidding work strictly in accordance with the bidding work plan approved by the Project Owner.

(5) The Contractor shall stipulate the time limit as required by the Special Terms and Conditions of the Contract before issuing the notice of invitation for bids (or the prequalification notice or the invitation for bids), the prequalification documents and the tender documents, and submit the relevant documents to the Project Owner for approval through the Supervisor, and the Project Owner shall approve or propose amendments within the time limit as stipulated in the Special Terms and Conditions of the Contract after the Supervisor receives the relevant documents submitted by the Contractor. As for relevant documents approved by the Project Owner, the Contractor shall be responsible for sorting out and preparing the number of copies required to carry out the actual bidding work and submit to the Project Owner for review through the Supervisor with the Project Owner's official seal, and the Project Owner's official seal on the relevant documents only indicates that the relevant documents have been reviewed and approved by the Project Owner. The final documents shall be separately submitted to the Project Owner and the Supervisor for reference.

(6) If either the Project Owner or the Contractor appoints bidding evaluation representatives, the bidding evaluation committee shall be composed of an odd number of more than seven people. Except that the Project Owner or Contractor voluntarily waives the right to appoint bidding evaluation representatives, bidding evaluation representatives of the tenderer shall be appointed by the Project Owner and the Contractor in equal amounts.

(7) If there is a pre-tender estimate, the Contractor shall submit the pre-tender estimate to the Project Owner for review and approval 48 hours before the bid opening. The Project Owner shall, within 24 hours upon receipt of the pre-tender estimate submitted by the Contractor, approve or propose amendments. The Contractor and the Project Owner shall jointly formulate confidentiality measures for the pre-tender estimate and shall not disclose the pre-tender estimate in advance. The final review and decision of the pre-tender estimate shall be made by the Project Owner.

(8) If there is a controlled bidding price, the Contractor shall submit the controlled bidding price to the Project Owner for review and approval 7 days before the issuance of the tender document. The Project Owner shall, within 72 hours upon receipt of the controlled bidding price submitted by the Contractor, approve or propose amendments. The final review and decision of the controlled bidding price shall be made by the Project Owner. The Contractor shall not issue a tender document without the approval of the Project Owner.

(9) After receiving the bidding evaluation report submitted by the bidding evaluation committee of the relevant tender project, the Contractor shall forward it to the Project Owner for verification within 24 hours. The Project Owner shall complete the review within 48 hours after the Supervisor receives the bidding evaluation report submitted by the Contractor. After the bidding evaluation report has been reviewed and approved by the Project Owner, the Contractor can start the follow-up procedure, determine the bid winner according to law and issue a Bid-winning Notice.

(10) Before concluding a contract with the Professional Subcontractor or the Special Supplier, the Contractor shall stipulate the time limit in accordance with the Special Terms and Conditions of the Contract, and submit the contract document prepared for formal signing to the Project Owner for review by the Supervisor. The Project Owner shall, upon receipt of the relevant documents by the Supervisor, approve or propose amendments within the time limit specified in the Special Terms and Conditions of the Contract. The Contractor shall sign relevant contracts in accordance with the contract documents approved by the Project Owner. After the conclusion of the contract, the Contractor shall, within the time limit specified in the Special Terms and Conditions of the Contract, submit two copies to the Supervisor. One of the two copies shall be reported by the Supervisor to the Project Owner for retention.

(11) The Project Owner shall review and approve the documents submitted by the Contractor or propose amendments in a reasonable way, complying with the provisions of the current relevant laws and regulations.

(12) If the Contractor violates the procedures stipulated in the above paragraph or fails to perform the approval procedures described in this Article, the Project Owner shall have the right to refuse to accept and approve the project funds of relevant professional projects or the projects involving materials and engineering equipment related to the special supply, and the increase of cost and (or) delay on construction term shall be born by the Contractor. If the Project Owner fails to go through the review and approval procedures in accordance with this Section, it shall be liable for an increase in expenses and / or delay in the term caused thereby.

15.8.2 If the materials and engineering equipment with provisional valuations provided by the Project Owner in the Bill of Quantities are not included in the scope of legally necessary tendering or failing to meet the required scale standards, the Contractor shall provide in accordance with Article 5.1. The difference between the price of materials and engineering equipment confirmed by the Supervisor and the provisional valuation provided in the Bill of Quantities and corresponding taxes shall be included in the actual price.

15.8.3 If the professional engineering with provisional valuation provided by the Project Owner in the Bill of Quantities is not included in the scope of legally necessary tendering or failing to meet the required scale standards, the valuation shall be made by the Supervisor in accordance with Article 15.4, unless otherwise agreed in the Special Terms and Conditions of the Contract. The difference between the estimated price of the professional engineering and the provisional valuation provided in the Bill of Quantities and corresponding taxes shall be included in the actual price.

16. Price Adjustment

16.1 Price adjustment caused by price fluctuations

Unless otherwise specified in the Special Terms and Conditions of the Contract, price adjustments caused by price fluctuations shall be handled in accordance with this Section.

16.1.1 Adjust the price margin by price indexes

16.1.1.1 Price adjustment formula

When the actual price is affected by the price fluctuation of labour, materials and equipment, the difference shall be calculated and the actual price shall be adjusted according to the following formula based on the data specified in the table of price indexes and weights of the Schedule to the Bid Letter.

$$\Delta P = P_0\left[A + \left(B_1 \times \frac{F_{t1}}{F_{01}} + B_2 \times \frac{F_{t2}}{F_{02}} + B_3 \times \frac{F_{t3}}{F_{03}} + \Lambda + B_n \times \frac{F_{tn}}{F_{0n}}\right) - 1\right]$$

In the formula: △P - price difference to be adjusted;

P_0 - The amount of completed quantities to be received by the Contractor as agreed in the payment certificates in Sections 17.3.3, 17.5.2 and 17.6.2. This amount shall not include price adjustment, detention and payment of the quality deposit, and payment and deduction of the advance payment. If the changes and other amounts agreed in Article 15 have been priced at the current price, they shall not be included;

A - fixed weight (the weight of the part that is not adjustable);

B_1; B_2;B_3 B_n - Variable weight of each adjustable factor (the weight of the part that is adjustable) is the proportion of each adjustable factor in the total quotation in the Bid Letter;

F_{t1};F_{t2};F_{t3} F_{tn} - Current price index for each adjustable factor, referring to the price index of each adjustable factor within 42 days before the last day of the cycle of the payment certificate agreed in Sections 17.3.3, 17.5.2 and 17.6.2;

F_{o1}; F_{o2}; F_{o3} F_{on} - The basic price index of each adjustable factor, referring to the price index of each adjustable factor on the base date.

The above adjustable factors, fixed and variable weights and the basic price indexes in the price adjustment formula and their sources shall be stipulated in the Schedule to the Bid Letter, the table of price indexes and weights. The price indexes provided by the department concerned shall be adopted in priority. In the absence of the aforesaid price indexes, the prices provided by the department concerned shall be adopted instead.

16.1.1.2 Provisional adjustment of the price difference

If the current price index cannot be calculated when the difference of price adjustment is calculated, the last price index may be used provisionally and the actual price index shall be adjusted in future payments.

16.1.1.3 Weight adjustment

If the weight in the original contract is unreasonable due to the change according to Article 15.1, the Supervisor shall make an adjustment after negotiation with the Contractor and the Project Owner.

16.1.1.4 Price adjustment after term delay due to the Contractor

If the project is not completed within the agreed term due to the Contractor, for the project to be continued after the completion date agreed in the Contract, among the price indexes of on the agreed completion date and the actual completion date, the lower one shall be adopted as the current price index when the price adjustment formula stipulated in paragraph 16.1.1.1 is adopted.

16.1.2 Adjust the price margin by cost information

During the construction period, when the actual price is affected by the fluctuations of prices of labour, materials, engineering equipment and machinery, the price and quantity shall be verified by the Supervisor if the price adjustment is needed. The contents, scope, price and quantity to be adjusted confirmed by the Supervisor shall be the basis for adjusting the actual price difference of the project.

16.1.2.1 The risk range and scope of price fluctuations that cause price adjustment

During the construction period, if the fluctuations of prices of labour, materials, engineering equipment and machinery are within the risk range agreed in the Contract, the Contractor shall bear or benefit from such fluctuations and shall not adjust the actual price; If fluctuations of prices are beyond the risk range agreed in the Contract, the Project Owner shall bear or benefit from such fluctuations. Refer to Special Terms and Conditions of the Contract for risk range and adjusted risk scope of price adjustments due to price fluctuations.

16.1.2.2 Method of calculating the range of price fluctuations

(1) The market price of labour, materials, equipment and machinery set in the base period of bidding quotation is the benchmark price. Refer to Special Terms and Conditions of the Contract for the base period for the tender offer.

(2) If the market price is specified in the *Beijing Project Cost Information*, the market price in the *Beijing Project Cost Information* (hereinafter referred to as "cost information price") issued by Beijing municipal construction engineering cost management institutions shall be taken as the basis to determine the benchmark price. If there is an upper or lower limit in the cost information price, the lower limit shall prevail. If the market price is not specified in the *Beijing Project Cost Information*, the method for determining the benchmark price is set out in the **Special Terms and Conditions of the Contract**.

(3) Refer to Special Terms and Conditions of the Contract for the methods for determining the market price during the contract construction period.

(4) Method of calculating the range of price fluctuations:

1) When the unit price in the tender offer of the Contractor is lower than the benchmark price,

The range of price fluctuations (amount of increase) = (market price during the construction period - benchmark price) / benchmark price ×100%

The range of price fluctuations (amount of decrease) = (market price during the construction period - unit bidding price) / unit bidding price ×100%

2) When the unit price in the tender offer of the Contractor is higher than the benchmark price,

The range of price fluctuations (amount of increase) = (market price during the construction period - unit bidding price) / unit bidding price ×100%

The range of price fluctuations (amount of decrease) = (market price during the construction period - benchmark price) / benchmark price ×100%

3) When the unit price in the tender offer of the Contractor is equal to the benchmark price,

The range of price fluctuations = (market price during the construction period - benchmark price) / benchmark price ×100%

16.1.2.3 Methods of price adjustment caused by price fluctuations

(1) If fluctuations of prices of labour, materials, engineering equipment and machinery stipulated in paragraph 16.1.2.1 are beyond the risk range, the method for calculating the difference of price adjustment is set out in the **Special Terms and Conditions of the Contract**.

(2) If fluctuations of prices of labour stipulated in paragraph 16.1.2.1 are beyond the risk range, the total price difference shall be calculated and the Project Owner shall bear or benefit from such price difference. The price difference shall include the taxes only, and shall not include the stipulated fees.

(3) If fluctuations of prices of materials, engineering equipment and machinery stipulated in paragraph 16.1.2.1 are beyond the risk range, the price difference of the part in excess shall be calculated and the Project Owner shall bear or benefit from such price difference. The price difference shall include the taxes only, and shall not include the stipulated fees.

16.1.2.4 Refer to Special Terms and Conditions of the Contract for other agreements on price adjustments due to price fluctuations.

16.1.3 Refer to Special Terms and Conditions of the Contract for other methods of price adjustments due to price fluctuations.

16.2 Price adjustment caused by changes in laws

After the Base Date, in case of any increase or decrease of construction costs required by the Contractor during the performance of the Contract other than those provided for in Article 16.1 due to changes in laws, the Supervisor shall negotiate or determine the contract price to be adjusted in accordance with Article 3.5, the laws and regulations of relevant departments of the country, provinces, autonomous regions or municipalities directly under the central government.

17. Measurement and Payment

17.1 Measurement

17.1.1 Unit of measurement

Legal unit of measurement shall be adopted for measurement.

17.1.2 Measurement method

For the Rules for calculation of quantities, the measurement and valuation standard of relevant version agreed in the Bill of Quantities shall apply. Unless otherwise agreed in the Contract, the quantities actually completed by the Contractor shall be measured according to the Rules for calculation of quantities as agreed and the contractually binding drawings.

17.1.3 Measurement period

(1) The measurement period adopted in this Contract is a month. For the measurement deadline of the current month (excluding the day) and the measurement start date of the next month (including the day), refer to the **Special Terms and Conditions of the Contract**.

(2) For whether the quantities completed for specific items with fixed unit price are measured on a monthly basis, refer to the **Special Terms and Conditions of the Contract**.

(3) Refer to Special Terms and Conditions of the Contract for the measurement method of specific items with the fixed total price.

17.1.4 The measurement of specific items with fixed unit price

(1) The quantities for specific items with fixed unit price in the Priced Bill of Quantities are estimated quantities. The settled quantities are quantities that have

been actually completed by the Contractor and measured according to the measurement method agreed in the Contract.

(2) The Contractor shall measure completed quantities and submit the application form of the progress payment, the statement of completed quantities and related measurement data to the Supervisor.

(3) The Supervisor shall review the quantity statement submitted by the Contractor to determine the actually completed quantities. In case of any objection to the quantities, the Contractor may be required to jointly review and retest by sampling in accordance with Article 8.2. The Contractor shall assist the Supervisor to review and provide supplementary measurement data as required by the Supervisor. If the Contractor fails to participate in the review as required by the Supervisor, the quantities reviewed or modified by the Supervisor shall be deemed as the actually completed quantities.

(4) The Supervisor may notify the Contractor to make the joint measurement as it deems necessary and the Contractor shall do so as instructed.

(5) After the Contractor completes the quantities of each specific item in the Bill of Quantities, the Supervisor shall require the Contractor to assign personnel to jointly summarize the previous measurement statements of each specific item and verify the final quantities. The Supervisor may require the Contractor to provide supplementary measurement data to determine the accurate quantities of the last progress payment. If the Contractor fails to assign personnel to participate in the summary as required by the Supervisor, the quantities finally verified by the Supervisor shall be deemed as the accurately completed quantities of the specific item.

(6) The Supervisor shall complete the review within 7 days upon receipt of the statement of completed quantities submitted by the Contractor. If the Supervisor fails to do so, the quantities in the statement of completed quantities submitted by the Contractor shall be deemed as the quantities actually completed by the Contractor, and the project payment shall be calculated accordingly.

17.1.5 The measurement of specific items with a fixed total price (suitable for adopting the payment breakdown report)

The specific items with a fixed total price shall be paid according to the contractually binding payment breakdown statement. The Contractor shall break down the total price of each specific item with fixed total price by month according to the Contract schedule agreed in Article 10 of the Contract and elements of specific items with a total price such as the composition of the total price, nature of fees,

intended occurring time and corresponding workload to form the payment breakdown report. The Contractor shall, within 7 days after receipt of the Contract schedule approved by the Supervisor, submit the payment breakdown report and supporting documents that form the payment breakdown report such as itemized measurement and total price breakdown to the Supervisor for approval. The Supervisor shall, within 7 days after receipt of the payment breakdown report submitted by the Contractor, grant approval or give revision comments. The payment breakdown statement shall be the contractually binding payment breakdown statement once approved by the Supervisor. The payment breakdown statement shall be amended according to the amended Contract schedule as agreed in Article 10.2 of the Contract, and the procedure and deadline of such amendment shall be as agreed above. The amended payment breakdown statement shall be the contractually binding payment breakdown statement.

(1) Refer to Special Terms and Conditions of the Contract for the price adjustment method of specific items with a fixed total price.

(2) The value of each specific item with a fixed total price that is listed in the monthly application form of progress payment shall be the total value of specific items with the fixed total price for the relevant month set out in the contractually binding payment breakdown statement.

(3) The Supervisor shall review the total value of specific items with a fixed total price that are listed in the monthly application form of progress payment according to the contractually binding payment breakdown statement.

(4) Except as modified in accordance with Article 15, the quantities of specific items with fixed total price shall not be remeasured at the completion settlement. The quantities of the contract price shall be the final quantities for completion settlement.

17.1.5 The measurement of specific items with the fixed total price (suitable for adopting the actually completed quantities)

(1) The measurement and payment of specific items with fixed total price shall be on the basis of the total price. The measurement of quantities actually completed by the Contractor shall be the basis of project objective management and progress payment control. Refer to Special Terms and Conditions of the Contract for the price adjustment method of specific items with a fixed total price.

(2) After the monthly measurement deadline specified by the Contractor in Article 17.1.3 (1) of the Special Terms and Conditions of the Contract, the completed sub-divisional work and specific items with fixed unit price shall be measured

according to the measurement method specified in Article 17.1.2 of the Contract, and relevant completed specific items with fixed total price shall be measured according to the composition of the total price, nature of fees and proportion of actual occurrence, and the application form of the progress payment, the statement of completed quantities and related measurement data shall be submitted to the Supervisor.

(3) The Supervisor shall review the quantity statement submitted by the Contractor to determine the actually completed quantities. In case of any objection to the quantities, the Contractor may be required to jointly review. The Contractor shall assist the Supervisor to review and provide supplementary measurement data as required by the Supervisor. If the Contractor fails to participate in the review as required by the Supervisor, the quantities reviewed or modified by the Supervisor shall be deemed as the actually completed quantities.

(4) The Supervisor shall complete the review within 7 days upon receipt of the statement of completed quantities submitted by the Contractor. If the Supervisor fails to do so, the quantities in the statement of completed quantities submitted by the Contractor shall be deemed as the quantities actually completed by the Contractor, and the project payment shall be calculated accordingly.

(5) Except as modified in accordance with Article 15, the quantities of specific items with fixed total price shall not be remeasured at the completion settlement. The quantities of the contract price shall be the final quantities for completion settlement.

17.2 Advance payment

17.2.1 Advance payment

The advance payment shall be used for the Contractor's purchase of materials, engineering equipment and construction equipment, the construction of temporary facilities and the entry of the construction team for the Contract project. The advance payment must be exclusively used for the Contract project. Refer to Special Terms and Conditions of the Contract for the amount of advance payment and advance payment method and payment schedule.

The advance payment of expenses for safe and civilized construction shall not be subject to the above advance payment method and payment schedule. The Project Owner shall, no later than 7 days before the Commencement Date agreed in Article 11.1.1, pay the advance payment of expenses for safe and civilized construction to the Contractor at one go. Refer to Special Terms and Conditions of

the Contract for the amount of advance payment of expenses for safe and civilized construction.

If the Project Owner delays in the advance payment stipulated in the Contract, in addition to the liability for breach under Article 22.2, it shall pay the Contractor the liquidated damages for overdue payment calculated in accordance with the standards and methods stipulated in Article 17.3.3 (2).

17.2.2 Deduction and repayment of advance payment

The advance payment shall be deducted from the progress payment as agreed under the Contract. Before issuance of the project acceptance certificate, if the advance payment has not been fully deducted when the Contract is cancelled due to force majeure or otherwise, the balance of the advance payment that has not been fully deducted shall serve as the due and payable amount of the Contractor. Refer to Special Terms and Conditions of the Contract for the deduction method of the advance payment.

17.3 Progress payment

17.3.1 Payment cycle

The payment cycle is the same as the measurement period.

17.3.2 Application form of progress payment

The Contractor shall, at the end of each payment cycle, submit the Supervisor the application form of progress payment in a form approved by the Supervisor and in the number of copies as agreed under the Contract, as well as the corresponding supporting documents. Refer to Special Terms and Conditions of the Contract for the number of copies of the application form of progress payment submitted by the Contractor.

The application form of progress payment submitted by the Contractor to the Supervisor shall include:

(1) The price of completed works as at the end of the very payment cycle;

(2) The amount of change to be increased and deducted under Article 15;

(3) The claim amount to be increased and deducted under Article 23;

(4) The advance payment payable and refund of advance payment deducted under Article 17.2;

(5) The Quality Deposit to be deducted under Article 17.4.1;

(6) Refer to Special Terms and Conditions of the Contract for other amounts to be added and/or deducted according to the Contract.

17.3.3 Progress payment certificate and payment time

(1) The Supervisor shall, within 14 days upon receipt of the application form of the progress payment and corresponding supporting documents from the Contractor, provide the amount due to be paid by the Project Owner to the Contractor and corresponding supporting materials. After the review and approval by the Project Owner, the Supervisor shall issue to the Contractor the progress payment certificate signed by the Project Owner. The Supervisor has the right to deduct the corresponding amount for any work or obligation that has not been performed by the Contractor pursuant to the Contract.

(2) The Project Owner shall, within 28 days after the Supervisor's receipt of the application form of the progress payment, pay the payable progress payment to the Contractor. If the Project Owner fails to pay the Contractor the due amounts as agreed under the Contract within the time limit agreed in Articles 17.2.1(2), 17.3.3(2), 17.5.2(2) and 17.6.2(2), the Contractor shall, as of the due date, receive the liquidated damages for overdue payment calculated according to the calculation standard and calculation method as agreed under the Contract. The Contractor shall, in accordance with the Article 23.1(1), submit to the Supervisor, within 28 days of the expiration of the final payment period, a notice of intent to make a claim stating the right to obtain the liquidated damages for overdue payment in accordance with the standards and methods as agreed in this Article. The Contractor's request for the Project Owner's payment of liquidated damages for overdue payment will not affect the right of the Contractor to require the Project Owner to assume other liability for breach under Article 22.2. Refer to Special Terms and Conditions of the Contract for the calculation standard and method of the liquidated damages for overdue payment.

(3) The issuance of the payment certificate by the Supervisor shall not be deemed that the Supervisor has agreed, approved or accepted the part of work completed by the Contractor.

(4) If any progress payment involves government investment fund, national regulations concerning concentrated payment from the state treasury and relevant provisions of the Contract shall apply. Refer to Special Terms and Conditions of the Contract for the payment method of the progress payment that involves government funds.

17.3.4 Amendments of progress payment

If errors, omissions or repetitions are found in the summary and review of the progress payment certificates issued before, the Supervisor shall have the right to correct them and the Contractor shall have the right to apply for correction. Any

amendment agreed by both parties shall be paid or deducted from this progress payment.

17.3.5 Provisional payment certificate

If the Contractor and Supervisor are unable to reach an agreement on the completed quantities in the current period and other payables in accordance with the Contract within the time limit agreed upon in the Contract, the Supervisor shall, within 14 days upon receipt of the application form of progress payment submitted by the Contractor, prepare a provisional payment certificate for the amount agreed upon with the Contractor and submit it to the Project Owner for review. The amount of and reason for the objectionable part of the Contractor shall be stated in the provisional payment certificate, which shall be issued by the Supervisor to the Contractor with the Project Owner's signature. The Project Owner shall, within 28 days after the Supervisor's receipt of the application form of the progress payment, pay the payable amount determined in the provisional payment certificate to the Contractor. The Project Owner and the Supervisor shall not delay in payment of any progress payment for any reason.

The Contractor shall submit further supporting documents as required by the Supervisor for the amount of the objectionable part in the provisional payment certificate. The amount payable after further review and approval by the Supervisor shall be included in the next progress payment certificate in accordance with Article 17.3.4. If the Contractor still has objections after further efforts, the matter shall be handled in accordance with Article 24 of this Contract.

The amount payable in the objectionable payments further reviewed by the Supervisor or the amount payable determined through dispute resolution stipulated in Article 24 of the Contract shall be paid on the due date set out in the certificate of disputing progress payment. The Contractor shall be entitled to the liquidated damages for overdue payment calculated in accordance with Article 17.3.3 (2).

17.4 Quality deposit

17.4.1 Treatment of quality deposit

(1) Where performance guarantee is not provided but the quality deposit is deducted as agreed under Article 4.2.1 of the Special Terms and Conditions of the Contract, the quality deposit shall be deducted by the Supervisor as of the first payment cycle to the agreed proportion of the total amount of the price of completed works as confirmed by the progress payment certificate, the amount of change to be increased and deducted under Article 15, the claim amount to be increased and

deducted under Article 23 and other amounts to be increased and deducted according to the Contract (excluding payment and repayment of advance payment, progress payment previously paid to the Contractor as agreed under the Contract and the quality deposit deducted), until the amount of quality deposit deducted accumulatively is up to the agreed proportion of total contract price settled upon completion; if quality deposit guarantee is adopted, before project completion, the quality deposit shall not be deducted.

(2) Where the performance guarantee is provided and quality deposit is deducted as agreed in Article 4.2.1 of the Special Terms and Conditions of the Contract, in the completion settlement under Article 17.5, the quality deposit shall be deducted to the agreed proportion of total contract price settled upon completion. When payable completion payment amount is less than the amount of quality deposit that shall be deducted, the Contractor shall refund the difference; if quality deposit guarantee is adopted, before project completion, the quality deposit shall not be deducted.

(3) Refer to Special Terms and Conditions of the Contract for the form and agreed proportion of the quality deposit.

17.4.2 If, upon the expiration of the Defects Liability Term agreed in Article 1.1.4.5, the Contractor requests the Project Owner to pay the remaining amount of quality deposit or return the guarantee, the Project Owner shall, within 14 days, verify together with the Contractor whether the Contractor has performed the defects liability in accordance with the Contract. If there is no objection, the Project Owner shall return the remaining deposit or the guarantee to the Contractor after verification.

17.4.3 If upon the expiration of the Defects Liability Term agreed in Article 1.1.4.5, the Contractor fails to perform the defects liability, the Project Owner has the right to deduct the remaining amount of quality deposit that is equivalent to unperformed liability or hold the Contractor liable pursuant to the guarantee, and to request an extension of the Defects Liability Term as agreed under Article 19.3, until the remaining work has been completed.

17.5 Completion settlement

17.5.1 Application form of completion payment

(1) After issuance of the project acceptance certificate, the Contractor shall submit the Supervisor the application form of completion payment in the number of copies and within the time limit agreed in the Contract, and shall provide relevant supporting materials. Refer to **Special Terms and Conditions of the Contract** for

the number of copies of the application form of completion payment submitted by the Contractor and the time limit of such submission.

(2) The application form of completion payment shall include: total contract price settled upon completion, project payment that has been paid by the Project Owner to the Contractor, the quality deposit that shall be deducted and other amounts that shall be paid or deducted. Refer to Special Terms and Conditions of the Contract for other contents of the application form of completion payment.

(3) If the Supervisor has objections to the application form of completion payment, it shall have the right to request the Contractor to revise and provide supplementary data. Through negotiation between the Supervisor and the Contractor, the Contractor shall submit the revised application form of completion payment to the Supervisor.

(4) If the Contractor fails to submit the application form of completion payment in accordance with the time limit and contents agreed in this Article, or submit the revised application form of completion payment as agreed under Article 17.5.1(3), and still fails to submit the same or give an express reply within 14 days after the Supervisor demands, the Supervisor and the Project Owner have the right to review according to existing materials. The total contract price settled upon completion and the amount of completion payment that have been determined through review shall be deemed as the total contract price settled upon completion and amount of completion payment that is acceptable to the Contractor.

17.5.2 Completion Payment Certificate and payment schedule

(1) The Supervisor shall complete the examination within 14 days after receiving the Completion Payment Application submitted by the Contractor and proposes the amount payable by the Project Owner to the Contractor and submit the proposal to the Project Owner for its review. The Project Owner shall complete its review within 14 days after receiving the same and the Supervisor will issue Completion Payment Certificate signed and confirmed by the Project Owner to Contractor. If the Supervisor fails to provide specific comments within the specified time, it shall be deemed that the application form of completion payment submitted by the Contractor has been verified and approved by the Supervisor; if the Project Owner fails to provide specific comments within the specified time, the price that shall be paid by the Project Owner to the Contractor when due as proposed by the Supervisor shall be deemed approved by the Project Owner.

(2) The Project Owner shall, within 14 days after the Supervisor's issuance of the completion payment certificate, pay the payable completion payment to the

Contractor. If the Project Owner fails to pay on time, in accordance with Article 17.3.3 (2), the Project Owner shall pay the liquidated damages for overdue payment to the Contractor.

(3) If the Contractor has any objection to the completion payment certificate issued by the Project Owner, the Project Owner may issue a provisional payment certificate for the portion in the application form of completion payment that is agreed upon with the Contractor. Any dispute shall be settled in accordance with Article 24 "dispute resolution".

(4) If any completion payment involves the government investment funds, the provisions of Article 17.3.3 (4) shall apply.

17.5.3 Except for circumstances set forth in Article 17.5.4, the Project Owner and the Contractor shall complete completion settlement and completion payment within 56 days after the Supervisor issues the project acceptance certificate.

17.5.4 If a construction project funded or mainly funded by the government is included in the audit project plan, the Project Owner and the Contractor are obliged to cooperate with and accept the audit done by the auditing agency. The completion settlement shall be on the basis of the auditing conclusion. The time of completing the completion settlement and completion payment shall be in accordance with relevant provisions.

17.6 Final Settlement

17.6.1 Final Settlement Application

(1) After issuance of the Defects Liability Release Certificate, the Contractor may submit the Supervisor the Final Settlement Application in the number of copies and within the time limit agreed in the Contract, and shall provide relevant supporting materials. Refer to Special Terms and Conditions of the Contract for the number of copies of the Final Settlement Application submitted by the Contractor and the time limit of such submission.

If the Project Owner pays the interest on the quality deposit to the Contractor, the Contractor shall calculate the interest according to the agreed interest calculation method and list it in the Final Settlement Application. As to whether to pay the interest on the quality deposit and the interest calculation method, refer to **Special Terms and Conditions of the Contract**.

(2) If the Project Owner has objections to the Final Settlement Application, it shall have the right to request the Contractor to revise and provide supplementary

data, and the Contractor shall submit the revised Final Settlement Application to the Supervisor.

17.6.2 Final Settlement Certificate and payment schedule

(1) The Supervisor shall propose the amount payable by the Project Owner to the Contractor and expresses other review opinions within 14 days after receiving the Final Settlement Application submitted by the Contractor and submit the proposal to the Project Owner for its review. The Project Owner shall complete its review within 14 days after receiving the same and the Supervisor will issue Final Settlement Certificate signed and confirmed by the Project Owner to Contractor. If the Supervisor fails to provide specific comments within the specified time, it shall be deemed that the Final Settlement Application submitted by the Contractor has been verified and approved by the Supervisor; if the Project Owner fails to provide specific comments within the specified time, the price that shall be paid to the Contractor as proposed by the Supervisor shall be deemed approved by the Project Owner.

(2) The Project Owner shall, within 14 days after the Supervisor's issuance of the Final Settlement Certificate, pay the payable amount to the Contractor. If the Project Owner fails to pay on time, in accordance with Article 17.3.3 (2), the Project Owner shall pay the liquidated damages for overdue payment to the Contractor.

(3) If the Contractor has an objection to the Final Settlement Certificate signed and confirmed by the Project Owner, it shall be handled in accordance with Article 24 "dispute resolution".

(4) If the final settlement payment involves the government investment funds, the provisions of Article 17.3.3 (4) shall apply.

18. Completion Acceptance

18.1 Definition of completion acceptance

18.1.1 Completion acceptance shall mean the acceptance inspection done by the Project Owner as required by the Contract after completion of all Contract work by the Contractor.

18.1.2 State acceptance shall mean the acceptance done by relevant government authority in accordance with requirements of laws, regulations, codes and policies, with respect to the whole project fully organized and implemented by the Project Owner, before formal delivery and operation.

18.1.3 If the state acceptance is required, the completion acceptance shall be part of the state acceptance. Various acceptance and assessment criteria used for

completion acceptance shall meet the national acceptance criteria. Various completion acceptance materials provided by the Project Owner and the Contractor for completion acceptance shall meet the national acceptance requirements.

18.2 Application Report for Completion Acceptance

When the following conditions are met for the project, the Contractor may submit the application report for completion acceptance to the Supervisor:

(1) Except for the remaining works (sporadic items) and defect repair work that may be completed during the Defects Liability Term as agreed by the Supervisor, all unit works and related works within the Contract, including the tests, trial operations and inspections and acceptances required herein, have been completed and comply with the requirements herein;

(2) The completion acceptance materials that shall be consolidated and submitted by the Contractor shall meet the requirements on construction materials imposed by the administrative authority of construction and/or urban construction archives management authority in the place where the project is located, and completion materials that meet requirements have been fully prepared pursuant to the Special Terms and Conditions of the Contract. Refer to Special Terms and Conditions of the Contract for the contents and number of copies of the completion acceptance materials and payment method of amounts.

(3) The lists of remaining works (sporadic items) during the Defects Liability Term and defect repair work, and other corresponding construction plans have been prepared as required by the Supervisor;

(4) Other work that shall be completed before completion acceptance as required by the Supervisor;

(5) The list of completion acceptance materials to be submitted as required by the Supervisor.

18.3 Receiving and inspection

After receipt of the Application Report for Completion Acceptance submitted by Contractor as agreed under Article 18.2, the Supervisor shall review the contents of the application report and handle according to the following circumstances.

18.3.1 If, after review, the Supervisor deems that the conditions for completion acceptance have not been met, it shall, within 28 days after receipt of the Application Report for Completion Acceptance, notify the Contractor, and indicate the work

content that shall be performed by the Contractor before issuance of the acceptance certificate. After completion of all work contents notified by the Supervisor, the Contractor shall submit the Application Report for Completion Acceptance again, until the Supervisor agrees.

18.3.2 If, after review, the Supervisor deems that the conditions for completion acceptance have been met, it shall, within 28 days after receipt of the Application Report for Completion Acceptance, request the Project Owner to conduct project acceptance.

18.3.3 If the Project Owner agrees to accept the project after acceptance inspection, within 56 days after the Supervisor receives the Application Report for Completion Acceptance, the Supervisor will issue the project acceptance certificate signed and confirmed by the Project Owner to the Contractor. If the Project Owner agrees to accept the project after acceptance inspection but requires renovation and improvement, the Contractor shall do so within the specified time limit, and the issuance of the project acceptance certificate will be postponed. Upon completion of renovation and improvement, if the project meets the requirements through review by the Supervisor, with the consent of the Project Owner, the Contractor will be issued the project acceptance certificate.

18.3.4 If the Project Owner disagrees with accepting the project after acceptance inspection, the Supervisor shall issue an instruction according to the Project Owner's acceptance comments, requiring the Contractor to carefully rework or make a remedy for the unqualified project and bear all costs incurred therefrom. After reworking or taking other remedial measures for the unqualified projects, the Contractor shall resubmit the Application Report for Completion Acceptance. The acceptance shall be re-conducted as agreed in Articles 18.3.1, 18.3.2 and 18.3.3.

18.3.5 For projects that pass acceptance inspection, the Actual Completion Date shall be the date when the Contractor submits the Application Report for Completion Acceptance in accordance with Article 18.2 or resubmits the Application Report for Completion Acceptance in accordance with this Article (whichever is later).

18.3.6 If the Project Owner fails to conduct acceptance inspection within 56 days after receipt of the Application Report for Completion Acceptance, the relevant project shall be deemed having passed the acceptance inspection and the Actual Completion Date shall be the date of submission of the Application Report for Completion Acceptance, except for inability of the Project Owner to conduct acceptance inspection due to force majeure.

18.4 Unit work acceptance

18.4.1 If the Project Owner needs to use completed Unit Work before completion of all works as arranged under the Contract schedule, or the Contractor proposes to conduct Unit Work acceptance, the Unit Work acceptance may be conducted with the consent of the Project Owner. The acceptance procedures may be performed by reference to Articles 18.2 and 18.3. After the acceptance is qualified, the Supervisor shall issue the unit project acceptance certificate signed by the Project Owner to the Contractor. The unit project with the unit project acceptance certificate shall be cared by the Project Owner. The acceptance results and conclusions of the Unit Work shall be attached to the Application Report for Completion Acceptance of the entire project.

18.4.2 If the Project Owner uses the accepted Unit Work before the completion of the entire project, which causes the increase of expenses on the part of the Contractor, the Project Owner shall bear the increased expenses and/or delayed term, and pay the Contractor a reasonable profit.

18.5 Operation during construction term

18.5.1 The operation during the construction period means that when the contract project has not been completed, one or several unit projects or installations of engineering equipment have been completed and need to be put into operation during the construction period. According to the Special Terms and Conditions of the Contract, these unit projects can be put into operation during the construction period after the Project Owner conducts the acceptance in accordance with Article 18.4 and proves the safety.

18.5.2 If any damage or defect is found in the project or the engineering equipment in operation during the construction period, it shall be repaired by the Contractor in accordance with Article 19.2.

18.6 Trial operation

18.6.1 Organization and fee allocation of trial operation of the project and Engineering Equipment

(1) When the conditions for single-unit no-load trial operation of installed Engineering Equipment are met, the Contractor shall organize the trial operation at its own expenses.

(2) When the conditions for no-load linkage trial operation of installed Engineering Equipment are met, the Project Owner shall organize the trial operation at its own expenses.

(3) The Project Owner shall be responsible for feeding trial operation after completion acceptance of the project. If the Project Owner requests to conduct the commissioning before the completion acceptance or the Contractor is required to cooperate, it shall obtain the consent of the Contractor and a Supplementary Agreement shall be otherwise signed.

18.6.2 If the trial operation is failed for reasons attributable to the Contractor, the Contractor shall take measures to ensure that the trial operation is qualified and shall bear the corresponding expenses. If the trial operation is failed for reasons attributable to the Project Owner, the Contractor shall take measures to ensure that the trial operation is qualified and shall bear the corresponding expenses and pay the Contractor reasonable profit.

18.7 Site clearance upon completion

18.7.1 After the Supervisor issues the project acceptance certificate, the Contractor is responsible for cleanup of construction site according to the following requirements until qualified upon inspection by the Supervisor. The expenses for site cleanup upon construction shall be borne by the Contractor.

(1) All residual garbages have been removed from the construction site;

(2) Temporary works have been dismantled, and the site has been cleared, levelled or restored as required under the Contract;

(3) The Contractor's equipment and remaining materials, including abandoned engineering equipment and materials, which should be evacuated as agreed in the Contract, have been evacuated from the construction site as planned;

(4) All construction deposits surrounding the project building, on the roads and in the rivers have been cleared as instructed by the Supervisor;

(5) Other site clearance as instructed by the Supervisor has been completed on the construction site.

18.7.2 If the Contractor fails to reinstate the Temporary Land Occupation as required by the Supervisor or the site cleaning fails to meet the provisions of the Contract, the Project Owner shall have the right to entrust others to reinstate or clean up. The amounts incurred shall be deducted from the payments to be paid to the Contractor.

18.8 Demobilization of the construction team

18.8.1 Within 56 days after issuance of the project acceptance certificate, all construction teams, engineering equipment, temporary work should be demobilized or removed from the site with the exception of the ones approved by the Supervisor to continue work during the Defects Liability Term.

18.8.2 When the Contractor is evacuated from the construction site, the Supervisor and the Contractor shall handle the formalities for the handover of Permanent Work and construction site, which shall be issued in writing, and such written document shall be signed and confirmed by the Project Owner, the Supervisor and the Contractor respectively. However, if the Supervisor and the Project Owner fail to complete completion settlement and completion payment within the time limit specified in Article 17.5.1, this project shall not be delivered for use. Neither the Project Owner nor the Supervisor has the right to require the Contractor to be evacuated from the construction site and handle the formalities for project handover within the time limit agreed under the Contract.

18.8.3 Upon the expiration of the Defects Liability Term, the Contractor's personnel and engineering equipment shall be fully evacuated from the construction site within the time limit agreed under the Contract. Refer to Special Terms and Conditions of the Contract for the time limit of evacuation from the construction site.

18.9 Intermediate acceptance

18.9.1 Intermediate acceptance shall be conducted for this project as agreed under the Contract. Refer to Special Terms and Conditions of the Contract for the parts on which intermediate acceptance shall be conducted.

18.9.2 When it is time to conduct intermediate acceptance for the project as agreed under Article 18.9.1, the Contractor shall make self-inspection, and notify the Supervisor in writing to conduct acceptance inspection 48 hours ahead of the intermediate acceptance. The written notice shall include the contents, time and place of intermediate acceptance. The Contractor shall prepare the acceptance record. The Contractor can proceed with construction only the project passes the Supervisor's acceptance inspection and the Supervisor signs the acceptance record. If failed, the Contractor shall correct within the time limit agreed under the Contract and then the Supervisor will conduct acceptance inspection again. Refer to **Special Terms and Conditions of the Contract** for the time limit of re-acceptance.

18.9.3 In the event that the Supervisor fails to conduct the acceptance on time, it shall submit a written extension request of not over 48 hours to the Contractor at least 24 hours before the acceptance. In the event that the Supervisor fails to submit

an extension requirement within the term stipulated in tits paragraph, and to perform the inspection and acceptance on schedule, the Contractor may organize the inspection and acceptance at its discretion, and the Supervisor shall recognize the acceptance record.

Where the project quality meets the agreed acceptance criteria after acceptance inspection by the Supervisor, if the Supervisor still fails to sign the acceptance record within 24 hours after the acceptance, it shall be deemed that the Supervisor has recognized the acceptance record, and the Contractor may proceed with construction.

19. Defects Liability and Warranty Liability

19.1 Starting time of Defects Liability Term

The Defects Liability Term shall commence from the Actual Completion Date. With respect to the unit work that has been accepted by the Project Owner in advance before the completion inspection and acceptance of the whole project, the commencement date of the Defects Liability Term shall be advanced correspondingly.

19.2 Defects liability

19.2.1 During the Defects Liability Term, the Contractor shall be liable for the defects of the works that have been delivered for use.

19.2.2 During the Defects Liability Term, the Project Owner shall be responsible for the daily maintenance of the accepted works. If the Project Owner finds that there are new defects in the accepted works or that the repaired defective parts or components are damaged again during the use, the Contractor shall be responsible for repairing till the inspection is qualified.

19.2.3 The Supervisor and the Contractor shall jointly investigate the cause of the defects and/or damage. If it is found to be caused by the Contractor after the investigation, the Contractor shall bear the costs of repair and inspection. If it is found to be caused by the Project Owner after the investigation, the Project Owner shall bear the costs of repair and inspection, and pay reasonable profits to the Contractor.

19.2.4 Where the Contractor is unable to repair the defects within a reasonable period, the Project Owner may repair by itself or appoint others to repair, and the required costs and profits shall be borne as specified in Section 19.2.3.

19.3 Extension of defects liability term

Should some work or engineering equipment fail to work for the intended purpose and required to be re-inspected, re-examined and repaired in consequence of any defects or damage attributed to the Contractor, the Project Owner shall be entitled to require the Contractor to extend the Defects Liability Term accordingly, which shall not be extended by more than 2 years.

19.4 Further testing and trial operation

If it is proved by inspection that any repaired defect or damage affects the performance of the project or the engineering equipment, the Contractor shall re-conduct the test and trial operation as agreed in the Contract. All expenses for the test and trial operation shall be borne by the responsible party.

19.5 The Contractor's right to access

The Contractor shall be entitled to access to the construction site for the purpose of repairing defects during the Defects Liability Term, but shall comply with the security and confidentiality regulations of the Project Owner.

19.6 Defects liability release certificate

The Supervisor will issue the Defects Liability Release Certificate signed by the Project Owner to the Contractor during the Defects Liability Term specified in Section 1.1.4.5, including 14 days after the expiry of the extended period specified in Article 19.3, and refund the remaining quality deposit or return the letter of guarantee.

19.7 Warranty liability

19.7.1 The Parties to the Contract shall specify the scope, term and responsibilities of project quality warranty in accordance with the applicable laws and regulations. The Warranty Period shall commence from the Actual Completion Date. With respect to the unit work that has been accepted by the Project Owner in advance before the completion inspection and acceptance of the whole project, the commencement date of the Warranty Period shall be advanced correspondingly. The scope, term and responsibilities of project quality warranty are set out in the **Special Terms and Conditions of the Contract.**

19.7.2 The quality warranty certificate is an integral part of the Application Report for Completion Acceptance. The Contractor shall issue the quality warranty certificate in the form specified in the Contract according to the applicable laws and regulations, and the main text of the quality warranty certificate shall be consistent with the said provisions of this clause. The Contractor shall deliver the quality warranty certificate together with the completion inspection and acceptance report as specified in Article 18.2 hereof to the Supervisor.

20. Insurance

20.1 Project insurance

The Contractor shall take out construction all risks insurance and installation all risks insurance from the insurer as agreed by the Parties in the joint name of the Project Owner and the Contractor. The specific insurance coverage, amount, rate and term and other related content are set out in **the Special Terms and Conditions of the Contract**.

20.2 Insurance for work-related injuries of employees

20.2.1 Insurance for work-related injuries of the Contractor's employees

(1) The Contractor shall participate into the work-related injury insurance according to the applicable laws and regulations and pay the work-related injury insurance premium in a lump sum for all personnel employed for the performance of the Contract (including the personnel engaged by the professional subcontractor and the labour subcontractor) before the commencement of the project hereunder. The Contractor shall not further record or allocate work-related injury insurance premium to the subcontractor when billing for the subcontracted construction.

(2) The period of the work-related injury insurance of the Contractor shall start from the commencement date of the project under the Contract and end on the termination date of the Contract.

20.2.2 Insurance for work-related injuries of the Project Owner's employees

The Project Owner shall participate into the work-related injury insurance according to the applicable laws and regulations and pay a work-related injury insurance premium for all personnel employed to work at the site, and request its Supervisor to take out such insurance.

20.3 Personal accident insurance

20.3.1 The Project Owner shall take out personal accident insurance and pay the insurance premium for all personnel employed by it to work at the site throughout the construction period, and request its Supervisor to take out such insurance.

20.3.2 The Contractor shall take out personal accident insurance and pay the insurance premium for all personnel employed by it to work at the site throughout the construction period, and request its subcontractor to take out such insurance.

20.4 Third-party liability insurance

20.4.1 The third-party liability means the liability for compensation for third-party personal injuries and death, illness or property damage on the construction site and adjacent areas caused by construction accident and to which the insured shall be liable (except for this Project), the litigation fees paid by the insured therefor and other costs paid in advance as agreed by the insurer in writing.

20.4.2 Before the issuance of the Defects Liability Release Certificate, the Contractor shall take out the third-party liability insurance as agreed in Section 20.4.1 in the joint name of the Contractor and the Project Owner, and the insurance rate and amount and contributor of the insurance premium are **set out in the Special Terms and Conditions of the Contract**.

20.5 Other insurance

The Contractor shall purchase insurance for its construction equipment, materials and engineering equipment. The types of insurances are **set out in the Special Terms and Conditions of the Contract**.

20.6 General requirements on insurances

20.6.1 Insurance certificate

The Contractor shall submit to the Project Owner the evidence of various effective insurances and copies of insurance policies within the time limit specified in the Contract, and the insurance policies shall be consistent with the conditions specified in the Contract. The time limit for submission of evidence of various effective insurances and copies of insurance policies are **set out in the Special Terms and Conditions of the Contract**.

20.6.2 Change of insurance contract terms

Where the Contractor needs to change any insurance contract term, it shall obtain approval from the Project Owner in advance and notify the Supervisor. Where

the insurer makes such changes, the Contractor shall notify the Project Owner and the Supervisor immediately after receiving notice from the insurer.

20.6.3 Maintained insurance

The Contractor shall keep in touch with the insurer, so that the insurer can keep abreast of the changes in the implementation of the project, and shall ensure to continue the insurances according to the terms of the insurance contract.

20.6.4 Supplement insufficient insurance premium

Where the insurance amount is insufficient for compensation for losses, the Contractor and/or the Project Owner shall be liable for compensation as agreed in the Contract. The compensation principles in respect of the insufficient insurance amount are **set out in the Special Terms and Conditions of the Contract**.

20.6.5 Remedies for failure to insure as agreed

(1) If the Party with the obligation to insure fails to take out any insurance as agreed in the Contract or fails to maintain the continued effectiveness of the insurances, the other Party may take out such insurance on behalf of such Party at the costs of such Party.

(2) If the beneficiary fails to obtain compensation from the insurer due to the failure of the Party with the obligation to insure to take out any insurance as agreed in the Contract, the insurance amount that should be obtained from such insurance shall be paid by such Party.

20.6.6 Obligation to report

When an insurance accident occurs, the policyholder shall report to the insurer in a timely manner in accordance with the conditions and within the time limit specified in the insurance policy.

21. Force Majeure

21.1 Confirmation on force majeure

21.1.1 Force majeure refers to the natural disasters and social emergencies which are unforeseeable when the Contract is signed by the Contractor and the Project Owner and unavoidable and insurmountable during the implementation of the project, such as earthquake, tsunami, plague, flood, disorder, riot, war and other circumstances as agreed in the Contract. Other circumstances are **set out in the Special Terms and Conditions of the Contract**.

21.1.2 After the occurrence of the force majeure, the Project Owner and the Contractor shall make a timely and careful calculation of the losses caused by the

force majeure and collect evidence to prove the losses caused by the force majeure. If the Parties disagree on whether it is a force majeure or the losses, the Supervisor shall agree or determine it in accordance with Article 3.5. Any dispute shall be settled in accordance with Article 24.

21.2 Notice of force majeure

21.2.1 If either party encounters a force majeure event that prevents it from performing its obligations under the Contract, it shall immediately notify the other party and the Supervisor, explain the details of the force majeure and the obstruction in writing, and provide necessary proofs.

21.2.2 If the force majeure continues, either Party shall promptly submit an interim report to the other Party and the Supervisor to explain the details of the force majeure and the obstruction in performing the Contract, and submit the final report and relevant information within 28 days after the end of the force majeure event.

21.3 Consequence and resolution of force majeure

21.3.1 Liability for damage caused by force majeure

Personal injury, property loss, increase in expenses and/or delay in construction and other consequences caused by Force Majeure shall be allocated by the Parties on the following principles:

(1) The Project Owner shall bear the damage to the permanent work, including the materials and the engineering equipment that have been transported to the construction site, and the injuries and death and property damage to any third party due to the damage to the work;

(2) The damage to the Contractor's equipment shall be borne by the Contractor;

(3) The Project Owner and the Contractor shall respectively undertake its personal injury and other property loss and relevant expenses;

(4) The loss caused by the suspension of works by Contractor shall be borne by the Contractor; but the amount in relation to safekeeping, cleaning and repairing the works in the suspension period as requested by Supervisor shall be borne by the Project Owner;

(5) If the construction cannot be completed as scheduled, the term shall be extended reasonably, and the Contractor is not required to pay liquidated damages

for the delay. If the Project Owner requests for acceleration, the Contractor shall take actions for acceleration at the expense of the Project Owner.

21.3.2 Force majeure during the extended performance period

Where either Party delays in performing the Contract and encounters any force majeure during the extended performance period, it shall not be exempted from the liabilities.

21.3.3 Avoiding and reducing losses from force majeure

After the occurrence of force majeure, the Project Owner and the Contractor shall take measures to avoid and minimize the expansion of losses. If either Party fails to take effective measures, which causes the expansion of losses, it shall bear the expanded losses.

21.3.4 Termination of Contract due to force majeure

Where either Party is unable to perform the Contract due to force majeure, such Party shall promptly notify the other Party of termination of the Contract. After the termination of the Contract, the Contractor shall move from the construction site as set out in Section 22.2.5. The ordering Party shall be responsible for returning the ordered materials and equipment or terminate the order contract. The amount for a commodity that cannot be refunded and expenses incurred in returning ordered goods or terminating order contract shall be borne by the Project Owner, and the losses due to the failure to timely return the ordered goods shall be borne by the responsible Party. The payment to be made after the termination of the Contract shall be agreed or determined by the Supervisor according to Article 3.5 and with reference to Section 22.2.4.

22. Default

22.1 Default by the Contractor

22.1.1 Default by the Contractor

The following circumstances which occur during performance hereof shall be deemed as a breach by the Contractor:

(1) The Contractor unilaterally transfers all or part of its rights or obligations hereunder to others in breach of Article 1.8 or 4.3;

(2) The Contractor moves the engineering equipment, temporary facilities or materials that have entered the construction site as required in the Contract from the construction site without the approval of the Supervisor and in breach of Article 5.3 or 6.4;

(3) The Contractor uses unqualified materials or engineering equipment in breach of Article 5.4, causing the construction quality not meet the standards, and refused to remove the unqualified construction;

(4) The Contractor fails to timely complete the work according to the schedule herein, causing or expecting to cause the delay in term;

(5) During the Defects Liability Term, the Contractor fails to repair the defects listed in the list specified in the project acceptance certificate or any defect occurred during the Defects Liability Term, but refuses to repair the same as instructed by the Supervisor;

(6) The Contractor cannot continue to perform or expressly states that it will not perform or substantially stop performing this Contract;

(7) Other circumstances in which the Contractor does not perform its obligations as stipulated in the Contract.

22.1.2 Settlement of default by the Contractor

(1) If the Contractor commits the breach as specified in Section 22.1.1 (6), the Project Owner may notify the Contractor of termination of the Contract with immediate effect, and deal with it according to applicable laws.

(2) In case of any other breach by the Contractor other than those set out in Section 22.1.1 (6), the Supervisor may issue a rectification notice to the Contractor requesting it to make the correction within the specified time limit. The Contractor shall be liable for increased expenses and/or delay term due to its breaches.

(3) Where it is proved that the Contractor has taken effective measures to correct the breaches after inspection and the conditions for the resumption of construction are met, the Supervisor may issue a notice of resumption of construction.

22.1.3 Contract dissolution due to breach by the Contractor

If the Contractor still fails to correct its breach 28 days after the Supervisor issues rectification notice, the Project Owner may send a termination notice to the Contractor. After the termination of the Contract, the Project Owner may appoint personnel to the construction site to organize persons or appoint other contractors to conduct the construction. The Project Owner may withhold and use the materials, equipment and temporary facilities of the Contractor at the site due to the need to continue to complete the project. provided that such action by the Project Owner shall not exempt the Contractor from the liability for breach, nor affect the right of the Project Owner to claim against the Contractor according to the Contract.

22.1.4 Valuation, payment and settlement after the termination of the Contract

(1) After the termination of the Contract, the Supervisor may, according to Article 3.5, agree or determine the value of the actual work completed by the Contractor and the value of the materials, construction equipment, engineering equipment and temporary work provided by the Contractor.

(2) After the termination of the Contract, the Project Owner shall suspend all payments to the Contractor and check the payments and deducted amount, including the liquidated damages payable by the Contractor.

(3) After the termination of the Contract, the Project Owner shall claim against the Contractor the losses from the termination of Contract according to Article 23.4.

(4) The Parties shall issue the final settlement payment certificate and settle all payments under the Contract after confirming the said amounts.

(5) Any dispute arising out of the disagreement between the Project Owner and the Contractor on the settlement after the termination of Contract shall be settled in accordance with Article 24.

22.1.5 Transfer of an interest in the agreement

Where the Contract is terminated due to breach by the Contractor, the Project Owner shall have the right to request the Contractor to transfer to the Project Owner its interest in order agreement of materials and equipment or any service agreement executed for the performance of the Contract and to go through the formalities for transfer within 14 days after the termination of the Contract.

22.1.6 Inability or unwillingness to rescue in an emergency

As for any event putting the construction in danger during the implementation of construction or Defects Liability Term, the Project Owner is entitled to hire other personnel to perform a rescue in case that the Contractor declares its incapability or reluctance to execute resume immediately after the receipt of rescue Notice from the Supervisor. If such rescue is the obligation of the Contractor according to the Contract, the amount incurred therefrom and/or the liability for the delayed term shall be borne by the Contractor.

22.2 Default by the Project Owner

22.2.1 Default by the Project Owner

The following circumstances which occur during performance hereof shall be deemed as a breach by the Project Owner:

(1) The Project Owner fails to pay advance payment or contract price as agreed in the Contract, or delays or refuses to approve the payment application and payment voucher, resulting in the delay of payment;

(2) The work is stopped due to the reason of the Project Owner;

(3) The Contractor fails to resume the construction in consequence of the absence of resumption instruction from the Supervisor within the agreed period and without any proper reason;

(4) The Project Owner cannot continue to perform or expressly states that it will not perform or substantially stop performing this Contract;

(5) The Project Owner fails to perform other obligations provided herein.

22.2.2 Contractor has the right to suspend construction

In case of any breach by the Project Owner other than Section 22.2.1 (4), the Contractor may issue a notice to the Project Owner requesting it to take restrictive measures to correct the breach. If the Project Owner still fails to perform its obligations hereunder within 28 days after receiving the notice from the Contractor, the Contractor shall have the right to suspend the construction and notify the Supervisor, and the Project Owner shall bear the incurred expenses and/or delayed term and pay the Contractor a reasonable profit.

22.2.3 Termination due to breach by the Project Owner

(1) In case of the breach set out in Section 22.2.1 (4), the Contractor may notify the Project Owner in writing to terminate the Contract.

(2) If the Project Owner still fails to correct the breach 28 days after the Contractor suspends the construction according to Section 22.2.2, the Contractor may send a termination notice to the Project Owner; provided that such action by the Contractor shall not exempt the Project Owner from the liability for breach, nor affect the right of the Contractor to claim against the Project Owner according to the Contract.

22.2.4 Payment after termination

If the Contract is terminated due to breach by the Project Owner, the Project Owner shall pay the following amount to the Contractor within 28 days after the termination of the Contract, and the Contractor shall timely submit relevant materials and vouchers in the following amount:

(1) The payment for the work completed before the termination of the Contract;

(2) The amount paid by the Contractor for the ordered materials, engineering equipment and other articles for the construction of the project. Such materials, engineering equipment and other articles shall be owned by the Project Owner after it pays back the amount;

(3) The amount incurred by the Contractor for completing the construction and not paid by the Project Owner;

(4) The amount incurred by the Contractor for withdrawal from the construction site and the severance of the Contractor's personnel;

(5) The compensation for the losses suffered by the Contractor due to the termination of the Contract;

(6) Other amounts payable to the Contractor prior to the termination of the Contract as agreed herein. The Project Owner shall pay aforesaid amounts as set out in this Section and refund the quality deposit or the quality deposit guarantee and the performance guarantee, and shall have the right to request the Contractor to pay all amounts payable to the Project Owner.

22.2.5 Contractor's removal after termination

after contract termination due to breach by the Project Owner, the Contractor shall properly protect and handover the completed works and purchased materials and equipment and remove the equipment and personnel of the Contractor from the construction site as requested by the Project Owner. The Contractor shall comply with Section 18.7.1 to remove from the construction site and the Project Owner shall provide necessary conditions for the removal by the Contractor.

22.3 Default due to a third party

In the course of performing the Contract, if any party breaches the Contract due to a third party, it shall be liable to the other party for breach of Contract. Any dispute between either Party and a third party shall be settled in accordance with laws or agreement.

23. Claims

23.1 Claims from the Contractor

According to the Contract, if the Contractor believes that it is entitled to receive additional payment and/or grant an extension of the construction period, it shall file a claim against the Project Owner according to the following procedures:

(1) The Contractor shall, within 28 days after it is or should be aware of the occurrence of the claim, submit a notice of claim intention to the Supervisor and explain the cause of the claim. If the Contractor fails to send the notice of claim

intention within the said period of 28 days, it will lose the right to request for additional payment and/or extension of the construction period;

(2) The Contractor shall formally deliver the claim notice to the Supervisor within 28 days after sending the notice of claim intention. The claim notice shall state the cause of the claim and the required additional payment and/or extension of the construction period, with necessary records and evidence attached;

(3) If the claim has a continuous impact, the Contractor shall keep delivering the notice on the continuation of the claim at reasonable intervals, stating the actual situation and record of the continuing impact and listing the accumulated amount of additional payment and/or number of days to be extended in respect of the construction period;

(4) Within 28 days after the impact of the claim incident ends, the Contractor shall deliver the final claim notice to the Supervisor, stating the final amount of additional payment and extension of the construction period, with necessary records and evidence attached.

23.2 Settlement of claims from Contractor

(1) After receiving the claim notice from the Contractor, the Supervisor shall promptly review the content thereof, and inspect the records and evidence provided by the Contractor, and the Supervisor may request the Contractor to submit the copies of all original records, if necessary.

(2) The Supervisor shall agree or determine the additional payment and/or the extension of construction period according to Article 3.5, and reply to the Contractor the results of the claim within 42 days after receiving the said claim notice or further evidence of the claims.

(3) If the Contractor accepts the settlement of the claim, the Project Owner shall complete the compensation within 28 days after making the reply to the Contractor in respect of the settlement of the claim. If the Contractor disagrees with the settlement of the claim, the provision of Article 24 shall apply.

23.3 Time limit for claims from the Contractor

23.3.1 The acceptance of the completion payment certificate by the Contractor according to Article 17.5 shall be deemed that the Contractor has no right to raise any claim prior to the issuance of project acceptance certificate.

23.3.2 In the final settlement application submitted by the Contractor as provided in Article 17.6, only claims after issuance of project acceptance certificate can be made. The deadline for making claims shall be the time of accepting the final settlement certificate.

23.4 Claims from the Project Owner

23.4.1 After the occurrence of the claim, the Supervisor shall promptly notify the Contractor in writing, detailing the details and basis of the claim amount and/or extension of Defects Liability Term entitled to the Project Owner. The time limit and requirements for the Project Owner to file any claim by shall be consistent with those set out in Article 23.3, and the notice of extension of Defects Liability Term shall be sent before the expiry thereof.

23.4.2 The Supervisor shall, according to Article 3.5, agree or determine the compensation amount and/or extension of the Defects Liability Term to be obtained by the Project Owner from the Contractor. The amount payable by the Contractor to the Project Owner may be deducted from the contract price to be paid to the Contractor, or otherwise paid to the Project Owner by the Contractor.

24. Dispute Settlement

24.1 Dispute Settlement

Any dispute between the Project Owner and the Contractor during the performance hereof may be settled through friendly negotiation or referred to the dispute review board for review. Where the friendly negotiation between the Parties fails, or the Parties are unwilling to refer the dispute to the dispute review board or disagree with the opinions thereof, the dispute may be settled in one of the following ways set out in Special Terms and Conditions of the Contract.

(1) apply to the agreed arbitration commission for arbitration;

(2) bring a lawsuit to the people's court with jurisdiction.

24.2 Amicable settlement

Prior to the reference to the dispute review board, arbitration or litigation, and during the dispute review, arbitration or litigation, the Project Owner and the Contractor may make joint efforts to resolve the dispute amicably.

24.3 Dispute review

24.3.1 If the dispute review is adopted, the Project Owner and the Contractor shall negotiate to establish a dispute review board within 28 days after the commencement date or after the occurrence of the dispute. The dispute review board shall be composed of experts with experience in contract management and engineering practice.

24.3.2 With respect to any dispute between the Parties, the applicant shall first submit a detailed review application report to the dispute review board, with necessary documents, drawings and evidence attached, and the applicant shall also submit the copies of such report to the respondent and the Supervisor at the same time.

24.3.3 The respondent shall submit a response report to the dispute review board, with evidence attached, within 28 days after receiving the copy of the review application report from the applicant. The respondent shall submit the copy of the response report to the applicant and the Supervisor at the same time.

24.3.4 The dispute review board shall, within 14 days after receiving reports from the Parties, invite the representatives of the Parties and the related persons to hold an investigation meeting within the period specified in the Contract and investigate details of the dispute from the Parties; the dispute review board may request the Parties to further provide supplementary materials, if necessary. The time limit for holding an investigation meeting is **set out in the Special Terms and Conditions of the Contract**.

24.3.5 Within 14 days after the investigation meeting, the dispute review board shall conduct an independent and fair review without any interference, make written review opinions within the time limit specified in the Contract and make explanations. During the dispute review, the Parties shall continue the performance as determined by the Chief Supervisory Engineer temporarily. The time limit for the dispute review board to make review opinions is **set out in the Special Terms and Conditions of the Contract**.

24.3.6 Where the Project Owner and the Contractor accept the review opinions, the Supervisor shall prepare an implementation agreement according to the review opinions, which will become the supplementary document of the Contract after being signed by the Parties for their mutual compliance.

24.3.7 Where either the Project Owner or the Contractor disagrees with the review opinions and requests for arbitration or litigation, it shall notify the other Party of the letter of intent on arbitration or litigation within 14 days after receiving the review opinions and copy the same to the Supervisor; provided that it shall

temporarily continue the performance as determined by the Chief Supervisory Engineer prior to the end of the arbitration or litigation.

Part IV Special Terms and Conditions of the Contract

4.1 Special Terms and Conditions of the Contract

1. General provisions

1.1 Definitions

1.1.1 Contract

Articles 1.1.1.1, 1.1.1.3, 1.1.1.4 and 1.1.1.5 of the General Terms and Conditions of the Contract are amended as follows:

1.1.1.1 Contract Documents (or the Contract): means the contract documents as agreed in Article 1.4 of the Special Terms and Conditions of the Contract.

1.1.1.3 Notification of Award: means the letter from the Project Owner notifying the Contractor of being selected. The "Bid-winning Notice" referred to in the General Terms and Conditions of the Contract shall be replaced with "Notification of Award".

1.1.1.4 Reply to Comparison and Selection: means the reply letter in respect of the comparison and selection completed and signed by the Contractor and forming a part of the Contract Documents. The "Bid Letter" referred to in the General Terms and Conditions of the Contract shall be replaced with "Reply to Comparison and Selection".

1.1.1.5 Schedule of the Reply to Comparison and Selection: means the schedule attached to the Reply to Comparison and Selection and forming a part of the Contract Documents. The "Schedule to the Bid Letter" referred to in the General Terms and Conditions of the Contract shall be replaced with the "Schedule of the Reply to Comparison and Selection".

1.1.2 Contract parties and personnel

1.1.2.2 Project Owner: Shidai TAL Education Technology (Beijing) Co., Ltd. (时代好未来教育科技(北京)有限公司)

1.1.2.3 Contractor: Beijing Construction Engineering Group Co., Ltd. (北京建工集团有限责任公司)

1.1.2.6 Supervisor: Beijing Pake International Engineering Consulting Co., Ltd. (北京帕克国际工程咨询股份有限公司)

1.1.2.8 Representative of the Project Owner:

Name: **[***]**

Contact number: **[***]**

Email: **[***]**

Mailing address: 15/F，Danling SOHO, Danling Avenue 6, Haidian District, Beijing (北京市海淀区丹棱街6号丹棱SOHO 15层)

Articles 1.1.2.9, 1.1.2.10 and 1.1.2.11 of the General Terms and Conditions of the Contract are amended as follows:

1.1.2.9 Professional Subcontractor: means following the provisions of Article 15.8.1 of the Contract, the subcontractor selected by the Project Owner and the Contractor by bidding or other legal means. The projects carried out by the Professional Subcontractors are the professional subcontracted projects.

1.1.2.10 Special Supplier: means following the provisions of Article 15.8.1 of the Contract, the supplier selected by the Project Owner and the Contractor by bidding or other legal means. The materials and engineered equipment supplied by the Special Suppliers are the Special Supply Items.

1.1.2.11 Independent Contractor: means any party who directly executes the construction contracting contract with the Project Owner and is responsible for the other work concerning the project. The construction carried out by the Independent Contractor is Independent Contracted Construction.

The following should be added following Article 1.1.2.11 of the General Terms and Conditions of the Contract:

1.1.2.12 Independent Supplier: means any party who directly executes the goods supply contract with the Project Owner and is responsible for the supply of equipment and materials concerning the project. The materials and engineered equipment supplied by the Independent Suppliers are the special supply items.

1.1.2.13 Project Management Company: Beijing CBRE Property Management Services Limited. The Project Management Company will exercise its power to manage the project to the extent as authorized by the Project Owner during the performance of the Contract. Except for the urgent quality and safety issues of the project that require for the instructions from the Project Management Company first, any instruction, opinion, clarification, notice, letter or other document or act sent or made to the Contractor by the Project Management Company during the provision of services that may affect the rights or obligations of the Project Owner shall be reviewed and confirmed by the Project Owner in writing in advance. Especially, the Project Management Company has no right to sign, modify or cancel any contract or similar documents with the Contractor as a representative or agent of the Project Owner, nor to reduce or relieve any responsibilities or obligations of the Contractor.

1.1.2.14 Cost Consulting Company: Beijing Jianjiye Engineering Management Co., Ltd.

1.1.2.15 Consultant means any professional technical team engaged by the Project Owner to provide consulting and management services concerning the professional technologies involved in the Project. The Consultants engaged for the Project are as follows:

(1) Structural Consultant - CABR Technology Co., Ltd. (建研科技股份有限公司);

(2) M&E Consultant - Meinhardt (Beijing) Ltd. (迈进工程设计咨询（北京）有限公司);

(3) Curtain Wall Consultant - CABR Technology Co., Ltd. (建研科技股份有限公司);

(4) Green Building Consultant - China Building Design Consultants Co., Ltd. (中国建筑设计咨询有限公司);

(5) Fire Safety Consultant - China Academy of Building Research Co., Ltd. (中国建筑科学研究院有限公司);

(6) Engineer Survey - BGI Engineering Consultants Ltd. (北京市勘察设计研究院有限公司);

1.1.3 Works and equipment

1.1.3.2 Permanent Work: all works specified in the contracting scope hereunder, other than the foundation pit supporting works.

1.1.3.3 Temporary Work: various temporary works, such as temporary building, structure and temporary facilities, required for the construction and the completion of Permanent Works agreed in the Contract.

1.1.3.10 Permanent Land Occupation: the site occupied by all buildings in TAL Changping Education Park Project within the boundary line of the land.

1.1.3.11 Temporary Land Occupation: The Project Owner will not provide temporary occupation area, and the provision of Article 6.1.2 of the Special Terms and Conditions of the Contract shall apply.

The following should be added following Article 1.1.3.12 of the General Terms and Conditions of the Contract:

1.1.3.13 Entire Project/this Project: means all of the engineering involved in TAL Changping Education Park project, including the Project (including Professional

Subcontracted Projects, Special Supply Items and other subcontracted projects and supply items), and Independent Contracted Construction.

1.1.4 Date

1.1.4.2 Commencement Date: means the construction Commencement Date specified in Article 11.1.1 of the Special Terms and Conditions of the Contract.

1.1.4.5 Term of Defects Liability: 24 months from the actual completion date agreed in Article 1.1.4.4.

1.1.4.8 Warranty Period: refer to the Special Terms and Conditions of the Contract and its appendix Warranty of Premises Construction Quality for details, starting from the actual completion date agreed in Article 1.1.4.4.

1.1.7 Dispute review board

No dispute review board will be established for the Project.

1.1.8 Additional provisions to be added

Where any provision under any Article number in the Special Terms and Conditions of the Contract is not explicitly stated to supplement, modify or delete the provision of the General Terms and Conditions of the Contract under the corresponding Article number, the provisions of the Special Terms and Conditions of the Contract and the General Terms and Conditions of the Contract under such Article number shall apply at the same time, and the provision of the Special Terms and Conditions of the Contract shall be deemed as a supplement to and improvement of that of the General Terms and Conditions of the Contract; while there is any conflict or discrepancy between the Special Terms and Conditions of the Contract and the General Terms and Conditions of the Contract, the provision of the Special Terms and Conditions of the Contract shall prevail.

Where there is any conflict or discrepancy between any provision under any Article number in the Special Terms and Conditions of the Contract and the provision under other Article numbers in the General Terms and Conditions of the Contract, the provision of the Special Terms and Conditions of the Contract shall prevail.

1.4 Order of precedence of the Contract Documents

The composition and order of precedence of the Contract Documents are as follows:

(1) Contract Agreement;

(2) Notification of Award;

(3) Reply to Comparison and Selection and Schedule of the Reply to Comparison and Selection;

(4) Special Terms and Conditions of the Contract;

(5) General Terms and Conditions of the Contract;

(6) Technical standards and requirements;

(7) Drawings;

(8) Priced Bill of Quantities;

(9) Other Contract Documents.

For the Contract Documents of the same order of precedence, the latest version or the latest issued shall prevail. Concerning the construction quality, if there is any conflict or discrepancy between the drawings and the technical standards and requirements or other Contract Documents, the stricter standards shall prevail.

If there is any ambiguity, contradiction or inconsistency between different Contract Documents, between different parts of the same Contract Document, or in any contract itself, and the order of precedence above is still insufficient to clarify, unless otherwise agreed in the Contract, the clarification or description made by the Project Owner shall prevail.

Any supplementary agreement, meeting minutes, memo and other documents signed and affixed with company seals by the Parties hereto during the performance of the Contract shall also be an integral part of the Contract Documents, and the order of precedence thereof shall be determined according to its content and relationship with other Contract Document.

Any self-drafted conditions or descriptions in the materials submitted by the Contractor during the comparison and selection period that are inconsistent with any document for comparison and selection, and any inquiry or reply made by the Contractor in the clarification and question answering that compromises the Project Owner's rights or increase the responsibilities and obligations of the Project Owner in comparison with the documents for comparison and selection, unless expressly accepted by the Project Owner in writing in the Contract Documents, shall be null and void. Besides, the technical documents, such as construction organization design, construction progress plan and the model and parameters of the relevant equipment and materials, submitted by the Contractor during the comparison and selection period is the unilateral undertaking made by the Contractor to the Project Owner and is not binding upon the Project Owner, and the Project Owner shall have the right to request the Contractor to modify the same according to the Contract Documents and the actual construction needs, and such technical documents shall not be implemented before being reviewed and approved by the Project Owner.

1.5 Contract Agreement

Conditions for the effectiveness of the Contract: The legal representatives or authorized agents of the Parties have signed and affixed the company seal on the Contract

1.6 Drawings and Contractor's documents

1.6.1 Provision of drawings

(1) Where the Contractor requires for additional sets of drawings, the Contractor shall copy the same by its own and at its own cost.

(2) Where the Supervisor fails to approve or propose amendments within the agreed period, the Contractor shall implement the provision of Article 3.4.5 of the Special Terms and Conditions of the Contract, and the request for supply of such drawings shall not be deemed having been approved. The Supervisor shall obtain the approval from the Project Owner before approving or proposing amendments.

(3) The latest drawing supply plan approved by the Project Owner shall be the primary basis for the Project Owner or the Supervisor to provide drawings to the Contractor. If the Project Owner or the Supervisor fails to provide contract drawings to the Contractor according to the drawing supply plan agreed in the Contract, and the Contractor believes that such failure will affect the construction progress, the Contractor shall immediately notify the Project Owner of the same in writing, specifying the details of the omitted drawings and explaining the actual impact of the delayed supply of drawings on the construction progress and the deadline for the provision of such drawings to avoid such impact. If the Project Owner still fails to provide the drawings as required by the Contractor upon the expiry of such deadline, which affect the construction of key lines, so that the completion has been or will be delayed, the Project Owner shall determine the extension in respect of such delay according to Article 11.3. If the Contractor fails to notify the Project Owner as agreed in the provision above, the Contractor shall have no right to request for an increase of costs and/or extend the term.

(5) The deadline for the Project Owner to provide drawings: to provide the drawings before the start of relevant work according to the construction progress and the drawing supply plan. The Contractor expressly acknowledges and agrees that the Project Owner shall have the right to provide drawings to the Contractor by batches according to the design and construction progress, and the risk costs in relation thereto are included in the contract price.

Number of drawings to be provided by the Project Owner: 8 sets (including 4 sets of drawings for preparation of as-completed drawings).

Other provisions: if the failure of the Project Owner to provide drawings as agreed is attributable to the failure of the Contractor to provide the materials and documents as specified in the Contract or the errors in the submitted materials and documents, or other mistakes or delays or other breaches by the Contractor, the Contractor shall have no right to request for an increase of costs and/or extend the construction term.

For the purpose of construction, completion or warranty, the Project Owner has the right to issue instructions to the Contractor to replace or supplement drawings at any time, and the Contractor shall comply with and be bound.

1.6.2 Documents to be provided by the Contractor

(1) The scope of documents to be provided by the Contractor: deepen design drawings, detail drawings, working diagrams and standard drawings other than the design documents and construction drawings to be provided by the Contractor as agreed in Article 4.1.10 of the Contract.

(2) The deadline for the Contractor to provide documents: no less than 30 days before the construction of the work; where the Project Owner otherwise specifies the deadline for submission of documents.

(3) Number of documents to be provided by the Contractor: 7 copies

(4) The deadline for the Supervisor to approve the documents provided by the Contractor: reasonable period required for the construction progress. If the Contractor's documents involve any matter outside the power of the Supervisor, the Supervisor shall review and thereafter report the same to the Project Owner for final confirmation.

(5) Other provisions: It shall be specifically noted that the deepen design drawings of steel structure are required for the review and confirmation by the designer, structural consultant, Supervisor and Project Owner of the Project before being used, and the confirmed drawings can be used as the basis for measuring the quantities.

1.6.3 Modification of drawings

Where the drawings are required for modification and supplementation, with the consent of the Project Owner, the Supervisor shall sign and issue the modified drawings to the Contractor according to the drawing supply plan as agreed in Article 1.6.1 (2) and (3) of the Contract and the actual construction needs. The Contractor shall construct according to the modified drawings.

1.6.4 Errors in the drawings

Before the commencement of construction, the Contractor shall review the accuracy and completeness of drawings in combination with the Contract Documents, specifications and other information, data and materials provided by the Project Owner, so as to ensure there is no error or conflict in the drawings. Upon discovery of any error

or conflict, the Contractor shall immediately notify the Supervisor and the Contractor, and may attach thereto the proposals or programs for modification of such errors or conflicts and the impact of such proposals or programs on the contract price; however, notwithstanding whether the Contractor has such proposals or conflicts or not, the Contractor shall implement according to the instructions and decisions of the Project Owner. The Contractor shall discover the errors and conflicts (including but not limited to the errors and conflicts of positioning, elevation and size, materials and processes that will cause construction obstacles or quality defects, and other non-compliant situations) that can be found by a contractor with rich experience and inform the Project Owner of the same without any delay. If the Contractor fails to discover such errors and conflicts or fails to promptly inform the Project Owner of the same upon its awareness, the Contractor shall bear the liability according to the following provision: (1) if the Contractor has not commenced the construction according to the drawings with errors or conflicts that should be but not found by the Contractor, and the Project Owner has found such errors or conflicts in the drawings, the Contractor shall immediately implement as instructed and decided by the Project Owner and has no right to claim for additional costs and/or extension of construction term; (2) if the Contractor has commenced the construction according to the drawings with errors or conflicts that should be but not found by the Contractor, the Contractor shall be liable to the demolition costs, the extension of construction term and other losses from the relevant change or rectification to the extent of its fault. Where the Contractor fails to perform its obligations under this Article, bringing losses to the Project Owner, the Contractor shall make compensation therefor.

The following should be added following Article 1.6.5 of the General Terms and Conditions of the Contract:

1.6.6 Deepen design

The Contractor shall, on the basis of the drawings provided by the Project Owner, elabourate and promptly deliver the deepen design drawings and the node diagram and detail drawings according to the Contract Documents, professional requirements, national, local and industrial specification and standards. The Project Owner shall deliver one copy of deepen design drawings list and the completion schedule to the Supervisor for its review within 14 days after the execution of the Contract, and each deepen design in such schedule shall be completed within sufficient period before the commencement of relevant construction. After its review, the Supervisor shall report the same to the Project Owner for approval, and the Contractor shall implement according to the schedule approved by the Project Owner.

The Contractor shall be responsible for the accuracy and completeness of the deepen design drawings, even if the Supervisor, the Project Owner or the designer has reviewed and approved such drawings and affixed company seal thereon, the Contractor shall not be reduced or exempted the Contractor from the responsibilities for conducting construction in strict compliance with the Contract Documents in any aspect; especially, such review and approval shall not be construed as (1) any violation against the Contract Documents; (2) reducing or exempting the Contractor from the responsibility for mistakes in any node diagram or size; (3) breach of any drawings and instructions previously provided by the Project Owner; and (4) reducing or exempting the Contractor from the responsibility for the coordination and cooperation between the processes, Professional Subcontractor and Independent Contractor. The Project Owner may reject, approve or require amendments to the deepen design drawings delivered by the Contractor. If such deepen design drawings are rejected or required for amendments due to any defects, the Contractor must modify the same as required and re-deliver the modified drawings for approval, but is not entitled to any additional costs and/or extension of construction term.

1.6.7 Coordination and integration of drawings

The Contractor shall be responsible for the coordination and integration of all drawings of each speciality within the scope of the Project, resolving the conflicts among the engineer position of each speciality, checking the compatibility of the adjacent or related M&E equipment, and developing the integrated coordination and construction drawing for civil engineering and M&E, whether such drawings or works are implemented by the Contractor itself or by the Professional Subcontractor or Independent Contractor. Such coordination and integration shall include consideration and arrangement for the reservation and embedment of pipelines and fittings of the Professional Subcontracted Projects of each sector and the Independent Contracted Construction; shall also include developing the M&E integration master drawing, including without limitation floor plans, elevations, and sections, which shall indicate the elevation, width and location of all M&E installations and the relationship with buildings and structures, so as to avoid any conflict or dispute between M&E engineering or with civil engineering, decoration and other engineering, and make the pipelines, cables and equipment be correctly and orderly installed in the specific space determined in the design, meet the technical requirements, have a clean appearance and be retained sufficient space for future repairs. The coordination and integration of such drawings shall be completed within sufficient period before the commencement of relevant construction according to the construction progress plan, and the work results shall be reported to the Supervisor and the Project Owner for review and

approval. If there is any contradiction, conflict or other problem or defect in any engineering or specialty engineering due to the failure of the Contractor to perform its obligation of coordination and integration of drawings as agreed in this Article, the Contractor shall resolve such issues and implement the demolition, alternation and change at its own expenses, but shall not be entitled to any additional costs and/or extension of construction term. If the Project Owner suffers any losses therefrom, the Contractor shall make compensation therefor.

1.7 Contact

1.7.2 Delivery and receipt of correspondences

(2) The receiving place designated by the Project Owner: on-site owner's office

The receiver designated by the Project Owner: YU Yang

(3) The receiving place designated by the Supervisor: on-site Supervisor's office

The receiver designated by the Supervisor: LIU Guangming

(4) The receiving place designated by the Contractor: on-site project manager's office

1.8 Assignment

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Owner may transfer all or any part of the Contract or any benefits or rights and interests in or under the Contract to the others at any time by notifying the Contractor, and such transfer shall become effective from the date on which the Contractor receives the written transfer notice from the Project Owner.

1.11 Patent technology and intellectual property right

1.11.1 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Contractor (or its Professional Subcontractor, Special Supplier and other contractors and suppliers) does not and will not infringe the others' patents, trademarks, know-how and other protected intellectual property rights in terms of design, manufacture, process, materials and accessories and other aspects at home and abroad, and the Contractor shall protect and safeguard the Project Owner from any claim and litigation arising from the infringement in terms of engineer equipment, materials, construction machine, process and method of the Contractor on any patent rights, design trademarks or names or other protected rights, and shall protect and hold harmless the Project Owner from all damages, litigation costs and other costs arising therefrom or in relation thereto. Nevertheless, if the Contractor infringes or is suspected of infringing the patent right or other intellectual property right to any patent

articles, processes or invention, causing the Project Owner to incur any claims, litigations, compensation, costs and expenses, the Contractor shall make full compensation, which may be deducted from any amounts payable or to be paid to the Contractor.

The following should be added following Article 1.11.3 of the General Terms and Conditions of the Contract:

1.11.4 The copyright and other intellectual property right in or to the specifications, drawings and other documents developed by (or on behalf of) the Project Owner shall be owned by the Project Owner. The Contractor may copy, use and transmit such documents for the purpose of the Contract at its own costs. Except as required by the Contract, the Contractor shall not copy, use, or transmit such documents to a third party without the prior written consent of the Project Owner; otherwise, the Contractor shall compensate the Project Owner for all losses suffered thereby.

1.11.5 The copyright and other intellectual property right in or to the documents specific to the Project, such as design documents and completion materials, prepared by the Contractor shall be owned by the Project Owner; and the copyright and other intellectual property right in or to the documents not specific to the Project prepared by (in the name of) the Contractor shall be owned by the Contractor. The execution of the Contract by the Contractor shall be deemed that the Contractor has granted a free, perpetual, transferable, non-exclusive and royalty-free license to copy, use and transmit such documents of the Project Owner (including the license to the modified documents such documents as modified and to use such modified documents). Such license shall (1) allow any person who lawfully possesses related part of the Project to copy, use and transmit the Contractor's documents for the purpose of completing, operating, maintaining, changing, adjusting, repairing and dismantling the construction; (2) allow such documents to be used in any computer on site and at other places as required by the Project Owner in the event that the Contractor's documents are in the form of computer program and other software, including the replacement of any computer provided by the Contractor.

The Project Owner shall have the right to license the other company as designated by it to use, copy, transmit, adapt, integrate with other programs of the Project, modify and/or alter such Contractor's documents and/or any part thereof for the purpose of the engineering construction and the completion of the Project or the disclosure, publication, sale, lease or other disposal related to the Project or any part thereof.

1.12 Confidentiality of drawings and documents

1.12.1 The Contractor's confidentiality obligations are further agreed as follows:

(1) The Contractor shall keep confidential all drawings, materials, data, plans, reports, specifications, calculations and other documents (including videos, meeting minutes, correspondences, related pictures and photos) relating to the Project obtained or to be provided by the Contractor. Unless required by the government authority, without the consent of the Project Owner, the Contractor shall not disclose the said documents to any person or company irrelevant to the Project or use the drawings for the purposes other than those specified herein, and its subcontractors shall only view the drawings within the subcontracted scope. Such obligation shall extend to a term of [10] years from the expiry or termination of the Contractor shall be effective before the confidential matters are known to the public not due to the breach of the Contract by the Contractor.

(2) All external information release of the Project shall be managed by the Project Owner in a unified way, and without the written authorization or consent of the Project Owner, the Contractor shall not release any information in relation to the Project, nor publicize the prices in the Contract lists or use the same for other purposes. The Contractor shall first ask for the Project Owner's opinions before accepting the interview in respect of the Project by any media (including but not limited to newspapers, magazines, radio and television stations, and Internet media, the same below) or providing any media with the report materials in relation to the Project. If the Project Owner agrees that the Contractor may accept such interview or provide such report materials, the Contractor shall take the initiative and procure the relevant media to first deliver the articles contributed after the interview or the provided report materials to the Project Owner for confirmation before the same is formally publicized, released or otherwise disclosed.

(3) Where the Contract Documents are cancelled due to any reason, the Contractor shall immediately return all materials, drawings, data, electronic files, computer programs or equipment control procedures and passwords in relation to the Project held by it to the Project Owner, and warrant that the Contractor will not use, utilize, disclose to others any materials, drawings, data, electronic files, computer programs or equipment control procedures and passwords in relation to the Project at any time after it stops the performance of the Project.

(4) If the Contractor breaches the provision of Article 1.12 of the Special Terms and Conditions of the Contract, the Project Owner shall have the right to request the Contractor to pay liquidated damages in an amount of RMB [100,000] to [500,000] according to the severity and the consequences and impacts (as determined by the Project Owner); if the liquidated damages are not sufficient for covering all losses suffered by the Project Owner therefrom, the Project Owner shall be entitled to recover against the Contractor, and the Contractor shall be liable to apologize, restore the

reputation, eliminate the impact and otherwise for the loss of reputation that may be suffered by the Project Owner.

1.12.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

Where the documents provided by the Contractor are the property of the Project Owner or the intellectual property rights thereto are owned by the Project Owner following the Contract, the Project Owner shall be entitled to use the same according to law and will not be bound by the confidentiality obligations under the General Terms and Conditions of the Contract.

2. Project Owner's Obligations

2.2 Issuance of the commencement notice

This Article of the General Terms and Conditions of the Contract is amended as follows:

The Project Owner shall issue the commencement notice to the Contractor in accordance with Article 11.1 by itself or by the Supervisor.

2.3 Provision of the construction site

Deadline for the Project Owner to hand over the construction site: the Project Owner shall hand over the construction site with construction conditions to the Contractor 3 days in advance of the Commencement Date as specified in the commencement notice.

In the view of the fact that the Contractor, before the comparison, selection and conclusion of the Contract, has carried out the comprehensive survey of the conditions and surrounding environment of the construction site (including the construction of municipal facilities and river), the Parties confirm that the construction site is provided with the construction conditions to the satisfaction of the Contractor when the Contract is concluded, so the Contractor shall accept the site as it is on the date designated by the Project Owner. If the Contractor refuses to accept the site or refuses to sign the written handover form, the Project Owner shall have the right to unilaterally issue the mobilization notice to indicate or directly indicate on the written handover form the date on which the Contractor shall accept the site, which shall be deemed as the date on which the Project Owner provides the site.

2.4 Assistance given to the Contractor for the application of certificates and approvals

This Article of the General Terms and Conditions of the Contract is amended as follows:

The Contractor is responsible for applying for construction permits and approvals such as construction permits as required by law, and the Project Owner shall provide

necessary cooperation. The Contractor has no right to request for additional costs and/or extension of the construction term on the grounds of applying for construction certificates and approvals (including on the grounds of delays in application, costs required for application, etc.).

2.5 Organization of design disclosure

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Owner shall, within a reasonable time that does not affect the normal progress of the project, organize the designer to conduct overall design disclosure of the contract project (including joint review of drawings) for the Contractor.

2.8 Submittal of payment guarantee to the Contractor

(1) Amount of the payment guarantee submitted by the Project Owner to the Contractor: The Project Owner does not provide any payment guarantee

2.9 Handling with project quality supervision procedures

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Contractor shall be responsible for handling all procedures related to the commencement, quality supervision, construction, completion, acceptance and filing of the Project, and the Project Owner shall provide necessary cooperation. The Contractor has no right to request for additional costs and/or extension of the construction term on the grounds of handling with project quality supervision procedures (including on the grounds of delays in handling, costs required for handling, etc.).

2.10 Environmental protection responsibility

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Contractor shall take overall responsibility for the treatment of construction waste and construction dust, and the Project Owner shall supervise the Contractor to fulfil the responsibility of environmental protection.

2.11 Handover of project files

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Contractor shall be responsible for the collection, sorting, voluming, filing and other work of the project data, and shall deliver the required project files to the competent construction administrative department or the urban construction archives administration agency within the prescribed time, and the Project Owner shall cooperate with the Contractor to complete the above work.

2.12 Approval and confirmation

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Supervisor, Project Management Company and the Project Owner shall, following the provisions of the contract, promptly give reply, approval and confirmation, and put forward modification suggestions or other opinions to the Contractor's requirements, requests, applications and approvals related to the implementation of the Project. Notwithstanding the provisions of other terms of the contract or other Contract Documents, if the Supervisor, Project Management Company or the Project Owner fails to give reply, approval and confirmation, or put forward modification suggestions or other opinions for the Contractor's any document, application, report, work, works, or materials and engineering equipment adopted within the time limit as agreed or any other time limits, then it shall not be deemed to have no objection or be at default, and shall not affect the rights of the Supervisor, Project Management Company and the Project Owner to reject such document, application, report, work, works, materials and engineering equipment, and the final opinions of the Supervisor, Project Management Company and the Project Owner on such document, application, report, work, works, or materials and engineering equipment adopted shall be subject to the written confirmation document. In case of any discrepancy between the other provisions of the contract and the provisions of this Article, the provisions of this Article shall prevail.

2.13 Other obligations

Other obligations to be performed by the Project Owner:

1) The Project Owner shall provide the Contractor with temporary water delivery points (the pipe diameter of the delivery points shall be subject to that provided on the site), and the Contractor shall be responsible for introducing the construction water from the delivery points to the construction site and shall take responsibility for its management (the costs resulting therefrom have been included in the contract price).

2) The Project Owner shall provide the Contractor with temporary power delivery points (but the Project Owner does not undertake that the capacity of the

temporary power provided can meet the project requirements; If the capacity of the temporary power provided by the Project Owner cannot meet the requirements of the Construction during the construction, the measures to increase the power capacity shall also be taken by the Contractor itself, and the required cost has been included in the contract price). The location of the temporary power delivery point provided by the Project Owner shall be subject to the location provided on the site. The Contractor shall not claim cost increase due to the inconvenience of the location of delivery points, and such cost required has been included in the contract price.

a) In case that the Project Owner provides the Contractor with temporary power delivery points within 90 days (inclusive) after the Contractor's mobilization, making the number of days that the Contractor is responsible for temporary power (that is, from the date of mobilization to the date when the Project Owner provides the temporary power delivery points, similarly hereinafter) less than 90 days, then the Project Owner shall be entitled to, according to the number of days less, and in accordance with the unit price of the temporary power per day determined based on the bill of quantities, deduct the corresponding amount from the contract price and the progress payment.

b) In case that the Project Owner provides the Contractor with temporary power delivery points after 90 days upon the Contractor's mobilization, making the number of days that the Contractor is responsible for temporary power more than 90 days, then the Project Owner shall be entitled to, according to the number of days in excess, and in accordance with the unit price of the temporary power per day determined based on the bill of quantities, increase the corresponding amount on the basis of the contract price, and make payment in the settlement.

3) Obligations for dust control:

a) Prior to the commencement of the construction project, the Project Owner shall open a special deposit account with a special fund for dust control, and deposit the total cost of civilized construction and environmental protection in a lump sum into the special deposit account of the bank as a special fund for dust control of the construction project.

b) The Project Owner shall be responsible for the overall organization of dust control, formulation of the quality and overall goal of dust control, and shall carry out overall management of the dust control of the project such as

decision making and implementation, take overall control of dust control, and conduct intermediate inspection and acceptance.

c) The Project Owner shall evaluate the dust control of the Contractor, and timely pay the corresponding costs of dust control according to the evaluation results and the provisions of the contract; if the Contractor fails to meet the provisions of the contract, the Project Owner shall have the right to order improvement and reserve the right to claim compensation.

d) The Project Owner may entrust the project supervision unit to conduct on-site supervision for the Contractor's implementation of civilized construction and environmental protection measures.

The following should be added after Article 2.13 of General Terms and Conditions of the Contract:

2.14 Project Owner's Representative

2.14.1 Duties and powers

The Project Owner may appoint one Project Owner's Representative. The Project Owner may at any time send a written notice to the Contractor to replace the Project Owner's Representative, or adjust the scope of authorization of the Project Owner's Representative. The Contractor shall comply with the instructions given by the Project Owner's Representative within the scope authorized by the Project Owner.

The scope of the authorization granted by the Project Owner's Representative is to issue an instruction to the Contractor in terms of project progress, quality, safety and civilized construction. The Project Owner's Representative is entitled to give change order on behalf of the Project Owner by signing the Engineering Change Order. The instruction of the Project Owner's Representative with the premise of promoting the smooth progress of the project and the purpose of ensuring quality and progress shall be deemed to be directly given by the Project Owner, but the instruction of the Project Owner's Representative shall have no conflict or contradiction with the Contract. And except when the Contractor gives separate authorization after the conclusion of the Contract, in addition to the signature of the Project Owner's Representative, the change involved in the revision of Contract Documents, adjustment of the contract price (including but not limited to confirmation of changes and claim amount, and confirmation of settlement price, etc.), adjustment of construction term, and change in quality standards and functions of the project shall also be fixed with an official seal by the Project Owner on the relevant documents before binding on the Project Owner.

2.14.2 Authorization of the Project Owner's Representative

The Project Owner's Representative may assign tasks and grant powers to its assistants from time to time, and may revoke such assignments or authorizations, but shall obtain the Project Owner's consent and issue the written notice to the Contractor.

3. Supervisor

3.1 Supervisor's duties and powers

3.1.1 Supervisor's duties and powers: quality supervision, safety management and progress supervision; procedural audit of matters corresponding to the powers to be exercised with the approval of the Project Owner (the relevant procedural audit shall not be regarded as the conclusion and shall be binding upon the Project Owner only after the written confirmation of the Project Owner), and other duties and powers entrusted in accordance with the Contract. The Project Owner has the right to adjust the aforementioned duties and powers entrusted.

Power to be exercised with the approval of the Project Owner:

(1) Issuance of commencement notice, instruction for suspension of construction or resumption notice, and adjustment of the construction term;

(2) Change, negotiation and site certificate;

(3) Project measurement and valuation;

(4) Confirmation and approval of any project progress payment, change payment, settlement payment, liquidated damages, compensation, etc.;

(5) Replacement of building functions, quality standards, safety standards and materials and equipment;

(6) Project acceptance;

(7) Project claims (claims for construction term, costs, etc.);

(8) Scope and content of subcontracting, and selection of subcontractors and suppliers;

(9) Replacement or withdrawal of the Contractor's project manager or other key management personnel and technical experts;

(10) Approval and adjustment of deepen design documents, construction organization design or plan;

(11) Approval and adjustment of the project's monthly schedule and higher-level construction schedules;

(12) Contractor's liability for breach of contract;

(13) Settlement of quality accidents;

(14) Other matters that may affect the critical interests of the Project Owner (including construction term, cost, quality, etc.).

Any order, audit, confirmation, approval opinion, instruction, opinion, clarification, notice, letter or other document or act of the Supervisor which involves the aforesaid

matters shall be subject to the written approval or confirmation of the Project Owner. Otherwise, it shall not be binding on the Project Owner.

The "legal and valid proof" in the paragraph of the General Terms and Conditions of the Contract shall be the formal confirmation made by the Project Owner in writing and conform to the authorization system of the Project Owner.

3.1.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

Any instruction issued by the Supervisor within the scope of the power to be approved by the Project Owner as stipulated in Paragraph 3.1.1 shall be valid with the written approval of the Project Owner (which is signed by the Project Owner's Representative and stamped with the official seal of the Project Owner). Besides, the Supervisor shall have no right to revise the contract, or relieve or release any responsibilities and obligations of the Contractor or rights of the Project Owner stipulated in the contract, or increase any responsibilities and obligations of the Project Owner or rights of the Contractor under the contract.

The following should be added after Paragraph 3.1.3 of the General Terms and Conditions of the Contract:

3.1.4 The Contractor fully understands and acknowledges that the Project Owner shall also enjoy any power (right) to be entitled by the Supervisor and Project Management Company in the Contract. The Supervisor and Project Management Company shall enjoy any power (right) in the Contract based on the authorization of the Project Owner and shall exercise such power (right) within the scope of authorization of the Project Owner. The Project Owner shall have the right to withdraw the relevant authorization at any time, and directly exercise such power (right) without the Supervisor and Project Management Company. In case of any discrepancy between the Project Owner and the Supervisor or Project Management Company, the Contractor shall be subject to the opinion of the Project Owner. The Contractor shall also notify or submit to the Project Owner the matters in the contract that the Contractor is required to notify or submit to the Supervisor or Project Management Company for approval.

In case of any discrepancy between the other provisions of the contract and the provisions of Article 3.1, the provisions of this Article shall prevail.

3.3 Supervisor

3.3.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

In case that the Supervisor fails to reject the Contractor's any work, project or materials and engineering equipment adopted within an agreed or reasonable period of time, the Contractor shall implement the provisions of Paragraph 3.4.5 in the Special Terms and Conditions of the Contract, and it shall not be deemed to have been approved.

3.4 Supervisor's instructions

3.4.4 Regarding the matters within the scope of the Supervisor's authority, the Contractor may only obtain instructions from the Chief Engineer or the supervision personnel authorized under Paragraph 3.3.1. During the implementation of the project, the Project Owner shall have the right to give instructions to the Contractor directly or through the Supervisor, and the Contractor shall implement such instructions. In case of any discrepancy between the instructions of the Project Owner and those of the Supervisor, the instructions of the Project Owner shall prevail.

3.4.5 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Owner shall be liable for the compensation for the Contractor's cost increase and/or delay in construction term due to the Supervisor's failure to issue the instructions, delay or error in the instructions as agreed in the contract. However, the Project Owner shall not bear any liability for compensation in case that the Supervisor exercise beyond the scope of authorization stipulated in the contract or fails to perform the approval and confirmation procedures of the Project Owner stipulated in the contract (including but not limited to the matters involved in Paragraph 3.1.1 "powers be exercised with the approval of the Project Owner").

For the performance of the Contract, in the event of the Supervisor's failure to issue the instructions, delay or error in the instructions as agreed in the contract, the Contractor shall promptly request the Project Owner in writing to require the Supervisor to give instructions or directly give instructions by itself, and the Project Owner shall do so within [14] days after receiving the Contractor's written request. The Contractor shall take responsibility for any increase in costs and/or delay in the construction term caused by its failure to request promptly.

3.5 Negotiation or determination

3.5.3 Notwithstanding the provisions of other terms of the contract, the Chief Engineer shall obtain the written consent of the Project Owner before issuing the instructions to negotiate or determine the matters stipulated in the contract.

4. Contractor

4.1 Contractor's general obligations

4.1.3 Completion of the contracting work

The following should be added following this paragraph (2) of this Article of the General Terms and Conditions of the Contract:

(3) For the avoidance of doubt, the contracting scope of the Project includes, but is not limited to, all the work to be completed as required by the contents specified in the comparison and selection documents, all contract drawings, technical standards and requirements and other Contract Documents, and also include all the work required for the completion of the project according to the Contract Documents, laws and regulations, normative standards, government documents, or as inferred from actual conditions.

Notwithstanding the requirements of Contract Documents may be incomplete in details, the Contractor understands and acknowledges that any work that is not clearly shown or clearly stated (including work that is not shown on the drawing or not divided into the scope of work) shall be included within the scope of the project contract if it is required for the completion of the Project, and the Contractor shall perform and complete the relevant work in accordance with the unified contract purpose.

4.1.8 Provision of convenience to others

(1) The Contractor shall perform the obligations of management, coordination, cooperation, care and service for the Independent Contractor, Professional Subcontractor, Special Supplier and Independent Supplier who performs other work related to the contract project at or near the construction site, and provide the Project Owner's personnel, Supervisor' personnel, and personnel of the Project Management Company, cost consulting company, consultant company and any public utility institution and competent department related to the Project with appropriate working conditions in accordance with the contract. Any such instructions to provide convenience to or cooperate with the aforementioned units and personnel shall not constitute the change, and the costs incurred have been included in the contract price, and the relevant rates or amounts shall not be adjusted regardless of the difference between the actual situation and the Contractor's estimate, and whether there is any engineering change or relevant instruction from the Project Owner. The Contractor is not entitled to file a claim for any construction term or costs from the Project Owner for the performance of such obligations. Specific work contents and requirements include, but are not limited to:

a) Providing the Professional Subcontractor, Independent Contractor, Special Supplier and Independent Supplier with construction work surfaces, vertical transportation machinery, construction water, electricity, temporary storage yard and road for materials, temporary fire protection facilities, offices,

living areas of the construction personnel and other temporary facilities which meet their reasonable construction requirements, as well as the sorting and summarization of the completion data;

b) Guiding and accepting hazardous work of the Professional Subcontractor and Independent Contractor such as erection, demolition and renovation and removal of scaffolding;

c) According to the implementation progress of the project, the Contractor shall obtain the written confirmation from the Supervisor, Project Management Company and the Project Owner if it requires to remove the erected vertical transportation machinery, scaffolding and other relevant temporary facilities on the site prior to the removal, otherwise such facilities shall be removed. In case that the Contractor remove such temporary facilities without permission, then the Supervisor, Project Management Company and the Project Owner shall be entitled to order the Contractor to restore or entrust a third party to reinstall such facilities, and the costs thus incurred shall be deducted by the Project Owner from the contract price of the Contractor;

d) Providing the Professional Subcontractor, Independent Contractor, Special Supplier and Independent Supplier with the lighting facilities for the construction site, floor, personnel passage and goods passage;

e) Providing the Professional Subcontractor, Independent Contractor, Special Supplier and Independent Supplier with the services for removal, transportation and disposal of construction waste and domestic waste, ensuring that Professional Subcontractor and Independent Contractor comply with provisions of the Contractor, and removing the construction waste and domestic waste to the dump area designated by the Contractor at the construction site and living area;

f) Providing the Professional Subcontractor and Independent Contractor with water intake and secondary power distribution box for floor construction;

g) Taking responsibility for the arrangement, daily coordination and management of the overall construction schedule of the project, including the work of the Professional Subcontractor, Independent Contractor, Special Supplier and Independent Supplier, that is, the schedules of the above entities shall be incorporated into the overall contracting schedule for the unified coordination and management by the Contractor;

h) Taking responsibility for supervision and management of the construction quality of Professional Subcontractor and Independent Contractor, detecting

potential quality problems promptly, and ensuring the overall construction quality;

i) Taking responsibility for comprehensive management of the safety of the Professional Subcontractor, Independent Contractor, Special Supplier and Independent Supplier, promptly detecting the potential safety hazard to prevent injuries and deaths. And taking full responsibility for the rescue, reporting, handling and rehabilitation in accordance with relevant regulations promptly to minimize the loss of the accident;

j) Taking responsibility for the provision of transportation channels for the permanent equipment included in Professional Subcontracted Projects, Independent Contracted Construction, Special Supply Items and Independent Supply Items to ensure that the delivery of such equipment will not be delayed or hindered by the insufficient size of the channels; If so, the Contractor shall be responsible for removing the obstacles for free;

k) Taking responsibility for the protection of the completed works (including but not limited to the protection of elevator doors and cabins after the installation of the elevator is completed), and taking full responsibility for the protection of all completed works;

l) Taking responsibility for the safety protection of all edges and openings of the Project;

The costs for the work performed in the above terms are included in the total contract service cost of the Contractor's contract price.

4.1.9 Maintenance and care of the project

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Contractor shall be responsible for the care and maintenance of the project and all materials and engineering equipment on site from the Commencement Date to the handover of the Project to the Project Owner. In the event of any unfinished works during the handover of the project, the Contractor shall also be responsible for the care and maintenance of such unfinished works until it is completed and handed over to Project Owner or the third party designated by the Project Owner. Before the handover of the project, the Contractor shall be liable for compensation in case of any damage, destruction and loss of the completed works, site materials and engineering equipment. The related costs have been included in the contract price, and the Project Owner is not required to make payment separately.

4.1.10 Contractor's design work

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Contractor shall be responsible for the design of the construction drawings or the supporting design of the project as agreed in the contract, which shall be confirmed by the Supervisor and the Project Owner before use, and the costs incurred thereby have been included in the contract price.

Design of the construction drawings or supporting design of the project to be responsible by the Contractor:

1) Design of foundation pit support;

2) Deepen design of the drawings required for the construction of specialized works;

3) BIM model construction of the Project's all professionals during the whole period, which is required to meet the detailed requirement at the operation phase (see BIM-LOD standard in the annexe for details).

4) Design of construction drawing of the co-construction road on the north side.

4.1.12 Other obligations

Other obligations to be performed by the Contractor:

(1) The Contractor undertakes to organize the implementation of the project in accordance with the rules and procedures stipulated by the Project Owner and Project Management Company after mobilization.

(2) The Contractor is responsible for the submittal for approval and construction of the temporary openings of the construction, and the costs involved have been included in the contract price.

(3) If the Contractor believes that the construction site is insufficient and another site shall be leased, then it shall handle all necessary procedures on its own, and the costs involved have been included in the contract price.

(4) The Project Owner does not provide access to communication facilities (including network). The Contractor shall access to the network at the construction site on its own, and provide it to the Project Owner, Project Management Company, cost consulting company, and other subcontractors and consultants who work on-site. The costs incurred thereby have been included in the contract price.

(5) In addition to the performance of Paragraph 1.6.4, the Contractor shall also verify other information and data provided by the Project Owner and make every effort to review and check its accuracy and completeness before using, and shall immediately notify the Project Owner and the Supervisor for correction in case of any error. Regardless

of whether there is any error in the information and data provided by the Project Owner, the Contractor shall be liable for all rework or delay caused by its violation of this provision. The Contractor shall be responsible for the interpretation of all such information and shall be liable for its understanding, interpretation and selection of such information. The contract price includes all costs required for compliance with the above requirements and provisions. The adverse consequences that may be brought to the Contractor by the performance of the above requirements and provisions have been considered in the contract price, so the Contractor is not entitled to any increase in costs and/or extension of the construction term due to the implementation of the above requirements and provisions.

(6) Protection requirements for underground pipelines around the construction site and adjacent buildings and structures (including cultural relics protection buildings), ancient and famous trees: the Contractor shall provide protection plans and implement maintenance measures, and the costs thus incurred have been included in the contract price.

(7) The Contractor shall be responsible for the application for the construction at night, and the costs involved have been included in the contract price.

(8) The Contractor shall use the steel mesh scaffolding system (dense mesh shall not be used) in the Project according to the requirements of the Project Owner, and apply modular edge protection.

(9) The Contractor shall, according to the construction requirements, organize the drawing review, drawing disclosure, expert demonstration, etc., and the costs involved and costs for expert have been included in the contract price.

(10) The Contractor shall perform and implement according to the relevant provisions of is required to comply with the Measures of Beijing Municipality for the Administration of Construction Site of Engineering Project (Order of the People's Government of Beijing Municipality No. 247), Measures of Beijing Municipality for the Evaluation and Administration of Standardization of Engineering Safe Production (Construction Law of Beijing Municipality [2015] No. 15) and Atlas of Beijing Municipality for the Administration of Standardization of Safe Production of Engineering Project Construction Site (2019 Edition) (in case of the latest version of above-mentioned regulations or measures),

the Contractor shall implement the latest version, and the relevant costs have been included in the contract price, which shall not be adjusted due to changes in the standard).

(11) The Contractor shall equip all the construction personnel of the Project with uniform work clothes, hard hats, reflective vests, three-proof safety shoes, and also provide special safety equipment required for the special work. The costs involved have been included in the contract price.

(12) The Contractor is responsible for the management of the storage yard of the backfilling soil, and the covering of the earthwork and dust prevention and control according to the requirements of the relevant government departments. The Contractor shall provide the storage yard of backfilling soil on its own, and the costs of the yard have been included in the contract price. All consequences and expenses caused by the Contractor's poor management shall be borne by the Contractor itself.

(13) The Contractor shall conduct temporary cleaning due to temporary inspection, and the required costs have been included in the contract price.

(14) The Contractor shall not refuse for various reasons if the Project Owner issues the work instruction of additional work content or scope to the Contractor.

(15) The Contractor is responsible for the safety and security of the construction site, lighting of construction site and floor, provision of relevant facilities (e.g., guard boards, fences, warning signs, etc.) following the requirements of the construction administrative department and relevant departments, installation of camera monitoring facilities, real-name system (using facial recognition system), visual hook system and smart construction site at the construction site. If the Contractor fails to perform the obligations stipulated in the contract terms, resulting in the losses of the project property, the Contractor shall compensate for all the economic losses.

(16) The Contractor shall comply with the administrative regulations of the relevant competent government authorities on construction site's transportation, environmental protection, sanitation, earthwork (including waste soil) transportation, resident disturbance, construction noise and safe and civilized production, etc., go through relevant formalities in accordance with regulations and resolve the problems of resident disturbance (direct and indirect costs caused by resident disturbance

have been included in the contract price). The Contractor shall be fully liable for the penalty and compensation caused due to its own reasons, and the Project Owner is not liable for joint and several liabilities.

(17) Requirements for environmental sanitation at the construction site: The Contractor is responsible for the cleaning and deposal of the entire project (within the construction site and the buildings, and around the construction site). The Contractor may require Independent Contractor and Professional Subcontractor to remove and transport the construction waste generated to the place designated by the contractor based on its requirements, and then transport to other places for disposal. The Contractor shall lease the special vehicle and go through the disposal procedures in accordance with the regulations of the relevant departments.

(18) In case the Contractor decides to purchase earthwork for backfilling, then the cost of purchasing earthwork is included in the contract price.

(19) The Contractor shall carry out cleaning required for temporary inspection.

(20) The Contractor shall carry out all work in strict accordance with Standards GB/T19001-2008, ISO9001:2008, GB/T24001-2004, ISO14001:2004 (if any of the above standards are updated, the new standards shall prevail), collect all information and data, and cooperate with the Project Owner in relevant work. The Contractor shall cooperate with the Project Owner to receive the inspection of the superior units, prepare the reporting documents, and provide the related statements and data.

(21) After receiving the instructions and design change related to the cost issued by the Supervisor, Project Management Company or the Project Owner, or engineering negotiation related to the costs proposed by the Project Owner, the Contractor shall not refuse or delay the implementation on the ground that the costs have not been approved and confirmed. The Project Owner will not extend the construction term which is thus delayed, and the Contractor shall be liable for the cost increase on its own.

(22) The Contractor shall be responsible for organizing and coordinating the relevant units to participate in all the acceptance involved in the project and shall obtain the permission of the Supervisor, Project

Management Company and the Project Owner before organizing the acceptance of special, divisional and unit works.

(23) The Contractor shall be responsible for the protection of adjacent buildings, structures, street traffic arteries and sidewalks in the construction site, and the Contractor shall bear the relevant responsibilities and costs in the event of any accident due to its inadequate protection. After the completion of the construction, the Contractor shall be responsible for restoring the damaged municipal public facilities and roads to the original status. If the Contractor is unable or fails to restore within the specified time, then the Project Owner is entitled to restore for the Contractor, and the cost shall be borne by the Contractor.

(24) The relevant professional personnel of the Contractor must have a work permit. After entering the site, the equipment must be provided with relevant certificates such as a certificate of conformity and annual audit records before using, and can only be used after the confirmation of the Supervisor.

(25) The Contractor shall have the technical ability to judge the construction sequence of each professional pipeline, and coordinate with the Professional Subcontractor and Independent Contractor of each sector to arrange the construction sequence in advance. If any party's advance construction causes obstacles to the construction of other pipelines, then the Contractor shall bear the rework loss caused thereby; if any party that shall carry out the construction first fails to cooperate with the construction, making other professional pipelines not be constructed, then the delay in construction term and corresponding economic losses caused thereby shall also be borne by the Contractor.

(26) The Contractor must remove the materials or equipment deemed unqualified by the Supervisor and the Project Owner from the site within 24 hours; if not so, the Contractor shall bear the penalty of RMB 3,000 each time.

(27) The Contractor shall consider the construction site and surrounding environment, traffic roads, site conditions, construction drawings, construction organization design, technical construction measures, safe and civilized construction measures and other factors following the current regulations of Beijing Municipality, and shall actively carry out organization and coordination.

(28) The Contractor is responsible for organizing, compiling, collecting and sorting the completion materials and the handover of completion materials.

(29) The Contractor shall pay the wages of migrant workers in full and on time.

(30) The Contractor shall provide the personnel residence services for three months (6 persons/month) after the completion of the project acceptance and the handover to the Project Owner or the third party designated by the Project Owner.

(31) The Contractor shall provide the conditions for third-party testing units (including but not limited to: foundation pile testing units and side slope monitoring units) engaged by the Project Owner for the implementation on site, including but not limited to: temporary water and electricity, temporary roads, and site formation required for the testing.

4.2 Performance Guarantee

4.2.1 Form and amount of the Performance Guarantee

The Project Owner requires (requires/ does not require) the Contractor to provide the Contractor's Performance Guarantee.

The Contractor's Performance Guarantee shall be 10% of the contract price, i.e. RMB 92,020,480.50. The Contractor shall, within 10 working days after the conclusion of the contract, submit to the Project Owner the Performance Guarantee in the form specified in the annexe to the contract or in any other forms approved by the Project Owner, which shall be unconditional, irrevocable and independent bank guarantee payable on demand.

4.2.2 Term of validity of performance guarantee

This Article of the General Terms and Conditions of the Contract are amended as follows:

The performance guarantee shall be valid from the effective date of the Contract to 30 days after the Project Owner issues the project acceptance certificate to the Contractor and the Parties complete the project settlement (i.e. "invalidity condition"). In case that the Contractor fails to obtain the guarantee without specific deadlines, while the Performance Guarantee has indicated the specific invalidity date, and fails to meet above invalidity conditions agreed [56] days before the specific invalidity date, then the Contractor shall extend the Guarantee to the time when the invalidity conditions are met as expected by the Project Owner at his own expense no later than [28] days before the invalidity of the Guarantee. Otherwise, the Project Owner is entitled to cash

the Performance Guarantee or deduct performance bond from the payables as the guarantee security.

During the term of validity of the Performance Guarantee, the Project Owner is entitled to file a claim with the bank issuing the guarantee in the event of any claim. Once the claim is filed, the Contractor shall renew the guarantee within [14] days after the bank pays the compensation to the Project Owner to restore the guarantee limit to the performance guarantee amount listed in the Contract, regardless of whether the claim has been settled or not. Before the renewal provisions of this Article are met, any amount to be paid to the Contractor under the Contract shall only be paid after deducting the full amount of the difference between the performance guarantee amount listed in the Contract and the balance of current performance guarantee (if any), and the deducted amount will be used as a performance bond and returned to the Contractor without interest on the final expiry date of the Performance Guarantee as stipulated in the Contract.

4.2.3 Return of Performance Guarantee

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Performance Guarantee shall be returned to the Contractor within 28 days after the invalidity conditions are met. The Project Owner shall not be liable for any interest or other similar costs or benefits incurred by the Contractor in connection with the Performance Guarantee.

4.2.4 Notification Obligation

This Article of the General Terms and Conditions of the Contract are amended as follows:

Notwithstanding the provision of the terms of the Performance Guarantee, the Project Owner shall notify the Contractor of and explain the nature or cause of the breach of such claim or cash prior to making a claim or cashing in accordance with the terms of the security, but such notice shall not be construed as seeking the consent of the Contractor in any sense.

4.3 Subcontract

Articles 4.3.4, 4.3.5 and 4.3.6 of the General Terms and Conditions of the Contract are amended as follows:

4.3.4 The professional works with provisional valuation shall be procured according to the provisions of Article 15.8 of the Contract Terms.

4.3.5 The subcontract shall not conflict or contradict with the Contract. At the request of the Project Owner, the Contractor shall be liable to submit all the relevant

information of any subcontractor selected or to be selected to the Supervisor for review. If such subcontracting shall be submitted to the relevant government departments for bidding and filing according to the relevant regulations and policies of the country and the location of the Project, the Contractor shall be responsible for handling the procedures of such bidding and filing, and relevant fees (including but not limited to the bidding transaction service fees charged by the government departments) have been included in the contract price.

4.3.6 The Project Owner shall have the right to directly make payment to the subcontractor (including labour subcontractor and migrant worker) in case that: some subcontractor of the Contractor files formal written complaint to the Project Owner to explain the Contractor's failure to make payment for the work performed under the subcontract, then the Project Owner may instruct the Contractor to provide the written statement in a format approved by the Project Owner and submit reasonable evidence, showing that it has made fair evaluation for the amount to be paid to the subcontractor and/or the subcontractor has received payment under the subcontract. If the Contractor fails to provide the satisfactory evidence of the explanation within 7 days after the Project Owner gives the above instructions, the Project Owner may meet with the subcontractor to determine the validity of the subcontractor's complaint after informing the Contractor in writing. If the Project Owner assures that the subcontractor's complaint is valid, the Project Owner may (at its own discretion) directly make payment to the subcontractor and deduct the amount from the amount due to the Contractor. The Contractor shall not claim the extension of the construction term and/or increase in cost for any reason.

Payment and settlement of Professional Subcontracted Projects shall be made in accordance with Article 15.8.8 of the Contract Terms.

4.5 Contractor's Project Manager

4.5.1 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Manager shall be resident on site and shall be on site for no less than [5] days per week, and shall be deemed to be absent from the construction site once for each day of absence. If the Project Manager needs to leave the construction site indeed, then it shall inform the Project Owner in advance and obtain the written consent of the Project Owner. If the Project Manager leaves the construction site without the consent of the Project Owner, the Project Owner is entitled to require the Contractor to pay liquidated damages of RMB [50,000] for each occurrence.

The Project Manager shall keep a mobile phone available for 24 hours. If the Project Manager refuses to sign for confirmation of its violation of this Article, the Project Owner is entitled to require the Contractor to replace the Project Manager immediately, and such replacement shall not affect the Contractor's liability for breach of this Article.

In case that the Contractor replaces the Project Manager without the written consent of the Project Owner, the Project Owner shall have the right to require the Contractor to pay the liquidated damages of RMB 5,000,000, and the Contractor shall also replace the original Project Manager as required by the Project Owner or other personnel to the satisfaction of the Project Owner. In such case, the Project Owner shall have the right to terminate the contract.

The Project Manager and other key management personnel of the Contractor shall be employees of the Contractor, and be established with sustained and stable labour contract relationship and social insurance relationship; otherwise, the Project shall be deemed to be subcontracted by the Contractor.

4.5.3 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Manager shall be authorized to accept instructions on behalf of the Contractor and shall be granted with all authorities required for the act on behalf of the Contractor under the Contract, and all correspondence from the Contractor for the performance of the contract shall be signed by the Project Manager or its authorized representative. Upon the request of the Project Owner, the Contractor shall also affix the seal of the construction site management agency authorized by the Contractor or the seal of the company. Any instructions or notices given by the Supervisor and the Project Owner to the Project Manager shall be deemed to have been effectively given to the Contractor. The Contractor shall be liable for the consequences of the acts of the Project Manager.

4.5.4 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Manager shall not authorize other agents to perform all the work within the scope of its responsibilities, and shall not act as the project manager in other projects at the same time. Otherwise, the Project Owner is entitled to require the Contractor to bear the same liquidated damages as those for the replacement of the Project Manager without authorization.

4.6 Management of the Contractor's Personnel

4.6.3 This Article of the General Terms and Conditions of the Contract are amended as follows:

The key management personnel and key technical personnel arranged by the Contractor at the construction site (see the Annex to the Special Terms and Conditions of the Contract for the list of key management personnel and key technical personnel) shall be full-time engaged in the Project, and shall not concurrently be engaged in any other engineering positions and work, and shall be present at the construction site during working days and time required by the project. The Contractor shall obtain the prior consent of the Project Owner during the replacement of key management personnel and key technical personnel. If the key management personnel and key technical personnel leave the construction site without the approval of the Project Owner, the Project Owner shall have the right to require the Contractor to pay liquidated damages of RMB 20,000 for each occurrence. If the Contractor replaces the key management personnel or key technical personnel without the written consent of the Project Owner, the Project Owner has the right to require the Contractor to pay liquidated damages for each occurrence as follows: RMB 3,000,000 for a technical director, RMB 1,500,000 for the safety manager, RMB 1,500,000 for the business manager and RMB [1,000,000] for other main management personnel or key technical personnel.

The following should be added following Paragraph 4.6.4 of the General Terms and Conditions of the Contract:

4.6.5 During the period from the effective date of the Contract to the date of duly conclusion of the project settlement agreement between the Project Owner and the Contractor, the Contractor shall not recruit or attempt to recruit any staff or labour from the Project Owner's Personnel. In case that the Contractor does so in violation of the provisions of this Paragraph in the Special Terms and Conditions of the Contract, then the Project Owner shall have the right to require the Contractor to pay the liquidated damages of RMB [1,000,000] for each person recruited or attempted to recruit.

4.6.6 The Contractor shall provide all necessary supervision for the planning, arrangement, instruction, management, inspection and testing of the project during the implementation of the project and the period thereafter required for the performance of the Contractor's obligations. Such supervision shall be carried out by sufficient personnel who shall have sufficient knowledge required for the satisfactory and safe implementation of the works in the project (including the required methods and techniques, possible hazards and methods for prevention of accidents).

4.7 Withdrawal and replacement of the Contractor's Project Manager and other personnel

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Contractor shall carry out effective management for its Project Manager and other personnel. The Project Owner shall have the right to replace Project Manager and other personnel at any time who are deemed to be incompetent, misbehaving or negligent, including but not limited to: (2) inability to perform obligations or dereliction of duty; (3) failure to comply with a specific provision of the Contract; (4) maintaining acts prejudicial to safety, health or environmental protection; (5) violation of labour discipline or disruption of work order at the site. The Contractor shall submit the specific information of the replacement personnel within [7] days after receiving the written notice from the Project Owner, and such personnel shall be on the job after the review and confirmation of the Project Owner. The Project Owner shall have the right to interview such replacement personnel to confirm whether it meets the project requirements. If the replacement personnel provided by the Contractor fail to meet the requirements of the Project Owner:

the Project Owner shall have the right to require the Contractor to pay the liquidated damages of RMB [50,000] per day from the 15th day after receiving the aforementioned notice in the event of an unqualified project manager until such replacement personnel meets the Project Owner's requirements;

the Project Owner shall be entitled to require the Contractor to pay the liquidated damages of RMB [10,000] per day from the 15th day after receiving the aforementioned notice in the event of other unqualified personnel until such replacement personnel meets the Project Owner's requirements.

4.10 Contractor's Site Survey

This Article of the General Terms and Conditions of the Contract are amended as follows:

4.10.1 The Project Owner may, at its discretion, provide the Contractor with the on-site geological survey data and hydro-meteorological data, and does not guarantee the authenticity, accuracy or completeness of any data provided to the Contractor. The Contractor shall carry out necessary supplementary survey at its own risk, and be responsible for the verification and interpretation of all such data, and choose to use the aforementioned data provided by the Project Owner based on the results of self-verification and interpretation and bear the adverse consequences. The Contractor has no right to request the increase in costs and/or extension of the construction term on the grounds of difference between the basic information provided by the Project Owner and the actual conditions on the construction site.

4.10.2 The Contractor shall conduct a full survey of the construction site and the surrounding environment, and collect relevant geological conditions (including underground obstacles, underground pipeline networks, etc.), hydrological conditions, meteorological conditions, traffic conditions, customs and other local information required for the completion of the contract work. In all contract work, it shall be deemed that the Contractor has fully estimated its responsibilities and risks, conducted a careful and comprehensive survey and inspection for the relevant data, and obtained sufficient clarifications and answers from the Supervisor or the Project Owner on any possible questions.

The Contractor confirms that it has fully understood and been familiar with the traffic conditions entering the site, surrounding buildings/structures and construction conditions, cross construction by several units on site, area of the construction site, current ongoing construction projects, locations, access roads, means of communication, storage and construction sites, and any private or public property adjacent or next to the site, and has properly and fully considered in terms of the feasibility of the costs and construction term. The submission of the Reply to Comparison and Selection by the Contractor shall be deemed that the Contractor has conducted a comprehensive survey for the site and surrounding environment of the project, and at the same time, has taken full account of the impact of the aforementioned factors on the project. The Contractor has no right to claim for the construction term and cost from the Project Owner for insufficient understanding of the above matters.

4.10.3 The Contractor shall, prior to the commencement of the Project, conduct a comprehensive inspection for all the technical information and objective conditions such as elevation, positioning, size and quality of the works which have been completed on the site by the earlier-stage construction unit (if any) and will have an impact on the Project. In the event of any error or non-conformance with the specifications of such completed works, the Contractor shall immediately notify the Project Owner in writing and describe the degree of impact on the Project in detail. If the Project Owner considers that repair or change is indeed necessary after review, then it will decide to make the original construction unit conduct such repair or change or make the Contractor implement as the change of the relevant works, but the Contractor shall not refuse to accept the site on this ground. Unless the repair of or change to the completed works has directly caused the delay in the construction progress of the Project and construction term of the critical lines, the Contractor shall not take the inspection of aforesaid accepted works, repair or change of completed works and other work as the ground for application for extension of construction term.

If the Contractor fails to carry out the above-mentioned comprehensive inspection and notify the Project Owner before the commencement of the project, which causes incorrect construction, material waste, removal and rework, or other conditions that affect the Contractor's construction, then the Contractor shall be responsible for the costs required and delay in construction term on its own.

Notwithstanding any other provisions of the contract, if the Contractor is the early-stage construction unit, then it shall be deemed that the Contractor has completed the site acceptance before the conclusion of the Contract and is completely satisfied with the site. At this time, the Contractor shall be fully responsible for any defect, error and omission of any works of the early-stage construction unit, and is not entitled to claim any increase in costs and/or extension of the construction term from the Project Owner.

4.11 Adverse material conditions

4.11.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

In the event of adverse material conditions, the Contractor shall take reasonable measures adapt to the adverse material conditions to continue the construction and notify the Supervisor promptly. The Supervisor shall give instructions promptly. However, the risks associated with adverse have been considered in the contract price, the Contractor has no right to claim any increase in costs and/or extension of the construction term due to adverse material conditions.

The following should be added following Article 4.11 of General Terms and Conditions of the Contract:

4.12 Adequacy of contract price

4.12.1 The Contractor shall be deemed to be satisfied with the correctness, completeness and adequacy of the contract price, and shall have established the contract price based on the data, interpretation, necessary information, review, inspection and satisfaction of all the matters referred to in Article 4.10 and other terms. The contract price includes all relevant matters required by the Contractor for the performance of all obligations, proper implementation and completion of the project and repair of any defect under the Contract.

4.12.2 By signing the Contract, the Contractor shall be deemed to have sufficient opportunity to have or in fact, has: (1) carried out comprehensive survey and inspection of the construction site and Contract Documents; (2) conducted careful investigation and study for possible obstacles and conditions which are not informed by the Project Owner, and (3) performed testing for the work that has been completed or is being

carried out on the construction site by an Independent Contractor. The Contractor confirms that it is satisfied with the site conditions and that the contract price is sufficient to cover the difficulties and risks that may be encountered during the execution of the works in connection therewith, as well as all coordination and cooperation of the Professional Subcontractors and Independent Contractors required for the implementation of the project.

4.12.3 The Contractor shall complete additional work caused by its inadequate investigation or unreasonable foresight at its own expense. Unless otherwise expressly agreed upon in the contract, the Contractor shall not claim any increase in costs and/or extension of the construction term for any reason such as poor understanding of the above matters, inadequate construction conditions or natural or artificial conditions, physical barriers and pollutants.

5. Materials and engineering equipment

5.1 Materials and engineering equipment provided by the Contractor

5.1.2 The deadline for the Contractor to submit to the Supervisor for approval the materials and engineering equipment suppliers and varieties, specifications, quantities, and delivery time provided by the Contractor: the mobilization of the materials and engineering equipment provided by the Contractor should be scheduled in a reasonable time specified in Article 10.1.1 of Special Terms and Conditions of the Contract. These materials and equipment should be approved by the superintendent and the Project Owner 10 days before their usage, and enter into the site in accordance with the instructions of the Supervisor. Their processing and production should be inspected in the site processing field in terms of processing technology, quality of raw material and its output by an inspection team of at least 5 but not over 10 persons whose determination should be subject to the Project Owner, and be the personals or the third party designated by the Project Owner, or itself, but not include the Contractor. The Project Owner can arrange personnel to perform quality monitoring and control based on manufacturing phases and to participate in the factory Testing, which can't be considered as Final Acceptance. The product can leave the factory only after proved to be qualified. The Contractor shall arrange accommodation and transportation for the mentioned inspection team designated by the Project Owner, with the cost included in the Contract price. The procurement and use of the products by the Contractor shall be proceeded only after their models, specifications, and colours being approved by the Designer, the Supervisor, the Project Management Company, and the Project Owner. The materials and equipment selected by the Contractor are subject to the approval by the Supervisor, Project Management

Company, and the Project Owner. As for the unauthorized ones, the Project Owner is entitled to require the Contractor to return these to the supplier, with the arising charge and term delays borne by the Contractor. The brand and specifications selection of material should comply with the inspection and verification process determined by the Supervisor and the Project Owner.

5.2 Materials and engineering equipment provided by the Project Owner

5.2.3 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Owner shall send the Notices to the Contractor [3] days in advance of the delivery of materials and engineering equipment, and the Contractor shall contact with the Supervisor, the Project Owner, and the Independent Supplier for quartet acceptance within 24 hours after the reception of the materials and engineering equipment provided by the Project Owner (the date of acceptance inspection specified in the Supply Contract shall prevail if available.). During the quartet acceptance, the contractor shall verify goods quantity and sign and seal relevant receipts. Should any damage or off-spec occur, the Project Owner shall be notified on the same day to arrange a replacement. The liability for any damage or loss after acceptance should be borne by the Contractor. If the Contractor fails to perform Inspection and Testing of the Goods at the delivery place in time, it shall be deemed that he has completed the operation and approved the goods quantity, specifications and quality.

After the acceptance, the contractor shall be obliged to receive and deliver these goods, and to keep them in custody, with the arising fees already included in the contract price and not to be paid separately by the Project Owner. The liability and compensation for any damage or loss happened prior to the project handover should be borne by the Contractor.

5.2.6 This Article of the General Terms and Conditions of the Contract are amended as follows:

In the event that any non-compliance with the contract occurs to the specifications, quantity or quality of the materials and engineering equipment provided by the Project Owner, the Project Owner shall be responsible for the replacement, supplement or return of these goods with the resulting costs and / or delays covered by himself.

5.4 Prohibition on the use of substandard materials and engineering equipment

The following should be added following Article 5.4.3 of General Terms and Conditions of the Contract:

5.4.4 In the event that any material or equipment provided by the Contractor is found by the Supervisor or Project Owner to be against the Contract during the Inspection, Testing, acceptance of material and engineering equipment or any other phases including but not limited to factory inspection, receiving Inspection, third party Inspection, Middle acceptance, special acceptance, completion acceptance, the Project Owner is entitled to proceed the goods in the following method based on the specific conditions of the materials and equipment used in the project. The Contractor shall assume the liability in one or more following way specified in the written instructions from the Project Owner:

(1) Return the received goods in whole or in part. If the Project Owner chooses this method to deal with the Goods, the Contractor shall remove the returned materials and equipment from the delivery or storage place of delivery or storage within 48 hours after the receipt of the written Notices of the Project Owner, with the incurred fees assumed by the Project Owner, including but not limited to interest, bank fees, freight, insurance, storage charge, loading and unloading fees, dismantling cost, and other expenses required for the custody and protection of returned materials and equipment. If the contractor fails to remove the goods within the time limit, the Project Owner may adopt an appropriate way to dispose of relevant materials and equipment without the assumption of the liability for the disposal.

(2) Replace or repair the non-compliance with the Contract without any charge. As for this disposal selected by the Project Owner, the Contractor shall follow the Project Owner's instructions to replace or repair the non-compliance fully. The replaced or repaired materials and equipment shall comply with all relevant regulations in this Contract, including but not limited to specifications, quantity, quality, performance.

(3) When the Project Owner considers the options of return, replacement or repair to be unfeasible or inappropriate, it is entitled to, but have no obligation to, receive and use non-conformed materials and equipment supplied by the Contractor. In this case, the increase of contract price is unnecessary regardless of whether the market value of the contractor-supplied materials and equipment is higher than the price in this Contract agreement. Besides, the Contractor shall discount the original Contract price based on the scope and the degree of defects in the materials and equipment, the market value and the loss caused to the Project Owner. The Contract price specified in the Article should be deducted accordingly at the price whose determination should be performed the Project Owner.

Despite the disposal methods the Project Owner chooses, the Contractor shall bear the liability of increased costs and / or term delays, and compensate the Project Owner for all the incurred losses.

6. Construction equipment and temporary facilities

6.1 Contractor-supplied construction equipment and temporary facilities

6.1.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Contractor shall construct all the temporary facilities required for the project by itself with the incurred cost included in the Contract price. As for the required Temporary Land occupation, all the application procedures for approval should be handled by the Contractor with the arising charges for land occupation and relevant processing already included in the Contract price.

6.2 Project Owner-supplied construction equipment and temporary facilities

Project Owner-supplied construction equipment and temporary facilities: N/A

The payment undertaker for the charges of operations, maintenance, demolition, evacuation and removal of construction equipment and temporary facilities provided by the Project Owner: the Contractor. For the Project Owner-supplied construction equipment and temporary facilities (if any) provided by the Contractor, the Contractor has no right of disposal and ownership.

7. Transportation

7.1 Road traffic right and off-site facilities

The undertaker for the access to road traffic right and the approval of off-site facilities: the Contractor, with the incurred already included in the Contract price.

The Contractor has thoroughly investigated the construction site, and satisfied with the suitability and availability of the dedicated and temporary roads in the construction site in prior to the attendance of projects comparison and selection and the signature of this Contract. The Contractor shall take charge of any maintenance required for the usage of access to the construction site. The Contractor shall provide all necessary guide-boards or direction instructions along all accesses to the construction site, and obtain permission from the relevant authorities for their usage. The Project Owner shall not take any liability for any Claims arising from the usage of any access to the construction site or any other relevant reasons, and for the Warranty of suitability and availability of these accesses together with incurred charges against the failure to meet these features. The Contractor shall bear all incurred costs and expenses for obtaining approval for his required traffic right to the dedicated and temporary access to the construction site.

7.2 In-site construction road

7.2.1 The undertaker for the construction, maintenance, curing, and management of the in-site temporary roads and transportation facilities required for the project construction: the Contractor, with the incurred cost borne by himself.

7.2.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Owner, the Supervisor, any units and individuals authorized by the Project Owner are entitled to use the temporary roads and transportation facilities built by the Contractor without any charge.

7.3 Off-site traffic

The following should be added following Article 7.3.2 of General Terms and Conditions of the Contract:

7.3.3 The Contractor shall arrange and coordinate all matters concerning transportation, transportation and security matters at his discretion. The Contractor shall comply with the regulations and restrictions on road use and its service time, vehicle parking, etc. issued by the Beijing municipal transportation administration authorities and municipal facilities management authorities, and shall handle with the application bear relevant charges and expense.

7.4 Transportation of oversized and overweight items

The undertaken for the expense of the temporary reinforcement and modification of roads and bridges required for the transportation of over-sized or overweight items: the Contractor

8. Surveying settingout

8.1 Construction control network

8.1.1 The duration of the Project Owner-supplied survey datum point, datum line, and datum mark and presentation period of relevant documents via the Supervisor: on-site submission of pile handover after the mobilization of the Contractor.

8.1.2 Other requirements for the Contractor to investigate and set up construction control network: General Terms and Conditions of the Contract, and national, local and industrial standards.

The deadline for the Contractor to submit the information of construction control network for the approval of the Supervisor: within 10 days after the mobilization.

8.3 Liability for incorrect datum data

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Owner shall provide datum point, datum line, datum mark and relevant documents. The Contractor shall take charge of the positioning of the project section and the correction of any errors in position, level, dimension and setting-out. The Contractor shall put his heart into the inspection and verification of the correction of Project Owner-supplied datum point, datum line, datum mark, and their documents prior to their usage. In the event that any error was found, the Contractor should send the Notices to the Supervisor and the Project Owner immediately. All project term delays and cost increases in consequence of non-compliance with the above rule should be borne by the Contractor. The Contractor shall not be entitled to lodge any Claims any indemnity with the Project Owner against the re-surveying setting-out or construction loss in consequence of the Project Owner-supplied wrong datum data. Any inspection by the Supervisor or the Project Owner shall not relieve the Contractor from any liability for the accuracy of settingout.

9. Fire Safety, public security and environmental protection of Construction

9.1 Project Owner's responsibility for construction safety

9.1.3 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Owner shall be responsible for compensating for personal injury and property damage of the third party directly caused by the Project Owner. The Contractor shall be fully responsible for the management of safety production, environmental protection, public security and fire protection of the construction operation area, stockyard, office area and living area of the Project, and shall assume all responsibility for the safe production and civilized construction of the Project. The supervision and administration of the Supervisor and the Project Owner on safe production and civilized construction, or approval of safe production measures and environmental protection measures will not relieve, release or share any obligations and responsibilities of the Contractor in accordance with the contract and laws.

9.2 Contractor's responsibility for construction fire safety

9.2.1 Deadline for the Contractor to submit the construction fire safety measure plan to the Supervisor: The Supervisor shall approve within 7 days after receiving the construction safety measure plan submitted by the Contractor within 7 days after the contract is entered into.

9.2.5 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Contractor shall :(1) comply with all applicable safety laws and regulations and safety management system of the Project Owner; (2) care for the safety of all persons entitled to be on site; (3) provide any Temporary Works (including roads, sidewalks, barriers and fences) that may be necessary for the execution of the works and/or for the protection of the public prior to the handover of the works as agreed in the Contract; (4) assign sufficient safety officers to be responsible for personal safety and prevention of safety accidents on the site; and (5) keep safety records and prepare reports on any incidents in accordance with applicable laws and regulations. All costs incurred by the Contractor due to the safe operating environment and safe construction measures (whether or not the specific environment and measures are specified in the Contract) are included in the contract price, and the Project Owner is not required to make payment separately.

9.3 Public Security

9.3.1 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Owner shall supervise and manage the public security of the construction site, and the Contractor shall comply with the public security management system of the Project Owner. Under the supervision of the Project Owner, the Contractor shall, through consultation with the local public security department, establish public security administration organization or joint defence organization on the site, and shall be responsible for the unified management of public security matters of the construction site, and perform the public security duties of the contract project. The Contractor shall establish and improve the public security system of the project, organize the establishment of a public security agency or entrust the professional company to take charge of the public overall security work of the project. Meanwhile, the Contractor's management personnel and operation personnel on the construction site must put on badges and safety protective equipment. The Contractor shall be obliged to provide safety protective equipment for the personnel visiting the site, make visit record, and provide necessary safety education and instructions.

9.3.3 The person responsible for formulating the public security management plan and emergency plan for public security incidents of the construction site: Contractor

9.4 Environmental protection

9.4.1 This Article of the General Terms and Conditions of the Contract are amended as follows:

In the construction process, the Contractor shall comply with all applicable national and local laws, regulations, standards and other requirements related to environmental protection, perform the environmental protection obligations stipulated in the contract, and shall take responsibility for the environmental damage, personal injury and property damage caused by the violations of laws, regulations, standards and other requirements and obligations as agreed in the contract.

9.4.3 Deadline for submitting the environmental protection measure plan of the construction to the Supervisor for approval: within 7 days after the contract is concluded

The Supervisor shall approve within 7 days after receiving the environmental protection measure plan of the construction submitted by the Contractor.

9.5 Accident Disposal

The following should be added in this Article of General Terms and Conditions of the Contract:

After the occurrence of safety accident, the Contractor shall pay all the costs required for the rescue, diagnosis and treatment, elimination and restoration of normal conditions in advance. After the liability is determined, the Contractor shall then seek compensation from the responsible party. The Contractor shall not refuse to carry out rescue and make an urgent repair on the grounds of the dispute over the responsibility for the accident or cost.

The following should be added following Article 9.5 of General Terms and Conditions of the Contract:

9.6 Safe and Civilized Construction Costs

In the view of that the Contractor has carried out the survey of the construction site and the surrounding environment, fully understand the geographical location, passages, contour lines of communication equipment, above-ground and underground obstacles, earthwork, debris, garbage, soil properties and current waters, power source and location of rain and sewage discharge, etc., and has obtained sufficient clarifications and explanations from the Project Owner for any possible questions, then it shall be deemed that the Contractor has fully considered the costs of all safe and civilized construction measures to be taken in its offer, including the costs for the measures such as protective sheds and noise prevention facilities incurred due to special reasons in the construction process. Unless otherwise agreed in the Contract, the total price of the safe and civilized construction costs shall be fixed.

The Contractor shall provide special fund as safe and civilized construction costs, and shall list items separately in the financial accounts for reference, and shall not use such fund for other purposes, otherwise, the Project Owner is entitled to instruct to correct within a time limit; if the Contractor fails to correct within such time limit, the Project Owner may instruct to suspend the construction, and the Contractor shall bear the additional expenses and/or take responsibility for the delayed construction terms.

10. Schedule

10.1 Contract Schedule

10.1.1 The Contractor shall prepare the construction schedule and description of construction scheme which include the followings: 1. construction organization design, 2. project schedule, 3. list of management personnel, titles, positions, employment permits, etc., 4.safe and civilized construction measures, 5. quality assurance system, 6. bidding plan; 7. subcontracting mobilization plan, Contractor's mobilization plan of purchased materials and equipment, and the construction schedule should also specify the time required for the Project Owner to organize the designer to conduct the stage project design disclosure.

In case that the Contractor fails to submit the construction schedule and construction scheme as the agreed time, then the Project Owner is entitled to require the Contractor to pay the liquidated damages of RMB [10,000] for each day of delay. In case that the construction schedule and construction scheme submitted by the Contractor are not approved by the Project Owner at one time, then the Contractor shall modify within the time stipulated by the Project Owner until it is accepted by the Project Owner. The completion time of the construction schedule and construction scheme shall be subject to final submission time of the schedule and construction scheme approved by the Project Owner, and the liquidated damages due to the overdue submissions of the Contractor shall be calculated accordingly.

The Contractor shall ensure that the construction schedule and construction scheme submitted conform with the construction term and technical standards agreed in the contract, and shall not be inferior to the construction organization design compared and selected by the Contractor and all the project contents, standards and commitments specified in other comparison and selection response documents. The construction schedule prepared by the Contractor must include both Gantt diagram and network diagram which can effectively reflect the key construction routes and can be presented in the form of professional schedule management software approved by the Project Owner. In the construction process, the Contractor shall, in accordance with the requirements of the Supervisor and the Project Owner, submit any description

or document of the construction schedule and construction scheme which the Supervisor and the Project Owner deem necessary.

The Supervisor shall report the audit opinion to the Project Owner for approval within [7] days upon receipt of the relevant schedule and construction scheme description submitted by the Contractor, and give written approval or propose modification opinion to the Contractor in accordance with the Project Owner's approval opinion. The construction schedule approved by the Project Owner is referred to as the contract schedule and is the basis for controlling the progress of the contract. Where the Supervisor fails to approve or propose amendments within the agreed period, the Contractor shall implement the provision of Article 3.4.5 of the Special Terms and Conditions of the Contract, and such schedule shall not be deemed having been approved.

10.1.2 Content and period requirements for the Contractor to prepare staged or itemized construction schedule and construction scheme instruction: the Contractor shall prepare the special construction scheme and construction schedule subcontracted by each sector; prepare weekly, monthly and quarterly schedule and mark the vanguard line.

Deadline for the Contractor to submit the staged or itemized construction schedule and construction scheme instruction: The special construction scheme and plan shall be submitted 15 days prior to the implementation of the special project, and the weekly schedule shall be submitted before 9:00 am every Monday (which shall be postponed accordingly in case of statutory holidays), the monthly schedule submitted before the 1st of each month, and the quarterly schedule is submitted on the 1st of each quarter.

In case that the Contractor fails to submit the staged or itemized construction schedule and construction scheme as the agreed time, then the Project Owner is entitled to require the Contractor to pay the liquidated damages of RMB [10,000] for each day of delay. In case that the staged or itemized construction schedule and construction scheme submitted by the Contractor are not approved by the Project Owner at one time, then the Contractor shall revise within the time stipulated by the Project Owner until it is accepted by the Project Owner. The completion time of the staged or itemized construction schedule and construction scheme shall be subject to final submission time of the corresponding schedule and construction scheme approved by the Project Owner, and the liquidated damages due to the overdue submissions of the Contractor shall be calculated accordingly.

10.1.3 Requirements for the preparation of construction schedule and construction scheme instruction in group projects: Not applicable

10.2 Revision of contract schedule

10.2.1 Deadline for the Contractor to submit the application report and related data for revising the contract schedule: The Contractor shall notify the Supervisor and the Project Owner in the form of written application report within [3] days when the progress of the project is delayed compared to the contract schedule confirmed by the Project Owner, and submit the revised contract schedule based on the instructions of the Supervisor and the Project Owner.

Deadline for the Supervisor to approve the application report for revising the contract schedule: the Supervisor shall submit the application report for the revised contract schedule submitted by the Contractor to the Project Owner for approval within [3] days after receiving it, and notify the Contractor in writing according to the approval opinion of the Project Owner.

10.2.2 Deadline for the Supervisor to approve the revised contract schedule: the Supervisor shall submit the revised contract schedule submitted by the Contractor to the Project Owner for approval within [3] days after receiving it, and notify the Contractor in writing according to the approval opinion of the Project Owner.

The following should be added following Paragraph 10.2.2 of General Terms and Conditions of the Contract:

10.2.3 The Contractor shall carry out the construction in accordance with the construction organization design and contract schedule (including revision) approved by the Project Owner. Any such revision of the contract schedule shall not be construed as any written notice of extension of construction term or cost increase, and any approval by the Project Owner shall not be construed as the revision of contract schedule or waiver of the Contractor's liability for breach of construction term.

The following should be added following Article 10.2 of General Terms and Conditions of the Contract:

10.3 Subcontract works schedule

After issuing the Notification of Award or Bid-winning Notice to the Subcontractor, the Contractor shall, within the time stipulated in its overall schedule, make requirements to the Subcontractor in a reasonable format and to the extent specified by the Project Owner, and obtain the subcontract works schedule formulated by the Subcontractor, and then submit to the Supervisor for approval before submitting to the Project Owner. The Contractor shall also submit in writing the construction arrangement and overall description of the method to be adopted for the subcontract works to the Project Owner for reference whenever the Project Owner requires. At any time, if the Project Owner believes that the actual progress of the subcontract works fails to meet the subcontract

works schedule submitted by the Contractor, the Contractor shall, in accordance with requirements of the Project Owner's instruction, require the Subcontractor to submit the revised subcontract works schedule, indicating the necessary modification made to the original schedule to ensure that the subcontract works is completed before the completion date committed by the Subcontractor. The Project Owner's management of the Subcontractor shall not exempt the Contractor from its management responsibility for the Subcontractor.

11. Commencement and Completion

11.1 Commencement

11.1.1 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Supervisor shall issue the commencement notice to the Contractor 7 days prior to the Commencement Date. The Supervisor shall obtain the consent of the Project Owner before issuing the commencement notice, and the Project Owner may also directly issue the commencement notice. The construction term shall be calculated from the Commencement Date specified in the commencement notice issued by the Supervisor or the Project Owner (in case that such two notices are inconsistent, the notice issued by the Project Owner shall prevail). The Contractor shall commence construction as soon as possible after the Commencement Date.

11.1.2 The followings are added to this paragraph in the General Terms and Conditions of the Contract: the Supervisor shall obtain the approval of the Project Owner before approving the commencement application form.

11.2 Completion

The actual completion standards agreed in the Contract are as follows:

(1) The Project is implemented and completed according to the requirements of the Contract Documents, qualified in the completion acceptance as agreed in the contract and is confirmed by five parties upon the signature for acceptance, and is qualified in any special acceptance, approval and licensing required for legal operation and completion acceptance for the record of the project, including but not limited to, civil air defence acceptance, fire acceptance, sanitary and anti-epidemic acceptance, environmental protection acceptance and planning acceptance;

(2) The Contractor has completed the completion clearance of the site in accordance with Article 18.7, and completed the demobilization as agreed in Article 18.8 and handed over the project to the Project Owner, and completed the handover upon the signature of the Project Owner;

(3) The Contractor has sorted out all the completion data of the Project, which fully meets the requirements of completion acceptance filing and urban construction archives, and conforms to the document management requirements of the Project Owner, and has handed over to the Project Owner after the review and confirmation of the Supervisor and the Project Owner.

After all the above standards are met, the Project Owner will issue the project acceptance certificate to the Contractor according to Paragraph 18.3.5. The date indicated in the project acceptance certificate is the actual completion date of the Project.

11.3 Delay of the Project Owner's construction term

This Article of the General Terms and Conditions of the Contract are amended as follows:

During the performance of the contract, the Contractor shall be entitled to require the Project Owner to extend the construction term and/or increase the cost if and only if the critical lines of the Project are affected by the following reasons, making the Project unable to be completed on schedule:

(1) Increase in the contents of the contract work;

(2) Change in the quality requirements or other characteristics of any work in the contract;

(3) Force majeure;

(4) Suspension of works at the request of local administrative authorities, but if such request is made due to reasonably foreseeable circumstances (including the high school entrance examination, college entrance examination, major conventions and special days in Beijing, and the special days that are not conventional that the Contractor has been required to consider before the conclusion of the Contract), then the construction term shall not be extended;

(5) The Project Owner's delay in providing materials, engineering facilities or change of delivery place;

(6) Suspension of construction due to the reasons of the Project Owner;

(7) Delay in providing the drawings;

(8) Failure to commence at the Commencement Date stipulated in the commencement notice in Paragraph 11.1.1 due to the reasons of the Project Owner;

(9) Delay in the critical lines of the Contractor caused by the delay, interference or hindrance due to the reasons of the Project Owner.

Notwithstanding the preceding, but if the reasons of the Project Owner as stipulated in this Article are caused by the Contractor's fault, delay, non-compliance with instructions, failure to coordinated management, etc., the Contractor shall not be entitled to require the additional costs and/or extension of the construction term.

Notwithstanding the preceding, the Contractor shall also not be entitled to require additional costs and/or delay in the construction term in the event of concurrent delays in the same period. Concurrent delays refer to two or more delays occurring in the same period, at least one of which is caused due to the reasons of the Contractor or which should have been reasonably controlled and avoided by the Contractor, while the other or other several delays shall be the delay(s) which the Contractor should have been entitled to obtain the extension of the construction term as agreed in the contract.

For delays that do not affect the critical lines, the Contractor shall have no right to request additional costs and/or extension of the construction term for whatever reason.

11.4 Exceptional adverse weather conditions

This Article does not apply to the General Terms and Conditions of the Contract. Only the weather conditions meeting the circumstances of force majeure stipulated in the contract will be regarded as the exceptionally adverse weather conditions and shall be implemented in accordance with the provisions of the contract related to the force majeure.

11.5 Delay of the Contractor's construction term

11.5.2 Calculation standards and calculation methods for the liquidated damages of delayed completion:

(1) Calculation standards: 2‰/day of contract price;

(2) Calculation methods: number of overdue days × 2‰/day of the contract price, in which: number of overdue days = actual construction term - construction term of the contract - construction term agreed to be extended by the Project Owner, and the time less than one day shall be calculated as one day.

In case that the Contractor fails to complete the project on schedule, the Project Owner is entitled to notify the Contractor in writing upon the expiry of the completion date stipulated in the contract (including the construction term extended in accordance with the contract), stating the liquidated damages for the delayed completion to which the Project Owner is entitled to obtain in accordance with the above standards. No matter whether the Supervisor or the Project Owner issues the written notice as stipulated in

this Article within the prescribed time limit, the Project Owner shall not lose the right to claim liquidated damages for delayed completion.

In case that the Contractor fails to complete the relevant work at the construction term of each node stipulated in the contract, the Project Owner shall be entitled to temporarily deduct the liquidated damages of RMB [10,000] from the project payment for each day of delay in each node. The liquidated damages for each node's delay can be collected at the same time without affecting each other.

During the project settlement, the principle of handling the liquidated damages for delayed completion of the node is as follows:

(1) In case the Contractor completes the project on schedule, the Project Owner shall return the Contractor all the liquidated damages for delayed completion of the node without interest which is temporarily deducted;

(2) In case the Contractor fails to complete the project on schedule, the liquidated damages for delayed completion of the node temporarily deducted will be taken as the liquidated damages for delayed completion. If such amount is insufficient, the Project Owner shall have the right to deduct the insufficient part of the liquidated damages for delayed completion from the completion settlement price; if such amount is in excess, the Project Owner will return to the Contractor liquidated damages for delayed completion of the node in excess without interest.

The parties specifically confirm that: unless the Project Owner clearly stated in the document confirming the extension of the construction term that the Contractor was exempted from the contract's liability for breach of contract. Otherwise, in any case, the Supervisor's or the Project Owner's approval of the revised schedule, request of the establishment of new construction term based on actual conditions, and indication or acknowledgement of the fact of delay of the construction term shall neither represent their consent of postponement of construction term nor relieve or release the Contractor's responsibility for the delay in breach of contract.

11.6 Early completion of construction term

Incentives for early completion: none

The following should be added following Article 11.6 of General Terms and Conditions of the Contract:

11.7 Absolute construction term

The contract construction term shall be absolute construction term including statutory holidays, which has taken into account the suspension of construction caused by the

construction at night or on holidays, construction in winter and rainy seasons which shall not be carried out according to the government regulations, and the suspension of construction caused by two sessions, college entrance examination, high school entrance examination, diplomatic visits, traffic control, rainfall, strong winds, smog, dust control, sand storms, environmental protection, factors affecting the construction term such as insufficient construction site, and other factors such as the government's stop work order and restrictive measures adopted. In the event of the occurrence of the factors for the adjustment of construction term which is clearly stipulated in the contract terms, the contract construction term shall not be extended under any circumstances.

11.8 construction term and Costs

The extension of the construction term does not mean necessary additional costs, and the Contractor shall be entitled to increase the costs due to the extension of the construction term only in case that:

(1) the circumstances in Paragraphs 11.3 (1), (2), (5), (6), (7), (9) of the Special Terms and Conditions of the Contract occur;

(2) the construction is suspended for a continuous period of more than [3] days (excluding [3] days) under the circumstances mentioned in Item (1) above.

The additional costs which the Contractor is entitled to claim shall be the costs for the continued suspension of construction for more than [3] days, and the costs are limited to the following costs (the compensation principle is also as follows):

1) Compensation for on-site construction labour: the compensation shall be given according to the actual number of the construction labour on site during the suspension of construction in excess and the suspension confirmed by the Project Owner on site, and the unit price of labour cost in the priced bill of quantities (excluding any charge);

2) Compensation for on-site machinery: the compensation shall be given according to the type and quantity of on-site machinery confirmed by the Project Owner on site during the suspension of construction in excess, and 60% of the unit price of the machinery shift in the priced bill of quantities (excluding any charge);

3) Compensation for on-site construction management personnel: the compensation shall be given based on the number of management personnel on duty during the suspension of construction in excess and the suspension confirmed by the Project Owner on site, and according to the average daily salary calculated based on the bank statement of such

personnel's salary in six months prior to the suspension of construction provided by the Contractor.

Except for the above costs, the Contractor shall be no titled to claim management fees, profits or any other costs due to the extension of the construction term.

During the application for the cost increased due to the extension of construction term, the Contractor shall attach sufficient materials, that is, a valid on-site certificate which can prove the suspension of construction and work slowdown and specify the number of labour and machinery, and the construction record approved by the Supervisor and the Project Owner, and shall not convert such cost directly according to the contents of the list in the absence of facts.

The Contractor's claim for the extension of the construction term and/or the increase in costs resulting therefrom shall be made in accordance with the claim procedure set forth in Article 23.1; otherwise, the Contractor shall be deemed to have waived its right to request the extension of the construction term and/or the increase in costs.

12. Suspension of Construction

12.1 Contractor's Liability for Suspension of Construction

(4) The Contractor shall assume the responsibility for the suspension of construction: if the Contractor violates relevant provisions, and the competent authority orders to suspend the construction of the project; and under the circumstance stipulated in other terms of the Contract.

12.2 Project Owner's Liability for Suspension of Construction

This Article of the General Terms and Conditions of the Contract are amended as follows:

In case that the construction term for the critical lines of the Project is delayed due to the suspension of construction caused by the reasons of the Project Owner, then it shall be implemented according to Articles 11.3 and 11.8 in the Special Terms and Conditions of the Contract.

In the event of the suspension of construction, the Contractor shall make every effort to minimize the damage suffered through reasonable work arrangements, including proper storage of the completed works, reasonable arrangement of personnel on duty and machinery at the site, etc. In particular, part of the project is suspended, the Contractor shall ensure the maximum utilization efficiency of various construction factors through adjusting the allocation of personnel and construction equipment, so as to avoid the occurrence of work slowdown and the delay of construction term. The Contractor shall, within the time limit required by the Project Owner, submit the work

plan of personnel and machinery during the suspension of construction to the Project Owner for approval, and organize the implementation according to the work plan confirmed by the Project Owner. The Project Owner shall have the right not to pay the costs incurred beyond the work plan confirmed by the Project Owner or due to the implementation inconsistent with the relevant work plan. If the Contractor fails to perform the obligations specified in this Article, then it shall be liable for any additional losses arising therefrom.

12.4 Resumption of Construction after Suspension of Construction

12.4.1 The following should be added in this paragraph of General Terms and Conditions of the Contract:

The Supervisor shall obtain the written approval of the Project Owner before issuing the notice of resumption of construction.

12.4.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

If the Contractor delays or refuses to resume the construction without any reason, then it shall bear the cost increased resulting therefrom. If the Contractor fails to resume the construction on time due to reasons of the Project Owner, then Contractor shall, subject to the provisions of Article 11.3, have the right to require the Project Owner to extend the construction term and/or compensate for the cost of suspension and work slowdown, provided that such compensation is limited to the cost for continuous suspension of construction or work stoppage for more than [3] days (excluding [3] days) as stipulated in Article 11.8.

If the Contractor believes that it does not meet the conditions for the resumption of construction, it shall submit a written reply to the Supervisor and the Project Owner within 24 hours after receiving the notice of resumption of construction and explain the specific reasons; otherwise, it shall be deemed that the Contractor has delayed and refused to resume the construction without any reason. The Contractor shall not delay or refuse if the Supervisor and the Project Owner consider it necessary to resume the construction after receiving the written reply.

12.4.4 The Project Owner shall pay the corresponding order amount as agreed in the order contract of the Contractor on the premise that:

(1) the time for the Contractor to purchase materials and engineering equipment conforms to the requirements of the contract schedule;

(2) the materials and engineering equipment are specially ordered for the construction of the Project with acceptable quality;

(3) the prices of materials and engineering equipment are reasonable (conforming to the market price at the time of order and not exceeding the amount agreed in the Contract) and the Contractor has made payment for the order;

(4) the Contractor has marked such materials and engineering equipment as the property of the Project Owner according to the instructions of the Project Owner;

(5) the suspension of construction has lasted for more than [56] days and is not caused by the Contractor.

12.5 Suspension of construction for more than 56 days

12.5.1 The Supervisor shall obtain the approval of the Project Owner before making any decision. If the Contractor does not obtain the permission to continue the construction of the project or part of the project suspended within the time stipulated in the General Terms and Conditions of the Contract, the Contractor may negotiate with the Project Owner about the subsequent implementation of the project, but the Contractor has no right to unilaterally cancel any work or terminate the contract due to the suspension of construction.

13. Quality of the Work

13.1 Requirements for Project Quality

13.1.1 This Article of the General Terms and Conditions of the Contract are amended as follows:

The acceptance standards of the Project shall be subject to the national and local regulations and industry standards of the project location and shall meet the provisions of the contract terms, technical standards and requirements and other Contract Documents.

The following should be added following Paragraph 13.1.3 of the General Terms and Conditions of the Contract:

13.1.4 In case of the quality problem attributable to the Contractor in the construction process, the Project Owner shall be entitled to require the Contractor to pay liquidated damages of RMB [2,000] to RMB [500,000] for quality problems according to the seriousness of the circumstances and the consequences and impacts (to be determined by the Project Owner) for each occurrence.

13.1.5 If the Project fails to obtain all the awards stipulated in the contract agreement due to the reasons of the Contractor, the Contractor shall pay liquidated damages to the Project Owner as follows:

① 0.5% of the contract price for Safe and Green Model Construction Site of Beijing Municipality；

② 0.5% of the contract price for Gold Award of Beijing Municipality Great Wall Cup of Buildings (including structures)；

③ 0.5% of the contract price for Gold Award of China Construction Engineering Steel Structure;

④ 0.5% of the contract price for Two-star Green Buildings (GB/T 50378-2019 Green Building Evaluation Standard);

⑤ 0.5% of the contract price for AAA-level Safe, Civilized, Standardized and Good-faith Construction Site;

⑥ 0.5% of the contract price for National Quality Engineering Award.

13.2 Contractor's Quality Control

13.2.1 Deadline for the Contractor to submit the project quality assurance measure document to the Supervisor: not be less than 14 days prior to the construction of the work.

Deadline for the Supervisor to approve the project quality assurance measure document: within 7 days after receipt of such document

13.3 Contractor's Quality Inspection

Deadline for the Contractor to submit the project quality report to the Supervisor: within 24 hours after the inspection conditions are met

Requirements for the Contractor to submit the project quality report to the Supervisor: The Contractor shall carry out the entire process quality inspection and detection for the materials, engineering equipment, and all parts of the project and their construction technology as agreed in the Special Terms and Conditions of the Contract, and make detailed records, prepare the project quality report and submit it to the Supervisor for review. The format and content of the quality report shall meet the requirements of the Project Owner.

Deadline for the Supervisor to review the project quality report: within 3 days

13.4 Supervisor's Quality Inspection

The Contractor shall provide convenience for the inspection and detection of the Supervisor, and other places where the Supervisor may inspect and consult the original construction records include: according to the actual situation of the project and the requirements of the Project Owner.

13.5 Inspection of concealed works before coverage

13.5.1 Deadline for the Supervisor to inspect the concealed works: within 48 hours after receiving the Contractor's inspection notice

In case that the Contractor fails to attach the self-inspection record and necessary inspection information to the notice of concealed works inspection or relevant information is not qualified, then the Contractor shall be deemed to have failed to issue the notice, and the Contractor shall be liable for any loss and delay of construction term caused thereby.

13.5.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

In case that the Supervisor fails to inspect within the time stipulated in Paragraph 13.5.1, then the Contractor shall implement the agreement in Paragraph 3.4.5 of the Special Terms and Conditions of the Contract, and shall not complete the coverage work by itself.

13.7 Quality Dispute

This Article of the General Terms and Conditions of the Contract are amended as follows:

In case that the Project Owner and the Contractor are in dispute over the project quality, in addition to the settlement of the dispute according to the Article 24, the Supervisor may request the qualified engineering quality testing institution entrusted by the Parties to carry out the appraisal. The required expenses and losses caused thereby shall be borne by the responsible party; in case that such amount is caused by the Parties, then the Parties shall be liable separately according to their responsibilities. If, after the testing, the works have quality defects, then the accepted or unaccepted works that have been completed but put into use shall be settled in accordance with the terms of the project warranty, but if the Project Owner has evidence to prove that the works have quality defects, the Contractor shall still be liable for breach of contract; the completed works that have not been accepted and have not been put into use, as well as the works under the suspension of construction, maybe settled according to the disposal decision of the engineering quality supervision organization upon the consent of the Project Owner in accordance with the settlement scheme determined based on the testing results.

13.6 Removal of Unqualified Works

13.6.1 This Article of the General Terms and Conditions of the Contract are amended as follows:

In case that the unqualified works cannot be remedied promptly on the site, the Contractor may, with the consent of the Project Owner, remove any defective or damaged materials and engineering equipment from the site for remedy. With the consent of the Project Owner, the Contractor may be required to provide an appropriate guarantee for the total replacement cost of such part of materials and engineering equipment.

In case that the unqualified works can be remedied by several methods, the Supervisor and the Project Owner shall have the right to require the Contractor to adopt the method that best meets the requirements of the Contract Documents and restores the original purpose of the project. If the Contractor's remedy plan is required to be designed by qualified design company or evaluated or demonstrated by the experts, the Contractor shall be responsible for carrying out the relevant design, evaluation or demonstration at its own expense to ensure that the remedy plan is reasonable and feasible and meets the requirements of all applicable standards and specifications.

In case that the Contractor fails to comply with the instructions of the Supervisor or the Project Owner on the remedy of unqualified works, or fails to complete the instructions within a reasonable time required by the Supervisor or the Project Owner, or fails to execute the instructions, the Project Owner shall have the right to employ a third party to carry out the rectification and is entitled to require the Contractor to bear the rectification costs, delay in the construction term and all losses caused thereby. The Contractor shall be responsible for the quality of the rectification performed by the third party and include such part of the work into the scope of quality warranty.

14. Test and inspection

14.1 Test and inspection of materials, engineering equipment and projects

14.1.1 This Article of the General Terms and Conditions of the Contract are amended as follows:

For projects that shall be tested, detected, inspected or checked by the third party entrusted by the owner according to the relevant national and Beijing regulations and the contract, the Project Owner shall entrust and bear the costs, and the contractor shall take sample, seal and send the samples with the witness of the Supervisor. The contractor shall also perform other obligations required by the preceding provisions.

The Project Owner shall entrust the third-party monitoring enterprise to provide subsidence observation of side slope and building and entrust the third-party inspection agency to inspect the pile foundation.

Except for the above-mentioned projects entrusted by the third-party inspection enterprise by the contractor, other testing, detection, inspection or checking work

required to complete the project shall be entrusted by the contractor with bearing the cost, while the enterprise of testing, detection, inspection or checking entrusted by the contractor shall be approved by the Project Owner.

Regardless of whether the third-party testing enterprise entrusted by the Project Owner or the contractor, in order to effectively perform the required testing, detection, inspection or checking, the contractor shall provide all required instruments, assistance, documents and other materials, water and power, device, equipment, fuel, consumables, tools, labour, machinery and equipment, materials and auxiliary materials, worksites, and staff with appropriate qualifications and experience according to the Project Owner's requirements, and the costs needed have been included in the contract price.

The specified testing, detection, inspection or checking of any engineering equipment, materials and other parts of the project shall be performed at the time and place as agreed in the contract; if there is no agreement in the contract, if the Project Owner entrusts a third party for testing, the Project Owner shall notify the contractor the time and place. If the contractor entrusts a third party for testing, the contractor shall notify the Supervisor and the Project Owner 48 hours before the testing, detection, inspection or checking are available and the specific time and place shall be determined by the Project Owner. The contractor shall promptly submit fully verified testing, detection, inspection, or checking reports to the Supervisor and the Project Owner.

The contractor has taken into account the time and cost required for sampling, sealing, sending samples and completing the above testing, detection, inspection or checking in the contract term and price and shall not require extension of the duration and/ or increase of costs.

14.1.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

When the contractor reasonably proposes requests, the Project Owner shall provide the contractor with the contract testing scope, testing content and testing responsibilities in the contract signed by the contracting party and the third-party testing enterprise without the price.

15. Changes

15.1 The scope and content of changes

15.1.1 This Article of the General Terms and Conditions of the Contract are amended as follows:

If and only if one of the following situations occurs in the performance of the contract, the change shall be made in accordance with the provisions of this Article.

(1) Cancel any work in the contract;

(2) Change the quality or other characteristics of any work in the contract;

(3) Change the baseline, elevation, location or size of the contract works;

(4) Additional work required to complete the project.

15.1.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Owner has the right to transfer the cancelled work to the contractor or other person, and the contractor has no right to claim for the term and / or expenses or compensation for any losses.

The following should be added following Article 15.1.2 of the General Terms and Conditions of the Contract:

15.1.3 Changes shall not invalidate the contract in any way, while the impact (if any) of all changes on the contract price of the project shall be valued in accordance with this contract.

15.1.4 If the Project Owner issues instructions to make engineering changes due to: (1) the contractor's breach of contract or termination of the contract; (2) the contractor fails to prepare the goods in time according to the construction organization design and material arrival plan approved by the Project Owner; causing material outages or shortages; (3) the contractor proposes replacement or adjustment of materials and equipment or construction technology to recover the delayed construction progress caused by its own reasons or to ensure that the construction progress not to fall behind; (4) the contractor causes the failure of materials and equipment or construction technology; (5) for the convenience of the contractor's own construction; (6) the need for construction measures caused by the contractor; (7) The part where the contractor is responsible for the design (if any) has design errors or omissions (including but not limited to failure to meet the design standards, specifications or requirements of the competent government department or substantially respond to the design requirements of the Project Owner), regardless of whether the Project Owner has approved the relevant design documents; (8) the contractor's own other reasons. The cost of changes and the delay of the construction term due to the above reasons shall be borne by the contractor.

The contractor confirms that the following conditions do not constitute a change: (1) the contractor adopts or changes any construction plan, construction measures, and construction technology to complete the agreed work in the contract; (2) unless the Project Owner agrees otherwise in writing (such written consent shall be sealed with the Project Owner's official seal) as a change, any clarification made by the Project Owner, the designer, the Project Management Company, the cost consulting company,

or the consultant on the drawings or other Contract Documents that the contractor fails to understand the content accurately, or any explanation or confirmation made on the existing content; (3) except for the written consent of the Project Owner (the written consent shall be confirmed by the Project Owner 's official seal) to deal as a change, the deepened design drawings, sample drawings, detailed drawings / lofting drawings, expansion drawings, attached drawings, comprehensive drawings and so on during the process of construction (if any). The contractor has no right to request an increase in costs or extension of the construction term on these accounts.

15.2 Right of change

The Project Owner may propose changes at any time by giving instructions. Only the Project Owner has the final decision on the change. Except for the Project Owner, no other enterprise or individual including the designer, Project Management Company, Supervisor, and so on, have the right to propose or confirm changes without the written consent of the Project Owner. The contractor shall comply with and implement each change. The contractor shall not make any changes and / or modifications to the project unless and until the change is instructed or approved by the Project Owner.

15.3 Change procedures

15.3.1 Proposal of changes

(1) The following should be added in this paragraph of General Terms and Conditions of the Contract:

After receiving the intent letter for change, the contractor shall respond in writing and submit the implementation plan as soon as possible (unless requested by the Project Owner, no later than 7 days after receiving an intent letter for change): 1) Description on suggested work to be done and implementation schedule; and 2) a proposal for the contractor to make necessary modifications to the progress plan according to the completion date. The Project Owner shall respond with approval, disapproval or comment as soon as possible after receiving such a proposal, while the contractor's proposal shall not constitute a change under any circumstances. While waiting for the response, the contractor shall not postpone any work. The Project Owner shall give the contractor instructions to execute any changes and attach any required records of expenses, and the contractor shall confirm receipt of such instructions.

The following should be added following item (4) of the General Terms and Conditions of the Contract:

(5) The Supervisor shall obtain the written approval of the Project Owner before issuing the intent letter for change, instructions for change and any documents related to the

change. The Project Owner may also send the intent letter for change and instructions to the contractor without the Supervisor. The change instruction shall be issued in a change order or other form approved by the Project Owner.

15.3.2 Valuation change

(1) The deadline for the contractor to submit a change quotation: The contractor shall submit the change quotation in accordance with the General Terms and Conditions of the Contract within [7] days after receiving the change instruction. The Supervisor and the Project Owner have the right to comment on the change quotation, and the contractor shall make amendments or supplementary explanations according to the opinions of the Supervisor or the Project Owner.

The change quotation shall be consecutively numbered and signed by the project manager of the contractor. Each change quotation shall indicate the location, size and technical requirements of the change to ensure that the engineering quantities can be tracked and calculated, or the Project Owner has the right not to consider them in the valuation and settlement.

A change quotation shall be the price report of a single change order (or other form of change instruction). The contractor shall not accumulate multiple change orders (or other forms of change instructions) in a single change quotation; otherwise, the Supervisor and the Project Owner have the right to refuse to receive and review this change quotation.

(2) The following should be added in this Article of the General Terms and Conditions of the Contract: If the change of work affects the construction term, the Project Owner will determine whether to adjust the construction term in accordance with article 11 of the contract.

(3) The period for the Supervisor to agree or determine the price change:

The Supervisor shall complete the review within [7] days after receiving the contractor's change quotation and submit it to the Project Owner for approval. The Project Owner shall check within [28] days after receiving the change quotation reviewed by the Supervisor and decide whether to agree to the value of the change. If the Project Owner does not agree, the Project Owner shall notify the contractor of the value of the changes it has reviewed.

If the Supervisor or the Project Owner reviews and considers that the construction conditions, quality, location, size and on-site construction conditions do not match the change instructions, the contractor shall make amendments or supplementary instructions in accordance with the Supervisor or Project Owner's instructions and resubmit for review. (4) This Article of the General Terms and Conditions of the Contract are amended as follows: If the contractor fails to submit a change quotation

within the prescribed period after receiving the change instruction, the contractor may decide whether to adjust the contract price and the specific amount adjusted accordingly when the Project Owner decides to adjust the contract price.

The following should be added following Article 15.3.2 (4) of the General Terms and Conditions of the Contract:

(5) After the Project Owner and the contractor have reached a written agreement (referring to a written confirmation document affixed with the official seal of both parties), the changed price shall be paid or deducted in accordance with 17.3.6 (6) of the Special Terms and Conditions of the Contract. The Project Owner shall not bear the liability for overdue payment, and the contractor shall not stop implementing the project or request an extension of the construction term and / or increase costs on that ground.

15.3.3 Change instructions

(1) This Article of the General Terms and Conditions of the Contract are amended as follows:

The change instructions shall only be issued by the Project Owner or the Supervisor or Project Management Company with the written approval of the Project Owner. The change instruction shall be signed by the Project Owner's representative and stamped with the Project Owner's official seal.

The following should be added following Article 15.3.3 (2) of the General Terms and Conditions of the Contract:

(3) If the contractor fails to implement the change instruction within the time limit required by the Project Owner, the Project Owner has the right to require the contractor to pay the liquidated damages of RMB [50,000] per day for delay.

15.3.4 Change limit

(1) When the amount of a single change is greater than or equal to 3% of the contracted price, the Project Owner and the contractor shall separately sign a supplementary agreement on this major change.

15.4 Valuation principles for changes

15.4.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

There is no subheading applicable to the changed work in the priced bill of quantities, while the single price of similar subheadings within a reasonable range can be referred to if there are similar subheadings;

Notwithstanding the preceding agreement, the Project Owner shall have the right to choose not to conduct reference calculations in accordance with this agreement for

similar subheadings in the priced bill of quantities, and the contractor shall not raise an objection in implementing the agreement in 15.4.3, and the contractor shall not raise an objection in implementing the agreement in 15.4.3.

15.4.3 This Article of the General Terms and Conditions of the Contract are amended as follows:

If there is no unit price for applicable or similar sub-items in the priced bill of quantities, the following methods shall be used to determine the price of the changed work:

1) Consumption: Consumption shall be performed according to the 2012 "Beijing Construction Project Valuation Basis-Budget Quota".

2) Labour, material, and machinery prices: If the corresponding labour, materials, and machinery prices have been listed in the priced bill of quantities, the existing implementation will be applied; if not, the lowest price limit in the "Beijing Construction Cost Information" of the month of the change shall be implemented; if there is no information in the "Beijing Construction Cost Information" of the month of the change, it shall be implemented at a reasonable market price approved by the Project Owner.

15.4.4 This Article of the General Terms and Conditions of the Contract are amended as follows:

The amount of the total price measure item shall be a fixed price. Except for possible deductions in accordance with 17.1.6 (3) of the contract, the contractor has no right to claim adjustments due to construction changes, missing items in the list, inconsistent project characteristics or other reasons. The unit price and subheading of a unit price measure item shall be fixed, and the contractor has no right to claim adjustment of the subheading or unit price due to missing items in the list, inconsistent project characteristics or other reasons. The unit price measure items added due to the change confirmed by the Project Owner shall implement the valuation principles for changes as stipulated in 15.4.

15.4.5 This Article of the General Terms and Conditions of the Contract are amended as follows:

The project shall not adjust the comprehensive unit price listed in the priced bill of quantities due to the increase or decrease in the amount of work listed in the priced bill of quantities.

15.4.6 Other treatments for price adjustments due to changes: None

The following should be added following Article 15.4.6 of the General Terms and Conditions of the Contract:

15.4.7 If the changed construction quantities cannot be calculated according to the drawings, an on-site visa (with text descriptions, photos and so on) should be obtained promptly, and the construction quantities shall be confirmed by the

Supervisor, Project Management Company, and Project Owner to avoid the failure to confirm the project cost. If there is no bill of quantity confirmation, the settlement will not be adjusted.

15.5 Reasonable proposals for a contractor

15.5.2 Reward method for reasonable proposals for the contractor: no reward

15.8 Provisional valuation

15.8.1 If the Project Owner and contractor decide to select a particular supplier or Professional Subcontractor through tendering:

(1) The bidding work shall be jointly organized by the Project Owner and the contractor in accordance with the provisions of this Article.

(3) The difference between the amount of the bid (excluding tax price) and the provisional valuation (excluding tax price) of the professional subcontracted projects/Special Supply Items listed in the bill of quantities and the corresponding tax (calculated at the tax rate agreed in this contract) shall be included in the contract price.

(4) The deadline for the contractor to submit the bidding plan: The contractor shall prepare the bidding work plan at least [60] days before the bidding work is initiated and request the Project Owner for approval through the Supervisor's report.

Time limit for the Project Owner to approve the bidding work plan: The Project Owner shall grant approval or propose amendment suggestions within [14] days after the Supervisor receives the bidding work plan submitted by the contractor. The contractor shall carry out the bidding work strictly in accordance with the bidding work plan approved by the Project Owner.

(5) Time limit for submitting relevant documents by the contractor: The contractor shall notify the Supervisor and the Project Owner to initiate the tender at least [30] days before issuing the tender announcement (or pre-qualification announcement or bidding invitation), pre-qualification documents and tender documents, and submit relevant documents to the Project Owner for approval through the Supervisor's report.

Time limit for the Project Owner to approve relevant documents: The Project Owner shall grant approval or propose amendment suggestions within [14] days after the Supervisor receives the relevant documents submitted by the contractor. Regardless of whether the Project Owner proposes amendment suggestions, the final document issued shall be subject to the final decision of the Project Owner. After the Project Owner finally decides on the bidding documents, the contractor shall issue it within [3] days and submit a separate report to the Supervisor and Project Owner for reference.

Both parties can recommend bidding candidates, and the Project Owner has the final decision on the list of bidders and the pre-qualification results. When the Project Owner makes the final decision on the list of bidders and the pre-qualification results according to the terms of the contract, the contractor shall not raise an objection except that the qualifications of the bidder determined by the Project Owner fail to meet the mandatory requirements of laws and regulations.

(6) The bid evaluation work is organized and coordinated by the contractor, while the Project Owner has the right to determine the bid evaluation method and rules. The composition of the bid evaluation committee is finally determined by the Project Owner. The contractor agrees that the bidder's bid evaluation representative in the bid evaluation committee shall be selected by the Project Owner. Only the Project Owner has the final decision on the bidding results and the right to directly discuss with the bidders of professional subcontracted projects/ Special Supply Items.

(9) Within [7] days after the bid evaluation committee decides the right candidate for the Professional Subcontracted Projects/ Special Supply Items and the Project Owner finally confirms the successful bidder, the contractor shall send a Bid-winning Notice to the bid winner.

(10) Within [7] days after the conclusion of the professional subcontracting / special supply contract, the contractor shall submit two copies of it to the Supervisor. The contractor shall also be responsible for completing the filing of relevant professional subcontracting / special supply Contract Documents (if required by the government department), and the relevant costs have been included in the contract price.

The contractor shall submit the Contract Documents to be formally signed to the Project Owner for review through the Supervisor's report within [14] days before the contractor concludes a contract with a Professional Subcontractor or a Special Supplier. The Project Owner shall grant approval or propose amendment suggestions within [7] days after the Supervisor receives the relevant documents. If the Project Owner requests to prepare the Contract Documents by itself, the contractor shall not raise objections. The Project Owner will prepare the Contract Documents for formal signing and ask the contractor to propose amendments. If the contractor fails to submit a written amendment within [3] days, it shall be deemed to have no amendment suggestions. However, regardless of whether the contractor proposes amendment suggestions, the contractor shall sign the relevant contract in accordance with the Contract Documents approved by the Project Owner within [7] days after the Project Owner issues instructions.

(12) If the contractor violates the procedures stipulated in the above paragraph or fails to perform the approval procedures described in this Article, the Project Owner shall

have the right to require the contractor to change or re-start based on the contractor's requirements or settle according to the unit price approved by the Project Owner even if the Project Owner and the Supervisor have not raised objections at that time. The Project Owner also has the right to refuse to accept and approve the project funds of relevant professional projects or the projects involving materials and engineering equipment related to the special supply, and the increase of cost and (or) delay on construction term shall be born by the contractor.

15.8.2 If the materials and engineering equipment given by the Project Owner in the bill of quantities are not included in the scope of legally necessary tendering or failing to meet the required scale standards, the specific procurement organization and approval procedures shall be implemented in accordance with Article 15.8.3.

15.8.3 If the Project Owner's professional project given a temporary valuation in the bill of quantities is not included in the scope of legally necessary tendering or failing to meet the required scale standards for legally necessary tendering, the valuer of the final price shall be: / or agreed as follows:

If the Project Owner's professional project given a temporary valuation in the bill of quantities or provisionally valued materials and engineering equipment are not included in the scope of legally necessary tendering or failing to meet the required scale standards for legally necessary tendering, the Project Owner has the right to purchase by use of the following method or other ways approved by the Project Owner, and the contractor shall cooperate accordingly:

(1) The contractor shall be the purchaser, and the procurement shall be jointly organized by the Project Owner and the contractor in accordance with the provisions of this Article.

(2) Expenses related to organizing the procurement work shall be considered to have been included in the contract price.

(3) The difference between the purchase amount (excluding tax price) and the provisional valuation (excluding tax price) of the professional subcontracted projects/ Special Supply Items listed in the bill of quantities and the corresponding tax (calculated at the tax rate agreed in this contract) shall be included in the contract price.

(4) Prior to the start of any procurement work, the contractor shall prepare a procurement work plan at least [60] days in advance and submit it to the Project Owner for approval through the Supervisor. The procurement work plan shall include the procurement work schedule, the procurement method to be adopted, the qualification review method to be used, the content of the preparation of the main procurement process documents, the qualification requirements for candidates, the selection standards and methods, and the composition of the selection committee. The Project

Owner shall give approval or propose amendments within [14] days after the Supervisor receives the procurement work plan submitted by the contractor. The contractor shall carry out the procurement work strictly in accordance with the procurement work plan approved by the Project Owner. The Project Owner has the right to organize the contractor and related enterprises to carry out procurement preparation work such as the determination of procurement methods, qualification review documents, and the preparation of procurement documents. The specific allocation of work shall be carried out in accordance with the following agreements. The Project Owner shall decide on outstanding matters.

(5) The contractor shall notify the Supervisor and the Project Owner to start procurement work at least [30] days before the procurement document is issued, and submit the relevant documents to the Project Owner for approval through the Supervisor, and the Project Owner shall approve or propose amendments within [14] days after the Supervisor receives the relevant documents submitted by the contractor. As for relevant documents approved by the Project Owner, the contractor shall be responsible for sorting out and preparing the number of copies required to carry out the actual procurement work and submit to the Project Owner for review through the Supervisor with the Project Owner's official seal, and the Project Owner's official seal on the relevant documents only indicates that the relevant documents have been reviewed and approved by the Project Owner. If the Project Owner requires preparing the procurement documents by itself, the contractor shall not raise an objection. The Project Owner will invitee the contractor to propose amendments to the procurement documents. If the contractor fails to submit a written amendment within [3] days, it shall be deemed to have no amendment suggestions. While regardless of whether the contractor proposes amendments, the final documents issued shall be subject to the final decision of the Project Owner. After the Project Owner's final decision on the procurement documents, the contractor shall send them out within [3] days and submit a report to the Supervisor and Project Owner for inspection separately. Both parties can recommend candidates, and the Project Owner has the final decision on the list of candidates and the pre-qualification results.

When the Project Owner makes a final decision on the list of candidates and the pre-qualification results according to the terms of the contract, the contractor shall not raise an objection except that the qualifications of the candidates determined by the Project Owner fail to meet the mandatory requirements of laws and regulations.

(6) The contractor is responsible for the organization and coordination of the selection work, while the Project Owner has the right to determine the selection method and rules. The composition of the selection committee is determined by the Project Owner.

Only the Project Owner has the final decision on the selection results and has the right to directly discuss with the candidates of the professional subcontracted projects/ Special Supply Items.

(7) After receiving the selection report submitted by the selection committee of the relevant procurement project, the contractor shall forward it to the Project Owner for verification within 24 hours. The Project Owner shall complete the review within 48 hours after the Supervisor receives the selection report submitted by the contractor. After the selection report has been reviewed and approved by the Project Owner, the contractor can start the follow-up procedure, determine the candidate according to law and issue a Notification of Award. The contractor shall send the candidate a Notification of Award within [7] days after the selection committee has determined the candidate for the Professional Subcontracted Projects/ Special Supply Items and the Project Owner finally confirms the candidate.

(8) Within [7] days after the conclusion of the professional subcontracting/special supply contract, the contractor shall submit two copies of the contract to the Supervisor, and one of the copies shall be submitted to the Project Owner for saving. The contractor shall also be responsible for completing the filing of relevant professional subcontracting / special supply Contract Documents (if required by the government department), and the relevant costs have been included in the contract price.

Within [14] days before the contractor enters into a contract with a Professional Subcontractor or Special Supplier, the Contract Documents to be formally signed shall be submitted to the Project Owner for review through the Supervisor, and the Project Owner shall grant approval or propose amendments within [7] days after the Supervisor receives the relevant documents. If the Project Owner requests to prepare the Contract Documents by itself, the contractor shall not raise objections. The Project Owner will prepare the Contract Documents for formal signing and ask the contractor to propose amendments. If the contractor fails to submit a written amendment within [3] days, it shall be deemed to have no amendment suggestions. However, regardless of whether the contractor proposes amendment suggestions, the contractor shall sign the relevant contract in accordance with the Contract Documents approved by the Project Owner within [7] days after the Project Owner issues instructions.

(9) The Project Owner shall review and approve the documents submitted by the contractor or propose amendments in a reasonable way, complying with the provisions of the current relevant laws and regulations.

(10) If the contractor violates the procedures stipulated in the above paragraph or fails to perform the approval procedures described in this Article, the Project Owner shall have the right to require the contractor to change or re-start based on the contractor's

requirements or settle according to the unit price approved by the Project Owner even if the Project Owner and the Supervisor have not raised objections at that time. The Project Owner also has the right to refuse to accept and approve the project funds of relevant professional projects or the projects involving materials and engineering equipment related to the special supply, and the increase of cost and (or) delay on construction term shall be born by the contractor.

The following should be added following Article 15.8.3 of the General Terms and Conditions of the Contract:

15.8.4 If the contractor fails to issue bidding / purchasing documents, Bid-winning Notice / Notification of Award or sign a professional subcontracting / special supply contract within the time limit agreed in Article 15.8, the Project Owner has the right to require the contractor to pay the liquidated damages of RMB [50,000] per day for the delay at each time-point. If delayed for more than [7] days, the Project Owner has the right to convert the relevant professional subcontracted projects or specially supplied materials and engineering equipment to Independent Contracted Construction or materials and engineering equipment provided by the Project Owner, and the contract shall be signed directly between the Project Owner and the Independent Contractor or Independent Supplier. The standards and responsibilities of the contractor's general contracting management, cooperation and coordination services shall not be reduced or mitigated in any way, while the general contracting management cooperation fee shall be deducted, and the increase in costs and / or delays in construction term shall be borne by the contractor. The contractor shall also compensate additional costs and losses incurred to the Project Owner accordingly.

15.8.5 When the Project Owner performs the approval procedures stipulated in article 15.8, the unapproved behaviour by the Project Owner in any case shall not be deemed as its consent or approval except that a letter of approval or acceptance was sent to the contractor in writing.

15.8.6 For the Project Owner and the contractor, the professional subcontracted project/ Special Supply Item is still part of the project for which the contractor is responsible (the payment terms shall be in accordance with the terms of the professional subcontracting/special supply contract confirmed by the Project Owner), the contractor shall be responsible for the behaviour, performance and consequences of Professional Subcontractors/Special Suppliers, including but not limited to being fully responsible to the Project Owner for the progress, quality and safety of professional subcontracted projects / Special Supply Items, and the contractor shall also be responsible for any fault, omission and negligence of the Professional Subcontractor/ Special Supplier, just as the Professional Subcontractor /

Special Supplier's work is done by the contractor on itself. The Project Owner's participation in the behaviour of the Professional Subcontractor / Special Supplier selection will not reduce or relieve the contractor's responsibility under the contract and the law.

15.8.7 After each professional subcontracting / special supply contract is signed, the contractor shall not modify or terminate the professional subcontracting / special supply contract without the consent of the Project Owner. If required by the Project Owner, the contractor shall sign a supplementary agreement with the Project Owner to adjust the price of this contract in accordance with the professional subcontracting / special supply contract. The contractor shall sign the relevant supplementary agreement according to the format and conditions approved by the Project Owner within [7] days after the Project Owner issues the instructions, and shall not raise the price on the basis of the price determined by the professional subcontracting / special supply contract.

15.8.8 Professional subcontracting / special supply contract and the payment

(1) The Project Owner shall pay the contractor construction cost of the Professional Subcontracted Projects/Special Supply Items, and the contractor shall pay the Professional Subcontractor / Special Supplier according to the contract of the professional subcontract / special supply contract; If the special supply contract does not stipulate a specific payment period, the contractor shall pay the corresponding funds to the Professional Subcontractor/Special Supplier within [7] days after receiving the professional subcontracted project / Special Supply Item payment from the Project Owner. The contractor shall issue valid formal invoices to the Project Owner, and the Professional Subcontractor/Special Supplier shall issue valid formal invoices to the contractor. The risk of the difference between the payment time and payment conditions stipulated in the professional subcontracting / special supply contract and the payment time and payment conditions stipulated in this contract has been included in the contract price.

(2) The contractor shall issue an audit opinion on the payment application within [5] days after receiving the application from the Professional Subcontractor / Special Supplier and shall submit the payment it considers to be paid to the Professional Subcontractor / Special Supplier together with the details and audit opinions to the Project Owner for approval in written form. The Project Owner has the right to decide whether to accept the contractor's audit opinion. The final funds of construction payments payable to Professional Subcontractor/Special Supplier shall be determined by the Project Owner. If the contractor fails to issue an audit opinion within the above-mentioned time limit, the Project Owner may notify the contractor of the audit result

after the unilateral audit, and the contractor shall pay based on the Project Owner's audit opinion unconditionally.

(3) If the contractor fails to pay the construction payment in full and on time in accordance with the provisions of the professional subcontracting / special supply contract, the Project Owner has the right to cash the performance guarantee or take other measures deemed appropriate by the Project Owner for full compensation, and the Project Owner has the right to pay directly to the Professional Subcontractor / Special Supplier on behalf of the contractor. The contractor shall be deemed to have received the payment and shall issue an equivalent special value-added tax invoice to the Project Owner. The Project Owner's direct payment in accordance with this Article shall not relieve the contractor of any obligations and responsibilities under this contract and professional subcontracting/special supply contracts.

If the contractor fails to pay the Professional Subcontractor/Special Supplier promptly, the Project Owner has the right to suspend the payment to the contractor for it should have paid to the Professional Subcontractor / Special Supplier for the project, until the contractor pays to the Professional Subcontractor / Special Supplier; Meanwhile, the Project Owner has the right to charge the contractor a penalty for deferred payment: for each day of delay, the Project Owner has the right to charge the contractor deferred payment interest / liquidated damages (if not, it refers to the loan interest calculated based on the benchmark interest rate of the same period issued by the People's Bank of China) whose amount shall be doubled as that specified in the professional subcontract / special supply contract for liquidated damages until the contractor pays the funds to the Professional Subcontractor / Special Supplier or directly makes the payment based on this Article. The Project Owner's collection of the liquidated damages shall not be deemed as that the Project Owner will pay the deferred payment interest to the Professional Subcontractor / Special Supplier on behalf of the contractor.

(4) Before applying for any progress payment, the contractor shall submit to the Project Owner the evidence of have promptly paid for the professional subcontracting / special supply contract at that time in accordance with the relevant contract and financial evidence of payment (including the copy of the invoice issued by the Professional Subcontractor and Special Supplier, a copy of the cheque stub with the signature of the payee and a copy of the bank receipt; if the Project Owner agrees to pay in the manner described in paragraph2 of Article 15.8.8 (6) below, the contractor shall also provide a confirmation letter of receipt from the Professional Subcontractor / Special Supplier, and bank flow documents between the contractor and the Professional Subcontractor / Special Supplier). If the contractor fails to provide these documents, the Project Owner has the right to suspend the payment of progress payments, which

shall be deemed that the contractor fails to make the payment promptly. After the payment is completed, the contractor shall issue its bank transaction documents with the Professional Subcontractor / Special Supplier.

(5) The contractor may only withhold or refuse to pay to the Professional Subcontractor / Special Supplier if both of the following conditions are met at the same time: 1) The contractor states in advance that it has sufficient and reasonable excuses to withhold or refuse to pay the funds, and the Project Owner has expressed its approval or consent for these excuses after receiving the report; 2) The contractor submits to the Project Owner that the Professional Subcontractor/Special Supplier has been notified in writing of the above situation.

(6) Payment methods for professional subcontracted projects / Special Supply Items

The Project Owner has the right to choose the following payment methods for the payment of Professional Subcontracted Projects / Special Supply Items:

1) Escrow account method: If the Project Owner requires an escrow account method, the contractor shall set up an escrow account at a bank approved in writing by the Project Owner for the payment of Professional Subcontracted Projects / Special Supply Items paid by the Project Owner. The Project Owner has the right to reserve a seal and monitor the income and expenditure of the escrow account in real time. The opening and use of an escrow account shall meet the following requirements: ① be jointly opened by the Project Owner and the contractor; ② use the contractor's name for the account name, while the reserved account seal shall include the financial seal of the Project Owner or the name specified by the Project Owner ③ The escrow account shall only use bank counter payment methods instead of being handled through online banking, mobile banking and other operation methods; ④ The Project Owner has the right to check all the account details of the escrow account; ⑤ The process of payment of the corresponding funds for professional subcontracted projects / Special Supply Items is as follows: a. After going through the professional subcontracting / special supply contract and all the approval processes stipulated in this contract, the Project Owner will pay the corresponding funds directly to the escrow account and cooperate with the contractor to pay to the Professional Subcontractor / Special Supplier by check; b. The contractor shall issue a payment check in accordance with the payment certificate (including the payee of the professional subcontracted project / Special Supply Item and payment amount) issued by the Project Owner, and the check shall be filled with the name and amount of the payee's account; c. After the Project Owner checks that the contents of the payment certificate and check are correct, it shall be confirmed and stamped with the financial seal of the

Project Owner in the reserved seal for the escrow account or the personal seal designated by the Project Owner. If the payee is not a Professional Subcontractor / Special Supplier, or the check information is inconsistent with the payment certificate approved by the Project Owner, the Project Owner has the right to refuse to add a seal or personal stamp on the payment voucher, and the contractor shall bear the responsibility.

2) Notwithstanding the preceding agreement, the Professional Subcontracted Projects / Special Supply Items can adopt the following payment methods after approval by the Project Owner: according to the procedures agreed in the professional subcontracting / special supply contract, the contractor shall issue a progress payment certificate to the Professional Subcontractor / Special Supplier according to the amount determined by the Project Owner within [2] days after the Project Owner finishes the approval payment application to the Professional Subcontractor/ Special Supplier and confirms the amount of the project payment; Within [15] days after the Professional Subcontractor / Special Supplier issues the progress payment certificate, the contractor shall complete the payment of the progress payment to the Professional Subcontractor / Special Supplier; the settlement payment shall be performed in accordance with item (7) of Article 15.8.8 below. Within [3] days after the contractor completes the payment, the payment certificate (including but not limited to a copy of the invoice issued by the Professional Subcontractor / Special Supplier, a copy of the cheque stub with the payee's signature and a bank receipt, confirmation letter of the receipt by the Professional Subcontractor / Special Supplier, bank transfer documents between the contractor and the Professional Subcontractor / Special Supplier and so on) and the equivalent value-added tax invoice shall be submitted to the Project Owner, and the Project Owner shall pay the corresponding payment paid for the Professional Subcontracted Projects / Special Supply Items within [30] days after receiving the payment certificate, invoice and confirmation with no errors.

For this type of payment method, regarding the payment for Professional Subcontracted Projects / Special Supply Items, the Project Owner shall not have an obligation to pay before the contractor completes the payment and provides complete payment certificate, invoice and confirmation by the Project Owner and the payment period expires.

If the contractor fails to pay in accordance with the above agreement, the Project Owner will bear the breach of contract liability for the delayed payment under the corresponding contract to the Project Owner and the Professional Subcontractor / Special Supplier. If the contractor delays the payment of any one of the Professional Subcontractor / Special Supplier's project for more than [10] days, the Project Owner

has the right to require the contractor to implement the provisions of item (1) of Article 15.8.8 (6) above and pay the project subcontractor / Special Supplier's project funds in the form of an escrow account, and the contractor shall not raise an objection; meanwhile, the contractor shall also bear all losses and liabilities arising from the conversion of the payment method.

(7) Settlement of professional subcontracted projects and Special Supply Items shall be conducted in accordance with the settlement procedures of professional subcontracts / special supply contracts. The contractor shall issue an audit opinion or amendment opinion on the settlement application and explain the reasons within [14] days after receiving the settlement application from the Professional Subcontractor / Special Supplier, and submit the payment with the Professional Subcontractor / Special Supplier together with details and opinions (with reasons) to the Project Owner for approval in written form. The Project Owner has the right to decide whether to accept the contractor's settlement opinions. The final settlement amount of the Professional Subcontracted Projects / Special Supply Items shall be subject to the approval of the Project Owner. If the contractor fails to issue a settlement audit opinion within the above-mentioned time limit, the Project Owner shall have the right to conduct settlement audit independently. After the Project Owner has unilaterally reviewed and reached an agreement with the Professional Subcontractor / Special Supplier, the Project Owner shall inform the contractor of the results of the audit, and the contractor shall pay the Professional Subcontractor / Special Supplier according to the settlement amount determined by the Project Owner's review and sign the relevant settlement documents. The Project Owner hereby confirms that if it fails to sign the relevant settlement documents with the Professional Subcontractor / Special Supplier in accordance with the above agreement and the requirements of the contractor, the Project Owner has the right to directly pay to the Professional Subcontractor / Special Supplier based on the settlement amount determined by its own review., and the contractor shall be deemed to have received the payment and shall issue an equivalent special value-added tax invoice to the Project Owner.

(8) The contractor has no right to raise any objection to the amount of payment or settlement payable to the Professional Subcontractor / Special Supplier as determined by the Project Owner, nor has the right to ask the contractor for any additional fees or refuse to perform any work related to the Professional Subcontracted Projects / Special Supply Items on the grounds that the Project Owner postpones the payment or settlement or directly pays to the Professional Subcontractor / Special Supplier.

16. Price adjustment

16.1 Price adjustment caused by price fluctuations

Methods of price adjustment caused by price fluctuations: in accordance with Article 16.1.2 of the Special Terms and Conditions of the Contract

16.1.2 Adjust the price margin by cost information

16.1.2.1 The risk range and scope of price fluctuations that cause price adjustment, the risk range of price fluctuations that cause price adjustment:

a. The price risk of price fluctuations of labour, main materials and equipment within ±5% (including 5%) shall be borne by the Contractor, and the excess shall be borne by the Project Owner.

b. All costs of machinery and other materials and equipment shall be borne by the Contractor and shall not be adjusted due to price fluctuations.

c. Main materials and equipment with adjustable price are limited to reinforcing bar, ready-mixed concrete, steel, steel floor plate, fire retardant coating, cable, wire, D100 and above steel pipe, galvanized wire groove, fireproof wire groove, busbar, refrigerating unit, fresh air handling unit, cooling tower and water pump.

d. In case of labour / material difference adjustment, only labour / material and equipment fees and taxes shall be charged, and no other fees, such as management fees, profits and fees, shall be charged.

The risk scope of price fluctuations that cause price adjustment: ±5%

16.1.2.2 Method of calculating the risk scope of price fluctuations that cause price adjustment

(1) Baseline period: October 2019.

(2) The determination method of benchmark price not included in the market price information specified in the *Beijing Project Cost Information*: taking the unit price of materials and equipment agreed in the Priced Bill of Quantities as the benchmark price

(3) The determination method of the market price during the contract construction term:

The determination method of the market price during the contract construction term for labour, reinforcing bar, ready-mixed concrete, steel, steel floor plate, fire retardant coating, D100 and above steel pipe, galvanized wire groove and fireproof wire groove:

1) The monthly market price during the construction term (from the actual commencement to the actual completion of the project, excluding the suspension period): the market price floor specified in the *Beijing Project Cost Information* shall prevail (if there is no such information in the *Beijing Project Cost Information*, the market inquiry by the Project Owner, Project Management Company and Cost Consulting Company shall prevail);

2) The arithmetic means the value of the monthly market price during the construction term (excluding the suspension period).

The determination method of the market price during the contract construction term for busbar, refrigerating unit, fresh air handling unit, cooling tower and water pump, cable and wire:

If the market price is specified in the Beijing Project Cost Information during the current procurement period (that is the month in which the Project Owner confirms the brand, price and technical specification of relevant materials and equipment submitted by the Contractor), the market price in the Beijing Project Cost Information shall prevail; if it is not specified in the Beijing Project Cost Information, the market inquiry by the Project Owner, Project Management Company and Cost Consulting Company in the current procurement period shall prevail.

(4) Method of calculating the range of price fluctuations:

This Article of the General Terms and Conditions of the Contract are amended as follows:

$$\text{Range of price fluctuations} = \frac{\text{Construction market price - benchmark price}}{\text{Benchmark price}} \times 100\%$$

16.1.2.3 Methods of price adjustment caused by price fluctuations

(1) The unit price of this project shall be adjusted with /

method of weighted mean:_____/_____

method of arithmetic mean:_____/_____

other calculation methods:

Price adjustment amount = (actual range of price fluctuations - risk range of price fluctuations stipulated in Article 16.1.2.1 of the Contract) × unit price in the Priced Bill of Quantities when the Contract is signed × quantity shown on the drawings

16.1.2.4 Miscellaneous:

(1) Both parties shall assess the price fluctuations every six months.

(2) Payment time: the price adjustment caused by price fluctuations shall be paid or deducted in the completion price.

(3) In case of any project delay due to the Contractor, the Contractor shall bear the price difference if the project price rises due to price adjustment during the period of delay, but both parties shall adjust the contract price in accordance with this Article if the price is reduced due to price adjustment during the period of delay.

16.1.3 Other price adjustment methods: none

16.2 Price adjustment caused by changes in laws

This Article of the General Terms and Conditions of the Contract are amended as follows:

Where there is a legal change after the base date, in case of any increase or decrease of the construction cost, required by the Contractor in the performance of the Contract due to the mandatory adjustment of the national laws (referring to the laws enacted by NPC or NPC Standing Committee) and administrative regulations, the contract price may be adjusted accordingly.

17. Measurement and payment

17.1 Measurement

17.1.2 Measurement method

Where there is any discrepancy between the measurement and valuation standard of relevant version agreed in the Bill of Quantities and that agreed in the Contract Agreement, Conditions of Contract, Technical Standards and Requirements, other contents of the Bill of Quantities and other Contract Documents, the Contract Document shall prevail. Moreover, the measurement and valuation standard of relevant version shall be applicable to the technical method of measurement and valuation only. The contractual rights and obligations in the specification shall not apply to the parties to the Contract. In case of any rights and obligations between the Project Owner and the Contractor, this Contract shall prevail.

17.1.3 Measurement period

(1) The 20th day of each month is the measurement deadline of the current month (excluding the day) and the measurement start date of the next month (including the day).

(2) The completed quantities of specific items with fixed unit price executed (executed (in the form of unit price contract) / not executed (in the form of total price contract) in this Contract shall be monthly measured.

(3) The completed quantities of specific items with fixed total price shall be measured at the actual completed quantities (payment breakdown report / the actual completed quantities).

17.1.4 The measurement of specific items with fixed unit price

The paragraphs (2) (3) (5) (6) of this Article of the General Terms and Conditions of the Contract are amended as follows:

(2) After the monthly measurement deadline specified by the Contractor in Article 17.1.3 (1) of the Special Terms and Conditions of the Contract, the completed sub-contractual work and specific items with fixed unit price shall be measured according to the measurement method specified in Article 17.1.2 of the Special Terms and

Conditions of the Contract, and the application form of the progress payment, the statement of completed quantities and related measurement data shall be submitted to the Supervisor.

(3) The Supervisor shall review the quantity statement submitted by the Contractor and submit it to the Project Owner for approval to determine the actual completed quantities. In case of any objection to the quantities, the Contractor may be required to review and retest by sampling jointly. The Contractor shall assist the Supervisor to review and provide supplementary measurement data as required by the Supervisor. If the Contractor fails to participate in the review as required by the Supervisor, the quantities reviewed or modified by the Supervisor and submitted to the Project Owner for approval shall be deemed as the actual completed quantities.

(5) After the Contractor completes the quantities of each specific item in the Bill of Quantities, the Supervisor shall require the Contractor to assign personnel to jointly summarize the previous measurement statements of each specific item and verify the final quantities according to the measurement principle agreed in the Contract. The Supervisor may require the Contractor to provide supplementary measurement data to determine the accurate quantities of the last progress payment. If the Contractor fails to assign personnel to participate in the summary as required by the Supervisor, the quantities finally verified by the Supervisor and submitted to the Project Owner for approval shall be deemed as the accurate completed quantities of the specific item.

(6) The Supervisor shall, within 7 days upon receipt of the quantity statement submitted by the Contractor, review it and submit it to the Project Owner for approval. If the Supervisor fails to review it within the agreed time, the Contractor shall implement Article 3.4.5 of the Special Terms and Conditions of the Contract, and shall not regard the quantities in the quantity statement submitted as the actual completed quantities.

The following provisions are added following paragraph (6) of this Article of the General Terms and Conditions of the Contract:

(7) The review and approval opinions of the Supervisor and Project Owner are only the confirmation opinions on the image, progress and quantities of the project completed by the Contractor in the current month, and can be the payment basis for the project progress payment in the current month. The quantities of the settlement price shall be determined in accordance with the principle of quantity measurement agreed upon in the Contract.

17.1.5 The measurement of specific items with a fixed total price (suitable for adopting the payment breakdown report)

(1) The method of price adjustment of specific items with fixed total price adopting the measurement method of payment breakdown report: /

17.1.5 The measurement of specific items with the fixed total price (suitable for adopting the actual completed quantities)

This Article of the General Terms and Conditions of the Contract are amended as follows:

(1) The method of price adjustment of specific items with fixed total price adopting the actual completed quantities: The measurement and payment of specific items with fixed total price shall be based on the total price of a relevant specific item, and the quantities actually completed by the Contractor shall be measured.

(2) After the monthly measurement deadline specified by the Contractor in Article 17.1.3 (1) of the Special Terms and Conditions of the Contract, relevant completed specific items with fixed total price shall be measured according to the proportion of the completed sub-contractual work, and the application form of the progress payment, the statement of completed quantities and related measurement data shall be submitted to the Supervisor.

(3) The Supervisor shall review the quantity statement submitted by the Contractor and submit it to the Project Owner for approval to determine the actual completed quantities. In case of any objection to the quantities, the Contractor may be required to review and retest by sampling jointly. The Contractor shall assist the Supervisor to review and provide supplementary measurement data as required by the Supervisor. If the Contractor fails to participate in the review as required by the Supervisor, the quantities reviewed or modified by the Supervisor and submitted to the Project Owner for approval shall be deemed as the actual completed quantities.

(4) The Supervisor shall, within 7 days upon receipt of the quantity statement submitted by the Contractor, review it and submit it to the Project Owner for approval. If the Supervisor fails to review it within the agreed time, the Contractor shall implement Article 3.4.5 of the Special Terms and Conditions of the Contract, and shall not regard the quantities in the quantity statement submitted as the actual completed quantities.

(5) The quantities of specific items with a fixed total price shall not be remeasured at the completion settlement. The quantities of the contract price shall be the final quantities for completion settlement. However, if any item among the specific items with the fixed total price does not occur, the Project Owner shall have the right to deduct the corresponding expense of such item in the settlement.

The following should be added following Article 17.1.5 of the General Terms and Conditions of the Contract:

17.1.6 Contract price

The contract price adopted in this contract: comprehensive unit price. The contract price of this project shall be understood as:

(1) Risk range included in the contract price: 1) calculation and price errors in the comprehensive unit price analysis in the Priced Bill of Quantities; 2) changes in exchange rates. 3) any increase or decrease of the market price, except as otherwise stipulated in the Special Terms and Conditions of the Contract; and 4) changes in laws, policies and other normative documents, including any price adjustment announced by the construction cost management department of where the project is located, except as otherwise stipulated in the Special Terms and Conditions of the Contract.

The comprehensive unit price in the Bill of Quantities is the fixed price, which shall not be adjusted except for the price adjustment factors specified in the Special Terms and Conditions of the Contract. However, if the unit price of the relevant specific item is higher than the market price or if there is an unbalanced quotation, the Project Owner shall reserve the right to ask the Contractor to modify the relevant comprehensive unit price. Whether the work contents of relevant specific items is described in detail in the Bill of Quantities, or whether there is any discrepancy or absence compared with the drawings, specifications, technical standards and requirements and other Contract Documents, the contract unit price and the price of other specific items shall include all expenses required to complete all the relevant work contracted by the Contractor in accordance with the Contract Documents.

The contract price and the aforementioned fixed comprehensive unit price shall include but not be limited to labour cost, cost of materials and auxiliary materials, machinery cost, cost of all scrap materials and waste products, cost of wear and tear, packing cost, transportation cost, insurance premium, handling cost, cost of storage and other temporary storage, shipping cost, installation cost, cost of lifting and fastening, treatment cost, supervision cost, overtime pay, cost of temporary facilities, on-site cost, stipulated fees, increased cost of environmental protection and civilized construction, utility bills, construction cost in winter and rainy season, cooperation and coordination cost of intersecting construction, secondary porterage, additional construction cost, risk cost, any charge that shall be paid by the construction unit for the construction stipulated by the authorities of public security, firefighting, safety and environmental protection, any charge required by the utilities for the construction, cost of municipal accessory facilities, cost of disturbing residents, testing cost, test cost, management cost, profits, taxes, import duty and any other expense incurred by the Contractor for the completion of all work of the project. The Contractor has fully understood all the obligations, responsibilities and conditions set by the Project Owner in the documents for comparison and selection during the comparison and selection phase, and has made full consideration in its quotation.

(2) The comprehensive unit price of all specific items of the sub-contractual work and specific items with a fixed unit price in the Priced Bill of Quantities is the fixed comprehensive unit price. The Project Owner accepts no improper offer proposed by the Contractor based on the unit price of any specific item during the pricing for comparison and selection (including but not limited to the deviation in understanding the determination of the work content included in the specific item and the level of quantity and machinery consumption, the judgment of the market price of each production factor, the determination of standards for collecting fees, the calculation rules of quantities, and the costs included in the comprehensive unit price) or any loss or claim claimed due to any other error. In addition, the Contractor shall be liable for any error or fault arising from any misunderstanding of the Contract Documents or drawings in the documents for comparison and selection or any negligence by the Contractor.

(3)The price of items with fixed total price in the Priced Bill of Quantities shall be the fixed price and shall not be adjusted (even after the remeasurement), no matter whether the expenditure of such items is different from the Contractor's estimate due to any change or other reasons, and whether there is any missing item in the Bill. Any insufficient project cost shall be borne by the Contractor and the Project Owner will make no compensation. The Contractor shall make suggestions on items other than those listed in the Bill of Quantities and reply to the counter-bid for comparison and selection, or it shall be deemed to be included in the cost of the existing items. The Contractor has fully understood the preceding requirements at the comparison and selection phase and has given full consideration to the counter-bid. However, if any item does not occur, it shall be deducted from the expense statement of specific items with a fixed total price in the settlement.

(4) The procurement construction service tariffing shall be fixed according to the corresponding service tariffing filled in the Priced Bill of Quantities. The billing base shall be the final settlement price of corresponding Professional Subcontracted Projects, Independent Contracted Construction and elevator supply projects. However, if a project involving the procurement construction service is not implemented or transformed into a project implemented by the Contractor, the corresponding procurement construction service fee shall be deducted from the contract price.

(5) Unless otherwise specified in this Contract, for all fees in the contract price, including but not limited to enterprise administration expense, profits, stipulated fees and taxes, the level of collecting fees (including collecting proportion, tax rate, premium rating and discount rate) shall remain fixed.

(6) Other conventions:

1) The quantities in the Bill of Quantities do not represent the actual quantities, nor does the job description represents all work of the Contractor. The Contractor shall carry out the construction in strict accordance with the Contract Documents, specifications and drawings issued by the Project Owner. The Contractor shall guarantee the sufficiency, completeness and conformity of all project offers completed itself. That is to say, whether the description of each specific items in the Bill of Quantities is sufficiently detailed, the Contractor shall, in accordance with the drawings, specifications, technical standards and requirements and other requirements on the work contents in other Contract Documents, make the offer for specific items with the fixed unit price and total price, and fully consider all costs for all work as indicated in the drawings or as reasonably speculated or foreseen in accordance with the drawings, specifications, technical standards and requirements, engineering practices and Contract Documents in relevant unit price or total price. Unless otherwise expressly stipulated in the Contract, the comprehensive unit price will not be adjusted due to the difference between the specific items stipulated in the drawings and Contract Documents and those in the Bill of Quantities, nor due to the difference between the actual quantities and the quantities in the Bill of Quantities.

2) All calculation errors in unit price and subtotal, total, total and aggregate amount in the quotation for comparison and selection are the risks borne by the Contractor. When there are multiple possible explanations for the price, the price shall be calculated according to the explanation of the favourable Project Owner.

3) Unless a force majeure event stipulated in Article 21 of this Contract occurs, the Contractor shall bear any additional expenses or losses caused by climate change, internal and external environment of the construction site, traffic organization and intersecting construction.

4) Any expenditure other than the contract price caused by defects in the deepen design drawings and construction organization design completed by the Contractor shall be borne by the Contractor, even such contents have been reviewed by the Supervisor and Designer and confirmed by the Project Owner.

5) The change of construction technology and construction scheme shall not be deemed as the basis for the change of the contract price unless the change is due to higher quality standards and specifications proposed by the Project Owner during the construction than those stipulated in the Contract.

6) For items with the unbalanced price quoted by the Contractor, the Project Owner reserves the right to adjust the unit price of items with a high quoted price that the Project Owner considers to be unreasonable in the Contractor's quotation.

7) Where the value or cost of the work stated in this Contract is included or considered in the contract price, they shall be deemed to be included in the sub-contractual work cost of sub-contractual work and cost of specific items in the Priced Bill of Quantities. The contract price will no longer be adjusted due to any work and in no case shall it be understood that the work may constitute the provisional sum or provisional estimate.

17.1.7 Remeasurement

(1) Remeasurement procedure

Considering that drawings of this project for comparison and selection have not reached the depth of the construction drawings and that the specific items and quantities in the Bill of Quantities may differ from the construction drawings that have passed the external review, the Contractor shall start the remeasurement after the completion of the construction drawings or at other time as instructed by the Project Owner, and within [3] months (if the remeasurement is affected by the Project Owner's adjustment of drawings, the time limit can be extended upon the approval of the Project Owner), recheck the specific items and quantities in the Bill of Quantities with the Project Owner and cost consulting company entrusted by the Project Owner in accordance with the construction drawings reviewed by the government or the drawing review institution entrusted by the government, and sign the supplementary agreement to determine the new contract price and the new Priced Bill of Quantities in accordance with the rechecking result.

After the new contract price is determined, the liquidated damages or other payments calculated based on the contract price in the Contract Documents shall be adjusted based on the new contract price; If both parties have received (paid) liquidated damages or other payments based on the original contract price before the new contract price is determined, the relevant difference shall be uniformly adjusted in the completion settlement price. The new Priced Bill of Quantities through remeasurement will also be the basis for changing the valuation and related valuation and measurement (compared with the new Bill of Quantities, any item subtracted from the old Bill of Quantities can also be a basis).

If the Contractor fails to cooperate with the Project Owner to complete the remeasurement within the aforesaid period, the Project Owner shall have the right to suspend the construction cost until the remeasurement is completed and a supplementary agreement is signed. Any problem caused by the shortage of funds of the Contractor due to the suspension of payment under the aforementioned circumstances, such as the difficulty in purchasing equipment and materials, the difficulty in paying labour costs and the delay in construction, shall be borne by the

Contractor. The Contractor shall not be entitled to any cost increase and (or) extension of time as a result.

(2) Valuation principle for remeasurement

The quantities after remeasurement shall be calculated in accordance with the measurement specification stipulated in the Contract Documents.

The valuation principle for the existing specific items with changed quantities in the remeasurement: The quantities shall be included in accordance with those shown in the construction drawings confirmed by both parties. The comprehensive unit price shall be that corresponding to the specific items in the Priced Bill of Quantities. The comprehensive unit price shall not be adjusted due to the increase or decrease of the quantities.

The valuation principle for specific items newly added in the remeasurement:

(1) If any similar item is in the Priced Bill of Quantities, the unit price of such similar item can be referred to within a reasonable scope;

Notwithstanding the preceding, for similar items in the Priced Bill of Quantities, the Project Owner shall also have the right to choose not to calculate in accordance with this Article, but to follow paragraph (2). The Contractor shall not raise any objection.

(2) If there is no applicable or similar unit price in the Priced Bill of Quantities, the price of changed work can be determined with the following methods:

1) Consumption: implemented in accordance with the consumption specified in the *Valuation Basis for Construction Projects in Beijing - Budget Quota* issued in 2012.

2) Labour, material, and machinery prices: If the corresponding labour, materials, and machinery prices have been listed in the priced bill of quantities, the existing implementation will be applied; if not, the lowest price limit in the *Beijing Construction Cost Information* in October 2019 shall be implemented; if there is no information in the *Beijing Construction Cost Information* in October 2019, it shall be implemented at a reasonable market price of the first month after the start of the remeasurement approved by the Project Owner.

3) The standards for collecting fees for the comprehensive unit price shall be subject to the standards determined in the Priced Bill of Quantities.

To avoid any doubt, the adjustment of specific items with fixed total price in the remeasurement shall follow the provision in paragraph 17.1.6 (3) of this Contract; For specific items with fixed unit price, only the quantities shall be adjusted in the remeasurement. The Contractor shall have no right to claim for the addition of specific items due to the missing items in the Bill of Quantities, inconsistent project characteristics or other reasons.

After the remeasurement, if there is no change in the drawings, technical standards and requirements and other Contract Documents (hereinafter referred to as the "remeasurement basis") on which the remeasurement is based, and no omission is caused by the Contractor (if there is any, the Project Owner shall be entitled to deduct accordingly), the quantities in the remeasurement result shall be the ones both parties should follow when making progress payments and project settlement; if the remeasurement basis changes, and the contract price adjustment conditions agreed in the Contract Documents are met, both parties shall, when determining the settlement quantities, increase or decrease the account for the changed remeasurement based on the remeasurement result. After confirmation of the remeasurement result by both parties, the Contractor shall not have the right to advocate the adjustment of the remeasurement result or remeasure again on the grounds of quality deviation, missing items in the Bill of Quantities, inconsistent project characteristics or other reasons between the remeasurement result and the remeasurement basis.

To avoid any doubt, the changed valuation principle stipulated in Clause 15.4 shall apply only to the changes after the remeasurement, not to the missing items in the Bill of Quantities or the change before the remeasurement. Changes or missing items in the Bill of Quantities before the completion of the remeasurement shall be handled in accordance with the valuation principle for remeasurement agreed in this Article.

In case of any conflict between the other provisions of this Contract and Article 17.1.7, the latter shall prevail.

17.2 Advance payment

17.2.1 Advance payment

(1) Advance payment limit

Advance payment limit: 50% of the safe and civilized construction cost limit and 100% of the insurance cost.

1) The special fund for dust control in the safe and civilized construction cost is the total of the environmental expenditure and civilized construction cost.

2) Further agreement on the special fund for dust control:

a. After the Project Owner and Contractor sign the construction contract and complete the safety supervision procedure, the Project Owner shall pay 30% of the special fund for dust control.

b. After the completion of the foundation project and before the construction of the main structure, if the measures for civilized construction and dust control have been

taken at the construction site, the Project Owner shall pay 30% of the special fund for dust control.

c. After the completion of the main structure, if the measures for civilized construction and dust control have been taken at the construction site, the Project Owner shall pay 40% of the special fund for dust control.

(2) Method of advanced payment

Method of advance payment: After the following conditions for advance payment are met, the Project Owner shall pay the advance payment to the Contractor in a lump sum within the following advance payment period.

Advance payment period: Within 30 days after the conditions for advance payment are met.

Conditions for advance payment: a. after the Contract Documents signed by both parties come into force;

b. upon the filing of construction contracts by the government (if necessary);

c. after the Contractor submits to the Project Owner the construction insurance documents conforming to the contract requirements;

d. after the Contractor submits to the Project Owner the performance guarantee conforming to the contract requirements; and

e. after the Contractor submits to the Project Owner the VAT invoice conforming to the contract requirements.

The Contractor must earmark the safe and civilized construction cost and insurance premium for work injury of migrant workers (with insurance certificates) for its specified purpose only and make the list of such costs in the financial management system for future reference.

(3) Time and amount of advance payment of Professional Subcontracted Projects / Special Supply Items: the Contractor shall submit corresponding applications for advance payment in accordance with the time of the amount of advance payment as agreed upon in the professional subcontracts / special supply contracts; If the professional subcontracts / special supply contracts stipulate that the Professional Subcontractor / Special Supplier shall submit the advance payment guarantee to the Contractor before the Contractor pay the advance payment to the Professional Subcontractor / Special Supplier, the Contractor shall, before submitting the application for advance payment to the Project Owner, submit the advance payment guarantee of the same amount to the Project Owner.

(4) If the Project Owner delays in the advance payment stipulated in the Contract, it should pay the Contractor the liquidated damages for overdue payment calculated in accordance with the standards and methods stipulated in paragraph 17.3.3 (2) of the Special Terms and Conditions of the Contract.

(5) Payment of the cost for steel structure preparation

After the deepen design of the main steel structure drawing of the project is completed and approved by the design unit, the Project Owner shall, within 30 days after upon the receipt of the VAT invoice conforming to the contract requirements from the Contractor, pay the Contractor 40% of the total construction cost for the sub-contractual work of the main steel structure as the special reserve fund for the steel structure, which shall not be deducted.

17.2.2 Method of deduction and repayment of advance payment: no deduction

17.3 Progress payment

17.3.2 Application form of progress payment

The number of copies of application form of progress payment: In sextuplicate and one electronic version. The application form of progress payment submitted to the Supervisor by the Contractor shall include the following: The application form of progress payment shall adopt the form approved by the Project Owner. The application form of progress payment shall clearly state the amount to which the Contractor considers himself entitled during the payment period. In addition, necessary calculations, lists or other documentary evidence shall be submitted.

17.3.3 Progress payment certificate and payment time

(1) The Supervisor shall, within [7] days upon receipt of the application form of the progress payment and corresponding supporting documents from the Contractor, provide the amount due to be paid by the Project Owner to the Contractor and corresponding supporting materials. After the review and approval by the Project Owner, the Supervisor shall issue to the Contractor the progress payment certificate signed by the Project Owner. If the Contractor fails to perform any work or obligation as required by the Contract, the Project Owner may withhold the value of the work or obligation in the progress payment certificate prior to the performance of the work or obligation.

(2) The Project Owner shall, within [30] days after the Supervisor receives the application form of progress payment submitted by the Contractor, verify and issue the progress payment certificate stating the payable amount determined by the Project Owner, and pay the progress payment within [30] days upon the issuance of the progress payment certificate and the receipt of the invoice in equivalent amount. The

issuance of the payment certificate shall not be deemed that the Project Owner has agreed, approved or accepted the part of work completed by the Contractor. If the Project Owner fails to pay the amount which the Contractor shall receive and which the parties shall not dispute within the time limit stipulated in the Contract, the Contractor shall promptly issue a written reminder notice to the Project Owner. If the Project Owner has not paid the payment within the grace period stipulated in Article 22.2.1 upon receipt of the reminder notice, the Project Owner shall pay the Contractor the liquidated damages for overdue payment from the day following the expiration of the grace period (hereinafter referred to as "the date of overdue payment").

The Contractor shall, in accordance with the Article 23.1(1), submit to the Supervisor, within 28 days of the expiration of the final payment period, a notice of intent to make a claim stating the right to obtain the liquidated damages for overdue payment in accordance with the following standards and methods as agreed in this Article.

The calculation standard of liquidated damages for overdue payment: the benchmark deposit interest rate in the same period issued by the People's Bank of China.

The calculation method of the liquidated damages for overdue payment: the liquidated damages for overdue payment = the amount of overdue payment × the benchmark deposit interest rate in the same period issued by the People's Bank of China × days overdue (from the date of overdue payment). The benchmark deposit interest rate in the same period refers to the interest rate of time deposit in the period of overdue payment. However, if the whole period or partial remaining period of overdue payment fails to reach the minimum period for a time deposit, the current deposit rate shall prevail. The maximum liquidated damages for overdue payment shall not exceed 3% of the completion settlement price. The aforesaid liquidated damages for late payment conform to the reasonable expectation and genuine intention of both parties. The Project Owner shall bear all liabilities (including but not limited to interest, loss compensation and breach of contract) to the Contractor due to overdue payment.

(4) Method of progress payment involving government funds: none

17.3.4 Amendments of progress payment

This Article of the General Terms and Conditions of the Contract are amended as follows:

If errors, omissions or repetitions are found in the summary and review of the progress payment certificates issued before, the Project Owner shall have the right to correct them, and the Contractor shall have the right to apply for correction. Any amendment agreed by the Project Owner shall be paid or deducted from this progress payment. Such amendment shall not be deemed as the delay in payment by the Project Owner.

17.3.5 Provisional payment certificate

This Article of the General Terms and Conditions of the Contract are amended as follows:

If the Contractor and Supervisor are unable to reach an agreement on the completed quantities in the current period and other payables in accordance with the Contract within the time limit agreed upon in the Contract, the Supervisor shall, within [7] days upon receipt of the application form of progress payment submitted by the Contractor, prepare a provisional payment certificate for the amount agreed upon with the Contractor and submit it to the Project Owner for review. The amount of and reason for the objectionable part of the Contractor shall be stated in the provisional payment certificate, which shall be issued by the Supervisor to the Contractor with the Project Owner's signature. The Project Owner shall, within [30] days after the Supervisor receives the application form of the progress payment, verify and issue the provisional payment certificate, and pay the Contractor the amount payable as specified in the provisional payment certificate within [30] days upon the issuance of the provisional payment certificate and the receipt of the invoice.

The Contractor shall submit further supporting documents as required by the Supervisor for the amount of the objectionable part in the provisional payment certificate. The amount payable after further review by the Supervisor and approval by the Project Owner shall be included in the next progress payment certificate in accordance with Article 17.3.4. If the Contractor still has objections after further efforts, the matter shall be handled in accordance with Article 24 of this Contract.

The amount payable in the objectionable payments further reviewed by the Supervisor, recognized by the Project Owner and included in the next progress payment certificate or the amount payable determined through dispute resolution stipulated in Article 24 of the contract constitute the "undisputed payments for both parties", which shall be paid on the "date of overdue payment" as specified in paragraph 17.3.3 (2) of the Special Terms and Conditions of the Contract. The Contractor shall be entitled to the liquidated damages for overdue payment calculated in accordance with paragraph 17.3.3 (2).

The following should be added following Article 17.3.5 of the General Terms and Conditions of the Contract:

17.3.6 Proportion of project payment

(1) The monthly progress payment ratio before the completion of the remeasurement:

50% of the value of the monthly completed works, which is solely responsible by the Contractor.

The amount of monthly progress payment = the value of monthly completed works × 50% - the amount that the Project Owner is entitled to deduct in accordance with the Contract

"The value of monthly completed works" refers to the following amount approved by the Project Owner:

A. The cost of sub-contractual work and cost of specific items with the fixed unit price: measured and approved in accordance with the completed quantities in the current period and the Contract;

B. The cost of specific items with a fixed total price: the cost of completed specific items with fixed total price in the current period = the total cost of specific items with fixed total price in the contract price × (the cost of the completed sub-contractual work in the current period ÷ the total cost of sub-contractual work in the contract price);

Preconditions for payment of monthly progress payment: The quality of the works, materials and equipment applied by the Contractor in the construction cost conforms to the quality standards agreed in this Contract. Relevant quality certificates have been reasonably and effectively provided to the Supervisor and have been qualified; The Contractor has submitted the application for the corresponding progress payment to the Project Owner in accordance with Article 17.3.2 and has provided the legal and valid invoice in equivalent amount.

To avoid any doubt, if the Project Owner fails to deduct the amount that it is entitled to deduct in accordance with the Contract in the current progress payment, it shall not lose the right to claim deduction or compensation from the Contractor.

Before the completion of the remeasurement, the accumulative progress payment paid by the Project Owner shall not exceed 70% of the contract price (excluding the provisional estimate of professional projects, provisional sum and procurement construction service fee).

(2) The monthly progress payment ratio after the completion of the remeasurement:

After the remeasurement is confirmed and the supplementary agreement is signed by both parties, the Contractor shall, in the month following the effectiveness of the supplementary agreement, adjust the monthly progress payment ratio of the projects implemented by the Contractor to 80% of the value of a monthly completed project. That is, the amount of monthly progress payment = the value of monthly completed project × 80% - the amount that the Project Owner is entitled to deduct in accordance with the Contract.

The progress payment shall be suspended when it accumulates to 90% of the contract price (excluding the provisional estimate of professional projects, provisional sum and procurement construction service fee).

(3) After the completion acceptance of the project is qualified and the Contractor receives the project acceptance certificate and completes the completion acceptance for filing, the Contractor shall submit to the Project Owner the application for progress payment accounting for 95% of the value of the completed project.

(4) Progress payments for Professional Subcontracted Projects / Special Supply Items shall be paid in accordance with the schedule and proportion agreed in corresponding professional subcontracts / special supply contracts.

(5) The procurement construction service fee shall not be paid in the progress payment, and shall be paid at the completion settlement price on the premise that the Contractor has fulfilled the procurement construction service obligations as agreed in the Contract.

(6) The increased price due to the change shall be paid at the completion settlement price (while the changed deduction can be deducted in full from the progress payment). If the accumulative amount of the added prices due to the change exceeds 5% of the contract price, both parties shall negotiate the payment time separately.

(7) After the completion of the project, the Project Owner shall, within 30 days upon the issuance of the completion payment certificate and the handover of all completion materials and receipt of corresponding invoices by the Contractor, pay 97% of the completion settlement price ("completion payment"); The remaining 3% of the completion settlement price shall be deemed as the quality guarantee deposit, which shall be returned to the Contractor without interest after the expiration of the defect liability period and within 30 days from the date of issuance of the final settlement certificate if there is no quality problem.

(8) To avoid any doubt, the Contractor shall, before the Project Owner pays any construction cost (including the advance payment), issue a legal and valid VAT [special] invoice in the equivalent amount with the tax rate of 9%, or the Project Owner has the right to refuse payment and shall not be liable for overdue payment or other liabilities.

17.4 Quality guarantee deposit

17.4.1 Treatment of quality guarantee deposit

This Article of the General Terms and Conditions of the Contract are amended as follows:

The quality guarantee deposit shall be withheld in a lump sum at the payment node of the completion settlement price and shall be calculated at 3% of the completion settlement price.

17.5 Completion settlement

17.5.1 Application form of completion payment

(1) The number of copies of the application form of completion payment submitted by the Contractor: In octuplicate and one electronic version

The deadline for the Contractor to submit completion payment application: within 30 days upon issuance of project acceptance certificate

(2) Other contents of completion payment application: Completion Settlement Report, Payment Application Form, Project Completion Inspection and Acceptance Sheet, Project Take-over Acceptance Sheet.

The Contractor shall mention all payments that it believes it has the right to obtain hereunder in the Completion Payment Application submitted by it and shall not request for any additional payment after submitting Completion Payment Application. The Contractor agrees to waive the right to request for any additional payment not mentioned in preceding Completion Payment Application.

The Contractor shall review the final settlement report in relation to Professional Subcontracted Projects and Special Supply Items as provided in professional subcontracting contract/special supply contract and the final settlement in relation to Professional Subcontracted Projects / Special Supply Items shall be implemented in the method provided in the relevant contract. The project negotiation and claim between the Contractor and Professional Subcontractor/Special Supplier which is irrelevant with the Project Owner, other amounts not payable and other affairs not undertaken by the Project Owner shall be settled and paid between the Contractor and each Professional Subcontractor/Special Supplier.

17.5.2 Completion Payment Certificate and payment schedule

(1) This Article of the General Terms and Conditions of the Contract are amended as follows:

The Supervisor shall complete the examination within 14 days after receiving the Completion Payment Application submitted by the Contractor and proposes the amount payable by the Project Owner to the Contractor and submit the proposal to the Project Owner for its review. The Project Owner shall complete its review within [6] months after receiving the same and the Supervisor will issue Completion Payment Certificate signed and confirmed by the Project Owner. Where the Supervisor fails to make a specific proposal within the agreed time limit, the Contractor shall implement the provision of Article 3.4.5 of the Special Terms and Conditions of the Contract, and the Completion Payment Application submitted by it shall not be deemed to have been approved. After the Project Owner receives the Completion Payment Application from the Contractor, unless it approves or accepts the same in writing affixed with its common stamp, any other act or omission by the Project Owner shall be deemed as the Project Owner's disapproval of the Completion Payment Application from the

Contractor. Especially where the Project Owner raises any objection in any way, including requesting the Contractor to supplement materials, or expressing its disapproval orally or in writing, contesting the application, requesting to hold a meeting for consultation or requesting to conclude agreement or memorandum which is different from the Completion Payment Application submitted by the Contractor, it shall be deemed as its disapproval of the Completion Payment Application submitted by the Contractor.

(2) This Article of the General Terms and Conditions of the Contract are amended as follows:

After the Supervisor issues Completion Payment Certificate, the Project Owner shall pay the amounts to the Contractor within the time limit specified in Article 17.3.6 (6) of the Special Terms and Conditions of the Contract.

The following should be added following Article 17.5.2 (4) of the General Terms and Conditions of the Contract:

(5) After the Project Owner confirms the completion settlement amount with the Contractor as provided above, as per request from the Project Owner, the Contractor shall sign the completion settlement agreement with the Project Owner in the form and substance provided by the Project Owner.

(6) To avoid any doubt, before the Project Owner and the Contractor agree on the settlement amount or effective judgment is rendered, the obligation of the Project Owner to pay for the disputed amount is not determined and thus the Project Owner has no payment obligation therefor. Only if the Parties agree on the settlement amount and effective judgment determines the payment obligation of the Project Owner, the Project Owner has an obligation to pay such settlement amount as agreed by the Parties or as specified in the effective judgment. If the Project Owner fails to pay the settlement amount within the payment period agreed by the Parties or specified in the effective judgment, it shall undertake liquidated damages for overdue payment or other liabilities for breach.

17.5.3 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Owner and the Contractor shall handle completion settlement and payment as provided in Article 17.5.2 in Special Terms and Conditions of the Contract.

17.6 Final Settlement

17.6.1 Final Settlement Application

(1) The number of copies of the Final Settlement Application submitted by the Contractor: In eight copies and one electronic copy.

The deadline for the Contractor to submit Final Settlement Application: within 60 days upon issuance of Defects Liability Release Certificate.

The Project Owner will not (will/will not) pay interests on quality assurance bond to the Contractor.

If the Project Owner paid interest on quality assurance bond to the Contractor, the interests shall be calculated as /.

17.6.2 Final Settlement Certificate and payment schedule

(1) This Article of the General Terms and Conditions of the Contract are amended as follows:

The Supervisor shall propose the amount payable by the Project Owner to the Contractor and expresses other review opinions within [7] days after receiving the Final Settlement Application submitted by the Contractor and submit the proposal to the Project Owner for its review. The Project Owner shall complete its review within [56] days after the Supervisor receives the Final Settlement Application and the Supervisor will issue Final Settlement Certificate signed and confirmed by the Project Owner to the Contractor. Where the Supervisor fails to make a specific proposal within the agreed time limit, the Contractor shall implement the provision of Article 3.4.5 of the Special Terms and Conditions of the Contract, and the Final Settlement Application submitted by it shall not be deemed to have been approved. After the Project Owner receives the Final Settlement Application from the Contractor, unless it approves or accepts the same in writing affixed with its common stamp, any other act or omission by the Project Owner shall be deemed as the Project Owner's disapproval of the Final Settlement Application from the Contractor.

(2) This Article of the General Terms and Conditions of the Contract are amended as follows:

After the Supervisor issues Final Settlement Certificate, the Project Owner shall pay the amounts to the Contractor within the time limit specified in Article 17.3.6 (6) of the Special Terms and Conditions of the Contract.

The following should be added following Article 17.6 of General Terms and Conditions of the Contract:

17.7 Using funds for the designated purpose only

All amounts payable to the Contractor as provided herein shall be paid to the following accounts of the Contractor and the Contractor shall ensure it will use all amounts received hereunder for the purpose of this Project and accepts supervision from the Project Owner.

If the Project Owner has a justifiable reason to believe the Contractor has misappropriated the project funds, it has the right to request the Contractor to provide a breakdown sheet on the usage of project funds. For items not specified in the breakdown sheet or doubted by the Project Owner, the Contractor shall provide relevant evidence to the Project Owner. If the Contractor cannot reasonably prove the project funds are used for the purpose of this Project only, the Project Owner has the right to postpone paying subsequent project funds; provided that the Contractor shall not suspend works or propose for termination or partial termination of this Contract as the Project Owner has postponed paying subsequent project funds.

Name of the payee: [Beijing Construction Engineering Group Co., Ltd.]

Address of the payee:[1 Guanglian Road, Xicheng District, Beijing]

Name of bank: [China Construction Bank, Beijing Yue-tan Subbranch]

Address of bank: [Fukai Mansion, 19 Jinrong Street, Xicheng District, Beijing]

Account number: **[***]**

bank code: **[***]**

The preceding account specified by the Contractor shall be the account opened with the bank accepted in writing by the Project Owner and specially used for receiving and paying project funds hereunder. In addition to ensuring using the funds for the designated purpose only and accepting supervision from the Project Owner, the Contractor shall also be supervised by the bank designated by the Project Owner. As per request from the Project Owner, the account shall be managed account opened with the bank designated by the Project Owner and the Project Owner has the right to keep stamp specimen and carry out real-time supervision on the receipt and payment of amounts in the managed account.

If the Project Owner has a justifiable reason to believe the Contractor has misappropriated the project funds, it has the right to request the Contractor to provide project funds usage breakdown sheet, including but not limited to submitting funds usage plan including the advance payments to the Project Owner every month and provide corresponding financial evidence based on the actual usage status (including the photocopy of invoice issued by its subcontractor or supplier, bank statement of payment to the payee, check stub copy signed by the payee and photocopy of bank receipts).

17.8 The right of the Project Owner for deduction

17.8.1 Notwithstanding any provision herein, the Project Owner has the right to deduct (permanently or temporarily) or offset the amount payable by the Contractor to the Project Owner hereunder (including but not limited to liquidated damages,

compensation, indemnity, warranty, disbursements and any other amounts) from or with any amount payable to the Contractor. If the Project Owner fails to exercise the right of (permanent or temporary) deduction of offset as provided herein, it does not prevent the Project Owner to recover relevant amounts from the Contractor as liabilities.

17.8.2 The Contractor shall reasonably use the construction funds paid by the Project Owner. The Contractor shall open a special account for paying salary (service fee) to the migrant works according to latest policy of Beijing on payment of salary to migrant workers and give priority to pay salary (service fee) to migrant workers after receiving the payment of contract price from the Project Owner and timely provide the Project Owner with a financial voucher of payments (including a photocopy of receipts issued by the payees, bank statements of payment to payees). In no case shall the Contractor fail or delay in paying salary (service fee) to the migrant workers for the reason that the Project Owner fails or delays in paying any amount. The Contractor has fully considered all circumstances that may cause dispute with migrant workers when determining the construction term and price and shall formulate a contingency plan to prevent and control relevant circumstances and ensure the migrant workers will not collectively demand unpaid salary, disturb or gather to make trouble or cause other mass events. In case of preceding events, the Contractor shall immediately take actions to eliminate the impact, resume works, accelerate to remedy the delayed construction, and the Project Owner has the right to deduct [RMB 500,000] each time from the contract price as liquidated damages from current project progress funds payable to the Contractor.

17.9 Suspension of payment

Under any of the following circumstances, the Project Owner has the right to suspend paying for project progress, issuing payment certificate or settling the payment until the reason therefor is eliminated. Such suspension shall not be deemed as delay in payment by the Project Owner:

(1) The Contractor uses the project funds paid by the Project Owner for other purposes than this Project;

(2) The Contractor fails to submit an effective and legitimate invoice in equivalent amount before payment by the Project Owner;

(3) The Contractor fails to timely pay Professional Subcontractor/Special Supplier as provided in relevant contract;

(4) In the construction process by the Contractor, safety accident or quality accident occurs, or migrant workers collectively demand for unpaid salary, disturb or gather to make trouble or other mass event occurs and has not been properly solved;

(5) The Supervisor or the Project Owner catches sight of materially false documents or qualifications provided by the Contractor during the execution of the Contract;
(6) The Contractor fails to demobilize its whole crew from the construction site, or to handover as-built documents to the Project Owner in accordance with the Contract;
(7) The Contractor fails to settle the claim which it is scheduled to take liability for after the Project Owner's relevant notice in the middle of the construction;
(8) Any lawsuit or arbitration occurs between the Contractor and other parties for its liability not attributable to the Supervisor and the Project Owner, with the process not conducive to the execution of the Project;
(9) There has any construction defect or the Contractor has any other breach of Contract;
(10) Other circumstances in which the Project Owner is entitled to suspend the payment specified in the Article in accordance with applicable laws and regulations and the Contract.

18. Acceptance inspection upon completion of the Work

18.2 Application Report for completion acceptance

(1) This Article of the General Terms and Conditions of the Contract are amended as follows:
With the exception of the work of sporadic items and Repair work approved by the Project Owner to be listed in the Defects liability term, the Entire Project and all related activities, including the Testing, inspections, commissioning, the trial operation required by the Contract Documents and relevant specifications, has been completed, and all equipment, facilities, and architecture bodies been ensured to be in normal operations. It means that the requirements have been met that the Project handover is available from the Contractor to the Project Owner and the Project Owner can put it into operation without any obstacle;
(2) The Contractor takes liability to process and submit the detail data for acceptance of completed Projects in accordance with the relevant regulations of the urban construction archives management agency.
The quantity of required documents for acceptance of completed Projects: 4 hard copies and 2 electronic copies of all as-built documents (including a complete set of the as-completed drawing).
Payment method for the completed documents of acceptance of completed Projects: The cost of all completed documents submitted by the Contractor to the Project Owner has been in the average Contract price and the Contractor In the event that not charge any additional fees.

(3) Implementation schedule and relevant rules have been prepared and approved by the Supervisor and the Project Owner for the work of sporadic items and repair work required to be completed in the Defects liability term in accordance with the requirements of the Supervisor, Project Management Company and the Project Owner;

(4) The cleaning and housekeeping have been completed prior to acceptance of completed Projects in accordance with the provisions of Article 18.7;

(5) Other activities required by the Supervisor, the Project Management Company and the Project Owner to be finished before the acceptance of the completed project have been completed;

(6) As required by the Supervisor, Project Management Company and the Project Owner, a detailed document list for acceptance of the completed Project have been submitted;

(7) Any other conditions have been met for Project completion, as stipulated by the government or applicable management authorities, including but not limited to the conditions for joint acceptance of completion.

18.3 Receiving and inspection

18.3.3 This Article of the General Terms and Conditions of the Contract are amended as follows:

Once the Project Owner accepts that the Standards of practical completion stipulated in Article 11.2 has reached after the completion acceptance, it shall issue a project acceptance certificate to the Contractor, or the Project Management Company and the Supervisor shall issue the certificate signed by the Project Owner to the Contractor. The date indicated on the project acceptance certificate should be the actual completion date.

18.3.5 This Article of the General Terms and Conditions of the Contract are amended as follows:

The substantial completion date shall be in line with the one listed in the Article 18.3.3 of the Special Terms and Conditions of the Contract.

18.3.6 This Article of the General Terms and Conditions of the Contract are amended as follows:

In the event that the Project Owner fails to perform the acceptance after [28] days from the receipt of Contractor's completion acceptance Application report, the Contractor shall submit a written Notices to the Project Owner, and the acceptance should be implemented by the Project Owner within 56 days from the receipt of the Notices. Both parties have agreed that the Project without completion acceptance shall not be

considered as a qualified Project under any circumstances, and the determination of the practical completion date

11.2 should still be in accordance with the provision of Article.

The following should be added following Article 18.3.6 of General Terms and Conditions of the Contract:

18.3.7 Under the premise of complying with the law, the Project Owner is entitled to retain uncompleted or unacceptable part of the Project as sporadic items and Repair work, and include it in the rectification list. Its acceptance should be performed after the completion acceptance agreed by the Contract. In the event that the mentioned sporadic items have to be used or is affected in consequence of the usage of the Project after Project Owner's acceptance of completed Projects, the Contractor shall provide cooperation, and its liability for the quality of the work of sporadic items should not be relieved or exempted due to the usage or affection. In the event that the Contractor fails to complete the work of sporadic items and Repair work and to obtain Project Owner's acceptance within relevant scheduled term required by the Project Owner, the Project Owner is entitled to charge the Contractor liquidated damages at the rate of [1] per cent of the Contract price per day.

In the event that the work of sporadic items and Repair work affect the regular use of the remaining of the Project, the Contractor shall take measures for the regular usage with the incurred cost borne by the Contractor. Any arising loss to the Project Owner should be compensated for by the Contractor.

18.3.8 As any required by the Project Owner, the Contractor should allow the construction unit hired by the actual user of the Project (including but not limited to the Project Owner) to carry out the relevant work on site before acceptance of completed Projects. Such activity should not be regarded as unauthorized use by the Project Owner, and the Contractor shall still take liability for the quality of relevant parts of the Project. The Contractor shall regard the construction unit hired by the actual user as an Independent Contractor and provide them with coordination and cooperation Services in accordance with the agreed Standards of the Contract. The Contractor is not entitled to require an additional charge and /or the extension of construction term for the coordination, cooperation or arising intersecting construction and any other factors.

18.4 Unit work acceptance

18.4.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

The Project Owner is entitled to use the accepted unit before the completion of works, and the Contractor should not claim any additional cost and / or extension of the construction term.

18.5 Operation during construction term

18.5.1 Unit construction or equipment installation work to be performed during construction term: N/A

18.7 Site clearance upon completion

18.7.1 The Contractor should take liability for site clearance and housekeeping until the inspection by the Supervisor and the Project Owner to be qualified in accordance with relevant Article of General Terms and Conditions of the Contract in prior to the Project Owner-signed project acceptance certificate issued by the Supervisor, under the circumstance of early termination of the Contract, or upon Project Owner's requirement.

18.8 Demobilization of the construction team

18.8.1 This Article of the General Terms and Conditions of the Contract are amended as follows:

Unless otherwise required by the Project Owner, the Contractor should handover the Project to the Project Owner or its designated third party within [7] days after the acceptance of completed Projects. In the handover process, the Contractor shall fully and actively cooperate with the Project Owner or its designated third party to fulfil the handover. All construction teams, construction equipment, Temporary Work should be demobilized or removed from the site with the exception of the ones approved by the Project Owner to continue work during the Defects liability term without any affection on Project Owner's use of the Project.

18.8.2 This Article of the General Terms and Conditions of the Contract are amended as follows:

During its demobilization, the Contractor should go through the Project handover formalities to the Project Owner or its designated third party in accordance with the handover list required by the Project Owner. In the event that the Project Owner requires handover procedures to be issued in writing, the Contractor shall cooperate in signing the handover agreement. The completion settlement and the final Article payment of the Project shall be handled within the term specified in by the Contract, without any effect on the Contractor's demobilization and the delivery of the Project. The Contractor shall not refuse to evacuate the construction site (on-site) or to go

through the handover procedures on the grounds that the settlement and Article payment for completion have not been completed.

18.8.3 In the event that the Defects liability term expires, the final evacuation term of the personnel and construction equipment retained by the Contractor on the construction site: within 3 calendar days after the defect liability term expires; or implementation on the Project Owner's otherwise require.

The following should be added following Article 18.8.3 of General Terms and Conditions of the Contract :

18.8.4 In the event that the Contractor fails to complete the demobilization in accordance with the Article of this paragraph, or to follow the Project Owner's written Instructions to handover the Project to the Project Owner or its designated third-party, the Project Owner may at its discretion (but not be liable for any incurred loss or damage) deliver the mentioned assets of the Contractor out of the site, and sell them, and return the benefit from the sale to the Contractor after deducting the expenses incurred in the delivery and the sale process.

18.8.5 Regardless of any reasons for the termination of the Contract, the Contractor must perform the demobilization and handover the Project at the Determination time by the Project Owner upon the Project Owner's evacuation direction (if any). In the event that the overdue demobilization or handover occurs, the Contractor shall bear the same liability for breach of Contract as the overdue completion specified in Article 11.5.

18.8.6 Regardless of any reasons for the Contractor's withdrawal from the site, the Contractor must, at the time of the withdrawal or at the time required by the Project Owner, handover all the Project documents to the Project Owner or the subsequent construction unit upon the Contractor's instruction, and properly conserve and handover the finished Project, purchased material and equipment to the Project Owner or the subsequent construction unit. In the event that the overdue handover of Project documents occurs, the Project Owner is entitled to charge the Contractor RMB [50,000] as liquidated damages until full handover.

18.8.7 The Contractor promises not to delay its demobilization and to interfere with the Project Owner's subsequent construction by occupying and retaining the Project, or detaining the construction site. The Contractor promises to waive its possible right of Project priority of claim and lien over the Project that the Project, and the materials and equipment used for the Project; the payment for the Contract price responding to completed Project shall be determined by both the Project Owner and the Contractor after the Contractor's demobilization. In the event that no agreement can be reached, either party can resolve the dispute in accordance with Article 24 of

the Contract, but the settlement of the dispute cannot affect the performance of the demobilization.

18.9 Intermediate acceptance

18.9.1 As for the Article required to be Middle accepted, the acceptance should be performed in accordance with applicable national regulations, local regulations where the Project locates, industry regulations, and the Contract Documents.

18.9.2 In the event that the acceptance is unsatisfactory, the Contractor shall make modification and apply for re-acceptance within the term required by the Supervisor or the Project Owner.

18.9.3 In the event that the Supervisor fails to submit an extension requirement within the term stipulated in tits paragraph, and to perform the inspection and acceptance on schedule, the Contractor should comply with the provisions in Article 3.4.5 of the Special Terms and Conditions of the Contract and shall not organize the inspection and acceptance at its discretion. In the event that the Project Owner fails to require the Supervisor to conduct acceptance inspection or direct acceptance at its discretion within [28] days after the reception of Contractor's written application, the Contractor is entitled to require the Project Owner to extend the construction term and / or increase the cost subject to the provisions of Article 11.3.

19. Defects liability and Warranty liability

19.1 Starting time of Defects liability term and Warranty Period

This Article of the General Terms and Conditions of the Contract are amended as follows:

The Defects liability term and Warranty Period for the Project including the unit work advance accepted by the Project Owner (if any) are calculated from the substantial completion date in the Middle project acceptance certificate. The time to count Warranty Period for the Article with sporadic items and Repair work to be repaired should be postponed to the date when the repair work is completed and inspected to be acceptable by the Project Owner.

During the term from acceptance of completed Project, including Project Owner's advance acceptance for unit work (if any), to the start of Defects liability and Warranty Period, the Contractor's obligations and liability shall not be less than those assumed during the warranty term.

19.2 Defects liability

19.2.4 This Article of the General Terms and Conditions of the Contract are amended as follows:

In the event that the Contractor, upon the receipt of Repair work direction from the Project Owner, fails to repair deficiencies within the term stated in the Contract Documents, or to complete reinstatement before the deadline specified in the warranty Notices, or similar quality issues occur to the repaired sections, the Project Owner may entrust others to carry out the repair work in accordance with the Contract, with the incurred charges deducted from Contractor's Quality assurance deposit or to be recovered from the Contractor as a debt, and with the breach liability borne by the Contractor. Meanwhile, the Project Owner shall deliver the Notices of this situation to the Contractor in writing.

The following should be added at the end of Article 19.2.4 of General Terms and Conditions of the Contract:

19.2.5 The Contractor's repair of the defects and undertaking of incurred cost shall not relieve its liability of compensation for all the loss from Project quality defects. The Contractor has foreseen or should anticipate all possible damages from the quality defects to personal safety and wealth of Project Owner, user, and any other third party. In the event that the mentioned damages occur, the Contractor should fully compensate the Project Owner for all the losses and Claims.

19.3 Extension of Defects liability term

This Article of the General Terms and Conditions of the Contract are amended as follows:

In the event that some work or engineering equipment fails to work for the intended purpose and required to be re-inspected, re-Inspection, and repaired in consequence of any defects or damage attributed to the Contractor, the Project Owner shall be entitled to extend the Defects liability term.

19.6 Defects liability release certificate

This Article of the General Terms and Conditions of the Contract are amended as follows:

After the Defects liability term expires in accordance with item 1.1.4.5, the Contractor should notify the Supervisor and the Project Owner with writing Notices when he argues that its Warranty liability in the Defects liability term in accordance with the Contract has been fulfilled and that all the sporadic items and Repair work in Project Owner's modification list has been accomplished. In witness of joint review and confirmation of the Supervisor and the Project Owner on Repair work, the Defects liability release certificate should be hereby issued by the Project Owner to the Contractor. However, the issuance of Defects liability release certificate shall not

relieve the Contractor of the Warranty liability for the Project in accordance with national laws, regulations and the Contract Documents. If necessary, the Project Owner is entitled to directly contact with suppliers of specific material and engineering equipment for maintenance Services under any circumstance, and the Contractor should provide detailed information about these suppliers. The maintenance Services direct from the suppliers should not reduce or relieve the Contractor's any obligations and liability in accordance with the Contract Documents.

After the issuance of Defects liability release certificate, each party should continue to fulfil any remaining obligations. For the Determination of the nature and scope of the obligation to be fulfilled, the Contract shall be considered to be valid.

19.7 Warranty liability

19.7.1 The scope of Project quality warranty includes: all activities finished by the Contractor in its work scope stated in the Contract.

As for the quality Warranty Period, please refer to the Article of quality warranty in the Appendix of Special Terms and Conditions of the Contract.

For the Project quality Warranty liability, please refer to the Article of quality warranty in the Appendix of Special Terms and Conditions of the Contract.

20. Insurance

20.1 Project insurance

Engineering insurance shall be (be/not be) taken for this project. When taking engineering insurance, the risks shall be Construction All Risks, Installation All Risks and in line with the following agreements:

(1) Insurant: Contractor

(2) Coverage: all losses caused by natural disaster or accident in the construction process of the construction project

(3) Premium rate: to be agreed by the insurant and insurer agreed by the Parties hereto

(4) Insured amount: no lower than the contract price

(5) Insurance period: the date on which the Procurement Construction Contract is effective to the date on which the Project Owner issues project acceptance certificate.

20.4 Third-party liability insurance

20.4.2 Insured amount: no lower than up to RMB 5,000,000 per occurrence. The premium rate shall be agreed by the Contractor and insurer approved by the Project Owner, and the relevant premium shall be afforded by the Contractor.

20.5 Other insurance

The Contractor shall purchase insurance for its construction equipment, materials and engineering equipment:

(1) The Contractor shall be responsible for all risks in relation to the materials, engineering equipment, components and mating parts and construction machinery and equipment supplied by it in the transportation process (including warehouse) to the construction site and relevant expenses are included in the contract price.

(2) The Contractor shall take out insurance for relevant facilities, construction machinery and equipment on the site as required by the laws and regulations and rules of the State and Beijing and ensure once such facility and equipment is damaged, the compensation from the insurer is sufficient for cleaning and resetting the site and the premium is included in the contract price.

(3) The Contractor shall take out any other insurance as required to be taken out by Contractor in laws, regulations, rules and policies of the State and Beijing at its own expense and the relevant premium is included in the contract price.

20.6 General requirements on insurances

20.6.1 Insurance certificate

The deadline for the Contractor to submit to the Project Owner the evidence to prove the insurances are effective and copy of insurance policy: After execution of the Contract the Contractor shall submit insurance policy for taking out insurance to the Project Owner when submitting the application for project Advance Payment.

20.6.4 Supplement insufficient insurance premium

When the insurance compensation is insufficient to compensate the loss, the Contractor and the Project Owner shall allocate the compensation amount: the liability shall be allocated based on the risk allocation method agreed by the Parties and stipulated herein. If the insufficiency in compensating the loss with insurance compensation is caused by the failure of the Contractor in performing the obligation to take out insurance or failure in timely claiming, the relevant loss shall be compensated by the Contractor.

21. Force majeure

21.1 Confirmation on Force Majeure

21.1.1 Force Majeure provided in Article 21.1.1 in General Terms and Conditions of the Contract is limited to the following circumstances and the place of occurrence shall be limited to Beijing:

(1) the following circumstances declared by State authority and defined as a disaster: epidemic,.7.0 or higher degree earthquake, 10 or higher grade wind, once in thirty years flood in Beijing, once in fifty years storm and once in fifty years blizzard;

(2) war;

(3) ionic radiation or radioactive contamination;

(4)pressure waves generated by a sonic or supersonic aircraft or aircraft device, falling of aircraft;

(5) serious social unrest or riot, other than internal events of or events caused by the Contractor (including its Professional Subcontractor, Special Supplier and other subcontractor and supplier) and the persons engaged by it;

Apart from the disaster of Force Majeure specified in Item (1) in this paragraph, intermittent or continuing high temperature, low temperature, storm, wind, snow, fog or haze or sand storm and other natural climate impact shall not be deemed as Force Majeure.

21.3 Consequence and resolution of Force Majeure

21.3.1 Liability for damage caused by Force Majeure

This Article of the General Terms and Conditions of the Contract are amended as follows:

Personal injury, property loss, increase in expenses and/or delay in construction and other consequences caused by Force Majeure shall be allocated by the Parties on the following principles:

(1) Damage to Permanent Work, including damage to materials and engineering equipment transported to the construction site and installed to Permanent Work and third party personal injury or death and property loss caused by damage to Permanent Work shall be undertaken by the Project Owner; damage to materials and engineering equipment transported to the construction site but not installed to Permanent Work and third party personal injury and property loss caused by such damages shall be undertaken by the Contractor.

(2) Damage to equipment of Contractors shall be undertaken by the Contractor;

(3) The Project Owner and the Contractor shall respectively undertake its personal injury and other property loss and relevant expenses;

(4) The loss caused by the suspension of works by Contractor shall be undertaken by the Contractor; but the amount in relation to safekeeping the works and cleaning, repairing the works in the suspension period shall be undertaken by the Project Owner;

(5) If a failure in timely completion is caused by delay in construction of critical line due to Force Majeure, upon confirmation from the Project Owner, the construction term

shall reasonably extend and the Contractor does not need to pay liquidated damages for overdue completion. If the Project Owner requests for acceleration, the Contractor shall take actions for acceleration at the expense of the Project Owner.

21.3.4 Contract dissolution due to Force Majeure

This Article of the General Terms and Conditions of the Contract are amended as follows:

(1) If a failure in performing the contract due to Force Majeure event lasts for more than [182] days, both Parties may terminate this Contract with a 14 days' notice to the other party to that effect. Upon termination of this Contract, the Contractor shall move from the construction site as provided in Article 22.2.5 herein. The Contractor shall return the ordered materials and engineering equipment or terminate the order contract. The amount for the commodity that cannot be refunded and expenses incurred in returning and terminating order contract shall be afforded by the Contractor (unless as provided in Item (2) in this paragraph).

(2) If this Contract is terminated due to Force Majeure, the Project Owner shall pay the following amount within [30] days after the Parties agree on the settlement amount and receive a VAT invoice in the equivalent amount and the Contractor shall timely submit relevant materials and vouchers in the following amount and issue a legitimate invoice in an equivalent amount:

1) the price for Permanent Works completed, inspected and accepted prior to termination of this Contract and price for step items for completion of relevant Permanent Works and general contracting service fee;

2) the price for materials and engineering equipment that the Project Owner agrees to take over subject to the following conditions: ① the time when the Contractor purchases materials and engineering equipment shall match the schedule stipulated in this Contract; ② the materials and engineering equipment is specially ordered for the construction of this Project and the quality is satisfactory; ③ the price of materials and engineering equipment is reasonable (which matches the market price at the time of ordering and not exceeds the amount stipulated herein) and the Contractor has paid the amount for orders; ④ materials and engineering equipment have been transported to the construction site; ⑤ materials and engineering equipment cannot be returned. The Project Owner has the right not to accept the materials and engineering equipment not satisfying the preceding conditions.

Apart from the foregoing amounts, the Project Owner has no obligation to pay any other amounts to the Contractor (including but not limited to expenses for non-conforming works; if materials and engineering equipment do not satisfy conditions

provided in item 2) above, the expense incurred by the Contractor to return the goods and terminate order contract and loss of amounts that cannot be refunded; price for step items incurred by the Contractor to move from the construction site and dismiss personnel of the Contractor; other loss suffered by the Contractor due to termination of this Contract). However, the Project Owner also has the right to choose not to accept materials and engineering equipment not satisfying payment conditions and not to pay corresponding amounts to the Contractor, for which the Contractor shall cooperate.

The Project Owner shall pay aforesaid amounts as provided herein, but it has the right to offset or request the Contractor to pay all amounts payable to the Project Owner (including liquidated damages and compensation). The Project Owner has the right to withhold quality assurance fee in relation to the completed works and the Contractor shall still undertake quality warranty liability for completed works.

If the amounts paid by the Project Owner to the Contractor exceed the amount payable, the difference shall be refunded to the Project Owner by the Contractor within [7] days after the Parties agree on settlement amount.

22. Default

22.1 Default by the Contractor

22.1.1 Default by the Contractor

(6) The Contractor cannot continue to perform or expressly states that it will not perform or substantially terminates performance of this Contract, including but not limited to: bankruptcy, insolvency or liquidation of the Contractor, loss of qualification granted by the government and required for the implementation of the works hereunder or any action or event (according to relevant Applicable Laws)that has a similar effect with the foregoing actions or events.

(7) The Contractor otherwise fails to perform the obligation hereunder, including but not limited to 1) failure in complying with specific instruction of the Project Owner; 2) suspension of works without authorization or expressly stating its intention that it will not continue to perform the obligations hereunder; 3) failure in quickly implementing the works, suspension of construction or refusal to implement works; 4) replacing project manager or major management personnel without authorization; 5) refusing or delaying in cooperation with tendering, engaging and entry of Professional Subcontractor/Special Supplier.

To avoid any doubt, if the provisions in Contract Documents on the Contractor's liability for breach have a conflict or are inconsistent, the highest liability for a breach shall prevail.

22.1.2 Settlement of default by the Contractor

(4) The liquidated damages provided herein will be deducted from the amounts payable or to be paid to the Contractor hereunder or recovered from the Contractor as liabilities. If the total amount of liquidated damages paid by the Contractor to the Project Owner as provided herein is insufficient to recover the loss caused to the Project Owner due to its breach, the Contractor shall otherwise pay compensation to the Project Owner until the loss is fully recovered (including but not limited to loss of the Project Owner due to delay in operation and opening; the amount of compensation paid by the Project Owner to a third party; the litigation fee, arbitration fee, appraisal cost, notarization fee, travel expenses arising from litigation or arbitration between the Project Owner and the third party; an increase of financial cost of the Project Owner; all other direct loss, indirect loss, loss of anticipated profits and expected interests).

22.1.3 Contract dissolution due to breach by the Contractor

This Article of the General Terms and Conditions of the Contract are amended as follows:

If the Contractor still fails to cure its breach 14 days after the Supervisor or the Project Owner sends rectification notice to the Contractor, the Project Owner may send a notice for contract dissolution to the Contractor.

If the Project Owner terminates this Contract due to breach by the Contractor, the Project Owner has the right to request the Contractor to pay [20%] of the contract price as liquidated damages. Upon termination hereof, the Contractor shall remove from the construction site as provided in Article 18.7 and 18.8; otherwise, the Project Owner has the right not to settle the payments or pay any subsequent amounts.

22.1.4 The Articles of price estimate, payment and settlement after termination in the General Terms and Conditions of the Contract are amended as follows:

(1) If this Contract is terminated due to breach by the Contractor, the Project Owner shall pay the following amount within [30] days after the Parties agree on the settlement amount and receive a VAT invoice in the equivalent amount and the Contractor shall timely submit relevant materials and vouchers in the following amount and issue a legitimate invoice in an equivalent amount:

The amount that the Contractor has the right to obtain is limited to the price for Permanent Works completed, inspected and accepted prior to termination of this Contract and price for step items for completion of relevant Permanent Works and general contracting service fee.

Apart from the foregoing amounts, the Project Owner has no obligation to pay any other amounts to the Contractor (including but not limited to expenses for non-conforming works; price of materials and engineering equipment other than Permanent Works; the expense incurred by the Contractor to return the goods and terminate order

contract and loss of amounts that cannot be refunded; price for step items incurred by the Contractor to move from the construction site and dismiss personnel of the Contractor). However, the Project Owner also has the right to choose not to accept materials and engineering equipment not satisfying payment conditions and not to pay corresponding amounts to the Contractor, for which the Contractor shall cooperate.

The Project Owner shall pay aforesaid amounts as provided herein, but it has the right to offset or request the Contractor to pay all amounts payable to the Project Owner (including liquidated damages and compensation). The Project Owner has the right to withhold quality assurance fee in relation to the completed works and the Contractor shall still undertake quality warranty liability for completed works.

If the amount paid by the Project Owner to the Contractor exceeds the amount payable, the difference shall be refunded to the Project Owner by the Contractor within 7 days after the Parties agree on the settlement amount.

The following should be added following Article 22.1.6 of General Terms and Conditions of the Contract:

22.1.7 Right of the Project Owner to terminate this Contract

The Project Owner shall be entitled to terminate this Contract at any time at its convenience by giving notice of termination to the Contractor. The termination is effective on the date the Contractor receives such notice. Upon such termination hereof, the Contractor shall remove from the construction site as provided in Article 18.7 and 18.8 and shall be paid as provided in Article 21.3.4(2). The Project Owner will not undertake any other liability than those provided above as it exercises the right of termination hereof.

22.2 Breach by the Project Owner

22.2.1 Breach by the Project Owner

This Article of the General Terms and Conditions of the Contract are amended as follows:

The following circumstances which occur during performance hereof shall be deemed as a breach by the Project Owner:

(1) the Project Owner fails to pay the undisputed contract price as provided herein or delays without proper reason or refuses to approve payment application and voucher, it fails to pay the amount payable hereunder and the Parties fail to conclude deferred payment agreement within 30 days after the Contractor sends written reminder notice, it shall constitute breach as of the 31st day after the reminder notice is received;

(2) the Project Owner cannot continue to perform or expressly states that it will not perform or substantially stop performing this Contract;

(3) the Project Owner fails to perform other obligations provided herein.

22.2.2 Contractor has the right to suspend construction

This Article of the General Terms and Conditions of the Contract are amended as follows:

Unless as instructed by the Project Owner in writing, the Contractor has no right to suspend or postpone construction whether or not the Project Owner has breached this Contract.

22.2.3 Termination due to breach by the Project Owner

This Article of the General Terms and Conditions of the Contract are amended as follows:

If and only if the Project Owner breaches this Contract in the following way, the Contractor has the right to terminate this Contract through the procedure provided herein:

(1) the Project Owner fails to pay undisputed contract price as provided herein and still fails to pay within [182] days after the Contractor sends written reminder notice (except for the part the Project Owner has the right to deduct);

(2) the bankruptcy, insolvency or liquidation of the Project Owner, or any action or event that has a similar effect with the foregoing action or event (according to Applicable Laws).

Upon the occurrence of the foregoing event or circumstances, the Contractor may terminate this Contract 28 days with notice to the Project Owner. But if in that 28 days the Project Owner performs its obligation, this Contract shall still be performed. If the Contractor terminates this Contract in violation of this article, the Project Owner has the right to request the Contractor to pay [20%] of the contract price as liquidated damages.

22.2.4 Payment after termination

This Article of the General Terms and Conditions of the Contract are amended as follows:

(1) If this Contract is terminated due to breach by the Project Owner, the Project Owner shall pay the following amount within [30] days after the Parties agree on the settlement amount and receive a VAT invoice in the equivalent amount and the Contractor shall timely submit relevant materials and vouchers in the following amount and issue a legitimate invoice in an equivalent amount:

(1) the price for Permanent Works completed, inspected and accepted prior to termination of this Contract and price for step items for completion of relevant Permanent Works and general contracting service fee;

(2) the price for materials and engineering equipment that the Project Owner agrees to take over subject to the following conditions: 1) the time when the Contractor purchases materials and engineering equipment shall match the schedule stipulated in this Contract; 2) the materials and engineering equipment is specially ordered for the construction of this Project and the quality is satisfactory; 3) the price of materials and engineering equipment is reasonable (which matches the market price at the time of ordering and not exceeds the amount stipulated herein) and the Contractor has paid the amount for orders; 4) materials and engineering equipment have been transported to the construction site; 5) materials and engineering equipment cannot be returned. The Project Owner has the right not to accept the materials and engineering equipment not satisfying the foregoing conditions.

(3) The expense for the Contractor to remove Temporary Works confirmed by the Project Owner from the construction site.

Apart from the foregoing amounts, the Project Owner has no obligation to pay any other amounts to the Contractor (including but not limited to expenses for non-conforming works; if materials and engineering equipment do not satisfy conditions provided in item (2) above, the expense incurred by the Contractor to return the goods and terminate order contract and loss of amounts that cannot be refunded; except item (3) above, price for step items incurred by the Contractor to move from the construction site and dismiss personnel of the Contractor; other loss suffered by the Contractor due to termination of this Contract). However, the Project Owner also has the right to choose not to accept materials and engineering equipment not satisfying payment conditions and not to pay corresponding amounts to the Contractor, for which the Contractor shall cooperate. The Project Owner shall pay aforesaid amounts as provided herein, but it has the right to offset or request the Contractor to pay all amounts payable to the Project Owner (including liquidated damages and compensation). The Project Owner has the right to withhold quality assurance fee in relation to the completed works and the Contractor shall still undertake quality warranty liability for completed works.

If the amount paid by the Project Owner to the Contractor exceeds the amount payable, the difference shall be refunded to the Project Owner by the Contractor within 7 days after the Parties agree on the settlement amount.

22.2.5 Contractor's removal after termination

This Article of the General Terms and Conditions of the Contract are amended as follows:

after contract termination due to breach by the Project Owner, the Contractor shall properly protect and handover the completed works and purchased materials and

equipment and remove the equipment and personnel of the Contractor from the construction site as requested by the Project Owner. Removal from the construction site by the Contractor shall comply with Article 18.7 and 18.8.

Article 22.3 of the General Terms and Conditions of the Contract are amended as follows:

22.3 Relevant provisions upon termination

22.3.1 In case of early termination, the Parties shall conclude written settlement agreement based on the circumstance of termination and settlement method provided in Article 21.3.4, 22.1.4, 22.1.7 and 22.2.4.

22.3.2 In case of termination for whatever reason, the Contractor shall complete the following obligation for cooperation upon termination:

(1) sign written termination agreement as per request by the Project Owner.

(2) cooperate with the Project Owner to complete subsequent inspection acceptance, completion acceptance and filing for completion acceptance required for completion of this Project.

(3) cooperate with the Project Owner to complete all government formalities required for cancellation of filing of this Contract and for re-tendering and employing under this Project and/or re-filing of this Contract.

(4) handover this Project and all materials relevant with this Project to the Project Owner or the subsequent construction unit as instructed by the Project Owner.

(5) perform other removal obligations provided herein and other cooperation obligation provided in laws.

The Contractor shall not refuse to perform foregoing obligations for the reason of breach by the Project Owner and failure of the Parties in agreeing on settlement amount; otherwise, in addition to other liability for breach as provided herein, the Project Owner has the right to request the Contractor to pay [10]% of the contract price as liquidated damages, which the Project Owner has the right to deduct from the settlement amount.

23. Claims

23.1 Claims from the Contractor

The following should be added following item (4) of this article of the General Terms and Conditions of the Contract:

(5) The Contractor shall keep such record in the same period that may be required for proving any claim and shall allow the Project Owner to inspect all such records. The Contractor shall submit a sufficiently detailed claim report to the Project Owner within

the time limit specified by the Project Owner, which includes all detailed materials on basis of claims. If the event or circumstance giving rise to the claim has a continuous impact, the Contractor shall submit an interim claim report at suitable intervals.

(6) The notice of claim intention, notice of cliam, final notice of claim submitted by the Contractor as provided herein shall be in the form acceptable to the Project Owner. If the Contractor fails to submit the notice of claim intention and notice of claim within the specified time limit, it will lose the right to request for additional payment and/or extension of construction term.

(7) The claim submitted by the Contractor as provided herein and in laws and regulation to the Project Owner in relation to economic loss is limited to direct loss that it can sufficiently prove and not includes profits and indirect loss. To avoid any doubt, it is specially provided that the amount Project Owner should pay to the Contractor according to Article 13.1.3, 13.5.3, 13.6.2, 14.1.3, 18.4.2, 18.6.2 and 19.2.3 or other similar terms only includes expenses and not includes profits.

23.2 Settlement of claims from Contractor

The items (2) and (3) of this Article of the General Terms and Conditions of the Contract are amended as follows:

(2) The Supervisor shall submit the foregoing notice of claim and certifying materials to the Project Owner for approval and the Project Owner shall confirm the following items as soon as possible: 1) as provided in Article 11.3, the extension of construction term (if any) to be granted, and/or 2) the additional payment (if any) to be paid to the Contractor as provided herein. The Contractor may only obtain the part of claims that have basis as proven by it. The Project Owner will send back the claim settlement result to the Contractor within [42] days after receiving complete claim materials.

(3) If the Contractor accepts claim settlement result, the Project Owner and the Contractor will reach a written agreement on claimed amount (means a written confirmation document affixed with the official seal of both parties), which shall be included in and paid along with the completion settlement amount. The Project Owner shall not bear the liability for overdue payment, and the contractor shall not stop implementing the project or request an extension of the construction term and / or increase costs on that ground.

23.3 Time limit for claims from the Contractor

This Article of the General Terms and Conditions of the Contract are amended as follows:

23.3.1 After the Contractor submits completion payment application as provided in Article 17.5, it shall be deemed that the Contractor has no right to make any claim prior to issuance of project acceptance certificate.

23.3.2 In the final settlement application submitted by the Contractor as provided in Article 17.6, only claims after issuance of project acceptance certificate can be made. The deadline for making claims shall be the time of submitting the final settlement application.

23.4 Claims from the Project Owner

23.4.1 This Article of the General Terms and Conditions of the Contract are amended as follows:

Upon the occurrence of a claim event, if the Project Owner believes it has the right to be paid according to any terms herein or any other document relevant to this Contract, the Project Owner has the right to send a notice to the Contractor and specify the details. The notice shall be sent within a reasonable time after the Project Owner becomes aware of the event or circumstances giving rise to the claim, but the time limit and requirements for making the claim by the Project Owner are not subject to Article 23.3.

24. Dispute settlement

24.1 Dispute Settlement

In case of any dispute arising out of or in connection with this Contract, if the Parties fails to reach agreement upon friendly consultation and are unwilling to submit to dispute resolution team or unwilling to accept the opinions of such dispute resolution team, the following 2nd method shall be chosen:

(1) submit to / arbitration commission for arbitration in accordance with the arbitration rules of that commission, the arbitration award is final and binding upon the Parties.

(2) submit to people's court with jurisdiction over the project location for litigation.

Chapter V Technical Standards and Requirements

5.1 Technical Standards and General Requirements

1. Description of works

1.1 Project Overview

1.1.1 The basic information of this project is described in **Special Technical Standards and Requirements**.

1.1.2 The specific location of the construction site of this project is specified in the **Special Technical Standards and Requirements**.

1.2 Site conditions and the surrounding environment

1.2.1 The construction site of this project (site) has satisfied conditions for construction. The location of temporary water connection, temporary power supply, temporary water drainage connection on the construction site, location of boundary lines of buildings, road, entrance and exit and construction site (site) and surrounding environment are specified in the drawings attached to this chapter: floor plan of current situations of the construction site (site).

1.2.2 The diameter of temporary water supply pipe on the construction site (site) is specified in the **Special Technical Standards and Requirements**.

The diameter of temporary water drainage pipe on the construction site (site) is specified in the **Special Technical Standards and Requirements**.

The diameter of the temporary stormwater pipe on the construction site (site) is specified in the **Special Technical Standards and Requirements**.

The temporary power capacitance (output power of transformer) on the construction site (site) is specified in the **Special Technical Standards and Requirements**.

1.2.3 Other materials and information on site conditions and the surrounding environment are specified in the **Special Technical Standards and Requirements**.

1.2.4 The Contractor is deemed to have fully understood the site conditions and surrounding environment of this project when surveying the site in the project bidding phase and have fully considered such conditions when bidding.

1.3 Geological and hydrological materials

Geological and hydrological materials and information on site are specified in the **Special Technical Standards and Requirements**.

1.4 Usage of materials and information

Materials and information on site conditions, surrounding environment, geological and hydrological conditions of this project as specified in the Contract Documents are current and objective information provided by the Project Owner and the Project Owner ensures the truthfulness and correctness of relevant materials and information. However, the Contractor shall be solely responsible for the deduction, judgement and decision made by the Contractor based on such information.

2. Scope of Contracting

2.1 Scope of Contracting

2.1.1 Scope of construction by Contractor

The scope of works to be constructed by the Contractor in this project is specified in the **Special Technical Standards and Requirements**.

2.1.2 Provisional valuation works in the scope of contracting

2.1.2.1 The professional works implemented employing Provisional Valuation in the contracting scope are specified in Table 4.10-3 Table of Provisional Valuation of Professional Works in Chapter 6 Bill of Quantities.

2.1.2.2 The materials and Engineering Equipment implemented by means of Provisional Valuation in the contracting scope are specified in Table 4.10-2 Table of Provisional Valuation of Materials and Engineering Equipment in Chapter 6 Bill of Quantities.

2.1.2.3 The division of workspace between the Provisional Valuation works and the works to be constructed by the Contractor as provided in Article 2.1.1 is specified in the **Special Technical Standards and Requirements**.

2.1.3 Provisional Sum in the scope of contracting

2.1.3.1 The works implemented by means of Provisional Sum (including Day-wage Work) generally include two parts. Please refer to Chapter 6 Bill of Quantities Table 4.10-1 Provisional Sum Breakdown Table (excluding Day-wage Work) and Table 4.10-4 Day-wage Work Table; in which, the amount of Day-wage Work is the amount filled in by the Contractor in the bidding quotation based on a specific item of Day-wage Work, estimated quantity and other corresponding provisions in Table 4.10-4 Day-wage Work Table and shall constitute a part of Provisional Sum.

2.1.3.2 The specific items corresponding to each Provisional Sum in the Provisional Sum Breakdown Table or the specific item of Day-wage Work as specified in the Day-wage Work Table are all specific items that might be incurred. The Contractor shall fully understand that in the process of contract performance the specified Provisional Sum might not be incurred or might be incurred partially. The instructions issued by Supervisor on the usage of Provisional Sum as provided in the contract shall not be limited to the specific items specified in the aforesaid tables.

2.1.3.3 Whether the Provisional Sum is actually incurred or its redivision and/or consolidation shall not become the reason for any additional increase and/or extension of the term as requested by the Contractor.

2.1.3.4 Other explanation on Provisional Sum is specified in the **Special Technical Standards and Requirements**.

2.2 Professional works contracted out by the Project Owner and materials and Engineering Equipment supplied by the Project Owner

2.2.1 The professional works contracted out by the Project Owner shall be other works relevant to this project and shall not be in the scope of contracting of the Contractor. The professional works contracted out by the Project Owner are specified in the **Special Technical Standards and Requirements**.

2.2.2 The materials and Engineering Equipment supplied by the Project Owner shall not be in the scope of contracting of the Contractor. The materials and Engineering Equipment supplied by the Project Owner are specified in Exhibit 4 List of Materials and Engineering Equipment Supplied by the Project Owner.

2.3 Division of workspace between the Contractor and contractors of professional works contracted out by the Project Owner

The division of workspace among the Contractor, contractors of professional works contracted out by the Project Owner and Suppliers of materials and equipment supplied by the Project Owner is specified in the **Special Technical Standards and Requirements**.

2.4 Site office and facilities to be provided by the Contractor for the Project Owner and the Supervisor

The site office and facilities to be provided by the Contractor for the Project Owner and the Supervisor and the detailed requirements are specified in the **Special Technical Standards and Requirements**.

3. Requirement on Term

3.1 Contract term

The contract term and estimated Commencement Date and Completion Date shall be the term and estimated Commencement Date and Completion Date undertaken by the Contractor in the Bid Letter or Schedule to the Bid Letter and shall be specified in the Contract Agreement.

3.2 General provisions on term

3.2.1 If the term and estimated Commencement Date and Completion Date undertaken by the Contractor in the Bid Letter or Schedule to the Bid Letter have conflict or controversy, the term undertaken by the Contractor shall prevail. The Actual Commencement Date shall be the Commencement Date specified in the Commencement Notice issued by the Supervisor as provided in Articled 11.1.

3.2.2 If the Term undertaken by the Contractor in the Bid Letter or Schedule to the Bid Letter is earlier than the term required by the Project Owner in the tender document of this project, the Contractor shall formulate corresponding term guarantee measures in the construction organization design and the expenses increased therefrom shall be considered as included in the total contract price. Unless otherwise agreed herein, in the process of contract performance, the Project Owner will not pay expenses for the technical measure, expedition fee or earlier completion bonus of any nature to the Contractor.

3.2.3 The term undertaken by the Contractor in the Bid Letter or Schedule to the Bid Letter shall include the term of implementing and completing all works including Provisional Valuation works specified in Article 2.1.2 Provisional Valuation works in the scope of contracting and Provisional Sum specified in Article 2.1.3 Provisional Sum in the scope of contracting.

4. Quality Requirements

4.1 Quality requirements

The quality standards of the project should satisfy the requirements for current national specifications and standards on project quality acceptance.

4.2 Special quality requirements

The special requirements for project quality are specified in the **Special Technical Standards and Requirements**.

5. Applicable Specifications and Standards

5.1 Unless otherwise agreed herein, the current national, industry and local specifications, standards and rules are applicable to this project. The list of national, industry and local specifications, standards and rules applicable to this project is specified in the **Special Technical Standards and Requirements**.

5.2 If any contents of Contract Documents have a conflict with applicable specifications, standards and rules, the Contractor shall request the Supervisor in writing for clarification. Unless specially instructed by the Supervisor, the Contractor shall implement according to the strictest standards requested therein.

5.3 Unless otherwise agreed herein, the materials, construction process and this project shall be implemented according to the latest version of these technical standards and requirements and current applicable specification, standard and rule. If the latest version of the current applicable specification, standard and rule is published after the Base Date, and the corresponding standards are revised to become the strictest standards under the Contract Documents, Article 15 of the contract shall be implemented.

6. Safe and Civilized Construction

6.1 Safety protection

6.1.1 During construction, completion and delivery of the project and repair of defects, the Contractor shall always abide by national and local safety production-related laws, regulations, norms, standards, rules, etc., and perform its safety construction responsibilities as agreed in Article 9.2 of the Contract.

6.1.2 The Contractor shall insist on the policy of "Safety First, Prevention First", and establish sound safety production liability system and safety production education and training system. In the whole project construction process, the Contractor shall set, provide, maintain, and after finish or completion of related work, remove the following:

(1) master plan of field construction, and panels with rules and regulations for master plan management, safety production, civilized construction, environmental protection, quality control, materials management, etc., description of names of main construction participants and project overview, which are set at obvious positions of the entry of the site;

(2) sufficient marks, picture posters, slogans, indicators, warning signs, bulletin boards (for example, the bulletin board for employment injury insurance of employees), signage fire, police and first-aid telephone numbers;

(3) safety protection facilities at the entrance of the cave and edge, including protective rails, scaffolding, cover plate and reinforced ribs of the cave, shaft protective rails, protective shed, protective mesh, slope, etc.;

(4) safety production appliances such as belts, ropes, helmets, meshes, insulation shoes, insulation gloves, protective masks and protective clothing;

(5) safety protections and grounding devices as well of operation instructions of all mechanical equipment including various types of electric tools;

(6) well equipped provisional first-aid stations and competent medical staff;

(7) 24 hour 36V safety lightings and necessary warning signs in main operation areas and provisional exit passages for preventing various possible accidents;

(8) a sufficient number of qualified portable extinguishers;

(9) well-equipped warehouses of flammables and explosives and corresponding utilization management system;

(10) management systems such as fire certificate for construction work with fire;

(11) See other requirements in the Special Technical Standards and Requirements.

6.1.3 Safe and civilized construction fees must be used for its exclusive purpose; the Contractor shall take full responsibilities for safety accidents caused by insufficient safe and civilized construction fees and construction safety measures.

6.1.4 The Contractor shall establish a special body for safety production management of the construction site, configure a sufficient number of full-time safety production management personnel who comply with relevant regulations for routine inspection and special inspection on daily safety production, call and host regular safety production meetings (at least once a week) with the participation of all staff at the site; the Contractor shall take responsibility for control over safety technical disclosure and safety of the technical solutions, take responsibility for formulation or review of the rectification measures of potential safety hazards and supervision of the implementation of the rectification measures, sorting and management of safety management, and in-time elimination of the potential safety hazards; the Contractor shall also make safety check records, and ensure that all facilities function properly. The Project Manager and full-time safety management persons of the Contractor shall all have effective certificates for safety production.

6.1.5 In accordance with requirements of relevant laws and regulations, the Contractor shall formulate and press safety protection manuals and release them to construction personnel at the site, provide safety education and training to construction personnel before they work at the site, establish an examination system, and only allow persons who pass the examination to enter the site for construction.

Special operation personnel shall pass special safety operation training, and obtain the certificate of specification training before taking the job. Before the construction of any sub-divisional work, the Contractor shall provide safety disclosure of the technical requirements of relevant safety construction to the construction teams and operation personnel, and both parties shall sign for confirmation.

6.1.6 The Contractor shall provide necessary safety protection facilities and equipment for the construction personnel at the site; the Contractor shall provide all necessary provisional roads, footpaths, protective sheds, enclosures, warnings, etc. for the owners and possessors of areas adjacent to the construction site, the public and other persons to ensure asset and personal safety and minimize inconvenience possibly caused by construction.

6.1.7 The Contractor shall provide all necessary safety warning signs, including but not limited to standard road signs, alarming signs, danger signs, control signs, safety signs, indicators and caution signs at dangerous positions such as entry of the construction site, lifting mechanisms for construction, provisional electric facilities, scaffolding, exit passage entry, staircase entry, elevator shaft entry, cave entry, tunnel entry, edges of foundation pit, and storage places of hazardous articles, and provide necessary lighting, protection and guards. The Contractor shall frequently supplement or replace ineffective warning signs and marks according to the instructions of the Supervisor.

6.1.8 The Contractor shall provide safety closure for all vertical and horizontal transporting mechanisms such as hoisting frames, external lifts and tower cranes it provides and install, including the safety switch, warning bell and caution light of the door of the unloading platform, the protective balustrade, scaffolding, safety mesh, etc, of the unloading platform; all mechanical equipment shall be provided with safety operation hood, and detailed safety operation instructions shall be posted at remarkable positions.

6.1.9 The Contractor shall regularly test, check and calibrate all lifting hooks, eyelets, steel wire ropes, iron shoulder poles, etc.; if the Supervisor deems that such facilities have been damaged or are used improperly, the Contractor shall replace them with qualified products immediately; and assembling, ejecting, utilizing and dismantling all vertical and horizontal transporting mechanisms must strictly meet requirements of existing laws, regulations, rules, norms, standards, etc.

6.1.10 All machinery and tools shall be served, calibrated and maintained regularly to ensure that they function properly and safely. Service, calibration and maintenance work should be arranged in off hours as far as possible, and sufficient

spare parts shall be prepared for the aforementioned machinery and tools to ensure that the construction of the project proceeds uninterruptedly.

6.1.11 In accordance with the demands on construction safety and (or) Supervisor's requirements, the permanent work, side slopes, foundation pits of buildings, underground caves, etc. shall be installed with necessary construction safety monitors during excavation and undergo necessary construction safety monitoring in time, and the safety monitoring results shall be submitted to the Supervisor to prevent any subsidence, deformation or any damage that influences normal construction progress.

6.1.12 The Contractor shall provide necessary support or provisional reinforcement for the permanent work during any construction. Unless the Contractor has obtained written consent from the Supervisor and provides necessary reinforcement or support by requirements, the Contractor is not allowed to stack any materials, articles or equipment that outweigh the design load on any completed permanent structure. Under any circumstances, the Contractor shall be responsible for any above-mentioned overloading behaviour, and undertake corresponding repair expenses.

6.1.13 The Contractor shall establish an emergency rescue team, configure necessary emergency rescue appliances and equipment, formulate emergency rescue plans for disasters and production safety accidents, and report the emergency rescue plans to the Supervisor. The emergency rescue plans shall be capable of organizing emergency rescue personnel at any time and regular drills.

6.1.14 The Contractor shall inform the Supervisor in advance of the use of dangerous construction means such as explosion or tools with explosive during construction. With the approval of the Supervisor, the Contractor shall file an application to relevant authorities and obtain relevant permits in accordance with relevant laws, regulations, rules, and the provisions of normative documents released by relevant governmental administrations in charge. The Contractor shall use, store and manage blast articles or tools with explosive strictly according to the above-mentioned regulations, and take responsibility for any loss or damage that may be caused by use of such type of articles. Under any circumstance, the Contractor may not apply explosion means to the completed permanent work and hollow masonry.

6.1.15 The Contractor shall formulate special construction plans for relatively highly dangerous sub-divisional works with a certain size, for example, the support and subsidence project of foundation pits, earth excavation project, formwork project, hoisting project, scaffolding project and explosion project, wherein the special

construction plans for the deep foundation pit project, underground digging project and high and large formwork project shall be verified and examined by experts.

6.1.16 The Contractor shall handle accidents occurring during the project construction as agreed in Article 9.5 of the Contract. After a construction safety accident occurs, the Contractor must immediately report to the Supervisor and the Project Owner, submit a written accident statement report to the Project Owner within one hour after the occurrence of the accident, and timely report to the safety production supervision administrations and construction administrations in charge of the local county-level people's government and above of the place where the project is located. In case of emergencies, persons related to the accident scene may directly report to the safety production supervision administrations and construction administrations in charge of the local county-level people's government and above of the place where the project is located.

6.1.17 The Contractor shall formulate a set of safety production emergency measures and procedures according to the requirements of relevant laws, regulations and rules to protect the scene and rescue the injured and assets immediately once any safety accident occurs, ensure that the construction production proceeds normally and prevent further losses.

6.1.18 See other requirements for safety protection in the Special Technical Standards and Requirements.

6.2 Provisional fire prevention and control

6.2.1 The Contractor shall establish a fire safety liability system, and formulate a fire safety management system and operation procedures for the utilization of fire, electricity and hazardous articles such as flammables and explosives. The systems and procedures shall conform to the relevant laws, regulations and requirements of relevant governmental fire administrations.

6.2.2 The Contractor shall provide necessary provisional firefighting facilities and emergency excavation facilities for the permanent work and all provisional projects during construction according to relevant laws and regulations and the requirements of the fire administrations, including supply and maintenance of smooth fire passages, provisional fire hydrants, fire extinguishers, fire hoses, fire barrels, fire shovels, fire axes, fire pipes, valves, manholes, provisional fire water tanks, pump rooms and provisional excavation stairs or facilities following the working face; the configuration of the firefighting facilities and their models or power shall meet the demands of firefighting tasks, and the firefighting facilities shall always keep the state

of capable of being put into normal operation, and be provided with obvious marks. The provisional firefighting system and its configuration by the Contractor shall be respectively approved and accepted by the Supervisor and the fire administrations; and the Contractor shall also obtain the provisional fire certificate from the fire administrations at its own expense. All provisional firefighting facilities belong to the Contractor and shall be removed from the site after the project is actually completed and the permanent firefighting system is put into operation.

6.2.3 The Contractor shall establish a provisional fire prevention team or unit led by the principal responsible person of the project, give publicity to basic firefighting knowledge and basic operation training, organize firefighting drills, and ensure to organize effective self-rescue and protect life and asset safety in case of fire.

6.2.4 The flammables and explosives at the construction site shall be separately and safely stored, and their storage and release shall be handled by a specially-assigned person. The storage, current use of flammables, explosives or combustibles, or existing construction procedures with fire at the construction site shall be subject to strict Fire Certificate management system.

6.2.5 See other requirements in the aspect of temporary safety prevention in the Special Technical Standards and Requirements.

6.3 Provisional power supply

6.3.1 The Contractor shall compile provisional electrification plan for construction according to the regulations of the Technical Code for Safety of Temporary Electrification at Construction Site (JGJ46-2005) and its applicable revisions as well as the construction requirements. The provisional electrification plan and its changes must be made by the "formulation, review and approval" procedures. The provisional electrification plan for construction shall be formulated by the electric engineering technicians, approved by the enterprise's technical responsible person, and then put into operation after being jointly inspected and accepted by the formulation, review and approval departments and the using party.

6.3.2 The Contractor shall provide, establish and maintain a necessary provisional power supply system for the construction site, including engineering floors or various areas, ensure that the power supply system always meets requirements of the electrification administrations and requirements for normal construction production, and remove the provisional power supply system after the project is actually completed and the corresponding permanent system is put into operation.

6.3.3 The cables, wires, distribution boxes, control cabinets, switch boxes, leakage protectors, and other materials and equipment of the provisional power supply system shall be qualified products with production (manufacture) permits and product certificates. The provisional power supply system is a three-phase five wire system with a three-stage distribution function and double-pole leakage protection. The cables of the three-phase four wire system must be five-core cables, and the null wire and grounding wire shall be set according to regulations. Laying cables and wires shall conform to the requirements of the electrical safety standards; and cables and wires shall be laid underground or overhead, forbidden to be exposed on the ground, and protected against mechanical damage and medium-led corrosion. The buried cables shall be provided with direction marks. All kinds of power distribution equipment shall be provided with facilities for preventing electrical leakage, rain and water.

6.3.4 The Contractor shall provide sufficient lighting in the construction operation areas, constructional roads, provisional facilities, office areas and living areas; the voltage of the lighting system of the underground projects may not be higher than 36V; and the voltage of the lighting power supply at humid places and places accessible to electric articles shall not be higher than 24V. The working face where appliance lighting is inconvenient shall be provided with special lighting facilities.

6.3.5 All electric appliances and buildings which may leak electricity to injure people or tend to receive lighting strikes shall be equipped with grounding and lightning conductors. The Contractor shall be responsible for the purchase, installation, management and repair of lightning conductors, and establish a regular inspection system.

6.3.6 See other requirements for provisional electrification in the Special Technical Standards and Requirements.

6.4 Labour protection

6.4.1 The Contractor shall abide by all labour laws applicable to the Contract and the provisions of the relevant laws, regulations and rules regarding the wage standard, the labour time and working conditions of workers, reasonably arrange the labour and rest time of the operators at the site, guarantee mandatory rest time of labours, and pay reasonable rewards and expenses. The Contractor shall transact any necessary credentials, permits, insurance, register, etc. for employees and workers who work under the Contract according to the regulations of the relevant

administrations, and guarantee that the Project Owner is exempted from any penalties, claims, losses, injuries, etc. caused by the Contractor's obedience to all or part of the above-mentioned laws, regulations and rules.

6.4.2 The Contractor shall guarantee the labour safety of the site construction persons according to the regulations of the National Labour Law. The Contractor shall provide proper and sufficient labour protection for employees and workers who work under the Contract, including but not limited to safety protection, winter protection, rain and dust protection, insulation protection, common medicines, first-aid kit, and protection against infectious diseases.

6.4.3 The Contractor shall provide and maintain necessary diet and accommodation conditions and living environment for employees and workers who work under the Contract, including but not limited to dormitories, fences, water supply (drinking water and water for other purposes), power supply, sanitary equipment, dining room, cooking utensils, fire prevention and extinguishing equipment, warm supply, furniture and other necessities for normal diet and accommodation conditions and living environment, and take religions and national customs into consideration.

6.4.4 The Contractor shall provide living conditions that conform to the governmental sanitation regulations for workers at the site and obtain necessary permits, including the dining room, toilets, tools room, dormitories, etc. for workers, to ensure the health of workers and prevent any infectious diseases; the Contractor shall employ professional health and epidemic prevention departments to regularly perform professional inspection and treatment on the health and epidemic prevention conditions of the site, the living area of the workers, and the project, including extermination of termites, rats, mosquitoes, flies, and other pests to prevent any injury or damage to workers, site and permanent work.

6.4.5 The Contractor shall set up a special provisional medical station at the site, configure sufficient facilities, medicines and competent medical staff, and the Contractor shall also prepare first-aid stretchers for performing first-aid treatment on persons injured when emergencies occur.

6.4.6 See other requirements for labour protection in the Special Technical Standards and Requirements.

6.5 Scaffolding

6.5.1 The Contractor shall build and maintain all necessary provisional scaffolding and extended platform, and configure the scaffold board, safety mesh, guard rails, door scaffold, ramps, slopes, ladders, etc. Building the scaffolding and

the extended platform shall meet the requirements of the laws, regulations, norms, standards and procedures related to safety production. Before the newly built scaffolding is put into use, the Contractor must organize safety inspection and acceptance inspection, and provide safety disclosure to the operators who use the scaffolding.

6.5.2 Special construction plans shall be formulated for all scaffolding, in particular the large-sized, complicated, high and irregular scaffolding; such scaffolding shall undergo safety check calculation, and the safety check calculation results of the scaffolding must be submitted to the Supervisor for review before the scaffolding is built.

6.5.3 When building special or novel scaffolding such as climbing scaffolds, suspended scaffolds and super-high scaffolds, the Contractor shall guarantee the safety of such scaffolding and ensure that such scaffolding has been approved to be used by relevant administrative departments, and undertake all related expenses.

6.5.4 The Contractor shall enhance daily safety inspection on the scaffolding, rectify potential safety hazards in time, and guarantee the safe use of the scaffolding. After rainy, snowy, foggy, frosty and windy days, the Contractor must perform a safety inspection on the scaffolding, and remove the potential safety hazards in time.

6.5.5 The Contractor shall allow the Project Owner, Supervisor, Professional Subcontractors, Independent Contractors (if any) and relevant administrative departments or institutions to use any scaffolding that the Contractor builds at the site for free, and provide necessary safety disclosure regarding the safe use of the scaffolding. The Contractor shall send a written inquiry on whether or the scaffolding to be removed is needed by the Project Owner, Supervisor, Professional Subcontractors, Independent Contractors (if there are) and relevant governmental departments before removing any scaffolding, and can remove relevant scaffolding with the written approval of the Supervisor, or the Contractor shall re-build the scaffolding at its own expenses.

6.5.6 See other requirements for scaffolding in the Special Technical Standards and Requirements.

6.6 Construction safety measure plan

6.6.1 The Contractor shall formulate a construction safety measure plan as agreed in Article 9.2.1 of the Contract according to the Law of the PRC on Production Safety, Occupational Health and Safety Management Systems, Fire Control Law of the People's Republic of China, Law of the PRC on Road Traffic Safety,

Implementing Measures of the Law of the PRC on the Prevention and Treatment of Infectious Diseases and local relevant regulations, and submit the construction safety measure plan to the Supervisor for review.

6.6.2 The construction safety measure plan is a document in which the Contractor clarifies its safety management policies, management systems, safety systems, safety measures, etc., and its content shall reflect the Contractor's safety responsibilities as provided by existing laws and regulations, and as agreed in the contract and priorly agreed in this Article, at least including:

(1) Setup of the construction safety management institution;

(2) Configuration of full-time safety management personnel;

(3) Safety liability system and management measures;

(4) Safety education and training system and management measures;

(5) Various safety production rules and regulations and operating procedures;

(6) Various construction safety measures and protective measures;

(7) Management and use systems of hazardous articles

(8) Configuration of safety facilities, equipment, appliances and labour protection articles;

(9) See other requirements in the Special Technical Standards and Requirements.

The items and scope of the construction safety measures shall conform to the regulations of the General Item Name List of Safety Technical Measures Plan and its appendixes H, I and J, which means that the Contractor shall adopt all construction safety measures for the purpose of improving working conditions, preventing work-related accidents, preventing occupational diseases and occupational poisoning; and the Contractor shall build necessary safety facilities, configure appliances, equipment and technical documents for development and test of safety technologies, and perform corresponding safety publicity and education on the construction management and operation personnel at the site.

6.6.3 The construction safety measure plan shall be submitted to the Supervisor within the time limit as agreed in Article 9.2.1 of the Contract. The Contractor shall strictly implement the construction safety measure plan approved by the Supervisor, and supplement, revise and improve the construction safety measure plan in time to ensure safety production.

6.7 Civilized construction

6.7.1 The Contractor shall abide by the provisions of the national or local laws and regulations, norms, procedures and standards, implement civilized construction obligations, and ensure that the fund special for civilized construction is used for its exclusive purpose.

6.7.2 The Contractor shall regulate the construction order at the site, and implement standard management;

(1) The Contractor's construction site must be clean, tidy, and free of ponding, mud and sundries, and materials must be stacked in order;

(2) The Contractor shall set closures at the construction site, and adopt effective measures for preventing and reducing dust such as coverage, segmented operation, construction at the selected time, and ground washing;

(3) The earthwork, sand and stone at the construction site shall be collectively stored, and the exposed field and collectively stored earthwork, sand and stone shall be covered, fixed or applied with green measures;

(4) The construction site shall be hardened and regularly watered to prevent dust and avoid atmospheric pollution;

(5) The principles of "running out of materials and cleaning field at completion" shall be strictly observed; garbage, construction materials, construction machines and tools shall not be left at the construction site; and all kinds of equipment shall function properly;

(6) The provisional construction facilities built by the Contractor shall conform to the construction planning requirements approved by the Supervisor, and meet all safety requirements specified in this Chapter;

(7) The Supervisor may ask the Contractor to set civilized construction warning signage such as the safe and civilized construction liability signage for Contractors at all levels at the construction site;

(8) Materials arriving at the site shall be stacked in order at the designated place, and may not affect the field construction and block construction and fire passages; The place where the materials are stacked shall be managed by a specially-assigned person;

(9) Various fasteners, fastening pieces ropes, small-sized accessories, screws, etc. for construction and installation shall be packed in boxes in the specially-assigned warehouse;

(10) Air and water pipes and lighting wires at site shall be laid safely, reasonably, standardly and in order to achieve a good-looking and tidy effect; Those

pipes and wires may not be randomly arranged to cause potential hazards or affect construction;

(11) For building demolition projects, effective noise and dust reduction measures such as isolation and water spray shall be adopted, and wastes shall be removed in time;

(12) Effective dust prevention measures shall be adopted when roads are milled, planed or cut; Dust and inorganic materials shall be pre-mixed before entering the field, and water shall be sprayed to reduce dust in the rolling process.

6.7.3 The Contractor shall build and maintain for its employees corresponding dormitories, dining room, bathroom, toilet, and cultural activity room, and those facilities shall meet the requirements of the living standards and health standards of relevant governmental departments.

6.7.4 The Contractor shall provide necessary cover and protection measures for any permanent work that has been completed, is being constructed and is to be constructed, provisional projects, materials, articles, equipment and any adjacent assets which are exposed due to the construction of the permanent work, to avoid severe weather from affecting the project construction and causing losses. The protection measures include necessary heating in winter, flame-retardant and waterproof oilcloth in rainy seasons, additional provisional warehouses, etc. Any losses or damage to the project caused by ineffective or insufficient measures of the Contractor shall be undertaken by the Contractor.

6.7.5 During construction of the project, the Contractor shall always avoid the presence of unnecessary obstacles at the site, properly store and handle engineering equipment and excessive materials, and remove any waste, garbages or provisional work and facilities that are not wanted any longer from the site in time.

6.7.6 The Contractor shall provide toilets that meet sanitary requirements for workers and all other working staff at the site; the toilets shall be decorated with ceramic tiles and equipped with manual or automatic flushing devices and basins; and the Contractor shall pay all toilet-related expenses, and remove the toilets at the completion of the project. The Contractor shall set necessary provisional toilets in the working area, and assign special persons to care and regularly clean up the toilets to prevent the site from being polluted by public defecation.

6.7.7 The Contractor shall set a fixed provisional place for storing building waste at the site, and necessary dustbins on each floor or in each area; and an enclosed waste transfer station shall be built at the construction site. The garbage in buildings shall be transferred with containers or a special enclosed waste chute;

throwing garbages from a height is forbidden; all construction waste must be removed from the site on the same day, and transferred to the designated dumping ground according to the regulations of the relevant administrations. The Contractor shall also strengthen construction waste management work, forbid burning of various types of garbages, and forbid illegal transport behaviour such as roadside littering and illegal dumping; the Contractor shall transport construction waste with enclosed vehicles or with covers, and minimize environmental pollution.

6.7.8 The Contractor shall take measures to prevent garbages and all garbage transport vehicles that leave the site from dropping to polluting the public roads. The Contractor shall take all necessary measures to prevent any materials from dropping and polluting public roads during transportation; once dropping or pollution occurs, the Contractor shall immediately take actions to clean up the polluted areas and undertake all expenses. The Contractor shall take all necessary measures to prevent affecting the public traffic when concrete pouring, material transport, material loading and unloading, and site cleanup.

6.7.9 The Contractor shall take closure, and dust and noise reduction measures at the place where concrete or mortar is blended at the site. Cement and other fine-grain construction materials which tend to fly shall be stored in enclosed containers or with covers.

6.7.10 The Contractor shall formulate a finished product protection measure plan, and provide necessary personnel, materials and equipment for protection of the finished products of the whole project, including protection of the completed work of all Subcontractors and Independent Contractors (if there are), to protect the completed work against any damage or destruction. The finished product protection measure shall include reasonable procedures and include a working face handover system and a liability compensation system. The finished product protection measure plan shall be submitted to the Supervisor for review at least 28 days before any Professional Subcontractor or Independent Contractor enters the site for construction.

6.7.11 See other requirements for civilized construction in the Special Technical Standards and Requirements.

6.8 Environmental protection

6.8.1 During construction, at completion and during and repair of any defects, the Contractor shall always abide by national and local laws, regulations, rules, norms, standards and procedures regarding environmental protection such as dust

treatment, and pile-up, cleanup, transport and disposal of construction waste, soil and waste conservation, and pollution prevention and control, and perform environmental and ecological protection responsibilities as agreed in Article 4.1.6 and Article 9.4 of the Contract.

6.8.2 The Contractor shall accept the supervision, monitoring and inspection from the national and local administrations of environmental protection as agreed in the Contract and according to the instructions of the Supervisor. The Contractor shall undertake the compensation liabilities for environmental pollution, soil and water loss, personal injuries and property losses caused by its obedience to the existing laws, regulations, rules, norms, standards and provisions of the Contract.

6.8.3 When formulating construction plans and organizing actions, the Contractor shall take environment and resource protection factors into consideration at the same time, including protection of soil and water resources, prevention and control of noises, vibration, lighting pollution, disposal of solid waste, treatment of sewage and waste gases, treatment of powder and dust, prevention and control of road pollution, health and epidemic prevention, ban on hazardous materials, energy consumption, emission reduction, and recycling of non-renewable resources.

6.8.4 The Contractor shall take engineering protection measures such as support excavation, water interception, dewatering, grouting, lining, protection structure and drainage at the construction site for various projects. All side slopes at the construction site shall be provided by effective measures for preventing soil and water losses. The dewatering solution that the Contractor adopts shall include protection and reasonable use of the underground water, and if the national and (or) local government has special regulations, the Contractor shall abide by relevant regulations. The Contractor shall set a complete drainage system and maintain the effective water drainage function of the construction site to prevent rainfall and runoff from flushing the construction site.

6.8.5 The Contractor shall ensure that all supplied materials, engineering equipment, construction equipment and other materials are green and environmentally-friendly products, listed in the national directory of mandatory certified products. The Contractor may not use any materials (such as radioactive materials and asbestos products) and methods that are forbidden to use by official order and are harmful to the human body in any provisional and permanent work, and may not use any materials, additives, etc. that are forbidden to use by official order but can bring uncomfortable feelings or taste to habitants or users in the permanent works; the Contractor shall clarify assurance measures for preventing

misuse in his or her construction environmental protection measure plan; and the Contractor shall undertake responsibilities consequences for obeying this Article.

6.8.6 The Contractor shall formulate and implement necessary measures for preventing behaviour of polluting surroundings, public roads, etc. by substances falling from ingoing and outgoing vehicles and substances attached to the tyres of those vehicles. Such measures shall include at least flushing pools set at the entry and exit of the site, hardening treatment of the roads at site, transport with vehicles having an enclosed carriage or necessary cover for the carriage.

6.8.7 The Contractor shall ensure that construction and production water and living water conform to the regulations of relevant national standards. The Contractor shall build, run and maintain the system for collecting and treating construction production water and living water (including access to the drain outlet), establish provisional sedimentation basins, digestion tanks, etc. that conform to the discharge standards, and may not directly or indirectly discharge untreated sewage to cause pollution to groundwater, underground water or production and living water supply system.

6.8.8 The Contractor shall take effective measures, build corresponding filtration, separation, decomposition or sedimentation systems, and prevent hazardous substances (for example, fuel, oil, chemicals, acids, and excessive hazardous gases, dust, sewage, mud, water, and waste) from polluting the construction field (site) and surroundings. Contractor's construction procedures, work schedules and configure engineering equipment shall be made after full consideration is given to the influences of noise reduction, lighting, etc. on the production and living around the construction site, and shall meet the requirements of the relevant regulations of the country and the local government.

6.8.9 The Contractor is forbidden to use high-emission non-road mobile machinery and shall treat industrially volatile organics (for example, it is recommended to replace oily paint by water paint when coating the external walls of architectures, steel structures, etc.).

6.8.10 See other requirements of environmental protection in the Special Technical Standards and Requirements.

6.9 Construction environmental protection measure plan

6.9.1 The construction environmental protection measure plan as agreed in Article 9.4.3 of the Contract is a document in which the Contractor clarifies the

environmental protection policies and environmental protection measures and methods planned to be adopted, etc., including at least the following content:

(1) Contractor's measures for treating living water and living sewage in the living area (if any);

(2) measures for treating wastewater produced by construction production;

(3) measures for treating dust and waste gases generated by construction;

(4) measures for controlling construction noises and light pollution;

(5) energy conservation and emission reduction measures;

(6) measures for recycling non-renewable resources;

(7) measures for disposing solid waste such as construction waste;

(8) measures for crowd health protection and epidemic prevention;

(9) measures for preventing misuse of hazardous materials;

(10) measures for preventing soil and water loss of the side slope projects during construction;

(11) measures for preventing and treating road pollution;

(12) assurance of not using high-emission non-road mobile machinery;

(13) assurance of treating industrially volatile organics (for example, recommend to replace oily paint by water paint when coating the external walls of architectures, steel structures, etc.);

(14) planning and measures of cleaning up the site and recovering plants (if any) after completion;

(15) See other requirements in the Special Technical Standards and Requirements.

6.9.2 The construction environmental protection measure plan shall be submitted to the Supervisor within the time limit as agreed in Article 9.4 of the Contract. The Contractor shall strictly implement the construction environmental protection plan approved by the Supervisor, and implement, revise and improve the construction environmental protection plan in time.

7. Public Security

7.1 The Contractor shall provide 24-hour safeguard service for the construction site, configure sufficient safeguards and security equipment, prevent entrance of any person without permission, control the entrance and exit of persons,

materials and equipment, prevent losses of materials, equipment or any other articles at the site by theft, and forbid fights at the site.

7.2 The security persons of the Contractor shall be trained professional security persons; the Contractor may hire professional security companies to undertake site security and safeguard work; besides control over the entrance and exit via the site gate, the security and safeguard system shall also stipulate regular and irregular security patrols at the whole construction site or its surroundings.

7.3 The Contractor shall formulate and implement strict construction site entrance and exit system and submit it to the Supervisor for approval; entrance and exit of vehicles must conform to the entrance and exit approval system and be managed by specially assigned persons; persons entering and exiting from the construction site must wear ID cards, and the ID cards must be printed in a format approved by the Supervisor.

7.4 The Contractor shall ensure no visitor can enter the site without the permission of the Supervisor; the Contractor shall prepare sufficient helmets with an obvious mark special for visitors, and a visitor register book for recording the names of all persons visiting the construction site, their purposes, visit time, etc.; the Contractor shall make sure that every visitor at the construction site understands and abides by the site safety management rules and regulations, and ensure the personal safety of all visitors approved by the Project Owner and Supervisor.

7.5 The Contractor shall provide and maintain provisional walls and other safety facilities that conform to the regulations of the construction administrative departments and the administrative departments of city image at the construction site, and make necessary modifications when required by the project progress. The surfaces of the walls and the gate shall be regularly repaired and re-painted, and all paintings and drawings or posters shall be cleaned up in time. Necessary lighting shall be provided at the provisional walls and the gate, and the lighting system shall meet the security safeguard requirements and good-looking requirements of the site.

7.6 The Contractor shall ensure that the project payment paid by the Project Owner is used for the contracted purposes only, pay labour rewards to the employed workers in full amount in time, formulate strict measures for assuring payment of workers, ensure that all Subcontractors pay salaries to the employed workers in time, effectively prevent mass incidents which affect social rest from happening, and guarantee that the Project Owner is exempted from any penalties, claims, losses or damage from workers in arrears with their payments which should be paid by the Contractor (including its Subcontractors).

7.7 For the requirements for the emergency plan of unexpected security incidents, see the Special Technical Standards and Requirements.

7.8 Fo other security safeguard requirements, see the Special Technical Standards and Requirements.

8. Provisional Protection of Ground and Underground Facilities and Surrounding Buildings

8.1 The Contractor shall provide sufficient provisional protection facilities for existing ground and underground facilities and buildings at the construction site and surroundings to ensure that those facilities and buildings are protected against interference and damage during construction.

8.2 The Contractor shall formulate provisional protection plans and emergency plans for existing facilities, and submit the plans to the Supervisor at least 7 days before the starting of the project; and the Supervisor shall give a reply to the Contractor within 3 days after receiving the provisional protection plans for existing facilities. The Contractor shall strictly implement the protection plans approved by the Supervisor, and ensure that corresponding provisional protection facilities can be configured in place before any construction operation which may affect the existing ground and underground facilities or surrounding buildings is started.

8.3 For Project Owner's special reminders of protection of ground and underground facilities and surrounding buildings for the Contractor, see the Special Technical Standards and Requirements.

8.4 For requirements for the protection of ground and underground facilities and surrounding buildings, see the Special Technical Standards and Requirements.

9. Replacement of Samples and Materials

9.1 Samples

9.1.1 For materials and engineering equipment of the project that the Contractor needs to provide samples, see the Special Technical Standards and Requirements.

9.1.2 For the materials and engineering equipment as agreed in Article 9.1.1, the Contractor shall submit, within the time limit as agreed in Article 5.1.2 of the Contract, samples together with any necessary specifications, production (manufacture) permits, certificates of qualification for delivery, factory inspection reports, performance introduction, use instructions and other relevant materials to the

Supervisor, while marking the suppliers, varieties, specifications, quantities and supply time of the materials and engineering equipment for inspection and review. The place of delivery of samples and the quantity or size of the samples shall conform to the requirements of the Supervisor and the Project Owner. Unless otherwise provided in the Contract, the Contractor shall fill out and submit the Sample Submission Form in a format agreed by the Supervisor when submitting any samples. The Supervisor shall sign for the samples in time.

9.1.3 For materials and engineering equipment as agreed in Article 15.8.2 of the Contract, which does not need bidding by law and is listed in the Bill of Quantities in the format of provisional valuation, apart from the content as agreed in Article 9.1.2, the pricing materials shall also be attached; for each type of materials and equipment, at least three products respectively at high, medium and low prices that meet the requirements of the Contract shall be prepared for selection and approval by the Supervisor and the Project Owner.

9.1.4 After receiving the samples submitted by the Contractor, the Supervisor shall transfer the samples together with his or her written review comments to the Project Owner within 7 days. The Project Owner shall give a written reply on the samples within 7 days after receiving the samples transferred by the Supervisor and the review comments of the Supervisor. The Supervisor shall inform the Contractor of his or her decisions or instructions regarding the samples within 21 days after receiving the samples (send a duplicate to the Project Owner at the same time). The Contractor shall execute the subsequent work according to the Supervisor's written reply and instructions. If the Supervisor does not give a written reply within 21 days after the Contractor submits the samples, the Contractor shall inform the Supervisor of such situations and ask for a reply as soon as possible. If the Project Owner does not give a reply within 7 days after receiving such notification, it is deemed that the Supervisor and the Project Owner have approved the samples.

9.1.5 The Supervisor is responsible for storing the approved samples. However, the Contractor shall provide a proper and fixed place for safekeeping the samples and maintaining good environmental conditions.

9.1.6 The expenses on samples and places for storing the samples shall be undertaken by the Contractor.

9.2 Materials replacement

9.2.1 If materials and engineering equipment as agreed in the Contract are forbidden to use by any subsequent laws, regulations, rules, norms, and standards,

the Contractor shall use other substitutes to implement the construction or repair defects according to the procedures as agreed in this article. Supervisor's approval of use of the substitutes and Contractor's use of the substitutes hereby shall not exempt the Contractor's any responsibilities and obligations as agreed in the Contract.

9.2.2 If the substitutes are used, the Contractor shall inform the Supervisor in writing at least 56 days before the materials to be substituted are applied to the permanent work on approved progress schedule, and submit the following documents together with the notification:

(1) The names, quantities, specifications, models, brands, performance, prices and other relevant details of the materials and engineering equipment as agreed in the Contract that is planned to be placed;

(2) The names, quantities, specifications, models, brands, performance, prices and any other necessary details of the substitutes that are planned to be adopted;

(3) Engineering positions where the substitutes are to be used;

(4) Reasons for using the substitutes;

(5) Differences between the substitutes and the products as agreed in the Contract, and any possible impact of the use of substitutes on the work;

(6) Price variance;

(7) Any other documents that the Supervisor asks the Contractor to provide at any time for making proper decisions. The Supervisor shall give written instructions to the Contractor within 28 days after receiving such notification and the above documents. If the Supervisor does not give any written instructions within 28 days, it is deemed that the Supervisor and the Project Owner have approved the use of the above-mentioned substitutes, and the Contractor can accordingly use the substitutes.

9.2.3 Under any circumstances, the substitutes shall meet the requirements for relevant materials and engineering equipment in the Contract.

9.2.4 If the Contractor uses substitutes as agreed in this Contract, the Supervisor shall determine, after negotiation with the Contract, the price variance between the substitutes and the materials and engineering equipment as agreed in the Contract within a reasonable time limit, and determine:

(1) If the prices of the substitutes are higher than those of the materials and engineering equipment as agreed in the Contract, the balance shall be added to the actual price, and Contractor shall be correspondingly informed;

(2) If the prices of the substitutes are lower than those of the materials and engineering equipment as agreed in the Contract, the remaining part shall be deducted from the actual price, and Contractor shall be correspondingly informed;

10. Special Technical Standards and Requirements

10.1 Special technical requirements for some materials and engineering equipment

10.1.1 The Project Owner can propose technical requirements for some materials and equipment within the self-construction scope of the Contractor according to the features of the project. Reference brands or specifications listed in the technical requirements for materials and engineering equipment are intended to help the Contractor visually and accurately master the technical standards of corresponding materials and engineering equipment, without indication of designated or exclusive use; the Contractor shall refer to the materials and engineering equipment of the listed brands, and purchase products of which the standards are equal to or higher than the technical standards of the listed brands. For relevant technical requirements for some materials and engineering equipment within the self-construction scope of the Contractor, see Special Technical Standards and Requirements.

10.1.2 For deviations of model selection for materials and engineering equipment within the self-construction scope of the Contractor, see Special Technical Standards and Requirements.

10.1.3 For supply method of concrete or mortar used at the construction site, see Special Technical Standards and Requirements.

10.2 Imported materials and engineering equipment

10.2.1 For imported materials and engineering equipment required by the project, see Special Technical Standards and Requirements.

10.2.2 For the division of responsibility of and expenses on the purchase, import, customer declaration, customer clearance, inspection, domestic transport (including insurance) and safekeeping of the imported materials and engineering equipment, see Special Technical Standards and Requirements.

10.3 New technologies, processes and materials

For new technologies, processes and materials that the project involves and their use and operation instructions, see Special Technical Standards and Requirements.

10.4 Other special technical requirements

For other special technical requirements of the project, see Special Technical Standards and Requirements.

11. Progress Reports and Regular Progress Meetings

11.1 Progress reports

11.1.1 During construction, the Contractor shall submit a daily construction progress report every day, a weekly progress report every week and a monthly progress report every month to the Representative of the Supervisor. Unless agreed by the Supervisor, the daily progress report shall be submitted before 9 a.m. on the next day, the weekly progress report submitted before 9 a.m. on Monday of the next week, and the monthly progress submitted together with the Progress Payment Application as agreed in Article 17.3.2 of the Contract.

11.1.2 The daily and weekly progress reports shall include at least the numbers of technical management persons, various technical workers, non-technical workers and logistics persons who work at the site, the number of visitors, and the number of persons of the subcontractors every day; the reports shall also include the models, quantities and shifts of various main mechanical equipment and vehicles used, working segments, and descriptions on special items such as the project progress, weather records, shutdown, quality, safety incidents, etc.; in addition, the reports shall also be attached with the category summary sheet of daily incoming materials, articles or equipment, schedules of the next day or next week, etc.

11.1.3 The monthly progress report shall reflect the quantities and the accumulative quantities completed in the current month (including permanent work and provisional work), quantities of actually purchased materials and consumed materials, material stock, quantities of field construction equipment put into operation and their running conditions, quantities of engineering equipment arrived, quantity of labour force (quantities of the labour force of the current month and predicted quantity of labour force of the future three months), current influencing factors of the construction schedule and the rectification measures, schedule adjustment and its explanations, quality incidents and records on the handling of the quality defects,

comments on quality, implementation conditions of the safety construction measure plan, safety accidents, personal injuries and deaths, property losses (if there are), and implementation of the environmental protection measures and civilized construction measures.

11.1.4 The monthly progress report shall also be attached with a group of fixed-point pictures which can fully reflect the project image and progress. The pictures shall be regularly taken at different positions approved by the Supervisor; each of the pictures shall be marked with the date and a brief description, mounted in standard format or in the format approved by the Project Owner and the Supervisor before submission.

11.1.5 The format and content of each progress report shall be approved by the Supervisor. The progress reports shall be filled out strictly according to the facts by the Authorized Representative of the Contractor, submitted to the Designated Representative of the Supervisor for confirmation and then released.

11.1.6 If the Supervisor deems that it is necessary, the progress reports and progress pictures shall be stored in the data format in a magnetic disc or an optical and then submitted to the Project Owner or the Supervisor. The application software of the data file and its version shall be approved by the Supervisor.

11.1.7 See other requirements for progress reports in the Special Technical Standards and Requirements.

11.2 Regular progress meetings

11.2.1 The Supervisor shall call and host weekly meetings with the attendance of all parties related to the engineering construction including the Project Owner, Contractor, Independent Contractor and relevant Subcontractors. When necessary, the Supervisor can call all the above parties or some of them to participate in meetings at any time. The Contractor shall make sure attendance of his or her senior management persons who can make decisions on his or her behalf.

11.2.2 The content of the regular progress meeting will involve all aspects of contract management, progress coordination and project coordination and the meeting subject prepared by the Supervisor will be sent together with the meeting notification to all parties which will attend the meeting at least 24 hours before the meeting begins.

11.2.3 The Supervisor shall make meeting records which shall be signed for confirmation by all parties attending the meeting at the end of the meeting. The Supervisor shall

make meeting minutes according to the meeting records, and distribute the meeting minutes to all parties attending the meeting within 24 hours after the meeting. The meeting minutes shall reflect the content of the meeting minutes strictly according to the facts, including any decisions, existing problems, responsible parties, time schedule and objectives of relevant work, etc. All parties shall sign for confirmation within 24 hours after receiving the meeting minutes, and if there are any objections, shall inform the Supervisor of the relevant objections in written form; the Supervisor shall check the meeting records together with any party or parties with objections; any party or parties with objections must sign the meeting minutes for confirmation if the meeting minutes are consistent with the meeting records, or the Supervisor can take the meeting records as the meeting minutes. The meeting minutes confirmed through signature by all parties attending the meeting are binding on all parties as a contract.

11.2.4 See other requirements for regular progress meetings in the Special Technical Standards and Requirements.

12. Test and Inspection

12.1 The Project Owner shall entrust test institutes with corresponding qualifications to test and inspect the actual quality, function and other agreed items of the samples of construction materials, construction accessories and equipment, pre-mixed concrete, precast concrete members and the project entity which are taken from the site according to relevant regulations. The Contractor shall take and seal samples at the site under the supervision of the Supervisor, and send the samples to the test institute for testing. For other materials, engineering equipment and processes of which the test and inspection are entrusted to the test institute by Project Owner of the project, see Special Technical Standards and Requirements.

12.2 Besides the test items entrusted by the Project Owner as agreed in Article 12.1, the Contractor shall test and inspect the main materials, semi-finished products, finished products, building parts and accessories, engineering equipment, etc. for the permanent work according to the regulations of the project construction acceptance norms and standards and provisions as set forth in Article 14 of the Contract. The Supervisor may ask the Contractor to test and inspect other materials and processes at the site according to engineering demands.

12.3 For materials, engineering equipment and processes of the project that need to be tested and inspected by the Contractor see Special Technical Requirements and Standards.

12.4 For materials, engineering equipment and processes of the project that need to be tested and inspected jointly by the Supervisor and the Contractor, see Special Technical Standards and Requirements.

12.5 The above-mentioned materials, engineering equipment and processes as agreed to be tested and inspected in this Article may not be applied to any permanent work before being tested and approved by the Supervisor.

12.6 The Contractor shall provide labour service, electric power, fuel, spare parts, equipment, instruments and necessary assistance for the inspection, test and examination of any materials, engineering equipment and processes. The Supervisor and any his or her authorized persons shall be capable of entering the site at any time and performing any necessary inspection on the workshops and sites where materials and (or) engineering equipment are being manufactured, assembled or prepared for the project. Whether or not the workshops and sites belong to the Contractor, the Contractor shall provide all convenience and assistance in obtaining corresponding authority and (or) permits.

12.7 If the inspection, test, examination or experiment results indicate that the materials, engineering equipment and processes have defects or do not conform to the provisions of the Contract, the Supervisor and the Project Owner may reject such materials, engineering equipment and processes, and shall immediately inform the Contractor and provide reasons. The Contractor shall immediately repair the above-mentioned defects and ensure that such materials, engineering equipment and processes conform to the provisions of the Contract. If the Supervisor or Project Owner requires to re-test such engineering equipment, materials, designs or processes, such test shall be carried out under the same provisions and conditions. If the refusal and re-test generate extra expenses on the Project Owner, the Contractor shall pay the extra expenses to the Project Owner, or the Project Owner shall deduct such expenses from the payment paid to the Contractor.

12.8 The Contractor shall take samples of the test blocks, test pieces and relevant materials which involve the structure safety under the supervision of the Supervisor, and send the samples to the quality test institute for testing. See quality test institute in the Special Technical Standards and Requirements.

12.9 Unless otherwise provided in the Contract, the Contractor shall undertake the expenses that the Project Owner pays the entrusted test institute as agreed in Article 12.1, and shall also undertake all expenses for testing all materials, engineering equipment and processes under the Contract.

13. Day-wage Work

13.1 Day-wage work as agreed in Article 15.7 of the Contract is usually applicable to extra work for corresponding items that are not agreed in the Contract, or are generated by changes and not set in the Bill of Quantities, or for the existing corresponding items that are inapplicable due to changes of work, in particular the extra work of which the price cannot be negotiated in advance due to time limit. When the Project Owner deems that the day-wage work is necessary, the Supervisor shall inform the Contractor of implementing day-wage work as agreed in Article 15.7.1 of the Contract.

13.2 Within 14 days after the project is actually put into operation, the Contractor shall submit a daily day-wage work report with content as agreed in Article 15.7.2 of the Contract to the Supervisor for review; and the Supervisor shall give a reply or propose amendment comments within 7 days after receiving the report.

13.3 In the process of implementing relevant changes by day-wage work, the Contractor shall submit the daily day-wage work report in a format approved by the Supervisor and relevant vouchers to the Supervisor for review every day, and the Supervisor shall give a reply within 24 hours after receiving relevant report and vouchers.

13.4 The labour cost of the day-wage work is calculated on the basis of the workday (8 hours). For day-wage work within 4 hours time, the labour cost is calculated by 0.5 workdays; for day-wage work between 4 hours and 8 hours time, the labour cost is calculated by 1 workday. Overwork is subject to the provisions of national labour laws and regulations. The workers who perform day-wage work shall merely include workers and team/shift leaders (if there are) who are directly engaged in day-wage work, and section chiefs and higher management persons shall not be included.

13.5 When a material which is not listed in the Priced Bill of Quantities is actually used during the day-wage work, its price shall be settled by the lower one of the price of the material delivered to the site that is approved by the Supervisor in advance, and the price of the relevant material on the bill (price of the material delivered to the site), and a fixed percentage including the Contractor's enterprise management fee and profits that are filled in the List of Materials at day-wage work shall be recorded, while charge fees and expenses of taxation are otherwise calculated.

13.6 For the construction machinery, the expenses are calculated on the basis of machine-team (8 hours). The expenses are calculated by 0.5 machine-team if the working time of machinery operators is within 4 hours a time, and by 1 machine-team if the working time of the machinery operators is between 4 hours and 8 hours time.

Overwork of the operators is subject to the provisions of the national labour laws and regulations. If external construction machinery is needed by the day-wage work, the machine-team expenses and the expenses of entering and exiting from the site shall be calculated by the average market price and submitted by the Contractor to the Supervisor for examination and approval.

13.7 For other provisions on the day-wage work, see Special Technical Standards and Requirements.

14. Measurement and Payment

14.1 Payment application

14.1.1 Within 14 days after the project is actually put into operation, the Contractor shall submit a Completed Quantities Report, a Progress Payment Application and measurement document to the Supervisor as agreed in Article 17 of the Contract; and the Supervisor shall give a reply or propose amendment comments within 7 days after receiving the documents submitted by the Contractor.

14.1.2 In accordance with Article 17.1 and Article 17.3 of the Contract, the Contractor shall measure various quantities completed in the current stage and count the price at the end of each payment cycle as agreed in the Contract,

sort out and summarize various payments which need to be added and deducted in the current stage as agreed in Article 17.3.2, prepare a Progress Payment Application in the format approved by the Supervisor and in copies and with content as agreed in the Contract, and submit the Progress Payment Application together with the Completed Quantities Report, relevant measurement materials, and supportive materials which prove that the funds claimed in the Progress Payment Application conform to provisions of the Contract, to the Supervisor for review.

14.1.3 The content of the Completion Payment Application is subject to the provisions of Article 17.5.1 (1). of the Contract. In the case of Unit Price Contract, the Completion Payment Application shall be attached with the measurement documents of the settled quantities determined according to Article 17.1.4(5) of the Contract and various sub-objective quantities completed between the last progress payment and completion payment. In the case of Lump Sum Contract, the quantities that the contract price is based on are the corresponding quantities for completion settlement, but changes shall be measured and priced as agreed in the Contract.

14.1.4 The total completion settlement price (actual price) shall be calculated using the following items:

(1) Contract price;

(2) Items which shall be deducted:

1) All provisional sums;

2) All provisional valuation;

3) The amount of change which shall be deducted under Article 15 of the Contract;

4) Price which shall be decreased in accordance with Article 16 of the Contract (decrease);

5) The amount of Project Owner's claims for compensation, which shall be deducted in accordance with Article 23.4 of the Contract;

6) Contract valuation of sporadic items (if there are);

7) Other amounts which shall be deducted by the Project Owner as agreed in the Contract.

(3) Items which shall be increased:

1) Actual provisional sums (including day-wage work);

2) Actual provisional valuation;

3) The amount of change which shall be increased in accordance with Article 15 of the Contract;

4) Price which shall be increased in accordance with Article 16 of the Contract (increase);

5) The amount of Contractor's claims for compensation that should be increased under Article 23.2 of the Contract;

6) Other amounts that the Contractor shall obtain as agreed in the Contract.

(4) Charges and tax differences.

14.1.5 The amount payable of the Final Settlement Application shall be calculated using the following items:

(1) Quality deposit deducted as agreed in the Contract

(2) Amounts which shall be deducted:

1) Quality deposit deducted as agreed in Article 17.4.3 of the Contract;

2) Quality deposit deducted as agreed in Article 19.2.4 of the Contract;

3) The amount of Project Owner's claims for compensation within the Defects Liability Term, which shall be deducted as agreed in Article 23.4 of the Contract;

4) Other amounts which shall be deducted as agreed in the Contract.

(3) Amounts which shall be increased:

1) Values of completed sporadic items that conform to the provisions of Contract;

2) Expenses of the Contractor on repair, as agreed in Article 19.2.3 of the Contract, of defects caused by the Project Owner;

3) The amount of the Contractor's claims for compensation within the Defects Liability Term, which shall be increased in accordance with Article 23.2 of the Contract;

4) Other amounts that the Contractor shall obtain as agreed in the Contract.

The final settlement shall be made by the Project Owner and the Contractor in the principle of 'returning the remaining money and paying the balance".

14.1.6 The Completion Payment Application and the Final Settlement Application shall be made in the format of the Progress Payment Application, and attached with relevant proof materials.

14.2 Other content agreed

See other content agreed in the Special Technical Standards and Requirements.

15. Completion Acceptance and Project Handover

15.1 Cleanup before completion acceptance inspection

15.1.1 Before submitting the Application Report for Completion Acceptance to the Supervisor, the Contractor shall complete the cleanup work before the completion acceptance, including but not limited to:

(1) Remove all remaining materials, sundries, waste, etc. from the permanent work;

(2) Wash all ground, walls, floors, pavements, etc. of the project;

(3) Wash and scrub all glass, ceramic tiles, stone and all metal surfaces;

(4) Repair all damaged parts, remove dirt, and replace all materials needing to be replaced;

(5) Decorate and bedeck all surfaces as agreed;

(6) Inspect and debug all doors, windows, drawers, etc. to ensure they open smoothly;

(7) Inspect and debug all hardware parts and apply grease;

(8) Inspect, test and ensure all service systems, facilities and equipment function properly;

(9) Paste labels on all keys (if there are), and fix keys on the key bar for handover to the Supervisor at any time.

15.1.2 All cleanup expenses shall be undertaken by the Contractor.

15.2 Application Report for Completion Acceptance

15.2.1 Application Report for Completion Acceptance, also called Completion Acceptance Report, is a written application which is submitted after the Contractor has completed the work as agreed in the Contract and the result of the Contractor's self-inspection in accordance with the regulations of the relevant national construction project acceptance standards indicates that the contracted work content has been completed and conforms to the provisions of the Contract, to the Supervisor or Project Owner to ask the Project Owner to organize completion acceptance of the contracted project; and the completion acceptance materials as agreed in the Contract and other documents are usually used as appendixes of the Application Report for Completion Acceptance, and a constituent part of the Application Report for Completion Acceptance.

15.2.2 The Application Report for Completion Acceptance usually includes a project overview, contracting scope, subcontracted project, main materials, equipment supply, main construction methods, application of new materials, new technologies and new processes, self-inspection of quality, etc. The format and content of the Application Report for Completion Acceptance shall be approved by the Supervisor in advance.

15.2.3 The Application Report for Completion Acceptance shall be attached with the following content in accordance with Article 18.2 of the Contract;

(1) Self-inspection and assessment records of the Contractor, which means that, except the remaining works (sporadic items) which shall be completed during the Defects Liability Term and defect repair work as agreed by the Supervisor, all unit work and related work under the Contract, including the tests, trial operations and inspections and acceptances required herein, have been completed and comply with the requirements herein;

(2) Completion materials with content and in copies as agreed in Article 18.2(2) of the Contract;

(3) The lists of remaining works (sporadic items) which shall be completed during the Defects Liability Term and defect repair work, and other corresponding construction plans prepared as required by the Supervisor;

(4) Proof materials of other work which shall be completed before the completion acceptance as required by the Supervisor;

(5) List of completion acceptance materials required by the Supervisor;

(6) Completion acceptance results and conclusion documents (if any) of unit work as agreed in Article 18.4.1 of the Contract;

(7) Quality warranty as agreed in Article 19.7 of the Contract (neglected if it is submitted in prior);

(8) See other requirements in the Special Technical Standards and Requirements.

15.3 Site clearance upon completion

After the Supervisor issues the Project Acceptance Certificate, the Contractor shall clean up the construction site within 56 days according to the following requirements:

(1) Removing all sundries, waste, etc. from the construction site;

(2) Removing all provisional work and provisional facilities from the construction site and restoring the ground to a normal state, except slope protection piles, anchor rods and tower crane foundation approved by the Supervisor and the provisional facilities such as the formwork which are buried underground and cannot be removed;

(3) Removing all engineering equipment of the Contractor and remaining materials (except those which need to be continuously used during the defect liability period with the consent of the Supervisor);

(4) Other cleanup work designated by the Supervisor.

16. Additional Requirements to be Added

See additional requirements in the Special Technical Standards and Requirements.

Chapter VIII Description of Preparation, Priced Bill of Quantities and the Analysis List of the Comprehensive Unit Price

General Terms and Conditions of Bill of Quantities

1. Instructions of Bill of Quantities

1.1 Compilation Basis of Bill of Quantities

1.1.1 This Bill of Quantities is compiled on the basis of current valuation and measurement standards, drawings and other related documents, and taking into consideration the actual situations in the Construction Site. Refer to **Special Terms and Conditions of Bill of Quantities** for measurement and valuation standards followed by this Bill of Quantities.

1.1.2 For specific items not included in the calculation rules of quantities specified in the "valuation and measurement standards" mentioned above, Paragraph 1.1.3 in this Chapter shall apply. For specific items not included in the calculation rules of quantities specified in the "valuation and measurement standard" and not agreed in Paragraph 1.1.3 in this Chapter, the Parties shall determine it through negotiation. Should the negotiation fails, the Parties may apply for ruling to provincial or industrial engineering cost management organizations or calculate the quantities using the theoretical net amounts indicated in drawings with binding force. Basic units of measurement of the People's Republic of China shall be used for measurement.

1.1.3 Refer to the **Special Terms and Conditions of Bill of Quantities** for supplemental specific items, units of measurement, calculation rules of quantities and job description.

1.2 Understandings of Bill of Quantities

1.2.1 This Bill of Quantities shall be read and interpreted together with instructions to bidders, contract terms, technical standards and requirements, and drawings and other related chapters in the bidding document.

1.2.2 This Bill of Quantities is a list detailing the names and corresponding quantities of sub-divisional works, measure projects, other projects and chargeable items as well as taxes. It only serves as a mutual foundation for the tender offer and controlled bidding price. The quantities for completion settlement shall be agreed by the Parties in relevant contracts. Determination and payment of the actual price shall comply with contract terms, technical standards and requirements, as well as related agreements in this Chapter.

1.2.3 The Total Price item in Bill of Quantities refers to the item measured with the total price with a unit of measurement "item" and a quantity of "1". Unless otherwise agreed in the contract, the contract price will be a fixed lump sum amount. When a lump sum contract is signed, except for changes agreed in Article 15 of the contract terms and situations specified in Paragraph 3.1.4 of this Chapter, quantities in the priced Bill of Quantities do not have any contractual binding force, and all subitems are total price items and shall be calculated in items.

1.2.4 The unit price item in Bill of Quantities refers to the item priced according to unit prices, measured with calculation rules of contractually binding drawings and quantities, and settled with actually completed quantities multiplying by corresponding unit prices.

1.2.5 Specific item code in the sub-divisional works list refers to the numerical mark and code of specific items, which have the same meaning as the project codes.

1.2.6 Contents of specific items in the Lists of Sub-divisional Works and Measure Projects, and substantive characteristics determining their values are called specific item characteristics. Specific item characteristics have the same meaning as project characteristics.

1.2.7 Fees refer to the amounts payable by the contractor based on regulations of the provincial government or provincial-level authorities and shall be included in the construction and installation cost.

1.2.8 Taxes refer to amounts of output VAT which shall be included in the construction and installation cost pursuant to regulations in national tax laws.

1.2.9 General contracting service fee refers to all expenses required by the general contractor for providing management, services, construction site management, sorting-out and organization of completion materials to facilitate professional engineering, materials and engineering equipment of the Project Owner.

1.2.10 Terms with the same meaning. The terms "tenderee" and "tenderer" in this Chapter have the same meanings as the "Project Owner" and "Contractor" defined in the contract terms. As far as Bill of Quantities is concerned, "sub-item" and "item" are the same.

1.2.11 The measurement and valuation rules agreed in Article 1.1 shall apply to the measurement of quantities and payment of amounts during the performance of a contract, as well as engineering changes, claims and project settlement.

1.2.12 Explanations in this clause and Articles 2 and 3 below are constituent parts of priced Bill of Quantities included in the contract documents.

2. Instruction of Tender Offer

2.1 Basis of Tender Offer

The Tender Offer shall comply with the relevant pricing requirements in the bidding documents, and shall be independently quoted based on the following:

(1) This Bidding Document (including all clarifying documents, supplemental documents and modification documents);

(2) Measurement and valuation standards agreed in Paragraph 1.1.1 in this Chapter;

(3) Valuation Measures issued by national, provincial or industrial constructional authorities;

(4) Enterprise quota or valuation quota set by national, provincial or industrial construction authorities;

(5) Engineering drawings and other design documents and relevant materials;

(6) Construction site situations, engineering characteristics and proposed construction organization design or construction scheme;

(7) Standards, regulations and other technical documents related to the project construction;

(8) Market price information or construction cost information issued by engineering cost management organizations;

(9) Refer to **Special Terms and Conditions of Bill of Quantities** for other relevant materials.

2.2 General Rules of Tender Offer

2.2.1 Unit price or price in each specific item in the Bill of Quantities shall be filled in, and only one quotation is allowed.

2.2.2 Unit price or any other amount in the Bill of Quantities shall include the required cost of labour, material expenses, expenses of using construction machinery, business management expense and profit, as well as risk cost within a certain range. The "risks within a certain range" refers to the risks agreed in the contract.

2.2.3 For specific items not filled with unit price or price by the tenderer in the priced Bill of Quantities, the expenses shall be deemed as apportioned in unit prices or prices of other priced specific items in the Bill of Quantities.

2.2.4 The tender sum in the "Tender Offer Summary Sheet" consists of sub-divisional work cost, measure project cost, other project cost, fees and taxes, and the tender sum in the "Tender Offer Summary Sheet" shall be consistent with the sum of sub-divisional work cost, measure project cost, other project cost, fees and taxes specified in the priced Bill of Quantities.

2.3 Quotations of sub-divisional work and unit price measure projects

2.3.1 Quotations of sub-divisional works and unit price measure projects shall comply with the provisions related to the comprehensive unit price in the valuation and measurement standards.

2.3.2 If the sub-divisional works and unit price project list includes the materials and engineering equipment listed in the "Provisional Estimate of Materials and Engineering Equipment", quotation principle specified in Paragraph 3.2.2 in this section shall be followed, and include the provisional valuation of these materials and engineering equipment, excluding any corresponding fees and taxes, into the comprehensive unit price of corresponding specific items in the list of sub-divisional works and unit price measure projects.

2.3.3 If the sub-divisional works and unit price projects list includes the materials and engineering equipment listed in the "List of Materials and Engineering Equipment provided by the Project Owner" (refer to Appendix IV of "Special Terms and Conditions of the Contract" in Chapter IV), the purchase prices of delivering such materials and engineering equipment to the designated locations in the construction site shall not be included in the tender offer; nevertheless, the installation expense of such materials and engineering equipment, auxiliary materials required for installations, installation losses and other necessary auxiliary operations and corresponding enterprise management fee and profits shall be include in the comprehensive unit prices of corresponding specific items in the list of sub-divisional works and unit price measure projects, and general contracting service fee corresponding to the services agreed in the contract shall be subtracted from other project list quotations.

2.3.4 In the comprehensive unit price of each specific item listed in the "Sub-divisional Works and Unit Measure Projects List and Pricing Table, the labour cost, materials and consumption of machinery each shift shall be fully and competitively

considered by the bidder according to its own situations. Consumption of materials includes losses.

2.3.5 Price of materials and engineering equipment listed in "Selection Table of Main Materials and Engineering Equipment", a constituent part of the contract documents submitted by the Tenderer in the Tender Document, refers to the prices of such materials and engineering equipment when they reach the designated locations in the construction site, i.e. including all expenses of procurement, packing, transportation, loading/unloading and stacking before reaching the designated location in the construction site, but it does not include any warehousing, storage, loss and expense of secondary transportation from the stack location to the installation site. The price of materials and engineering equipment listed in the "Selection Table of Main Materials and Engineering Equipment" shall be consistent with the prices of corresponding materials and engineering equipment making up the comprehensive unit price. The warehousing fee, storage fee, warehouse loss and other expenses, including secondary transportation from the stack location to the installation site shall be included in the tender offer.

2.4 Quotation of Total Price Measure Projects

2.4.1 The pricing of total price measure projects list shall be priced with a unit of "item" according to the tenderer's construction organization design. The quotation submitted by the tenderer shall include all expenses except fees and taxes.

2.4.2 The expenses of safe and civilized construction listed in the Measure Projects List shall be priced according to the regulations of national, provincial or industrial construction authorities, and shall not use them as a competitive expense.

Upon calculation, the rates specified by the national, provincial or industrial construction authorities cannot meet the requirements for safe and civilized construction (especially dust improvement, stacking, transportation and disposal of construction wastes, and increased costs for safe and civilized construction measures arising from comprehensive pollution regulation and environmental protection efforts), the tenderer shall fill in and submit the corresponding expenses based on actual situations.

2.4.3 Projects listed in the Total Price Measure Projects List and Pricing Table provided by the Tenderee only refer to ordinary general projects. The Tenderer shall fully and comprehensively read and comprehend the related contents and agreements when submitting a quotation, including agreements in Chapter V "Technical Standards and Requirements", to have a clear understanding of the

project site and surrounding environment, fully consider the project characteristics and proposed construction scheme and construction organization design, and refine or supplement the Total Price Measure Projects List provided by the Tenderee.

2.4.4 The quotations in the "Total Price Measure Projects List and Pricing Table" shall fully cover all expenses required by the Tenderer to perform its responsibilities and obligations in construction, completion and delivery of the project, as well as offering repair for any defects within the Defects Liability Term and warranty period.

2.4.5 For quotations in the "Total Price Measure Projects List and Pricing Table", the compositions of the measure project quotations shall be listed in details and analyzed according to the "Total Price Measure Projects List Quotation Analysis Sheet".

2.5 Quotation of Other Project Lists

2.5.1 The provisional sum shall be quoted based on the after-tax amounts listed in the "Detailed List of Provisional Sum". The provisional sum is provided by the Tenderer in the bidding documents and it does not include the day-wage work amount specified in Item 2.5.3 of this Chapter.

2.5.2 Provisional valuation includes the provisional unit price of materials and engineering equipment and provisional valuation of professional engineering. The provisional unit price of materials and engineering equipment shall be included in the comprehensive unit price of sub-divisional works and unit price measure projects list according to the quotation principle in Paragraph 3.2.2 of this section, and not summarized in the list of other projects. The after-tax amount of the professional engineering provisional valuation listed in the "Professional Engineering Provisional Valuation List" shall be included in the quotation of other projects list based on the quotation principle in Paragraph 3.2.3 of this section.

2.5.3 Comprehensive unit price of the day--wage work shall be independently determined and calculated based on the specific items and estimated quantities in the "Day-wage WorkSheet". Comprehensive unit price of day-wage work does not include fees and taxes, whereas:

(1) Unit labour cost shall include wages for workers, transport expense, various allowances, labour safety protection, social security expenses, mobile hand-operated and electric tools, scaffolds erected in the construction site, water and electricity, cost of low-value consumables, enterprise management fees and profit;

(2) Material price includes the price for shipping materials to the construction site, and its moving, storage, secondary moving, losses and insurance at the site;

(3) Construction machinery is limited to mechanical equipment operating within the construction site (Site). Their prices include rental or depreciation, repair, maintenance and fuel, as well as wages for operators, it also includes enterprise management fees and profit of the contractor but excludes fees and taxes. Compensation for auxiliary personnel shall be determined separately based on the price of labour service.

2.5.4 The general contracting service fee shall be independently quoted by the Tenderer based on the contents and requirements listed in the bidding documents in the form specified in the "Pricing Table of General Contracting Service Fee". During the performance of the contract, the general contracting service fee can be adjusted in accordance with the **Special Terms and Conditions in Bill of Quantities.**

2.6 Fees and Taxes

Fees and taxes shall be listed and calculated based on the listed items in the "List and Price Sheet of Fee and Tax Items" and national, provincial or industrial construction authorities, and shall not be used as competitive expenses.

2.7 Clarifications of Tender Offer

2.7.1 Except for compulsory provisions and non-competitive parts in the bidding documents, the tender offer shall be independently determined by the Tenderer, but it shall not be lower than the cost.

2.7.2 For tender offers of productive resources (including various labour, materials, engineering equipment, construction equipment, provisional facilities, provisional water supply and provisional power supply) related to the quotation of Bill of Quantities, the tenderer employ its information channels and procurement channels, analyze the market price level and judge the trends of the entire construction period, and reflect its management standard, technical standard and comprehensive strength.

2.7.3 Enterprise management fee shall be considered competitively provided that it shall not be lower than the cost; the profit shall also be considered competitively by the tenderer based on its actual situations and comprehensive strength.

2.7.4 The rates the tenderer filled in the "Rates Quotation Sheet" shall be consistent with the rates used in the "Comprehensive Unit Price Analysis Sheet". The

"Comprehensive Unit Price Analysis Sheet" will prevail if rates in the two sheets are inconsistent, and the following principles shall be observed:

For the same sub-divisional work, if the contractor fails to use unified rates of enterprise management fee and profit in the priced Bill of Quantities, and needs to use the corresponding rates in the priced Bill of Quantities to generate comprehensive unit prices for new specific items during its contract performance, the lowest rates of unit prices in corresponding sub-divisional works in the priced Bill of Quantities shall apply. The same principle shall apply to the Measure Projects.

2.7.5 When determining the tender offer, the tenderer shall take into consideration the risks it shall take in the bidding documents and relevant expenses.

2.7.6 Tender sum is the sum of all payments proposed by the tenderer in the tender document. It includes all expenses needed for implementing and completing the project, and repairing defects, as well as performing all duties and obligations agreed in the bidding document.

2.7.7 Refer to **Special Terms and Conditions of Bill of Quantities** for other instructions relating to the tender offer.

3. Other Instructions

3.1 Adjustment of difference in quantities (for unit price contract)

3.1.1 Work content classification, specific items and description of characteristics in the priced Bill of Quantities, and quantities attached in the "List and Price Sheet of Sub-divisional Works and Unit Price Measure Projects" shall not be construed as sole, final or full definition of the scope and work contents of the contract.

3.1.2 The tenderer shall recheck the bidding Bill of Quantities carefully and meticulously. Such rechecks include examining the accuracy of the code, name and characteristics description of specific items, unit of measurement and quantities, and checking for any possible writing or printing errors. In particular, the quantities in each work items in the "List and Price Sheet of Sub-divisional Works and Unit Price Measure Projects" shall be recalculated and checked; besides, the items in the "List and Price Sheet of Total Measure Projects" shall be checked as well. If the tenderer, upon examination and recheck of the documents, reasonably believes that there are differences in bills of quantities, in particular, the "List and Price Sheet of Total Measure Projects" may have omissions which may pose significant impacts, the tenderer shall submit details of such differences to the tenderee together with

materials requested by the tenderee and other issues needing clarification from the tenderee. The tenderee shall verify the differences and decide whether to issue supplemental and (or) modifying documents of Bill of Quantities based on actual situations.

3.1.3 If the tenderee, upon examination of the differences submitted by the tenderer pursuant to Paragraph 3.1.2, believes that it is unnecessary to take any supplements and (or) modifications to the Bill of Quantities, or the tenderer still believes there are differences in quantities listed in the Bill of Quantities after the tenderee makes supplements and (or) modification to the Bill of Quantities pursuant to Paragraph 3.1.2, such differences will not be resubmitted for corrections, and the tenderer shall submit its tender offer based on the Bill of Quantities (including possible supplements and (or) modifications made by the tenderee) in the bidding documents. When making quotations based on the Bill of Quantities in the bidding documents, the tenderer shall not, except for detailing or addition to the List of Total Price Measure Project provided by the tenderee pursuant to requirements in Paragraph 2.4.3, change the List of Sub-divisional Works and Unit Price Measure Projects and other project lists provided by the tenderee (including any modifications, additions or reductions to the name and characteristics descriptions of specific items in the Bill of Quantities, units of measurement and quantities). The tenderer shall provide its quotations for every specific item provided by the tenderee in the Sub-divisional Work Bill of Quantities and include such quotations in its calculation of the total price, even if such specific items are not included in the drawings or the agreed bidding scope.

3.1.4 If specific items are added to the sub-divisional bill of quantities due to omission in the bidding bill of quantities, notwithstanding the agreements in Article 15 of the contract, such added specific items of the sub-divisional bill of quantities shall be deemed as changes, and shall be remeasured and re-valuated according to the agreements in the contract.

3.2 Adjustment of Difference in Quantities (for Lump Sum Contract)

3.2.1 Work content classification, specific items and description of characteristics in the priced Bill of Quantities, and quantities attached in the "List and Price Sheet of Sub-divisional Works and Unit Price Measure Projects" shall not be construed as sole, final or full definition of the scope and work contents of the contract.

3.2.2 The tenderer shall recheck the bidding Bill of Quantities carefully and meticulously. Such rechecks include examining the accuracy of the code, name and characteristics description of specific items, unit of measurement and quantities, and checking for any possible writing or printing errors. In particular, the quantities in each work items in the "List and Price Sheet of Sub-divisional Works and Unit Price Measure Projects" shall be recalculated and checked; besides, the items in the "List and Price Sheet of Total Measure Projects" shall be checked as well. If the tenderer, upon examination and recheck, reasonably believes that there are differences in the bidding bills of quantities, the tenderer shall submit details of such differences to the tenderee together with materials requested by the tenderee and other issues needing clarification from the tenderee. The tenderee shall verify the differences and decide whether to issue supplemental and (or) modifying documents of Bill of Quantities based on actual situations.

If the tenderee, upon examination of the differences submitted by the tenderer, believes that it is unnecessary to take any supplements and (or) modifications to the Bill of Quantities, or the tenderer still believes there are differences in quantities listed in the Bill of Quantities and such difference may cause significant impacts to its tender offer after the tenderee makes supplements and (or) modification to the Bill of Quantities, the tenderer shall submit such differences to the tenderee any time before the deadline of the tender. The tenderee shall verify the differences and decide whether to issue supplemental and (or) modifying documents of Bill of Quantities based on actual situations.

3.2.3 The tenderer shall submit its tender offer based on the bidding Bill of Quantities (including the tenderee's supplements and (or) modifications). When making quotations based on the Bill of Quantities in the bidding documents, the tenderer shall not, except for detailing or addition to the List of Total Price Measure Project provided by the tenderee pursuant to requirements in Paragraph 2.4.3, change the List of Sub-divisional Works and Unit Price Measure Projects and other project lists provided by the tenderee (including any modifications, additions or reductions to the name and characteristics descriptions of specific items in the Bill of Quantities, units of measurement and quantities). The tenderer shall provide its quotations for every specific item provided by the tenderee in the Sub-divisional Work Bill of Quantities and include such quotations in its calculation of the total price, even if such specific items are not included in the drawings or the agreed bidding scope.

3.2.4 After the tenderer submits the issue of differences in Bill of Quantities regarding the "List and Price Sheet of Sub-divisional Works and Unit Price Measure Project" pursuant to Paragraph 3.1.2, if the tenderee fails to make supplement and

(or) modifications to the bidding Bill of Quantities, or makes supplements and (or) modifications to the bidding Bill of Quantities yet there still exist differences, such differences shall be deemed as changes and remeasured and re-valuated according to the contract agreement notwithstanding any agreement made in Article 15 of the contract after the tenderer wins the bid and determines such differences still exist upon review during its performance of the contract.

3.3 Provisional Sum and Provisional Valuation

3.3.1 Provisional sums listed in the "List of Provisional Sums" (excluding payment for day-wage work) includes corresponding enterprise management fees, profit, fees and taxes. The tenderer shall, pursuant to the regulations in the bidding documents, include such provisional sums (tax-exclusive) directly into the tender prices of other project lists.

3.3.2 The provisional valuations of materials and engineering equipment listed in the "Table of Provisional Sums of Materials and Engineering Equipment" are the prices of such materials and engineering equipment when they are transported to the construction site, excluding corresponding enterprise management fees, profits, fees and taxes of such materials and engineering equipment, installation and auxiliary materials, installation losses and plant manufacturing supervision for the installations, as well as expenses, arising from the acceptance, storage, safekeeping, unpacking, secondary transportation and any other works necessary to transport the materials and engineering equipment from the storage location to the installation site ("Installation and auxiliary works of provisionally valuated materials and engineering equipment") and corresponding enterprise management fees, profits, fees and taxes. In addition to including such provisional valuations into the comprehensive unit prices of corresponding specific items in the sub-divisional work Bill of Quantities according to the bidding document, the tenderer shall also include the expenses for installation and auxiliary works of such materials and engineering equipment and corresponding enterprise management fees and profits related to such expenses into the comprehensive unit prices of corresponding specific items in the sub-divisional Bill of Quantities and withdraw corresponding fees and taxes.

3.3.3 Provisional valuations of professional engineering listed in the "Table of Provisional Valuations of Professional Engineering" have covered the corresponding enterprise management fees, profits, fees and taxes. The tenderer shall, pursuant to the regulations in the bidding documents, include such provisional sums (tax-exclusive) directly into the tender prices of other project lists. In addition to including

such provisional sums (tax-exclusive) directly into the tender prices of other project lists, the tenderer shall also consider corresponding general contracting service fees according to the bidding documents.

3.4 Other Instructions

Refer to the **Special Terms and Conditions of the Bill of Quantities** for other instructions.

4. Bill of Quantities and Price Sheet

The tenderee shall compile the bidding Bill of Quantities according to this project's characteristics, and make sure the contents in the List of Provisional Sums, Table of Provisional Valuations of Materials and Engineering Equipment and Table of Provisional Valuation of Professional Engineering shall be consistent with the contents in bidding Bill of Quantities.

The tenderer shall fill in the priced Bill of Quantities using the formats provided in the Bill of Quantities and Price Sheets (cover page of the Bill of Quantities not included). The tenderer may add tables it deems appropriate if the formats in Bill of Quantities and Price Sheets cannot meet the requirements of bidding Bill of Quantities.

Refer to the **Special Terms and Conditions of Bill of Quantities** for formats of Bill of Quantities and Price Sheet.

THE SYMBOL "[***]" DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED

(GF—2017—0201)

Construction Contract

Prepared by:
State Administration of Industry and Commerce
Ministry of Housing and Urban-Rural Development

Part I Contract Agreement

Contract verification code: 7ae299fa-cff5-42bb-ac0b-cb257eed5ba0

Project Owner (Full Name): TAL Education Technology (Jiangsu) Co., Ltd. (好未来教育科技(江苏)有限公司)

Contractor: China Construction Eighth Engineering Division Corp.Ltd. (中国建筑第八工程局有限公司)

The parties hereby, following the provisions of contract Law of People's Republic of China, Construction Law of the People's Republic of China and other relevant laws, comply with the principles of equality, free will, fairness and honesty, mutually agree upon the construction and relevant matters of TAL Zhenjiang Education Base Phase I Construction Project and reach the following agreement:

I. Project Overview

1. Project Name: TAL Zhenjiang Education Base Phase I Construction Project

2. Project Location: in the north block of Dongchunhui Road, Zhihui Avenue, Zhenjiang New District, adjacent to Zhihui Avenue in the west, Chunhui Road in the south, and The National University Science Park in the east.

3. Approval for project initiation: Zhen Xin Shen Pi Fa Bei [2019] No.130.

4. Source of fund: Self-raised fund.

5. Project scope: see Contracting Scope, total construction area about 222,729.91 square meters.

×.

For the group project, List of Engineering Project Contracted by the Contractor shall be attached. (Exhibit 1)

6. Contracting scope: See Part I of Article 21 (Supplementary Terms).

×.

II Contract Term

Planned commencement date: November 10, 2019.

Planned completion date: May 18, 2022.

Total calendar days: 921 days. If the total calendar days in the term are inconsistent with those calculated based on the above-planned commencement date and completion date, the total calendar days in the term shall prevail.

III Quality requirements

The project quality should meet the following qualification requirements:	(1) the Unified Standard for Constructional Quality Acceptance of Building Engineering (GB50300-2013), (2) the technical requirements and the requirements of the construction process in the Contract, (3) pass the one-time completion acceptance at a 100% rate, and (4) ensure that the 1 # plot is awarded Yangtze Cup and that the entire project meets the national standards of the two-star green building and smart construction site.

IV Contract Price and Form of Actual Price

1. Contract price is:

(in words) RMB one billion four hundred and twenty-four million one hundred and ninety-two thousand six hundred Yuan and forty-six cents only (￥1,424,192,600.46);

of which:

(1) Safe and Civilized Construction Costs:

(in words): eighteen million three hundred and twenty-eight thousand two hundred and thirty-nine Yuan and thirty-five cents only (￥18,328,239.35);

(2) The provisional valuation of material and engineering equipment:

(In words) RMB_____( );

(3) The provisional valuation of professional project:

(in words) RMB eight hundred sixty-seven million one hundred ninety two thousand six hundred forty six cents only (￥867,192,600.46);

(4) Provisional Sum:

(In words) RMB_____(￥0.00);

2. Contract price form: fixed lump sum contract. Relevant provision on general contracting construction management fee and cooperation fee (general contracting service fee) is in Article 21 (Supplementary Terms).

V Project Manager

The contractor's Project Manager: [***].

VI Contract Documents

This Agreement and the following documents constitute Contract Documents:

(1) Bid-winning Notice (if any);

(2) Bid Letter and its appendix (if any);

(3) Special Terms of the Contract and their exhibit;

(4) General Terms of the Contract;

(5) Technical Standards and Requirements;

(6) Drawings;

(7) Priced Bill of Quantities or Budget Document; and

(8) other Contract Documents.

The documents formed during the execution and performance of the Contract shall be an integral part of the Contract Documents.

The foregoing Contract Documents include the amendment and supplement thereto by the Parties thereto, for documents of the same type, the latest executed version shall prevail. The Special Terms of the Contract and its Appendix shall be signed or stamped by the parties hereto.

VII Covenants

1. The Project Owner shall undertake to perform project examination and approval formalities according to laws, raise funds for project construction and pay the contract price in terms of the time and method stipulated in the Contract.

2. The Contractor undertakes to organize to complete project construction as provided in laws and this Contract, assure project quality and safety, not to subcontract in whole and illegally subcontract in

part and undertake corresponding project maintenance responsibilities in the defect liability period and warranty period.

3. If the Project Owner and the Contractor conclude a contract through biding, the Parties understand and undertake they will not otherwise execute any agreement different from this Contract substantially concerning the same project.

VIII Meaning of Expressions

The words and expressions in the Contract have the same meanings as are respectively assigned to them in Part II: General Terms of the Contract.

IX Signing Date

The Contract is signed on December 11, 2019.

X Place of Execution

The contract is signed on the 15F, Danleng SOHO, Haidian District, Beijing (北京海淀区丹棱SOHO15层).

XI Supplementary Agreements

Other matters not covered herein shall be made into supplementary agreements by the parties separately, which shall be an integral part hereof.

XII Effectiveness

This Contract shall come into effect after being signed by the legal representatives or entrusted agents of both parties and affixed with the official seal of both parties.

XIII Counterparts

This contract is in ten counterparts, with the Project Owner holding three copies and the Contractor holding seven copies with the same legal effect.

Project Owner: /s/ Authorized Signatory
/stamp/

TAL Education Technology (Jiangsu) Co., Ltd. (好未来教育科技(江苏)有限公司) 3211910013089

Stamp of FAN Baorong 32119 10013093bgf

Contractor /s/ Authorized Signatory
/stamp/

China Construction Eighth Engineering Division Corp.Ltd. (中国建筑第八工程局有限公司) Special Stamp for Contract

Stamp of XIAO Rongchun 3211910013093

Legal Representative or Authorized Agent: (signature)		Legal Representative or Authorized Agent: (signature)	
Organisation code:	91321191MA1WTYET5Q	Organisation code:	9131000063126503X1
Address:	Tower B, Twin Tower, 466 Ding Mao Zhi Hui Avenue, New District, Zhenjiang (镇江市新区丁卯智慧大道466号双子楼B座)	Address:	27/F, 1568 Century Avenue, China (Shanghai) Pilot Free Trade Zone (中国(上海)自由贸易试验区世纪大道1568号27层)
Postal Code:		Postal Code:	
Legal Representative:	FAN Baorong (樊保荣)	Legal Representative:	XIAO Rongchun (校荣春)
Authorized Agent:		Authorized Agent:	
Telephone:	[***]	Telephone:	[***]
Facsimile:		Facsimile:	[***]
Email Address:	[***]	Email Address:	
Account Bank:	China Merchants Bank Co., Ltd., Zhenjiang New District Sub-branch (招商银行股份有限公司镇江新区支行)	Account Bank:	China Construction Bank, Liuli Sub-branch (中国建设银行股份有限公司六里支行)
Account No.:	[***]	Account Number	[***]

Part II General Terms of the Contract

1. General provisions

1.1 Definitions and interpretation

The following words in the Contract Agreement, General Terms of the Contract, Special Terms of the Contract shall have the meaning given to them in this Article:

1.1.1 Contract

1.1.1.1 Contract: means the binding document agreed by the parties thereto according to the laws and regulations, consisting of Contract Agreement, Bid-winning Notice (if any), Bid Letter and its schedule (if any), Special Terms of the Contract and its schedules, General Terms of the Contract, Technical Standards and Requirements, Drawings, Priced Bill of Quantities or Budget Document and Other Contract Documents.

1.1.1.2 Contract Agreement: means the written document titled "Contract Agreement" under the Contract and jointly executed by the Project Owner and the Contractor.

1.1.1.3 Bid-winning Notice: means the written document that constitutes the Contract and is sent by the Project Owner to notify the Contractor of winning the bid.

1.1.1.4 Bid Letter: means the document titled "Bid Letter" that constitutes the Contract and is completed and signed by the Contractor.

1.1.1.5 Schedule to the Bid Letter: means the document titled "Schedule to the Bid Letter" that constitutes the Contract and is attached to the Bid Letter.

1.1.1.6 Technical Standards and Requirements: means the national, industrial or local standards and requirements that constitute the Contract and shall be complied with in the construction or guide the construction under the Contract, and the standards and requirements specified herein.

1.1.1.7 Drawings: means the drawings constituted the Contract, including the design documents, construction drawings, diagram of aerial view reflecting and model provided by the Project Owner as required in the Contract or approved by the Project Owner, and the drawings developed during the performance of Contract. The Drawings shall comply with the laws and regulations.

1.1.1.8 Priced Bill of Quantities: means the Bill of Quantities that constitutes the Contract and is completed and indicated price by the Contractor according to the required form and requirements, including descriptions and forms.

1.1.1.9 Budget Document: means the project budget document that constitutes the Contract and is developed by the Contractor in the form as required by the Project Owner.

1.1.1.10 Other Contract Documents: means the binding document or written agreement agreed by the Parties to the Contract concerning the construction of Project, which may be agreed by the Parties in the Special Terms of the Contract.

1.1.2 Parties to the Contract and other related parties

1.1.2.1 Parties to the Contract: means the Project Owner and/or the Contractor.

1.1.2.2 Project Owner: means the Party executed the Contract Agreement with the Contractor and the lawful successor thereof.

1.1.2.3 Contractor: means the Party executed the Contract Agreement with the Project Owner and having applicable project construction and contracting qualification and the lawful successor thereof.

1.1.2.4 Supervisor: means any legal person or other organization appointed by the Project Owner to supervise and manage the Project according to laws and regulations and specified in the Special Terms of the Contract.

1.1.2.5 Designer: means any legal person or other organization appointed by the Project Owner to be responsible for the design of the Project, having applicable project design qualification and specified in the Special Terms of the Contract.

1.1.2.6 Subcontractor: means any qualified legal person subcontracting part of the Project or work and executed the subcontracts with the Contractor following the laws and regulations and as required in the Contract.

1.1.2.7 Project Owner's Representative: means any person appointed by the Project Owner to the Construction Site to exercise the rights of the Project Owner to the extent authorized by the Project Owner.

1.1.2.8 Project Manager: means any person in charge of the Project and having applicable qualification appointed by the Contractor to the Construction Site for the performance of Contract to the extent authorized by the Contractor.

1.1.2.9 Chief Supervisory Engineer: means the chief principal appointed by the Supervisor to the Construction Site to supervise the Project.

1.1.3 Works and equipment

1.1.3.1 Works: means the Permanent Work and/or Temporary Work corresponding to the contracting scope under the Contract Agreement.

1.1.3.2 Permanent Work: means the works constructed and handed over to the Project Owner according to the Contract, including engineering equipment.

1.1.3.3 Temporary Work: means various temporary works constructed for completing the Permanent Work as agreed in the Contract, excluding engineering equipment.

1.1.3.4 Unit Work: means the Permanent Work specified in the Contract Agreement, which has the conditions for independent construction and can be used separately.

1.1.3.5 Engineering Equipment: means the M&E equipment, metal structure and equipment, instruments and other similar equipment and devices that constitute the Permanent Work.

1.1.3.6 Construction Equipment: means all equipment, instruments and other articles required for completing each work specified in the Contract, excluding Engineering Equipment, Temporary Work and materials.

1.1.3.7 Construction Site: means the site for construction of the Project, and other places specified in the Special Terms of the Contract as part of the construction sites, including Permanent Land Occupation and Temporary Land Occupation.

1.1.3.8 Temporary Equipment: means temporary production and living facilities for completing various tasks agreed in the Contract.

1.1.3.9 Permanent Land Occupation: means the land specified in the Special Terms of the Contract for permanent occupation for the Project.

1.1.3.10 Temporary Land Occupation: means the land specified in the Special Terms of the Contract for temporary occupation for the Project.

1.1.4 Date and term

1.1.4.1 Commencement Date: including the Planned Commencement Date and the Actual Commencement Date. Planned Commencement Date means the Commencement Date agreed in the Contract Agreement, and Actual Commencement Date means the Commencement Date specified in the commencement notice in compliance with the laws and regulations and issued by the Supervisor according to Article 7.3.2 (Commencement Notice).

1.1.4.2 Completion Date: including the Planned Completion Date and the Actual Completion Date. Planned Completion Date means the Completion Date agreed in the Contract Agreement, and Actual Completion Date shall be determined according to Article 13.2.3 (Completion Date).

1.1.4.3 Term: means the period required by the Contractor to complete the construction as specified in the Contract Agreement, including any change of the term made according to the Contract.

1.1.4.4 Defects Liability Period: means the period during which the Contractor will be obligated to repair the defects according to the Contract and the Project Owner will reserve the Quality Deposit (except that the performance bond has been paid) and which starts from the Actual Completion Date.

1.1.4.5 Warranty Period: means the period during which the Contractor shall be liable for the repair of the construction according to the Contract and which starts from the date of the inspection and acceptance of the construction.

1.1.4.6 Base Date: the base date of the construction tendered and contracted shall be 28 days prior to the bid deadline, and the base date of the directly contracted construction shall be 28 days prior to the execution of the Contract.

1.1.4.7 Day: means any calendar day, unless otherwise specified. If a period calculated by day in the Contract, the period shall be calculated from the following day instead of the starting date, and the last day of such period shall end on 24:00 of that day.

1.1.5 Contract prices and costs

1.1.5.1 Contract Price: means the total amount determined by the Project Owner and the Contractor in the Contract Agreement, including civilized construction fees, Provisional Valuation and Provisional Sum.

1.1.5.2 Actual Price: means the amount paid by the Project Owner for all the work within the contract scope completed by the Contractor as agreed in the Contract, including price changes occurred following the Contract during the performance hereof.

1.1.5.3 Expenses: means all necessary expenses incurred or to be incurred for the performance of the Contract, including management fees and other costs to be allocated, but excluding profits.

1.1.5.4 Provisional Valuation: means the amount provided by the Project Owner in the Bill of Quantities or the Budget Document for payment of the unit prices of the materials and Engineering Equipment and the professional engineering and services, which must occur but the price of which may not determine temporarily.

1.1.5.5 Provisional Sum: means an amount temporarily determined by the Project Owner in the Bill of Quantities or Budget Document and included into the Actual Price, which shall be used for the purchase of required materials, Engineering Equipment or services not determined or unforeseeable at the execution of the Contract, adjustment of Actual Price due to the engineering change or trigger of adjustment as agreed in the Contract during the construction and the claims, as well as on-site execution and confirmation.

1.1.5.6 Day-wage Work: means a method of calculating the price according to the unit prices specified in the Contract when the Contractor completes the piecemeal work proposed by the Project Owner or the change of work that requires for day-wage pricing during the performance of the Contract.

1.1.5.7 Quality Deposit: means the deposit paid by the Contractor as agreed in Article 15.3 (Quality Deposit) as the security for its obligation to repair the defects during the Defects Liability Period.

1.1.5.8 Lump Sum Item: means any item calculated in total price or at a rate in the Priced Bill of Quantities or the Budget Document according to the rules for the calculation of Bill of Quantities under the current national, industrial and local measurement rules.

1.1.6 Miscellaneous

1.1.6.1 Written form: means the form carrying information in a tangible way, such as a contract document, a letter, a telegram and fax.

1.2 Language

The preparation, interpretation and explanation of the Contract shall be made in simplified Chinese. When the Parties agree to use two or more languages in the Special Terms of the Contract, Chinese shall be the language of priority to interpret and explain the Contract.

1.3 Laws

Laws referred to in the Contract means the PRC laws, administrative regulations and department rules, and the local regulations, autonomous regulations, separate regulations and local government rules at the place where the Project is located.

The Parties may agree on other applicable normative documents in the Special Terms of the Contract.

1.4 Standards and specifications

1.4.1 Where the Parties have special requirements on the national and industrial standards, local standards at the place where the Project is located, and corresponding specifications and codes, they shall specify the same in the Special Terms of the Contract.

1.4.2 Where the Project Owner requires to apply the international standards and specifications, the Project Owner shall be responsible for the provision of the original language version and Chinese translation of such standards and specifications and shall specify the name, number of copy and time for the provision of such standards and specifications in the Special Terms of the Contract.

1.4.3 If the technical and functional standards required by the Project Owner in respect of the Project are higher or stricter than the current national, industrial or local standards, the Project Owner shall specify the same in the Special Terms of the Contract. Unless otherwise specified in the Special Terms of the Contract, the Contractor shall be deemed having fully foreseen the complexity of the said technical and functional standards before executing the Contract, and the costs therefrom are included into the Contract Price.

1.5 Order of precedence of the Contract Documents

The documents constituting the Contract shall serve as mutual interpretation. Unless otherwise specified in the Special Terms of the Contract, the interpretation of the priority of the Contract Documents are as follows:

(1) Contract Agreement;

(2) Bid-winning Notice (if any);

(3) Bid Letter and its appendix (if any);

(4) Special Terms of the Contract and their exhibit;

(5) General Terms of the Contract;

(6) Technical Standards and Requirements;

(7) Drawings;

(8) Priced Bill of Quantities or Budget Document; and

(9) other Contract Documents.

The foregoing Contract Documents include the amendment and supplement thereto by the Parties thereto, for documents of the same type, the latest executed version shall prevail.

The documents formed during the execution and performance of the Contract shall be an integral part of the Contract Documents and the interpretation of priority thereof shall be determined according to their nature.

1.6 Drawings and Contractor's documents

1.6.1 Provision of drawings and disclosure

The Project Owner shall provide Drawings to the Contractor free of charge following the time limit, quantity and content agreed in the Special Terms of the Contract, and organize the Contractor, the Supervisor and the Designer to conduct drawing review and design disclosure. The Project Owner shall provide Drawings to the Contractor no later than 14 days prior to the Commencement Date specified in Article 7.3.2 (Commencement Notice).

Where the Project Owner fails to provide Drawings as agreed in the Contract, increasing expenses of the Contractor and/or the delay of Term, Article 7.5.1 (Delay of Term Due to the Fault of Project Owner) shall apply.

1.6.2 Errors in the Drawings

If, after receiving Drawings from the Project Owner, the Contractor finds any error, omission or defect in the Drawings, it shall promptly notify the Supervisor. Upon receiving such notice, the Supervisor shall attach relevant comments thereto and immediately report the same to the Project Owner, and the Project Owner shall make decisions within a reasonable period after receiving the notice from the Supervisor. Reasonable period means the period required by the Project Owner to make its efforts to complete the modification or supplementation of Drawings without omissions upon receiving the notice from the Supervisor.

1.6.3 Modification and supplementation of Drawings

Any modification or supplementation of the Drawings shall be approved by the original Designer of such Drawings and the approval authority, and the modified or supplemented Drawings shall be submitted to the Contractor by the Supervisor before the construction of the Project or any corresponding part thereof. The Contractor shall construct according to the modified or supplemented Drawings.

1.6.4 Contractor's documents

The Contractor shall provide the documents in relation to the construction of the Project to be prepared by it according to the Special Terms of the Contract, and submit the same to the Supervisor following the time limit, quantity and form specified in the Special Terms of the Contract, and the Supervisor will report and submit the same to the Project Owner.

Unless otherwise specified in the Special Terms of the Contract, the Supervisor shall complete the review thereof within 7 days after receiving the documents from the Contractor. If the Supervisor has any objection to the Contractor's documents, the Contractor shall make modifications accordingly and re-submit the modified documents to the Supervisor. The review by the Supervisor will not relieve or discharge the Contractor from its responsibilities hereunder.

1.6.5 Keeping of Drawings and Contractor's documents

Unless otherwise specified in the Special Terms of the Contract, the Contractor shall keep another complete set of Drawings and Contractor's documents at the Construction Site for use by the Project Owner, the Supervisor and relevant personnel during the inspection of construction.

1.7 Contact

1.7.1 Any Notice, Approval, certification, certificate, instruction, order, requirement, request, consent, opinion, determination and decision in relation to the Contract shall be made in writing and delivered to the recipient at the receiving address within the period specified in the Contract.

1.7.2 The Project Owner and the Contractor shall specify their respective recipient and receiving address in the Special Terms of the Contract. Where the recipient or the receiving address specified by either Party to the Contract changes, such Party shall notify the other Party of such change 3 days in advance.

1.7.3 Each of the Project Owner and the Contractor shall sign to acknowledge the receipt of correspondences delivered by the other Party to the receiving address to the designated recipient. Where either Party rejects to receive, the liability for an increase of expenses and/or delay of Term therefrom shall be borne by the rejecting Party.

1.8 Prohibition of bribery

Neither Party to the Contract shall secure any illegal benefits or damage the other Party's rights and interests by bribery or by bribery in a disguised way. Where a Party to the Contract commits bribery, bringing losses to the other Party, the Party shall compensate for the losses and bear corresponding legal responsibilities.

The Contractor shall not collude with any third party engaged by the Supervisor or the Project Owner to damage the benefits of the Project Owner. Without the written consent of the Project Owner, the Contractor shall not provide the Supervisor with communication equipment, vehicles and any other form of benefits other than those specified in the Contract, nor pay remuneration to the Supervisor.

1.9 Fossils and cultural relics

All cultural relics, monuments and other relics, fossils, coins or articles of geological research or archaeological value excavated at the Construction Site shall belong to the state. Once such cultural relics are found, the Contractor shall take reasonable and effective protective measures to prevent any person from moving or damaging such articles, immediately report to the competent government administrative authority and notify the Supervisor.

The Project Owner, the Supervisor and the Contractor shall take proper protective measures as required by the government administrative authority, and the liability for expenses increased and/or the Term delayed shall be borne by the Project Owner.

Where the Contractor fails to report or conceal any cultural relics after it finds the same, resulting in loss or damage of such cultural relics, the Contractor shall compensate for the losses and bear the corresponding legal liability.

1.10 Transportation

1.10.1 Access to the site

Unless otherwise specified in the Special Terms of the Contract, the Project Owner shall be responsible for obtaining the approvals and all rights required to access to the Construction Site, and obtaining all rights to build roads, bridges and other infrastructures required for the construction according to the construction needs, and shall bear all related charges and construction costs. The Contractor shall assist the

Project Owner in going through the formalities for the construction of roads, bridges and other infrastructures inside and outside the site.

The Contractor shall inspect the Construction Site before executing the Contract, and reasonably foresee the methods, means and paths for access to the Construction Site according to the scale and technical parameters of the Project. The liability for increased expenses and/or delayed Term due to the Contractor's failure to foresee reasonably such situation shall be borne by the Contractor.

1.10.2 Off-site traffic

The Project Owner shall provide the technical parameters and specific conditions of the off-site traffic facilities. The Contractor shall comply with the applicable traffic regulations, strictly follow the restricted load of roads and bridges, implement the regulations on the road speed limit, traffic restrictions and prohibition of overload, and cooperate with the supervision and inspection by the traffic administrative authorities. Where the off-site traffic facilities cannot meet the construction needs of the Project, the Project Owner shall be responsible for the improvement at its own costs.

1.10.3 In-site traffic

The Project Owner shall provide the technical parameters and specific conditions of the in-site traffic facilities and provide the Contractor with in-site roads and traffic facilities required for the Project construction without any charge and according to the Special Terms of the Contract. Where such roads or traffic facilities are damaged due to the reason of the Contractor, the Contractor shall be responsible for repairing the same and bearing the expenses increased therefrom.

Except for the in-site roads and traffic facilities provided by the Project Owner as agreed in the Contract, the Contractor shall be responsible for building, repairing, maintaining and managing other in-site temporary roads and traffic facilities required for the construction. The Project Owner and the Supervisor may use the in-site roads and traffic facilities built by the Contractor for the purpose of the Contract.

The boundaries between the off-site traffic and in-site traffic shall be agreed by the Parties to the Contract in the Special Terms of the Contract.

1.10.4 Transportation of oversized and overweight items

For the oversized or overweight items to be transported by the Contractor, the Contractor shall be responsible for going through the application procedures with the traffic administrative authorities, to which the Project Owner shall provide assistance. expenses on temporary reinforcement and improvement of roads and bridges for transportation for oversized or overweight items and any other related costs shall be borne by the Contractor unless otherwise specified in the Special Terms of the Contract.

1.10.5 Liability for damage to roads and bridges

If any public roads or bridges inside and outside the Construction Site are damaged due to the transportation by the Contractor, the Contractor shall bear all costs for repairing the damages and the possible compensation therefrom.

1.10.6 Water and air transportation

The water transport and air transport are applicable to the items above under this Article. The term of "roads" includes rivers, routes, locks, airports, docks, dykes, and other similar structures in water or air transportation; and the term of "vehicles" includes ships and aeroplanes.

1.11 Intellectual Property

1.11.1 Unless otherwise specified in the Special Terms of the Contract, the copyright to the Drawings provided by the Project Owner to the Contractor, the technical specifications developed or commissioned by the Project Owner for the implementation of the Project and other documents reflecting the Project Owner's requirements or of similar nature shall be owned by the Project Owner, and the Contractor may copy and use such documents for the purpose of the Contract, but not for other matters not related to the Contract. Without the written consent of the Project Owner, the Contractor shall not copy, use or provide such documents to any third party for the purposes other than those specified in the Contract.

1.11.2 Unless otherwise specified in the Special Terms of the Contract, the copyright except for the authorship of the documents prepared by the Contractor for the implementation of the Project shall be owned by the Project Owner, and the Contractor may copy or use such documents for the purposes of operation, commissioning, repair or improvement of the Project, but not for other matters not related to the Contract. Without the written consent of the Project Owner, the Contractor shall not copy, use or provide such documents to any third party for the purposes other than those specified in the Contract.

1.11.3 Each Party to the Contract warrants that it will not infringe on the intellectual property rights of the other Party and any third party during the performance hereof. The Contractor shall be liable to the infringement on any other's patent right or other intellectual property rights during the use of materials, Construction Equipment and Engineering Equipment or the application of construction processes; and the Project Owner shall be liable to the infringement arising from the materials, Construction Equipment, Engineering Equipment or construction processes provided by the Project Owner.

1.11.4 Unless otherwise specified in the Special Terms of the Contract, the royalties of the patent, know-how and technical secrets to be used as determined by the Contractor before and at the execution of the Contract have been included into the Contract Price.

1.12 Confidentiality

Unless required by laws and regulations or otherwise specified in the Contract, without the consent of the Project Owner, the Contractor shall not disclose to any third party the Drawings and documents provided by and the data and information stated to be confidential by the Project Owner.

Unless required by laws and regulations or otherwise specified in the Contract, without the consent of the Contractor, the Project Owner shall not disclose to any third party the Drawings and documents provided by and the data and information stated to be confidential by the Contractor.

1.13 Correction of errors in the Bill of Quantities

Unless otherwise specified in the Special Terms of the Contract, the Bill of Quantities provided by the Project Owner shall be deemed as correct and complete. Under any of the following circumstances, the Project Owner shall make corrections and adjust the Actual Price accordingly.

(1) There are missing items on the Bill of Quantities;

(2) The deviation of the Bill of Quantities is beyond the scope of deviation of quantities specified in the Special Terms of the Contract;

(3) The measurement is not in compliance with the mandatory regulations of the current national measuring specifications.

2. Project Owner

2.1 Permits or approvals

The Project Owner shall comply with the law and obtain permits, approvals or filings as stipulated by law, including but not limited to the construction land planning permit, construction project planning permit, project construction permit, and permits and approvals for temporary water use, temporary electricity use, interruption of road traffic, temporary occupation of land necessary for construction. The Project Owner shall assist the Contractor in obtaining relevant construction permits and approvals stipulated by law.

If the Project Owner fails to promptly obtain the foregoing permits, approvals or filings for reasons that are attributable to the Project Owner, the Project Owner shall bear the incurred expenses and/or delayed term, and pay the Contractor a reasonable profit.

2.2 Project Owner's Representative

The Project Owner shall specify names, titles, contact details and scope of authorisation and other matters of the Project Owner's Representative dispatched to the Construction Site in the Special Terms of the Contract. Within the scope of authorisation by the Project Owner, the Project Owner's Representative shall be responsible for handling specific matters relating to the Project Owner in the process of Contract Performance. The Project Owner shall be legally liable for the actions of the Project Owner's Representative within the scope of authorisation. If the Project Owner replaces the Project Owner's Representative, the Project Owner shall notify the Contractor in writing 7 days in advance.

If the Project Owner's Representative fails to perform its duties and obligations as provided in the Contract, resulting in the inability to continue to properly perform the Contract, the Contractor may require the Project Owner to replace the Project Owner's Representative.

For projects that is not subject to supervision stipulated by law, the Supervisor's duties and powers may be performed by the Project Owner's Representative or other personnel designated by the Project Owner.

2.3 Project Owner's personnel

The Project Owner shall require its personnel at the Construction Site to comply with the law and provisions regarding safety, quality, environmental protection, civilized construction, and hold the Contractor harmless from the Loss and liability caused to

the Contractor due to the failure of the Project Owner's personnel to comply with the foregoing requirements.

The Project Owner's personnel shall include the Project Owner's Representative and other personnel that are dispatched by the Project Owner to the Construction Site.

2.4 Provision of Construction Site, construction conditions and basic materials

2.4.1 Provision of Construction Site

Except as otherwise agreed in the Special Terms of the Contract, the Project Owner shall hand over the Construction Site to the Contractor no later than 7 days before the Commencement Date.

2.4.2 Provision of construction conditions

In addition to the Special Terms of the Contract, the Project Owner shall be responsible for providing the conditions required for the construction, including:

(1) access of water for construction, ceremony, communication lines and other conditions necessary for construction to the Construction Site;

(2) provision to the Contractor of traffic conditions for access to the Construction Site necessary for standard construction;

(3) coordinating and handling the protection of underground pipeline surrounding the Construction Site and adjacent buildings, structures, ancient and rare trees and bearing the relevant expenses;

(4) other facilities and conditions that shall be provided as provided under the Special Terms of the Contract.

2.4.3 Provision of basic materials

The Project Owner shall provide the Contractor with the materials relating to underground pipelines such as water supply, water discharge, power supply, gas supply, heat supply, communication, radio and television in the adjacent area, meteorological and hydrological observation materials, geological survey materials, basic materials relating to adjacent buildings, structures and underground works (if any) that are necessary for the Construction Site and project construction before the handover of the Construction Site, and shall be liable for authenticity, accuracy and completeness of materials provided.

For basic materials that shall be provided only after commencement as stipulated by law, the Project Owner shall make its efforts to provide such basic materials within a reasonable time limit before construction of the relevant project, to the extent that such reasonable time limit shall not affect normal construction of the Contractor.

2.4.4 Liability for overdue provision

In the event that the Project Owner fails to promptly provide the Contractor with the Construction Site, construction conditions and basic materials as provided by the Contract, the Project Owner shall bear the incurred expenses and/or delayed term.

2.5 Evidence of capital source and payment guarantee

Unless otherwise agreed in the Special Terms of the Contract, the Project Owner shall, within 28 days after receipt of the written notice of requesting the evidence of capital source from the Contractor, provide the Contractor with the corresponding evidence of capital source to pay the contract price as provided under the Contract.

Unless otherwise agreed in the Special Terms of the Contract, if the Project Owner requires the Contractor to provide the performance guarantee, the Project Owner shall provide the Contractor with the payment guarantee. The payment guarantee may be a bank guarantee or a guarantee by a guarantee company, which shall be agreed upon by the parties in the Special Terms of the Contract.

2.6 Payment of contract price

The Project Owner shall promptly pay the contract price to the Contractor as provided under the Contract.

2.7 Completion acceptance

The Project Owner shall promptly organize completion acceptance as provided under the Contract.

2.8 Unified site management agreement

The Project Owner, the Contractor and the contractor that the Project Owner directly contracts professional projects shall enter into a unified management agreement for the construction site to specify the rights and obligations of the parties. The Unified Management Agreement for Construction Site shall be attached as an Exhibit to the Special Terms of the Contract.

3. Contractor

3.1 Contractor's general obligations

The Contractor shall comply with the law and standard specifications for engineering construction in the process of Contract Performance and perform the following obligations:

(1) to obtain permits and approvals that the Contractor shall obtain as stipulated by law, and report the results in writing to the Project Owner for retention;

(2) to complete the projects and assume the warranty obligation during the Warranty Period as stipulated by laws and the Contract;

(3) to take construction safety and environmental protection measures and take out work-related injury insurance as stipulated by laws and the Contract to ensure the safety of projects and personnel, materials, equipment and facilities;

(4) to prepare construction organization design and construction measure plan according to the job content and construction progress requirements provided by the Contract, and be liable for the completeness, safety and reliability of all construction operations and construction methods;

(5) not to prejudice the rights of the Project Owner and others to use public roads, water source, municipal pipe network and other public facilities in performing jobs as agreed under the Contract, avoiding interruptions caused to adjacent public facilities.

If the Contractor occupies or uses others' construction site affecting others' operation or life, the Contractor shall assume the corresponding liability;

(6) to be responsible for the protection of the Construction Site and its surrounding environment and ecological protection according to the provisions of Article 6.3 (Environmental Protection);

(7) to take construction safety measures according to the provisions of Article 6.1 (Safe and Civilized Construction) to ensure the safety of projects and their personnel, materials, equipment and facilities, and prevent bodily injury and property loss caused by engineering construction;

(8) to apply various prices paid by the Project Owner as provided under the Contract specially for the Contract, and promptly pay wages of its employees, and promptly pay the contract price to the Subcontractor;

(9) to prepare completion materials, complete filing and archiving of completion materials following the laws and regulations and the provisions of the Contract, and hand over them to the Project Owner according to the number of sets, content, timing and other requirements of completion materials as agreed in the Special Terms of the Contract;

(10) Other obligations that shall be performed.

3.2 Project Manager

3.2.1 The Project Manager shall be the candidate confirmed by the parties to the Contract, and the matters such as the Project Manager's name, title, registered practising certificate number, contact details and scope of authorisation shall be specified in the Special Terms of the Contract. As authorised by the Contractor, the Project Manager shall represent the Contractor to perform the Contract. The Project Manager shall be an employee formally employed by the Contractor. The Contractor shall provide the Project Owner with the labour contract between the Project Manager and the Contractor, and valid evidence to prove that the Contractor has contributed social insurance for the Project Manager. If the Contractor fails to submit the foregoing documents, the Project Manager has the right to perform duties and the Project Owner has the right to replace the Project Manager, with the incurred expenses and/or delayed term borne by the Contractor.

The Project Manager shall be resident in the Construction Site, and stay at the Construction Site for days no less than those agreed in the Special Terms of the Contract in a month. The Project Manager shall not concurrently serve as the project manager of any other project. If the Project Manager needs to leave the Construction Site, then it shall notify the Supervisor in advance and obtain the written consent of the Project Owner. The notice given by the Project Manager shall state registered practising qualification, management experience and other information of the person who temporarily performs his duties on his behalf and shall have the ability to perform the corresponding duties.

If the Contractor violates the above provisions, it shall be liable for breach following the provisions of the Special Terms of the Contract.

3.2.2 The Project Manager shall organize the project implementation pursuant to the Contract. In urgent cases, in order to ensure the construction safety and personnel safety, when it is impossible to contact the Project Owner's Representative and the

Chief Supervisory Engineer promptly, the Project Manager has the right to take necessary measures to ensure body, property and engineering safety in connection with projects, provided that he shall submit written reports to the Project Owner's Representative and the Chief Supervisory Engineer within 48 hours.

3.2.3 If the Contractor intends to replace the Project Manager, it shall notify the Project Owner and the Supervisor in writing 14 days in advance, and shall obtain the written consent of the Project Manager. The notice shall set forth the registered practising qualification, management experience and other information of the successor project manager, and the successor project shall continue to perform the duties specified in Article 3.2.1. Without the written consent of the Project Owner, the Contractor shall not replace the Project Manager. If the Contractor replaces the Project Manager without permission, it shall be liable for breach following the provisions of the Special Terms of the Contract.

3.2.4 The Project Owner has the right to notify the Contractor in writing of replacing the Project Manager as it deems incompetent and the notice shall set forth the reason for replacement. The Contractor shall, within 14 days after receipt of the replacement notice, submit a written improvement report to the Project Owner. If the Project Owner still requires replacement of the Project Manager after receipt of the improvement report, the Contractor shall, within 28 days after receipt of the second notice of replacement, replace the Project Manager, and notify the Project Owner in writing of the registered practising qualification, management experience and other information of the newly appointed Project Manager. The successor Project Manager shall continue to perform the duties agreed in Article 3.2.1. If the Contractor refuses to replace the Project Manager without justifiable reason, it shall be liable for breach following the provisions of the Special Terms of the Contract.

3.2.5 If the Project Manager authorises its subordinate staff to perform specific duties thereof in individual cases, such subordinate staff shall have the ability to perform the corresponding duties, and notify the Supervisor in writing of the name and scope of authorisation of the above staff 7 days in advance and obtain the written consent of the Project Owner.

3.3 Contractor's personnel

3.3.1 Unless otherwise agreed in the Special Terms of the Contract, the Contractor shall, within 7 days after receipt of the commencement notice, submit to the Supervisor the report for management structure of the Contractor's project and personnel arrangement at the Construction Site, which shall include but limited to the list of contract management, construction, technology, material, quality, safety, financial and other main construction management personnel and positions and registered practising qualifications thereof, and arrangement of technical workers of various types of work, and shall submit evidence of labour relationship between main construction management personnel and the Contractor and valid evidence of contributing social insurance.

3.3.2 The main construction management personnel dispatched by the Contractor to the Construction Site shall be relatively stable. In case of any change in the construction process, the Contractor shall promptly submit to the Supervisor the report about the change in personnel at the Construction Site. If the Contractor replaces the main construction management personnel, it shall notify the Supervisor in writing 7 days and obtain the written consent of the Project Owner. The notice shall set forth the registered practising qualification, management experience and other information of the successor personnel.

Workers involved in a special type of work shall possess the corresponding qualification certificate and the Supervisor may check at any time.

3.3.3 If the Project Owner has any objection to the qualification or competency of the main construction management personnel of the Contractor, the Contractor shall provide materials proving that the questioned personnel is competent to perform its job duties or the circumstance questioned by the Project Owner does not exist. If the Project Owner requires to replace the main construction management personnel who are unable to perform duties and obligations as provided under the Contract, the Contractor shall replace such personnel. If the Contractor refuses to replace the personnel without justifiable reason, it shall be liable for breach following the provisions of the Special Terms of the Contract.

3.3.4 Unless otherwise agreed in the Special Terms of the Contract, if the Contractor's main construction management personnel leaves the Construction Site for less than 5 days accumulatively per month, the Contractor shall report the Supervisor and obtain its consent; if for more than 5 days, the Contractor shall notify the Supervisor and obtain the written consent of the Project Owner. Before the main construction management personnel leaves the Construction Site, there shall be experienced personnel who temporarily performs the duties on his behalf. Such personnel shall have the qualification and ability to perform corresponding duties and obtain the consent of the Supervisor or the Project Owner.

3.3.5 If the Contractor replaces the main construction management personnel without permission, or the above personnel leaves the construction site without the consent of the Supervisor or the Project Owner, the Contractor shall be liable for breach following the provisions of the Special Terms of the Contract.

3.4 Contractor's Site Survey

The Contractor shall be liable for interpretations and presumptions made based on basic materials provided by the Project Owner pursuant to Article 2.4.3 (Provision of Basic Materials). However, if the Contractor's interpretations or presumptions are inconsistent with facts due to errors or omissions in basic materials, the Project Owner will be liable therefor.

The Contractor shall survey the Construction Site and construction conditions, and fully understand meteorological conditions, traffic conditions,

manners and customs and other materials relating to the performance of contractual work in the place where the Project is located. If the Contractor fails to thoroughly survey, understand the foregoing circumstance or fails to fully evaluate the foregoing circumstance, which may result in consequences, the Contractor shall bear the increased fees and/or delayed term.

3.5 Subcontracting

3.5.1 General provisions of subcontracting

The Contractor shall not subcontract all projects contracted by it to a third person, or divide all projects contracted by it and outsource them to third persons in the name of subcontracting. The Contractor shall not subcontract to a third person the main project structure, key work and professional projects prohibited for subcontracting in the Special Terms of the Contract, and the scope of the main structure and key work will be specified by the parties to the Contract in the Special Terms of the Contract following

laws.

The Contractor shall not outsource or illegally subcontract projects in the name of labour subcontracting.

3.5.2 Determination of subcontracting

The Contractor shall subcontract and determine the Subcontractor following the Special Terms of the Contract. For professional projects for which provisional valuation is given in the Priced Bill of Quantities or the Budget Document, the Subcontractor is determined pursuant to Article 10.7 (Provisional Valuation). In the case of subcontracting pursuant to the Contract, the Contractor shall ensure that the Subcontractor has the corresponding qualification and ability. The project subcontracting will not alleviate or exempt the Contractor's liability and obligation. The Contractor and the Subcontractor shall be severally and jointly liable to the Project Owner for subcontracted projects. Unless otherwise agreed in the Contract, the Contractor shall submit a counterpart of the subcontract to the Project Owner and the Supervisor within 7 days after execution of the subcontract.

3.5.3 Subcontracting management

The Contractor shall submit to the Supervisor the list of main construction management personnel of the Subcontractor, and conduct real-name management of construction personnel of the Subcontractor, including but not limited to entry and exit management, registration and tabulation and obtaining of various permits and licenses.

3.5.4 Subcontract price

(1) Except for the case provided in paragraph (2) of this Article or otherwise agreed in the Special Terms of the Contract, the subcontract price shall be settled between the Contractor and the Subcontractor. Without the consent of the Contractor, the Project Owner shall not pay the subcontracting price to the Subcontractor;

(2) If under a valid legal instrument, the Project Owner shall pay the subcontract price to the Subcontractor, the Project Owner has the right to deduct such amount from the Contractor's project payment.

3.5.5 Assignment of subcontract interest

If the Subcontractor's obligations under the subcontract survive the expiration of the Defects Liability Period, the Project Owner has the right to require the Contractor to assign its interest under the subcontract to the Project Owner prior to the expiration of the Defects Liability Period, and the Contractor shall make such assignment. Unless otherwise agreed in the assignment contract, upon the effectiveness of the assignment contract, the Subcontractor will perform obligations for the Project Owner.

3.6 Project care and protection of finished products and semi-finished products

(1) Unless otherwise agreed in the Special Terms of the Contract, as of the date when the Project Owner hands over the Construction Site to the Contractor, the Contractor shall be responsible for project care and project-related materials and engineering equipment, until the date when the project acceptance certificate is issued.

(2) During the period when the Contractor is responsible for the care, in the case of damage to projects, materials and engineering equipment for reasons that are

attributable to the Contractor, the Contractor shall be responsible for repair or replacement, and bear the increased fees and/or delayed term.

(3) For finished products and semi-finished products that are completed by stages under the Contract, before the issuance of the project acceptance certificate, the Contractor shall be responsible for protection. If finished products or semi-finished products are damaged due to the Contractor, the Contractor shall be responsible for repair or replacement, and bear the increased fees and/or the delayed term.

3.7 Performance Guarantee

If the Project Owner requests the Contractor to provide performance guarantee, the parties to the Contract shall set forth the method, amount and term of performance guarantee in the Special Terms of the Contract. The performance guarantee may be a bank guarantee or a guarantee by a guarantee company, which shall be agreed upon by the parties in the Special Terms of the Contract.

If the term is extended for reasons attributable to the Contractor, the increased fees for continued performance guarantee shall be borne by the Contractor; if the term is extended for reasons other than those attributable to the Contractor, the increased fees for continued performance guarantee shall be borne by the Project Owner.

3.8 Consortium

3.8.1 All parties to the consortium shall sign a Contract Agreement with the Project Owner. All parties to the consortium shall be jointly and severally liable to the Project Owner for Performance of the Contract.

3.8.2 The consortium agreement shall be attached as an Exhibit to the Contract with the confirmation of the Project Owner. In the process of the Contract Performance, without the consent of the Project Owner, the consortium agreement shall not be modified.

3.8.3 The consortium lead is responsible for contacting with the Project Owner and the Supervisor, and receiving prompts, and organizing all members of the consortium to fully perform the Contract.

4. Supervisor

4.1 General provisions of the Supervisor

If a project is subject to supervision, the Project Owner and the Contractor shall specify supervision contents and supervision authority of the Supervisor and other matters in the Special Terms of the Contract. The Supervisor shall, as authorised by the Project Owner and provided under the law, check, inspect, review and accept the matters relating to project construction and issue relevant prompts on behalf of the Project Owner. However, the Supervisor is not entitled to revise the Contract or alleviate or exempt any of the Contractor's liabilities and obligations under the Contract.

Unless otherwise agreed in the Special Terms of the Contract, the Contractor shall provide workplace and living place of the Supervisor in the Construction Site at the expense of the Project Owner.

4.2 Supervision personnel

The right to supervise the project granted by the Project Owner to the Supervisor shall be exercised by the supervision personnel dispatched by the Supervisor to the Construction Site. The supervision personnel shall include the Chief Supervisory Engineer and supervisory engineers. The Supervisor shall notify the Contractor in writing of the name and scope of authorisation of the authorised Chief Supervisory Engineer and supervisory engineers in advance. In the case of replacement of the Chief Supervisory Engineer, the Supervisor shall notify the Contractor in writing 7 days in advance; in the case of replacement of other supervision personnel, the Supervisor shall notify the Contractor in writing 48 hours in advance.

4.3 Supervisor's instructions

The Supervisor shall issue supervisory instructions as authorised by the Project Owner. The Supervisor's instructions shall be given in writing and signed by authorised supervision personnel. In urgent cases, in order to ensure the safety of construction personnel or avoid damage to the project, the supervision personnel may issue oral instructions, which have the same legal effect as written instructions, provided that written supervisory instructions shall be supplemented within 24 hours after oral instructions are given and consistent with such oral instructions.

The instructions issued by the Supervisor shall be given to the Project Manager of the Contractor or the personnel authorised by the Project Manager. Where the Supervisor fails to issue instructions as agreed in the Contract, delays in issuing instructions or issues wrong instructions, increasing expenses of the Contractor and/or the delay of term, the Project Owner shall assume the corresponding liability. Unless otherwise agreed in the Special Terms of the Contract, the Chief Supervisory Engineer shall not authorise or delegate powers that shall be determined by the Chief Supervisory Engineer as provided under Article 4.4 (Negotiation or Determination) to other supervisory personnel.

If the Contractor has any question about an instruction issued by the Supervisor, the Contractor shall raise a written objection to the Supervisor. The Supervisor shall confirm, change or revocate such instruction within 48 hours. If the Supervisor fails to respond within the above time limit, the Contractor has the right to refuse to perform the above instructions.

In case that the Supervisor fails to express any opinion on the Contractor's any work, project or materials and engineering equipment adopted within an agreed or reasonable period of time, they shall be deemed to have been approved, which will not exempt or reduce the Contractor's liabilities and obligations that shall be assumed with respect to such work, project, materials and engineering equipment.

4.4 Negotiation or Determination

In the case of negotiation or determination by the parties to the Contract, the Chief Supervisory Engineer shall negotiate with the parties to the Contract. If no settlement is reached, the Chief Supervisory Engineer shall prudently make a fair determination as provided under the Contract.

The Chief Supervisory Engineer shall notify the Project Owner and the Contractor of the determination in writing, with a detailed basis. If the parties to the Contract have no objection to the determination by the Chief Supervisory Engineer, such determination shall prevail. If any party to the Contract has an objection, the provisions of Article 20 (Dispute Resolution) shall apply. Before the dispute is resolved, the parties to the Contract shall temporarily perform according to the determination by the Chief

Supervisory Engineer; after the dispute is resolved, if the result of the dispute resolution is inconsistent with the determination by the Chief Supervisory Engineer, the result of the dispute resolution shall prevail, and the loss caused thereby shall be borne by the responsible person.

5. Quality of the Work

5.1 Quality Requirements

5.1.1 The Project quality standard should satisfy the requirements for current national specifications and standards on Project quality acceptance. Particular standards or requirements concerning Project quality should be agreed by the parties in the Special Terms of the Contract.

5.1.2 If the Project quality fails to meet the agreed standard in the Contract, as is attributed to the Project Owner, the Project Owner shall bear the incurred expenses and/or delayed term, and pay the Contractor a reasonable profit.

5.1.3 If the Project quality to fail to meet the standards agreed by Contract, as is attributed to the Contractor, the Project Owner is entitled to require the Contractor to rework until the Project quality satisfies the standards agreed to by Contract, with the incurred expenses and/or delayed term should be borne by the Contractor.

5.2 Quality Warranty measures

5.2.1 The Project Owner's quality management

The Project Owner shall complete all matters related to Project quality following the applicable laws, regulations, and Contract agreement.

5.2.2 Contractor's Quality Control

The Contractor should following Article 7.1 (construction organization design) submit the Project Quality assurance system and Document about relevant measures to the Project Owner and the Supervisor, and establish a complete quality inspection system together with the submission of the corresponding Project quality Documents. The Contractor is entitled to refuse to implement the improper instructions from the Project Owner and the Supervisor in Violation of the relevant laws and the provision of Contract.

The Contractor shall provide Technology Training on quality education box to the construction personnel, periodically assess their labour skills, and strictly implement the construction specifications and operating procedures.

The Contractor shall, following the applicable laws, regulations, and the requirements of the Project Owner, carry out full-process quality inspection and test on materials, Engineering Equipment, all parts of works and their construction craft, make detailed records, prepare Project quality statements, and submit them to the Supervisor for approval. Besides, the Contractor shall also perform sampling and test on Construction Site, Project review measurements and equipment performance testing, provide test samples, submit the test reports, measurement results, and other relevant results, as required by the applicable laws, regulations and the requirements of Project Owner.

5.2.3 Supervisor's Quality Inspection and Test

The Supervisor should perform test and inspection on all parts of construction and their

construction technology, materials and Engineering Equipment following the applicable laws, regulations and the Authorisations of the Project Owner. The Contractor shall provide convenience for the Supervisor's test and inspection, including the Supervisor to inspect and review the original construction records at the Construction Site, manufacturing or processing place, or other places agreed by the Contract. The inspection and test carried out by the Supervisor for this purpose shall not relieve or reduce the Contractor's obligations as agreed upon by the Contract.

Inspection and test by the Supervisor shall not affect the normal construction. If the inspection and test by the Supervisor affect the normal construction, and the result is unqualified, the expenses affecting the normal construction shall be borne by the Contractor, and the construction term shall not be postponed. As for the qualified, the incurred expenses and/or the delayed term should be undertaken by the Project Owner.

5.3 Inspection on concealed work

5.3.1 The Contractor's self-inspection

The Contractor shall perform self-inspection on the concealed work, and confirm whether the covering Conditions are met through the self-inspection.

5.3.2 Inspection procedures

Unless otherwise specified in the Special Terms of the Contract, as for the concealed work self-inspected by the Contractor to be eligible for covered conditions, the Contractor shall send the Supervisor the Notice about the work, time, and location of joint inspection on concealed work, supported with the self-inspection record and necessary Document in writing 48 hours before the commencement of the joint inspection.

The Supervisor shall arrive at the site on time to inspect the concealed construction and its construction technology, materials and Engineering Equipment. The Contractor can perform covering work only after the Supervisor's inspection and confirmation on the satisfaction of the quality requirement for the concealment and its signature on the acceptance record. If the result of the Supervisor's inspection is unqualified, the Contractor shall complete the renovation within the time instructed by the Supervisor and give it for the re-examine by the Supervisor, with the incurred expenses and/or the delayed term borne by the Contractor.

Unless the Special Terms of the Contract stipulate otherwise, if the Supervisor fails to perform the inspection on time, it shall submit a written Adjourned request of not over 48 hours to the Contractor 24 hours before the inspection. As for the incurred delayed term, the construction term should be postponed. If the Supervisor fails to perform the inspection on time and to submit the request of term Adjourned, the result of inspection on concealed work is deemed to be qualified. In this case, the Contractor may complete the covering work on its own and submit the corresponding records to the Supervisor for its signature as Approval. In the event that the Supervisor has any doubts about the inspection records after the inspection, he may re-examine following the provisions in Article 5.3.3 (Re-inspection).

5.3.3 Re-inspection

If the Project Owner or the Supervisor has any doubt on the quality of covering work, it can require the Contractor to drill holes or uncover for Re-inspection. The Contractor shall follow the instructions and recover to the original state. In the event that the work

is inspected to meet the quality requirements specified in the Contract, the Project Owner should bear the increased cost and/or the delayed construction term, and pay the Contractor reasonable profit; if the work is inspected to be not qualified, the incurred expenses and (or) the delayed term shall be borne by the Contractor.

5.3.4 The performance of the covering work by the Contractor at its discretion

If the Contractor fails to give the Supervisor the Notice to perform the inspection on site and cover the concealed part at its discretion, the Supervisor is entitled to instruct the Contractor to drill holes or unfold for inspection regardless of the quality of the concealed part, with the incurred expenses and/or delays construction term borne by the Contractor.

5.4 Treatment on Unqualified Work

5.4.1 In the event that the construction is unqualified, as is attributed to the Contractor, the Project Owner is entitled to require the Contractor to take remedy measures at any time until the quality standard required by the Contract is satisfied, with the incurred expenses and/or delayed construction term borne by the Contractor. As for the part cannot be remedied, the performance should be made following the provision of Article 13.2.4 (Refusal to Accept All or Part of Construction).

5.4.2 If the construction is not qualified in consequence of the fault of the Project Owner', the Project Owner shall bear the incurred expenses and/or delayed term, and pay the Contractor a reasonable profit.

5.5 Inspection on Quality Dispute

If the Contract parties have disputes over Project quality, the quality shall be identified by the Project quality inspection agency agreed upon by both parties, with the incurred expenses and arising Loss shall be borne by the responsible party.

In case that both parties to the Contract are responsible, they shall bear the liability separately according to their obligations. Once the Contract parties cannot reach an agreement, they should make the performance following Article 4.4 (negotiation or determination).

6. Safe and Civilized Construction and Environmental Protection

6.1 Safe and Civilized Construction

6.1.1 Safety Production Requirements

During the Performance of the Contract, all parties to the Contract shall comply with national and local requirements for safe production. If the parties to the Contract have special requirements, they shall specify the objective of the Project safety production standardization and corresponding matters in the Special Terms of the Contract. The Contractor is entitled to refuse any instructions from the Project Owner and the Supervisor on forcibly operating in violation of regulations and risk-taking construction.

During the construction process, in case of any emergency that affects the construction safety such as sudden geological changes, unforeseen underground construction obstacles, the Contractor shall notify the Supervisor and the Project Owner promptly, and the Project Owner shall promptly stop work and report to the relevant authorities for emergency measures.

In case that the construction is suspended, as is attributed to safety production, the provisions of Article 7.8 (Suspension of Construction) should be followed.

6.1.2 Safety Production Warranty Measures

The Contractor shall comply with relevant regulations to formulate Technology safety measures or individual construction plans, establish safety production responsibility system, public security system and safety production education and Training system, and fulfil safety responsibilities according to the safety production law and Contract agreement, and truthfully prepare construction safety production records, and accept inspection and regulation by the Project Owner, the Supervisor and the government safety regulators.

6.1.3 Special Safety Production Matters

The Contractor shall carry out the construction following the applicable laws, regulations, secure safety technical disclosure in prior to the commencement of the construction, and take all safety protection measure in the progress of the construction. The personnel of the particular job employed by the Contractor for the implementation of the Contract shall have received specialised training and obtained the qualification certificate issued by the relevant government authorities.

When the Contractor performs construction in the areas of power equipment, transmission line, underground pipeline, sealed earthquake-proof workshop, flammable and explosive areas, and near the main traffic streets, the Contractor shall propose safety protection measure to the Project Owner and the Supervisor in prior to the commencement of the construction, and implement them after being approved by the Project Owner.

When performing blasting operation (including the storage, transportation, and use of explosive matters) with toxic and corrosive materials in the radioactive and toxic environment, the Contractor shall give Project Owner and the Supervisor a Notice in writing 7 days before the construction and submit corresponding safety protection measure to the Project Owner for Approval before the construction.

As for the more dangerous sub-contractual work requiring separate preparation of individual construction plan, and the one with a higher risk than a particular scale that requires expert demonstration, the Contractor shall prepare the plan and organize the demonstration promptly.

6.1.4 Public Security

Unless otherwise specified in the Special Terms of the Contract, the Project Owner shall, through consultation with the local public security department, establish public security administration organization or joint defence organization on the site, and shall be responsible for the unified management of public security matters of the Construction Site, and perform the public security duties of the Contract Project.

In addition to the assistance with assisting the in-site public security administration organization or joint defence organization for the maintenance of the public security of the Construction Site, the Project Owner and the Contractor shall also well preserve public security in the security of the Activity in their respective jurisdictions, including the living area.

Unless otherwise specified in the Special Terms of the Contract, the Project Owner

and the Contractor shall jointly prepare a public security management plan for Construction Site within 7 days after the commencement of construction and formulate an emergency plan to respond to security emergencies. The Project Owner and the Contractor should immediately report to the local government violent incidents such as riots, explosions, and sudden mass security incidents such as group fights and weapon fights in the progress of the construction. The Project Owner and the Contractor shall actively assist the relevant local authorities to take measures to calm down the situation, preventing the situation from expanding, as attempts to avoid personal injuries and property Loss.

6.1.5 Civilized Construction

During the construction term, the Contractor shall take measures to keep the Construction Site levelling and the materials stacked neatly. Any special requirement from the relevant government administrative department of the construction location should be met during the performance of the construction. Any other requirement of the Contract parties for Civilized Construction should be specified in the Special Terms of the Contract.

Prior to work handover, the Contractor shall remove its all Engineering Equipment, excess materials, debris and various Temporary Work from the Construction Site, and keep the site clean and tidy. With the Project Owner's written Approval, the Contractor may retain the materials, equipment and Temporary Work required to fulfil its obligations during the Warranty Period at the location designated by the Project Owner.

6.1.6 Safe and Civilized Construction Costs

Safe and Civilized Construction expenses borne by the Project Owner, should not be deducted by the Project Owner in any form. Due to any changes in the laws applicable to the Contract after the Base Date or in relevant government regulations, the arising Safe and Civilized Construction expenses will be borne by the Project Owner.

Any expenses incurred by the Contractor's performance of security measures approved by the Project Owner and not specified in the Contract should be borne by the Project Owner. In case that the Contractor's measures without the consent of Project Owner prevent the Project Owner from suffering Loss, the Project Owner should bear the expenses for the performance of the measure within the amount of the potential Loss. If the performance of the measure avoids the Loss of the Contractor, the Contractor shall bear relevant expenses.

Unless otherwise specified in the Special Terms of the Contract, the Project Owner shall prepay 50% of the total Safe and Civilized Construction Expenses within 28 days after the commencement of construction, and the rest shall be paid at the same time as the progress payment. If the Project Owner has an overdue payment of the Safe and Civilized Construction Expenses for more than 7 days, the Contractor is entitled to send a reminder Notice about the prepayment to the Project Owner. In case that the Project Owner still does not make the payment within 7 days after the receipt of the Notice, the Contractor is entitled to suspend construction and follow the instructions specified in Article 16.1.1 (The Circumstance of Project Owner's Default).

The Contractor shall provide special fund as safe and civilized construction costs, and shall list items separately in the financial accounts for reference, and shall not use such fund for other purposes, otherwise, the Project Owner is entitled to instruct to correct within a time limit; if the Contractor fails to correct within such time limit, the Project Owner may instruct to suspend the construction, and the Contractor shall bear the

additional expenses and/or take responsibility for the delayed construction periods.

6.1.7 Treatment on Emergencies

As for any event putting the construction in danger during the implementation of construction or Defects Liability Period, the Project Owner is entitled to hire other personnel to perform a rescue in case that the Contractor declares its incapability or reluctance to execute rescue immediately after the receipt of rescue Notice from the Supervisor. If the obligation of such rescue lies in the Contractor following the Contract agreement, the increased expenses and/or delayed construction term shall be borne by the Contractor.

6.1.8 Accident Disposal

In the event of an accident during the progress of the construction, the Contractor shall immediately send relevant Notice to the Supervisor, and the Project Owner should be notified by the Supervisor. The Project Owner and the Contractor should immediately organize personnel and equipment for emergency rescue and urgent repair to reduce casualties and property damage, preventing the accident from expanding, and from protecting the accident scene. The site items required to be moved should be marked and recorded to properly preserve relevant evidence. The Project Owner and the Contractor shall promptly and truthfully report to the relevant authorities the accident, the emergency measures being taken, and any other relevant matters following the applicable national rules.

6.1.9 Safety Production Liability

6.1.9.1 The Project Owner's Safety Liability

The Project Owner shall be responsible for the compensation for the loss caused by:

(1) Third party's property Loss caused by land occupation by all or any part of construction;

(2) Personal injuries and property Loss to third parties at the Construction Site and adjacent areas due to the Project Owner;

(3) Personal injuries and property Loss to the Contractor and the Supervisor due to the Project Owner;

(4) Personal injuries and property Loss to the Project Owner for its own fault.

6.1.9.2 The Contractor's Safety Liability

Any personal injuries and property Loss to the Project Owner, the Supervisor, and the third party in the site or its adjacent areas caused by the Contractor shall be compensated by the Contractor.

6.2 OCCUPATIONAL HEALTH

6.2.1 Labor Protection

The Contractor shall arrange the on-site construction workers' working and break time following the applicable rules, ensuring the labourers' break time and the payment of reasonable remuneration and expenses. The Contractor shall, following the applicable

laws, handle with necessary certificates, permits, insurance and registration for the employed personnel to perform the Contract. The Contractor shall also urge its Subcontractor to cope with the above matters for their employees.

The Contractor shall follow the applicable laws and regulations ensure on-site construction workers' Labor Protection by providing labour protection for the construction workers and adopting effective Labor Protection measures to prevent dust, reduce noise, control the emission of harmful gases, and to ensure safe operation at high temperature, and in high and cold weather, or high altitude work. In case the Contractor's employees are injured during construction, the Contractor shall immediately take effective measures for rescue and treatment.

The Contractor shall follow the applicable laws and regulations arrange its employee's Working time to secure their right to rest and vacation. Occupation of holidays or the Adjourned of Working time due to the particular requirement of the construction shall not exceed the legal limit, and the Contractor shall make up the missed rest or make the payment for the occupation following to the applicable laws and regulations.

6.2.2 Living Conditions

The Contractor shall provide the necessary accommodation and living environment for the personnel employed to implement the Contract; the Contractor shall take effective measures to prevent infectious diseases for the Warranty of the construction workers' health, and regularly perform professional inspection and treatment on epidemic prevention and sanitation in the construction worker's living camp and Construction Site. Besides, the medical personnel and facilities necessary for injury and disease prevention and emergency should be equipped with at the Construction Site far from the town.

6.3 Environmental protection

The Contractor shall set out the detailed environmental protection measures in the construction organization design. During the implementation of the Contract, the Contractor shall take reasonable measures to protect the Construction Site environment during the construction. Concrete and feasible precautionary measures should be taken against the pollution on atmospheric, water, noise, and solid waste that may be caused during the construction.

The Contractor shall take the liability of compensation for the environmental pollution and Infringement damages caused by itself, and any incurred expenses and/or term delay caused by construction suspension due to the dispute of the above environment pollution should be borne by the Contractor.

7. Term and Schedule

7.1 Construction organization design

7.1.1 The content of construction organization design

The construction organization design shall include the following:

(1) Construction plan;

(2) Construction Site layout;

(3) Construction Schedule and Warranty measures;

(4) Labor and material supply plan;

(5) The selection of construction machines;

(6) Quality assurance system and measures;

(7) Safety production and civilized construction measures;

(8) Environmental protection and cost control measures;

(9) Other agreement by the Contract parties.

7.1.2 Submission and Modification of the Construction Organization Design

Unless otherwise stipulated in the special terms of the contract, the Contractor shall submit the detailed construction organization design to the Supervisor for its delivery to the Project Owner within 14 days after the signing of the contract, but not later than 7 days in prior to the commencement date stated in article 7.3.2 (Commencement Notice). Unless otherwise specified in the Special Terms of the Contract, the Project Owner and the Supervisor shall confirm the construction organization design or propose its amendments within 7 days after the receipt of the design. The Contractor shall modify and improve the rational opinions and requirements put forward by the Project Owner and the Supervisor. In case the construction organization design needs to be modified according to the actual situation of the construction, the Contractor shall submit the revised design to the Project Owner and the Supervisor.

The Construction Schedule should be prepared and modified following Article 7.2 (Construction Schedule).

7.2 Construction Schedule

7.2.1 Preparation of Construction Schedule

The Contractor shall submit a detailed Construction Schedule as stipulated in Article 7.1 (construction organization design). The Preparation of Construction Schedule shall be following national applicable laws, regulations, and general construction practice and practice, and can be implemented after approved by the Project Owner. As the Construction Schedule is the basis to control the construction progress, the Project Owner and the Supervisor are entitled to inspect the construction progress based on the schedule.

7.2.2 Revision on Construction Schedule

If the construction progress fails to meet the Contract requirements or to be inconsistent with the actual progress, the Contractor shall submit a revised Construction Schedule supported with relevant measures and Documents to the Supervisor for its delivery to the Project Owner. Unless otherwise specified in the Special Terms of the Contract, the Project Owner and the Supervisor shall complete the review and Approval on the revised Construction Schedule or propose its amendments within 7 days after the receipt of the schedule. The Project Owner and the Supervisor's confirmation on the Construction Schedule submitted by the Contractor should not relieve or exempt any liability or obligation that the Contractor

should assume according to the applicable laws, regulations, and the Contract Agreement.

7.3 Commencement

7.3.1 Preparations for the commencement

Unless otherwise specified in the Special Terms of the Contract, the Contractor shall submit the review request on Project commencement to the Supervisor for its delivery to the Project Owner within the period specified in the Article 7.1 (construction organization design). Once approved by the Project Owner, the request can be implemented. The review request on Project commencement should detail the implementation of construction roads, temporary facilities, materials, Engineering Equipment, Construction Equipment, and construction personnel required for the normal construction based on schedule, together with the scheduling.

Unless otherwise specified in the Special Terms of the Contract, the Contract parties shall complete the preparation for the commencement of construction following the agreement.

7.3.2 Commencement Notice

The Project Owner shall obtain the necessary permits for construction following the applicable laws and regulations. With the consent of the Project Owner, the Commencement Notice issued by the Supervisor shall comply with the applicable laws and regulations. The Supervisor shall issue the Contractor notice of commencement 7 days before the planned commencement date, and the construction term shall count from the commencement date specified in the Commencement Notice.

Unless otherwise specified in the special terms of the contract, the Contractor is entitled to request a price adjustment or terminate the contract in the case that the Supervisor fails to issue a Commencement Notice within 90 days from the planned commencement date due to the fault of the Project Owner. The Project Owner shall bear the incurred expenses and/or delayed term and pay the Contractor reasonable profit.

7.4 Surveying settingout

7.4.1 Unless otherwise agreed in the special terms of the contract, the Project Owner shall provide the Contractor with the measurement datum point, datum line and datum mark and its written documents through the Supervisor not later than 7 days before the commencement date specified in the article 7.3.2 (Commencement Notice). The Project Owner shall be responsible for the authenticity, accuracy, and completeness of the provided surveying datum point, datum line, datum mark, baselines, and their written Documents.

The Contractor should send the Supervisor the Notice about any spotted errors and omissions in the above surveying datum, datum line, and datum mark and Documents provided by the Project Owner. The Supervisor shall report the Project Owner promptly and verify it with the Project Owner and the Contractor. The Project Owner should decide on how to proceed with the construction and whether to continue to perform the construction and send the Notice of the decision to the Supervisor and the Contractor.

7.4.2 The Contractor should be responsible for all the surveying and settingout during the construction process and have qualified surveyors, qualified apparatus,

equipment and other items. The Contractor shall correct any errors in the location, elevation, size or alignment in the construction, and be responsible for the positioning of all parts of the construction.

During the construction, the Contractor is responsible for the protection of the datum mark and any other surveying reference at the Construction Site.

7.5 Delay

7.5.1 Delay of Term Due to the Fault of Project Owner

During the performance of the Contract, any term delay and/or additional expenses incurred from the following condition should be borne by the Project Owner, together with the payment of reasonable profit to the Contractor:

(1) The Project Owner fails to provide drawings according to the Contract agreement, or provides any drawing non-compliance with the Contract Agreement;

(2) The Project Owner fails to provide required construction conditions such as Construction Site, construction conditions, foundation Documents, permits, and Approvals, as comply with the Contract Agreement;

(3) Any errors or omissions occur in the surveying datum point, datum line, datum mark and relevant written Documents provided by the Project Owner;

(4) The Project Owner fails to agree to issue the Commencement Notice within 7 days from the planned commencement date;

(5) The Project Owner fails to pay an advance payment, progress payment or completion settlement at the date agreed by Contract;

(6) The Supervisor fails to issue instructions, Approvals, and any other Documents according to the Contract Agreement;

(7) Other circumstances agreed in the Special Terms of the Contract.

In case that the construction fails to be commenced at the Planned Commencement Date in consequence of the fault of the Project Owner, the Project Owner shall postpone the completion date based on the actual commencement date to ensure that the actual construction term is not less than the total calendar days of the construction term agreed by Contract. In the event of Delay of Term Due to the Fault of Project Owner, the Construction Schedule should be revised following the Article 7.2.2 (Revision on Construction Schedule).

7.5.2 Delay of Term Due to the Fault of Contractor

In case that the construction term is delayed due to the fault of Contractor, the calculation method and the maximum amount of the liquidated damages for overdue completion may be determined in the Special Terms of the Contract. The Contractor's payment of liquidated damages for overdue completion should not relieve the Contractor's obligation to continue to complete construction and the repair work of defects.

7.6 Adverse material conditions

Adverse material conditions refer to the unforeseen natural material conditions, unnatural material obstacles, and pollutants that the experienced Contractor has encountered at the Construction Site, including underground physical conditions and hydrological conditions, and any other conditions stipulated in the Special Terms of the Contract, excluding climatic conditions.

If the Contractor encounters adverse material conditions, it shall take reasonable measures to overcome the conditions to continue the construction and delivery relevant Notice to the Project Owner and the Supervisor promptly. The Notice should specify the content of the adverse material conditions and the reason why the Contractor considers it unforeseen. The Supervisor shall give instruction in time upon the Project Owner's Approval. Any instruction constituting a change should be implemented following Article 10 (Changes). The Contractor's additional expenses and/or delayed term incurred by the implementation of the reasonable measures shall be borne by the Project Owner.

7.7 Exceptional adverse weather conditions

The exceptional adverse weather conditions refer to the severe weather conditions encountered during the construction process and considered by the experienced Contractor to be unforeseen and cause a substantial impact on the performance of the Contract but not to constitute a Force Majeure event. The Contract parties may state the specific circumstances of exceptional adverse weather conditions in the Special Terms of the Contract.

The Contractor shall take reasonable measures to overcome abnormal weather conditions and continue the construction, and give a Notice to the Project Owner and the Supervisor promptly. The Supervisor shall instruct in time upon the Project Owner's Approval. Any instruction constituting a change should be implemented following Article 10 (Changes). The Contractor's additional expenses and/or delayed term incurred by the implementation of the reasonable measures shall be borne by the Project Owner.

7.8 Suspension of Construction

7.8.1 Suspension of Construction Due to the Fault of the Project Owner

In case of suspension of construction due to the Project Owner's fault, the Supervisor shall instruct the suspension of construction in time upon the Project Owner's Approval. In case that the Supervisor fails to issue an instruction about the suspension of construction promptly under the urgent circumstance, the Article 7.8.4 (Construction Suspension under Emergent Circumstance) should be implemented.

In case of the Suspension of Construction Due to the Fault of the Project Owner, the Project Owner shall bear the incurred expenses and/or delayed term, and pay the Contractor a reasonable profit.

7.8.2 Suspension of Construction Due to the Fault of the Contractor

In case of Suspension of Construction Due to the Fault of the Contractor, the Contractor shall bear the incurred expenses and/or the delayed construction term, and the Contractor's failure to resumed construction within 84 days after the receipt of the Supervisor's resumption instruction shall be deemed to be the Contractor's incapability to continue the performance of the Contract stipulated in of the Article 16.2.1.7 (Contractor's Default).

7.8.3 Instruction on Construction Suspension

The Supervisor may give the Contractor an instruction on Construction Suspension, which it considers to be necessary and is approved by the Project Owner, and the Contractor shall implement it accordingly as instructed by the Supervisor.

7.8.4 Construction Suspension under Emergent Circumstance

In case that the construction needs to be suspended under the emergent circumstance, and the Supervisor fails to issue a suspension instruction in time, the Contractor may suspend construction and give a Notice to the Supervisor promptly. The Supervisor shall give relevant instruction within 24 hours after receiving the Notice. If no instruction is given within the time limit, the Supervisor shall be deemed to agree to the Contractor's suspension of construction. If the Supervisor disagrees with the Contractor's suspension of construction, it shall state the reason. In case of any Dispute on the Supervisor's response, Article 20 (Resolution on dispute) should be followed.

7.8.5 Resumption of Construction after Suspension of Construction

After the construction is suspended, the Project Owner and the Contractor shall take effective measures to actively eliminate the impact of the construction suspension. In prior to work resumption, the Supervisor, together with the Project Owner and the Contractor, should ascertain the Loss caused by the suspension of construction and confirm the conditions for work resumption. When the condition of work resumption is met, the Supervisor shall send the Contractor a Notice of resumption after the Project Owner's Approval, and the Contractor shall resume work accordingly.

The Contractor should bear the increased expenses and/or delayed construction term delays incurred by its delay and refusal to resume work without any cause. In case that the work resumption is unavailable in consequence of the Project Owner's fault, the Article 7.5.1 (Delay of the term due to the fault of Project Owner) should be followed.

7.8.6 Suspension of construction for more than 56 days

In case that the Supervisor fails to send a Notice of work resumption to the Contractor within 56 days after the issuance of construction suspension instruction, the Contractor may submit the Project Owner a written Notice for the permission on the work resumption for entire or part of construction within 28 days after the receipt of the Notice, except for circumstances for work suspension stated in the Article 7.8.2 (Suspension of Construction Due to the Fault of the Contractor) and item 17 (Force Majeure). If the Project Owner refuses to approve the resumption request within the time limit, the Contractor may give the Project Owner a Notice about the permission on the conversion of the affected part of the construction into is the revocable work stated in Article 10.1.2 (Scope of Changes).

In case that the suspension of construction lasts for more than 84 days without permission on work resumption, and does not fall into the circumstances stipulated in Article 7.8.2 (Suspension of Construction Due to the Fault of the Contractor) and Article 17 (Force Majeure), the suspension affects the achievement of entire work and the purpose of the Contract, the Contractor is entitled to request price adjustment or terminate the Contract. The Contract termination should be performed following the Article 16.1.3 (Contract Termination due to Project Owner's Default).

7.8.7 Construction Care during Construction Suspension

During the construction suspension, the Contractor shall be responsible for properly construction care and providing safeguard with the incurred expenses borne by the responsible party.

7.8.8 Measures for the Construction Suspension

During the suspension of construction, both the Project Owner and the Contractor shall take necessary measures to ensure Project quality and safety to prevent the expansion of Loss due to the suspension of construction.

7.9 Early Completion

7.9.1 In case that the Project Owner requires the Contractor to complete the construction earlier than scheduled, the Project Owner shall issue an instruction of early completion to the Contractor through the Supervisor, while the Contractor shall submit the relevant proposal to the Project Owner and the Supervisor. The proposal shall include the implementation plan, shortened period, increased Contract Price and other matters. In case that the Project Owner accepts the proposal for Early Completion, the Supervisor shall consult with the Project Owner and the Contractor to take measures to step up the construction progress and revise the Construction Schedule with the incurred expenses borne by the Project Owner. If the Contractor considers that the instructed Early Completion cannot be achieved, it shall submit a written objection to the Supervisor and Project Owner. Its reply shall be given within 7 days after the receipt of the objection. In any case, Project Owner shall not reduce the reasonable term.

7.9.2 In case that the Project Owner requires the Contractor to complete the construction earlier than scheduled, or the Contractor's proposal about early completion can bring benefits to the Project Owner, the Contract parties may stipulate the award for early completion in the Special Terms of the Contract.

8. Materials and Equipment

8.1 Materials and Engineering Equipment Provided by the Project Owner

In case that the Project Owner supplies materials and Engineering Equipment on its own, it should specify types, specifications, models, quantities, unit prices, quality grades, and delivery locations of materials and Engineering Equipment in the Exhibit "the schedule of materials and Engineering Equipment provided by the Project Owner" of the Special Terms of the Contract.

The Contractor shall submit to the Project Owner the written Notice about the mobilization of the supplied materials and Engineering Equipment through the Supervisor 30 days in advance. When the Contractor amends the Construction Schedule following the Article 7.2.2 (Revision on Construction Schedule), the revised mobilization plan of the Materials and Engineering Equipment Provided by the Project Owner shall be submitted at the same time.

8.2 The Procurement of Materials and Engineering Equipment by the Contractor

The Contractor is responsible for the Procurement of materials and Engineering Equipment supported with product quality certificate and factory certificate following the requirements of the following the design and applicable standards to guarantee their quality. Following the Contract, the manufacturer or supplier of the materials or Engineering Equipment purchased by the Contractor should not be designated by the

Project Owner; otherwise, the Contractor is entitled to refuse the manufacturer or the supplier, and the Project Owner should take the incurred liability.

8.3 Reception and Rejecting of Materials and Engineering Equipment

8.3.1 The Project Owner shall provide materials and Engineering Equipment following the schedule of materials and Engineering Equipment provided by the Project Owner. Besides, the product qualified certificate and factory certificate should be offered by the Project Owner to the Contractor to guarantee their quality. The Project Owner shall give the Contractor and the Supervisor a written Notice about the arrival time of the materials and Engineering Equipment 24 hours in advance, while the Contractor takes liability for the inventory, inspection and acceptance of the materials and Engineering Equipment.

In case that the specifications, quantity or quality of the materials and the Engineering Equipment provided by the Project Owner fails to comply with the provision of the Contract, or the delivery date is delayed or the place is changed due to the fault of the Project, these issues should be handled based on the Article 16.1 (Project Owner's default).

8.3.2 The Contractor should provide the quality Warranty of the materials and Engineering Equipment purchased by itself, and give the Supervisor the Notice about their inspection 24 hours before their arrival. The Contractor should ensure that the manufacture and production of permanent equipment and materials meet the relevant quality standards, and submit their sample and related Documents to the Supervisor. The Supervisor's Approval should be obtained before the use of the material and Engineering Equipment.

In case that the materials and Engineering Equipment purchased by the Contractor fail to comply with the requirements of the design or relevant standards, the Contractor shall deliver them out of the Construction Site within a reasonable period required by the Supervisor and repurchase the qualified ones with the incurred expenses and/or delayed construction term borne by the Contractor.

8.4 Custody and Use of Materials and Engineering Equipment

8.4.1 Custody and Use of Materials and Engineering Equipment Provided by the Project Owner

The materials and Engineering Equipment supplied by the Project Owner shall be appropriately kept in custody by the Contractor after the inventory is taken. The incurred storage expenses should be borne by the Project Owner except for those listed in the Priced Bill of Quantities or the Budget Document or stipulated otherwise in the Special Terms of the Contract. The compensation liability for any loss or damages attributed to the Contractor should be borne by the Contractor. In case that the Supervisor fails to give the Contractor the Notice to take inventory, the Contractor shall take the liability of the custody of these materials and Engineering Equipment with the arising damages or Loss assumed by the Project Owner.

The materials and Engineering Equipment supplied by the Project Owner should be inspected by the Contractor before their use with the incurred expenses borne by the Project Owner. Any unqualified should not be allowed to be used.

8.4.2 Custody and Use of Materials and Engineering Equipment Procured by the Contractor

The materials and Engineering Equipment purchased by the Contractor shall be appropriately kept in custody by the Contractor with the incurred expenses borne by the Contractor. Any materials and Engineering Equipment required to be inspected by the applicable laws must be inspected or tested before their following the requirements of the Supervisor with the incurred expenses borne by the Contractor. Any unqualified should not be used.

In case that the Project Owner or the Supervisor finds that the Contractor uses any materials and Engineering Equipment that fail to meet the requirements of the design or applicable standards, they are entitled to require the Contractor to renovate, dismantle or repurchase those unqualified ones with the increased expenses and/or delayed construction term assumed by the Contractor.

8.5 Prohibition on the use of substandard materials and engineering equipment

8.5.1 The Supervisor is entitled to refuse the substandard materials or Engineering Equipment provided by the Contractor and require the Contractor to replace it immediately. The Supervisor shall perform the inspection and inspection again after the replacement with the additional expenses and/or delayed term borne by the Contractor.

8.5.2 In case that the Supervisor finds the use of any unqualified materials and Engineering Equipment that by the Contractor, the Contractor shall immediately make the correction as required by the Supervisor's instruction, and be not allowed to continue to apply those unqualified materials and Engineering Equipment in the construction.

8.5.3 In case that the materials or Engineering Equipment provided by the Project Owner fail to meet the requirements of Contract, the Contractor is entitled to refuse to receive them and request the Project Owner to replace them with the increased expenses and/or delayed term borne by the Project Owner. The Project Owner should also pay the Contractor a reasonable profit.

8.6 Samples

8.6.1 Submission and Storage of Samples

The type, name, specifications, quantity, and other requirements of any Samples of materials or Engineering Equipment to be submitted by the Contractor should be specified in the Special Terms of the Contract. The Samples submission process is specified as follows:

(1) The Contractor shall submit Samples to the Supervisor 28 days before the execution of the planned purchase. The Samples of materials submitted by the Contractor shall be from the actual production place, and their specification and quantity should be sufficient enough to indicate the quality, model, colour, surface treatment, texture, error and other required characteristics of the material or Engineering Equipment.

(2) Each submission of the Samples by the Contractor should attach a declaration statement stating the relevant data and information of the Samples together with corresponding Drawings numbers and the reservation of the Supervisor's comment box for Approval. The Supervisor shall reply to the Contractor the Approval opinion on Samples signed by the Project Owner within 7 days after receiving the Samples submitted by the Contractor.

(3) The Samples approved and confirmed by the Project Owner and the Supervisor shall be sealed following the agreed method, and the sealed Samples shall be used as one of the relevant standards on the inspection work. The Contractor shall not use any materials or Engineering Equipment inconsistent with the Samples during the construction.

(4) The Approval of the Project Owner and the Supervisor for the Samples is only to confirm the characteristics or use of the relevant materials or Engineering Equipment, and should not be understood as a modification or change to the Contract, nor relieve or exempt any liability and obligation of the Contractor. In case that the sealed Samples modify or change the provision of the Contract, the Contract parties should confirm it in writing.

8.6.2 Custody of Samples

The approved Samples shall be sealed and stored by the Supervisor in the site, and the Contractor shall provide an appropriate and fixed place for the preservation of the Samples in the site and ensure the storage environment proper and suitable.

8.7 Substitution of Materials and Engineering Equipment

8.7.1 In case that the following situations require the use of the alternative materials and Engineering Equipment, the Contractor shall implement the procedures following the Article 8.7.2:

(1) The original materials and Engineering Equipment are prohibited from being used by the valid laws after the Base date;

(2) The Project Owner requires the use of the alternative;

(3) The alternative must be used for other reasons.

8.7.2 The Contractor shall give the Supervisor a written Notice 28 days before the use of alternative materials and Engineering Equipment, and attach the following Documents:

(1) The name, quantity, specifications, model, brand, performance, price and other relevant Document of the replaced materials and Engineering Equipment;

(2) The name, quantity, specifications, model, brand, performance, price and other relevant Document of the alternative;

(3) Differences between the alternative and the replaced, and the possible impact of the use of alternative on the work;

(5) Reasons for using the alternative;

(6) Other Documents required by the Supervisor.

The Supervisor shall send a written instruction signed by the Project Owner to the Contractor within 14 days after receiving the Notice; in case that the Supervisor issues overdue written instruction, the Project Owner and the Supervisor shall be deemed to have agreed to use the substitute.

8.7.3 In case that the Project Owner approves the use of alternative materials and

Engineering Equipment, their prices should be determined following the ones of the same items listed in the Priced Bill of Quantities or the Budget Document; if the same items are unavailable in the bill or Budget Document, please refer to the price of the similar items in the Documents; in case of the identical or the similar is unavailable, the prices of the alternative, including reasonable cost and profit, should be determined by the Contract parties following the Article 4.4 (Negotiation or Determination).

8.8 Construction equipment and temporary facilities

8.8.1 Contractor-supplied construction equipment and temporary facilities

The Contractor shall, following the requirements of the Construction Schedule in the Contract, allocate Construction Equipment and build temporary facilities promptly. The Contractor's equipment entering the Construction Site should be inspected by the Supervisor before being put into use. If the Contractor replaces its equipment specified in the Contract, it shall report the situation to the Supervisor for approval.

Unless otherwise stipulated in the Special Terms of the Contract, the Contractor shall bear the fees for the construction of temporary facilities. In case that any Temporary Land Occupation is required, the Project Owner shall handle the application procedures and bear the incurred expenses.

8.8.2 Project Owner-supplied construction equipment and temporary facilities

The Construction Equipment or temporary facilities provided by the Project Owner should be stipulated in the Special Terms of the Contract.

8.8.3 Requirement for the Contractor to Add or Replace Construction Equipment

In case that the Construction Equipment used by the Contractor fails to meet the Construction Schedule in the Contract and/or quality requirements, the Supervisor is entitled to require the Contractor to increase or replace the Construction Equipment with the incurred expenses or delayed term borne by the Contractor.

8.9 Specific Requirements for Materials and Equipment

The materials, Engineering Equipment, Construction Equipment, and temporary facilities constructed by the Contractor in the Construction Site, including Spare parts, installation tools and materials, should be dedicated to the work. Without the Project Owner's Approval, the Contractor shall not transport these out of the Construction Site or use them for other purposes; with the Project Owner's Approval, the Contractor may remove idle Construction Equipment and other items according to the Construction Schedule.

9. Test and Inspection

9.1 Testing Equipment and Personnel

9.1.1 As for the on-site material test conducted by the Contractor according to the Contract agreement or the Supervisor's instructions, the Contractor shall be provided with the test site, test personnel, test equipment and other necessary test conditions. If necessary, the Supervisor may use the site, test equipment and other test conditions provided by the Contractor to perform material review tests for Project quality inspection, and the Contractor shall provide assistance.

9.1.2 The Contractor shall provide test equipment, sampling device, a test site and test conditions following the Special Terms of the Contract, and submit the corresponding mobilization schedule to the Supervisor.

The test equipment configured by the Contractor should meet the requirements of the applicable test regulations and be tested by a qualified testing institute. The test equipment should be calibrated by the Supervisor and the Contractor prior to its use.

9.1.3 The Contractor shall submit to the Supervisor a list of test personnel, their positions, qualifications, and other certification Documents. The test personnel should be proficient in the performance of the inspection and tests, and the Contractor should take liability for the correctness of the test procedures and results performed by the test personnel.

9.2 Sampling

In case that the test refers to self-inspection, the Contractor may take Samples separately. In case that the test involves the sampling by the Supervisor, the sampling may be performed by the Supervisor or the Contractor's test personnel under the Supervisor's monitoring.

9.3 Test and inspection of materials, engineering equipment and projects

9.3.1 The Contractor shall carry out tests and inspections on materials, Engineering Equipment and work following the Contract agreement, and shall provide necessary test data and original records for the Supervisor to inspect the above materials, Engineering Equipment and works quality. Following the Contract Agreement, the Contractor shall provide the necessary test data and original records for the tests and inspections jointly performed by the Supervisor and the Project Owner.

9.3.2 In case that the test refers to self-inspection, the Contractor may perform the test separately. In case the test refers to the Supervisor's random inspection, the test may be performed alone by the Supervisor or jointly by the Contractor and the Supervisor. In case the Contractor disagree on the result of test performed separately by the Supervisor, it may apply for joint re-test. If the Supervisor fails to attend the joint test as agreed, the Contractor may conduct the test on its own, and submit the result to the Supervisor, and the Supervisor shall acknowledge it.

9.3.3 If the Supervisor disagrees with the Contractor's test and the results or requires the Contractor to Retesting and re-inspect for the ascertainment of reliability of the test and its result, the Supervisor and the Contractor may conduct the test jointly. If the result of Retesting and inspection indicates that the material, Engineering Equipment or Project quality fail to meet the requirements of the Contract, the incurred expenses and/or delayed term should be borne by the Contractor; if the result satisfies the requirement of the Contract, the increased expenses and/or delayed term should be undertaken by the Project Owner.

9.4 Site Process Test

The Contractor shall conduct the Site Process Test as required by the Contract agreement or the Supervisor's instruction. As for significant Site Process Tests, when the Supervisor considers it necessary, the Contractor shall prepare procedure plan for the Site Process Test according to the process test requirements proposed by the Supervisor, and submit it to the Supervisor for approval.

10. Changes

10.1 Scope of Changes

Unless otherwise stipulated in the Special Terms of the Contract, the changes should be performed following the agreement if the following circumstances happen during the performance of Contract:

(1) The increase or decrease of any work in the Contract, or any Additional Increase ;

(2) Any Cancellation of activity in the Contract, except for any activity transferred to others;

(3) Any change in work quality standard or other characteristics in the Contract;

(4) change on the datum line, elevation, position and size of works;

(5) change on the Project schedule or the sequences of work implementation.

10.2 Right of change

Both the Project Owner and the Supervisor can file a change. All instruction for changes should be issued by the Supervisor only after the obtain of the Project Owner's Approval. The Contractor can implement the instruction for changes only after receiving the instruction signed by the Project Owner. Without the Project Owner's permission, the Contractor should not perform any changes on any part of the works at its discretion.

In case any change involves the design, the designer should provide Drawings and instructions after changes. If the change exceeds the original design standard or approved construction scale, the Project Owner should go through the Approval procedure for changes on planning and design t promptly.

10.3 Change procedures

10.3.1 Changes Proposed by the Project Owner

Any instruction for changes proposed by the Project Owner should be issued through the Supervisor to the Contractor, and state the work scope and detailed content planned to change.

10.3.2 Changes Proposed by the Supervisor

Any changes proposed by the Supervisor should be submitted to the Project Owner in the form of written changes plan which states work scope planned to change, the content and excuse of the changes, together with its effect on the Contract price and construction term. Any changes approved by the Project Owner should be issued to the Contractor through the Supervisor in the form of instruction for changes. The Supervisor is not entitled to issue an instruction for changes disapproved by the Project Owner.

10.3.3 Changes Implementation

In case that the Contractor considers any received instruction for changes from the Supervisor impossible to be implemented, it should immediately state the reason for

giving the reason for the unavailable. If the Contractor considers the instruction feasible, it should state the performance influence of the instruction for changes on the Contract and term in written, and the Contract parties should determine the valuation of changes following the Article 10.4 (Valuation of changes).

10.4 Valuation change

10.4.1 Principle for Valuation of Changes

Unless otherwise specified in the Special Terms of the Contract, the valuation of changes should be determined following the agreement as follows:

(1) In case that the Priced Bill of Quantities or Budget Document has the same item with the change, the valuation should be determined based on the unit price of the item;

(2) In case that the Priced Bill of Quantities or Budget Document has not the same item but the similar with the change, the valuation should be determined based on the unit price of the similar one;

(3) In case that the difference between actual work quantities caused by the changes and corresponding quantities in the Priced Bill of Quantities or the Budget Document is more than 15%, or the bill or the Document shares no identical and similar items with the one in the changes, the unit prices of the Changing items, comprising reasonable cost and profit, should be determined by the Contract parties following the Article 4.4 (negotiation or determination).

10.4.2 Procedure for Valuation of Changes

The Contractor shall submit an application for Valuation of Changes to the Supervisor within 14 days after receiving the instruction for changes. The Supervisor shall complete its review on the application for Valuation of Changes proposed by the Contractor and submit it to the Project Owner within 7 days after receiving the application. If the Supervisor disagrees on the application, it should give the Contractor the Notice about the resubmission of the revised application. The Project Owner shall complete its review on the application for Valuation of Changes proposed by the Contractor within 14 days after the receipt of the application. In case that the Project Owner fails to complete its review on the application for Valuation of Changes or submit an objection within the time limit, it shall be deemed to approve the application submitted by the Contractor.

The price adjustment caused by changes shall be included in the latest progress payment.

10.5 Reasonable proposals for Contractor

Any reasonable suggestion proposed by the Contractor should be submitted to the Supervisor in the form of the detailed description which specifies the content and reason of the proposal and the implementation's effect on the Contract price and term.

Unless otherwise specified in the Special Terms of the Contract, the Supervisor shall complete the review on the rational proposal submitted by the Contractor and deliver it to the Project Owner within 7 days after receiving the proposal. The Notice of any discovered technical defect in the proposal should be issued to the Contractor for its modification. The Project Owner shall complete the review on the rational proposal

submitted by the Supervisor within 7 days after receiving it. Any rationalization proposal approved by the Project Owner shall promptly be issued by the Supervisor in the form of instruction for changes, and the arising adjustment for the Contract price should be performed following the Article 10.4 (Valuation of Changes). If the Project Owner disagrees with the change, the Supervisor shall give the Contractor the written Notice.

If the rationalization proposal lowers the Contract price or improves the Project economic benefits, the Project Owner can reward the Contractor wit the incentive method and amount specified in the Special Terms of the Contract.

10.6 Term Adjustment Due to Changes

In case that the changes affect the term, and the Contract parties require the adjustment of construction term in the Contract based on the requirement, they should determine the increase or decrease of the term following the Article 4.4 (Negotiation or Determination) and the reference of rated term standard in the construction location.

10.7 Provisional valuation

The details of the Provisional Valuation on Professional Subcontracted Projects, Services, materials, and Engineering Equipment shall be specified by the Contract parties in the Special Terms of the Contract.

10.7.1 Provisional Valuation items Imperatively Requiring Tender According to Applicable Laws

The Provisional Valuation items Imperatively Requiring Tender According to Applicable Laws should be determined with the first method listed as follows. The Contract parties can also choose other tender methods in the Special Terms of the Contract.

The first method: For Provisional Valuation items Imperatively Requiring Tender According to Applicable Laws, the Contractor should determine and approve the Project through tender following the following agreement:

(1) The Contractor shall, following the Construction Schedule, submit the bidding plan to the Project Owner for review through the Supervisor 14 days before the start of the bidding. The Project Owner shall approve the plan or propose amendments within 7 days after the receipt. The Contractor shall carry out the bidding through the bidding plan approved by the Project Owner;

(2) The Contractor shall, according to the Construction Schedule, submit the bidding Documents to the Project Owner for Approval through the Supervisor 14 days in advance. The Project Owner shall complete the Approval or propose amendments within 7 days after receiving the relevant Documents submitted by the Contractor; the Project Owner is entitled to determine bid control price and attend evaluation of bid following the applicable law;

(3) The information of the determined awarded candidate supplier or Subcontractor should be submitted to the Project Owner 7 days before signing the Provisional Valuation Contract among the Contractor, supplier, and Subcontractor. The Project Owner shall work with the Contractor to the awarded 3 days after receiving the information. The Contractor should submit the Counterparts of the Provisional Valuation Contract to the Project Owner for retention within 7 days after signing the Contract.

The second method: For Provisional Valuation items Imperatively Requiring Tender According to Applicable Laws, the Project Owner and the Contractor should jointly determine Supplier or Subcontractor for Provisional Valuation, and the Contractor shall following the Construction Schedule, and give the Project Owner relevant Notice 14 days before the start of the bidding, together with the submission of bidding proposal for the Provisional Valuation and relevant work distribution. The Project Owner should confirm the proposal within 7 days after receiving it. After the determination of the awarded bidder, the Project Owner, the Contractor and the awarded bidder should jointly sign a Provisional Valuation Contract.

10.7.2 Provisional Valuation items Not Imperatively Requiring Tender According to Applicable Laws

Unless otherwise specified in the Special Terms of the Contract, the Provisional Valuation items Not Imperatively Requiring Tender According to Applicable Laws should be determined with the second method listed as follows:

The first method: the confirmation and Approvals of the Provisional Valuation items which don't imperatively require bid according to law shall be determined following the agreement;

(1) The Contractor shall submit a written application to the Supervisor 28 days before the signing of the Procurement Contract and subcontract for the Provisional Valuation items according to the Construction Schedule. The Supervisor shall submit the application to the Project Owner within 3 days after receiving it. The Project Owner shall approve the application or propose amendments within 14 days after the receipt of the Document. In case that the Project Owner fails to perform the above within the time limit, the written application shall be deemed to be approved;

(2) If the Project Owner considers that the supplier and Subcontractor determined by the Contractor cannot satisfy the requirements of Project quality or the provision of the Contract, the Project Owner may require the Contractor to perform the determination once again for the Provisional Valuation items;

(3) The Contractor shall submit Counterparts of the Provisional Valuation Contract to the Project Owner for retention within 7 days after the signing of the Contract.

The second method: the Contractor should determine the Provisional Valuation items following the first method specified in the Article 10.7.1 (The Provisional Valuation items imperatively requiring tender according to the applicable laws).

The third method: the Provisional Valuation items implemented directly by the Contractor

The Contractor with the qualifications and conditions for the implementation of the Provisional Valuation items may perform the relevant operation after the joint Approval of the Project Owner and the Contractor through the negotiation. The Contract parties can specify the relevant details in the Special Terms of the Contract.

10.7.3 In case that the overdue signing and performance of the Provisional Valuation Contract is attributed to the Project Owner, the Project Owner shall bear the incurred expenses and/or delayed term, and pay the Contractor a reasonable profit. In the event that the overdue signing and performance of the Provisional Valuation Contract is caused by the Contractor, the incurred expenses and (or) the delayed term shall be borne by the Contractor.

10.8 Provisional Sum

Provisional Sum should be used following the Project Owner's requirement which should be issued by the Supervisor. The Contract parties can negotiate and determine relevant matters in the Special Terms of the Contract.

10.9 Day-wage work

The adoption Notice of day-wage work as the pricing way to perform relevant work should be issued by the Supervisor to the Contractor after the Project Owner's Approval. The day-wage work should be priced following the day-wage work-priced items and their unit price listed in the Priced Bill of Quantities or the Budget Document; in case that the bill or Budget Document has no corresponding unit price of day-wage work, the price comprising reasonable cost and profit should be determined by the Contract parties following the Article 4.4 (Negotiation or Determination).

During the performance of any work priced with day-wage work, the Contractor shall submit the following statements and relevant vouchers to the Supervisor for review every day:

(1) Work Name, Content and Quantity;

(2) Name, discipline, job, Level, and consumed person-hours of all personnel engaged in the work;

(3) Material type and quantity invested in the work;

(4) The model, quantity, and consumed machine-hour of the Construction Equipment invested in the work;

(5) Other relevant documents and vouchers.

The Day-wage work collected by the Contractor should be listed in the application form for the latest progress payment. After the Supervisor's review and the Project Owner's Approval, the day-wage work is included in the progress payment.

11. Price adjustment

11.1 Adjustment caused by market price fluctuations

Unless otherwise stipulated in the Special Terms of the Contract, where the market price fluctuation exceeds the scope agreed upon by the parties, the Contract Price shall be adjusted. The parties may specify in the Special Terms of the Contract one of the following ways to adjust the contract price:

The 1st method: price adjustment based on price indexes.

(1) Price adjustment formula

When the Contract Price is affected by the price fluctuation of labour, materials and equipment, the difference shall be calculated and the Contract Price shall be adjusted according to the following formula based on the data specified in the Special Terms of the Contract:

In the formula: △P - price difference to be adjusted;

- The amount of completed quantities to be received by the Contractor as agreed in the payment certificate. This amount does not include price adjustment, detention and payment of the quality deposit, and payment and deduction of the advance payment. If the agreed changes and other amounts have been priced at the current price, they shall not be included;

A - fixed weight (the weight of the part that is not adjustable);

- Variable weight of each adjustable factor (the weight of the part that is adjustable), the proportion of each adjustable factor in the Contract Price;

- The current price index for each adjustable factor, referring to the price index of each adjustable factor within 42 days before the last day of the agreed cycle of the payment certificate;

- The basic price index of each adjustable factor, referring to the price index of each adjustable factor on the base date.

The above adjustable factors, fixed and variable weights and the basic price indexes in the price adjustment formula and their sources shall be stipulated in the Schedule to the Bid Letter, the table of price indexes and weights. A contract not concluded through tender shall be agreed upon by the parties in the Special Terms of the Contract. The price indexes issued by the engineering cost management institution shall be adopted in priority. In the absence of the aforesaid price indexes, the prices issued by the engineering cost management institution shall be adopted instead.

(2) Provisional adjustment of the price difference

If there is no current price index when calculating the adjustment difference, the parties shall agree to adopt the previous price indexes temporarily. If the actual price indexes are adjusted, the parties shall adjust accordingly.

(3) Weight adjustment

If the weight stipulated in the Contract is unreasonable due to the change, it shall be implemented following Article 4.4 (negotiation or determination).

(4) Price adjustment after term delay due to the Contractor

If the project is not completed on schedule due to the Contractor, for the project to be continued after the completion date agreed in the Contract, among the price indexes of on the planned completion date and the actual completion date, the lower one shall be adopted as the current price index when the price adjustment formula is adopted.

The 2nd method: price adjustment based on cost Information

During the performance of the Contract, when the Contract Price is affected by the fluctuations of prices of labour, materials, engineering equipment and machinery, the labour and mechanical costs shall be adjusted following the coefficient of labour and mechanical costs issued by the national, provincial or municipal construction administrative department, the industrial construction management department or its authorized engineering cost management institution; For materials requiring price adjustment, the unit price and purchase quantity shall be submitted to the Project

Owner for approval. The unit price and quantity of materials to be adjusted confirmed by the Project Owner shall be the basis for the adjustment of Contract Price.

(1) If the change of labour unit price complies with the regulations on the labour cost adjustment issued by the provincial or industrial construction department, the parties shall adjust the Contract Price following the documents of labour cost adjustments issued by the provincial or industrial construction authorities or their authorized engineering cost management institutions, except where the Contractor's labour cost or labour unit price is higher than the issued price.

(2) The price adjustment due to the price change of materials and engineering equipment shall be subject to the benchmark price provided by the Project Owner and the following risk scope:

① As for the unit price of the material stated in the Priced Bill of Quantities or the Budget Document by the Contractor lower than the benchmark price: unless otherwise stipulated in the Special Terms of the Contract, the excess price should be adjusted following the actual conditions if the unit price of the material during the performance of the Contract exceeds the benchmark price by more than 5% or decreases the unit price stated in Priced Bill of Quantities or Budget Document by more than 5%.

② Regarding the unit price of the material stated in the Priced Bill of Quantities or the Budget Document by the Contractor higher than the benchmark price: unless otherwise stipulated in the Special Terms of the Contract, the excess price should be adjusted following the actual conditions if the unit price of the material during the performance of the Contract below the benchmark price by more than 5% or surpluses the unit price stated in Priced Bill of Quantities or Budget Document by more than 5%.

③ As for the Contractor's price of the material stated in the Priced Bill of Quantities or Budget Document is equal to the benchmark price: unless otherwise stipulated in the Special Terms of the Contract, if the price of the material during the performance of the Contract exceeds the benchmark price by more than ±5%, the excess portion should be adjusted based on the actual condition.

④ The Contractor shall, before purchasing materials, report the quantity and unit price of new materials to the Project Owner for checking. When the Project Owner confirms that they will be used for the project, the Project Owner shall confirm the quantity and unit price of the materials to be purchased. If the Project Owner fails to reply within 5 days upon receipt of the confirmation materials submitted by the Contractor, it shall be deemed as approval and shall be the basis for the adjustment of Contract Price. If the Contractor purchases materials without prior checking by the Project Owner, the Project Owner shall have the right not to adjust the Contract Price. If the Project Owner agrees, the Contract Price may be adjusted.

The aforesaid benchmark price refers to the price of materials and engineering equipment specified by the Project Owner in the bidding documents or the Special Terms of the Contract. The price shall, in principle, be compiled following the information price issued by the provincial or industrial construction authorities or their authorized engineering cost management institutions.

(3) If the change of construction machinery unit price or construction machinery cost beyond the scope stipulated by the provincial or industrial construction authorities or their authorized engineering cost management institution, the Contract Price shall be adjusted following the regulations.

The 3rd method: other methods stipulated in the Special Terms of the Contract.

11.2 Adjustments caused by changes in laws

After the Base Date, any increase of expenses required by the Contractor in the performance of the Contract other than that stipulated in Article 11.1 (adjustment caused by market price fluctuations) due to changes in laws shall be borne by the Project Owner; In case of any decrease, it shall be deducted from the Contract Price. After the Base Date, if the term is delayed due to changes in laws, the term shall be extended accordingly.

If the parties fail to reach an agreement on the adjustment of the Contract Price and term, due to changes in laws, the Chief Supervisory Engineer shall deal with it following Article 4.4 (Negotiation or determination).

If the delay in the term is due to the Contractor and if there is any change in laws during the period of delay in the term, the incurred expenses and (or) the delayed term shall be borne by the Contractor.

12. Contract price, measurement and payment

12.1 Form of Contract Price

The Project Owner and the Contractor shall choose one of the following forms of the contract price in the Contract Agreement:

1、 Unit Price Contract

Unit Price Contract refers to the construction contract in which the parties agree to calculate, adjust and confirm the Contract Price with the Bill of Quantities and the comprehensive unit price. The unit contract price shall not be adjusted within the agreed scope. The parties shall specify in the Special Terms of the Contract the risk scope and the calculation method of risk costs involved in the comprehensive unit price, and agree on the adjustment method of the Contract Price beyond the risk scope. Adjustments caused by market price fluctuations shall be subject to Article 11.1 (adjustments caused by market price fluctuations).

2、 Lump Sum Contract

Lump Sum Contract refers to the construction contract in which the parties agree to calculate, adjust and confirm the Contract Price with the construction drawings, the Priced Bill of Quantities, or budget documents and relevant conditions. The contract sum shall not be adjusted within the agreed scope. The parties shall specify in the Special Terms of the Contract the risk scope and the calculation method of risk costs involved in the contract sum, and agree on the adjustment method of the Contract Price beyond the risk scope. Adjustments caused by market price fluctuations shall be subject to Article 11.1 (adjustments caused by market price fluctuations), and adjustments caused by changes in laws shall be subject to Article 11.2 (adjustments caused by changes in laws).

3、 Other price forms

The parties may agree on other forms of the contract price in the Special Terms of the Contract.

12.2 Advances

12.2.1 Payment of advance payment

The advance payment shall be made following the Special Terms of the Contract but shall be made no later than 7 days prior to the commencement date specified in the commencement notice. The advance payment shall be used for the purchase of materials, engineering equipment and construction equipment, the construction of temporary works and the entry of the construction team.

Unless otherwise specified in the Special Terms of the Contract, the advance payment shall be deducted in proportion to the progress payment. If the contract is terminated prior to the issuance of the project acceptance certificate, the outstanding advance payment shall be settled together with the price.

If the Project Owner has an overdue payment of the advance payment for more than 7 days, the Contractor is entitled to send a reminder notice about the prepayment to the Project Owner. In case that the Project Owner still doesn't make the payment within 7 days after the receipt of the notice, the Contractor is entitled to suspend construction and follow the instructions specified in Article 16.1.1 (The circumstance of Project Owner's default).

12.2.2 Advance Payment Guarantee

If the Project Owner requests the Contractor to provide the Advance Payment Guarantee, the Contractor shall provide it 7 days before the Project Owner pays the advance payment, unless otherwise stipulated in the Special Terms of the Contract. The Advance Payment Guarantee can be a bank guarantee or a guarantee by a guarantee company, which shall be agreed upon by the parties in the Special Terms of the Contract. The Contractor shall guarantee the continuity of the Advance Payment Guarantee until the advance payment is fully deducted.

The Advance Payment Guarantee Amount shall be reduced accordingly after the Project Owner the advance payment period by period in the construction payment, but remaining amount of Advance Payment Guarantee shall not be less than the amount of advance payment that is not deducted.

12.3 Measurement

12.3.1 Measurement principles

The quantities shall be measured following the calculation rules of quantities, drawings and instructions for change as agreed herein. The calculation rules of quantities shall be based on the relevant national and industrial standards, and shall be agreed upon by the parties in the Special Terms of the Contract.

12.3.2 Measurement period

Unless otherwise specified in the Special Terms of the Contract, the quantities shall be monthly measured.

12.3.3 Measurement of the Unit Price Contract

Unless otherwise specified in the Special Terms of the Contract, the Unit Price Contract shall be measured following this Article:

(1) The Contractor shall submit to the Supervisor on the 25th day of each month the report of the quantities completed from the 20th day of last month to the 19th day of this month, and the application form of the progress payment, the statement of completed quantities and relevant data shall be attached.

(2) The Supervisor shall, within 7 days upon receipt of the report of completed quantities submitted by the Contractor, complete the review and submit it to the Project Owner to confirm the quantities actually completed this month. In case of any objection by to the quantities, the Supervisor shall have the right to require the Contractor to jointly review and retest by sampling. The Contractor shall assist the Supervisor to review or conduct sampling survey and provide supplementary measurement data as required by the Supervisor. If the Contractor fails to participate in the review or sampling survey as required by the Supervisor, the quantities reviewed or modified by the Supervisor shall be deemed as the actually completed quantities.

(3) If the Supervisor fails to complete the review within 7 days upon receipt of the statement of completed quantities submitted by the Contractor, the quantities in the statement of completed quantities shall be deemed as the quantities actually completed by the Contractor, and the project payment shall be calculated accordingly.

12.3.4 Measurement of the Lump Sum Contract

Unless otherwise specified in the Special Terms of the Contract, the monthly paid Lump Sum Contract shall be subject to this Article:

(1) The Contractor shall submit to the Supervisor on the 25th day of each month the report of the quantities completed from the 20th day of last month to the 19th day of this month, and the application form of the progress payment, the statement of completed quantities and relevant data shall be attached.

(2) The Supervisor shall, within 7 days upon receipt of the report of completed quantities submitted by the Contractor, complete the review and submit it to the Project Owner to confirm the quantities actually completed this month. In case of any objection by to the quantities, the Supervisor shall have the right to require the Contractor to jointly review and retest by sampling. The Contractor shall assist the Supervisor to review or conduct sampling survey and provide supplementary measurement data as required by the Supervisor. If the Contractor fails to participate in the review or sampling survey as required by the Supervisor, the quantities reviewed or modified by the Supervisor shall be deemed as the actually completed quantities.

(3) If the Supervisor fails to complete the review within 7 days upon receipt of the statement of completed quantities submitted by the Contractor, the quantities in the statement of completed quantities shall be deemed as the quantities actually completed by the Contractor.

12.3.5 In the event that the Lump Sum Contract measures the payment with the breakdown statement, it can apply Article 12.3.4 (Measurement on the Lump Sum Contract) for measurement, but the Contract Price shall be paid following the payment breakdown statement.

12.3.6 Measurement of the contract with other price forms

The parties may agree on the measurement methods and procedures of other forms of the contract price in the Special Terms of the Contract.

12.4 Payment of progress payment

12.4.1 Payment cycle

Unless otherwise specified in the Special Terms of the Contract, the payment cycle shall be consistent with the measurement cycle as stipulated in Article 12.3.2 (measurement cycle).

12.4.2 Preparation of the application form of progress payment

Unless otherwise specified in the Special Terms of the Contract, the application form of progress payment shall include:

(1) The corresponding amount of work completed up to this payment cycle;

(2) The amount of change to be increased and deducted under Article 10 (changes);

(3) The advance payment payable and refund of advance payment deducted under Article 12.2 (advance payment);

(4) The Quality Deposit to be deducted under Article 15.3 (Quality Deposit);

(5) The claim amount to be increased and deducted under Article 19 (claims);

(6) The amount to be paid or deducted from the progress payment if there is an error in the issued progress payment certificate;

(7) Other amounts to be added or deducted according to the Contract.

12.4.3 Submission of the application form of progress payment

(1) Submission of the application form of progress payment in the Unit Price Contract

The application form of progress payment in the Unit Price Contract shall be submitted to the Supervisor monthly within the time as stipulated in Article 12.3.3 (Measurement of the Unit Price Contract), and the statement of the completed quantities and relevant data shall be attached. The Lump Sum Items in the Unit Price Contract shall be divided into the monthly payment and summarized into the application form of the current progress payment.

(2) Submission of the application form of progress payment in the Lump Sum Contract

If the Lump Sum Contract is paid monthly, the Contractor shall submit the application form of a progress payment to the Supervisor monthly within the time as stipulated in Article 12.3.4 (Measurement of the Lump Sum Contract), and the statement of the completed quantities and relevant data shall be attached.

If the Lump Sum Contract is paid according to the payment breakdown statement, the Contractor shall submit the application form of a progress payment to the Supervisor following Article 12.4.6 (payment breakdown statement) and 12.4.2 (preparation of the application form of progress payment).

(3) Submission of the application form of progress payment in the contract of price forms

The parties may agree on the preparation and submission procedures of the application form of progress payment of other forms of the contract price in the Special Terms of the Contract.

12.4.4 Progress payment review and payment

(1) Unless otherwise specified in the Special Terms of the Contract, the Supervisor shall, within 7 days upon receipt of the application form of the progress payment and relevant data from the Contractor, complete the review and submit it to the Project Owner. The Project Owner shall complete the approval and issue the progress payment certificate within 7 days upon receipt. If the Project Owner fails to complete the approval and raises no objection within the time limit, the progress payment certificate shall be deemed to have been issued.

If the Project Owner and the Supervisor have objections to the application form of progress payment submitted by the Contractor, they shall have the right to request the Contractor to revise and provide supplementary data, and the Contractor shall submit the revised application form of the progress payment. The Supervisor shall, within 7 days upon receipt of the revised application form of the progress payment and relevant data from the Contractor, complete the review and submit it to the Project Owner. The Project Owner shall issue the provisional progress payment certificate without objection to the Contractor within 7 days upon receipt of the application form of the progress payment and relevant data submitted by the Supervisor. Any dispute shall be settled following Article 20 (dispute resolution).

(2) Unless otherwise specified in the Special Terms of the Contract, the Project Owner shall complete the payment within 14 days upon the issuance of the progress payment certificate or the provisional progress payment certificate. If the Project Owner fails to make the progress payment within the time limit, it shall pay liquidated damages based on the benchmark interest rate for loans of the same period issued by the People's Bank of China.

(3) The issuance of the progress payment certificate or the provisional progress payment certificate by the Project Owner does not indicate that the Project Owner has agreed, approved or accepted the work completed by the Contractor.

12.4.5 Amendments of progress payment

If errors, omissions or repetitions are found in the summary and review of the progress payment certificates issued before, the Project Owner and the Contractor shall have the right to apply for correction. Any amendment agreed by the Project Owner and the Contractor shall be paid or deducted from the next progress payment.

12.4.6 Payment breakdown statement

1、 Requirements for the preparation of payment breakdown statement

(1) The amount of each instalment listed in the payment breakdown statement shall be the amount estimated following paragraph (1) of Article 12.4.2 (preparation of the application form of progress payment);

(2) If the actual progress is inconsistent with the construction schedule, the parties may modify the payment breakdown statement following Article 4.4 (negotiation and determination);

(3) If the payment breakdown statement is not adopted, the Contractor shall submit to the Project Owner and the Supervisor a quarterly estimate breakdown statement for reference.

2、 Preparation and approval of the payment breakdown statement in the Lump Sum Contract

(1) Unless otherwise specified in the Special Terms of the Contract, the Contractor shall decompose the Lump Sum Contract monthly following the construction schedule, Contract Price and quantities as stipulated in Article 7.2 (construction schedule), and prepare the payment breakdown statement. The Contractor shall, within 7 days upon receipt of the construction schedule approved by the Supervisor and the Project Owner, submit to the Supervisor the payment breakdown statement and supporting materials for the preparation of the payment breakdown statement.

(2) The Supervisor shall complete the review and submit it to the Project Owner within 7 days upon receipt of the payment breakdown statement. The Project Owner shall, within 7 days upon receipt of the payment breakdown statement reviewed by the Supervisor, complete the approval. The payment breakdown statement approved by the Project Owner shall be binding.

(3) The Project Owner fails to complete the approval of the payment breakdown statement within the time limit and request the Contractor to revise and provide supplementary data in time, the payment breakdown statement submitted by the Contractor shall be deemed to have been approved by the Project Owner.

3、 Preparation and approval of the payment breakdown statement for the Lump Sum Item in the Unit Price Contract

Unless otherwise specified in the Special Terms of the Contract, the Lump Sum Items in the Unit Price Contract shall be monthly decomposed by the Contractor following the construction schedule, and the composition of the total price, cost nature, planned time of occurrence and corresponding quantities of the Lump Sum Items to form the payment breakdown statement, the preparation and approval of which shall be subject to the preparation and approval of the payment breakdown statement in the Lump Sum Contract.

12.5 Payment account

The Project Owner shall pay the Contract Price to the Contractor's account as agreed in the Contract Agreement.

13. Acceptance and engineering trial run

13.1 Acceptance of sub-contractual work

13.1.1 The quality of sub-contractual works shall conform to the relevant national codes, standards and contract agreements of construction acceptance. The Contractor shall complete the sub-contractual works following the requirements of the construction organization design.

13.1.2 Unless otherwise stipulated in the Special Terms of the Contract, the Contractor shall notify the Supervisor 48 hours in advance of the acceptance of the sub-contractual work that has passed the Contractor's self-inspection and met the acceptance conditions. In the event that the Supervisor fails to conduct the acceptance

on time, it shall submit a written extension request of not over 48 hours to the Contractor 24 hours before the acceptance. If the Supervisor fails to conduct the acceptance inspection and does not request for an extension, the Contractor shall have the right to conduct the acceptance inspection on its own and the Supervisor shall recognize the acceptance results. Any sub-contractual work that is accepted shall not proceed to the next procedure for construction.

The acceptance data of sub-contractual works shall be an integral part of the completion data.

13.2 Acceptance inspection upon completion of the Work

13.2.1 Conditions for completion acceptance

The Contractor may apply for completion acceptance if the following conditions are met:

(1) Except for the sporadic items and defect repair work agreed by the Project Owner, all and related works within the Contract, including the tests, trial operations and inspections required herein, have been completed and comply with the requirements herein;

(2) A list of sporadic items and defect repair work and the corresponding construction plan has been prepared as agreed;

(3) The completion materials have been prepared based on the contents and copies agreed in the Contract.

13.2.2 The procedure of completion acceptance|

Unless otherwise specified in the Special Terms of the Contract, if the Contractor applies for completion acceptance, the following procedures shall be followed:

(1) When the Contractor submits the application report of completion acceptance to the Supervisor, the Supervisor shall complete the review and submit it to the Project Owner within 14 days upon receipt of the application report of completion acceptance. If, after review, the Supervisor considers that the conditions for acceptance have not been met, it shall notify the Contractor of the work that the Contractor shall complete before the completion acceptance. The Contractor shall, after completing all work notified by the Supervisor, resubmit the application report of completion acceptance.

(2) If, after review, the Supervisor considers that the conditions for acceptance have been met, it shall submit the application report of completion acceptance to the Project Owner. The Project Owner shall complete the review and approval within 28 days upon receipt of the application report of completion acceptance reviewed by the Supervisor, and organize the Supervisor, Contractor and Designer to complete the completion acceptance.

(3) If the completion acceptance is qualified, the Project Owner shall, within 14 days after the acceptance, issue the project acceptance certificate to the Contractor. If the Project Owner fails to issue the project acceptance certificate within the time limit, the project acceptance certificate shall be deemed to have been issued from the 15th day after the acceptance.

(4) If the completion acceptance is unqualified, the Supervisor shall issue instructions

according to the acceptance opinions, requiring the Contractor to rework, repair or take other remedial measures for the unqualified projects. The incurred expenses and (or) delayed construction term shall be borne by the Contractor. After reworking, repairing or taking other remedial measures for the unqualified projects, the Contractor shall resubmit the application report of completion acceptance. The acceptance shall be re-conducted as agreed in this Article.

(5) If the project fails to be accepted or to pass the acceptance inspection but the Project Owner use it without authorization, the Project Owner shall issue the project acceptance certificate to the Contractor within 7 days after the transfer of the project; If the Project Owner fails to issue the project acceptance certificate within the time limit without any justified reason, the project acceptance certificate shall be deemed to have been issued from the 15th day after the transfer of the project.

Unless otherwise specified in the Special Terms of the Contract, if the Project Owner fails to organize the completion acceptance and issue the project acceptance certificate following this Contract, it shall pay liquidated damages for each overdue day with the Contract Price as the base following the benchmark interest rate for loans of the same period issued by the People's Bank of China.

13.2.3 Project completion date

If the project passes the completion acceptance, the actual completion date shall be the date on which the Contractor submits the application report of completion acceptance. The project acceptance certificate shall state that: If the completion acceptance is not completed within 42 days after the Supervisor receives the application report of completion acceptance submitted by the Contractor due to the Project Owner, or the project acceptance certificate is not issued upon the completion acceptance, the actual completion date shall be the date on which the application report of completion acceptance is submitted; If the project fails to be accepted but the Project Owner use it without authorization, the actual completion date shall be the date of the transfer.

13.2.4 Refusal to accept all or part of the projects

The completion acceptance shall be re-conducted for any project not qualified in the completion acceptance after the Contractor completes the rectification. If the project remains unqualified and cannot be rectified after the secondary completion acceptance, the Project Owner may refuse to accept the unqualified project. If the unqualified project causes the abnormal operation of other projects, the Contractor shall take measures to ensure the normal operation of other projects. The incurred expenses and (or) delayed construction term shall be borne by the Contractor.

13.2.5 Handover and receipt of all and part of the projects

Unless otherwise specified in the Special Terms of the Contract, the parties shall complete the handover of the project within 7 days upon the issuance of the project acceptance certificate.

If the Project Owner fails to accept the project without any valid reason, it shall, from the date on which the project should be accepted, bear all expenses related to the project, including expenses for project care, and protection and storage of finished projects. The parties may separately specify in the Special Terms of the Contract the liabilities for the Project Owner's delayed acceptance of the project.

If the Contractor fails to hand over the project without any valid reason, it shall bear all expenses related to the project, including expenses for project care, and protection and storage of finished projects. The parties may separately specify in the Special Terms of the Contract the liabilities for the Contractor's delayed handover of the project without any valid reason.

13.3 Engineering trial run

13.3.1 Trial run procedures

If the project requires the trial run unless otherwise stipulated in the Special Terms of the Contract, the contents of the trial run shall be consistent with the scope of the Contractor, and the expenses of the trial run shall be borne by the Contractor. The engineering trial run shall be conducted following the following procedures:

(1) If the conditions for a single no-load trial run, the Contractor shall organize the trial run and notify the Supervisor in writing of the contents, time and place 48 hours prior to the test run. The Contractor shall prepare the record of the trial run, and the Project Owner shall provide necessary conditions for the trial run as required by the Contractor. If the trial run is qualified, the Supervisor shall sign on the record of the trial run. If the Supervisor fails to sign on the record of the trial run after it is qualified, the record shall be deemed to have been approved by the Supervisor 24 hours after the completion of the trial run. The Contractor may continue the construction or go through the completion acceptance procedures.

If the Supervisor fails to participate in the trial run, it shall submit a written extension request of not over 48 hours to the Contractor 24 hours before the trial run. As for the incurred delayed term, the construction term shall be postponed. If the Supervisor fails to raise the request for an extension within the aforesaid time limit and fails to participate in the trial run, the record of the trial run shall be deemed to have been approved by the Supervisor.

(2) If the conditions for a no-load combined trial run, the Project Owner shall organize the trial run and notify the Contractor in writing 48 hours prior to the test run. The notice shall specify the contents, time and place of the trial run and requirements for the Contractor, and the Contractor shall make preparations as required. If the trial run is qualified, the parties shall sign on the record of the trial run. If the Contractor fails to participate in the trial run without any valid reason, it shall be deemed to have approved the record of the trial run.

13.3.2 Responsibilities during the trial run

If the trial run fails to meet the acceptance requirements due to the design, the Project Owner shall ask the Designer to modify the design, and the Contractor shall reinstall following the modified design. The Project Owner shall bear all the expenses of revising the design, dismantling and re-installation, and the term shall be postponed accordingly. If the trial run fails to meet the acceptance requirements due to the Contractor, the Contractor shall reinstall and conduct the trial run as required by the Supervisor and bear all expenses for the re-installation and the trial run. The term shall not be postponed.

If the trial run fails to meet the acceptance requirements due to the engineering equipment, the party who procures the engineering equipment shall be responsible for the repurchase or repair thereof, and the Contractor shall be responsible for dismantling and reinstalling. The additional expenses for repairing, repurchasing,

dismantling and reinstalling and the delayed term shall be borne by the party who procures the engineering equipment.

13.3.3 Commissioning

If the commissioning is required, the Project Owner shall organize the commissioning after the completion acceptance. If the Project Owner requests to conduct the commissioning before the completion acceptance or the Contractor is required to cooperate, it shall obtain the consent of the Contractor and specify relevant matters in the Special Terms of the Contract.

If the commissioning is qualified, the expenses shall be borne by the Project Owner; If the commissioning test is unqualified due to the Contractor, it shall make rectifications as required by the Project Owner and bear the rectification expenses incurred thereby; If the commissioning test is unqualified due to any reason other than the Contractor, the Project Owner shall bear the expenses incurred thereby if it requires the Contractor to make rectifications.

13.4 Acceptance of the unit project delivered in advance

13.4.1 If the Project Owner needs to use the unit project before the completion of the project, or if the Contractor proposes to deliver the completed unit project in advance with the consent of the Project Owner, the acceptance can be conducted for the unit project following the acceptance procedures as stipulated in Article 13.2 (completion acceptance).

After the acceptance is qualified, the Supervisor shall issue the unit project acceptance certificate signed by the Project Owner to the Contractor. The unit project with the unit project acceptance certificate shall be cared for by the Project Owner. The acceptance results and conclusions of the unit project shall be attached to the application report of completion acceptance of the Entire Project.

13.4.2 If the Project Owner requires the delivery of the unit project before the completion of the project, which causes the increase of expenses and (or) delayed term, the Project Owner shall bear the incurred expenses and/or delayed term, and pay the Contractor a reasonable profit.

13.5 Operation during the construction period

13.5.1 The operation during the construction period means that when the contract project has not been completed, one or several unit projects or installations of engineering equipment have been completed and need to be put into operation during the construction period. According to the Special Terms of the Contract, these unit projects can be put into operation during the construction period after the Project Owner conducts the acceptance following Article 13.4 (acceptance of the unit project delivered in advance) and proves the safety.

13.5.2 If any damage or defect is found in the project or the engineering equipment in operation during the construction period, it shall be repaired by the Contractor following Article 15.2 (Defects Liability Period).

13.6 Demobilization after the completion

1.6.1 Demobilization after the completion

After the project acceptance certificate is issued, the Contractor shall clean up the construction site following the following requirements:

(1) All residual garbages have been removed from the construction site;

(2) Temporary works have been dismantled, and the site has been cleaned, levelled or restored;

(3) The personnel and Contractor's construction equipment and remaining materials, including abandoned construction equipment and materials, which should be evacuated as agreed in the Contract, have been evacuated from the construction site as planned;

(4) All construction deposits surrounding the construction site, on the roads and in the rivers have been cleared;

(5) Other site clearance has been completed on the construction site.

The expenses for the evacuation from the construction site after the completion of the project shall be borne by the Contractor. The Contractor shall complete the evacuation after the completion of the project within the time limit stipulated in the Special Terms of the Contract. If the Contractor fails to complete, the Project Owner shall have the right to sell or otherwise dispose of the items left by the Contractor. The incurred expenses shall be borne by the Contractor. The Project Owner shall return the proceeds from selling the items left by the Contractor to the Contractor after deducting the necessary expenses.

13.6.2 Surface reinstatement

The Contractor shall reinstate the Temporary Land Occupation and clean up the site as required by the Project Owner. If the Contractor fails to reinstate the Temporary Land Occupation as required by the Project Owner or the site cleaning fails to meet the requirements stipulated in the Contract, the Project Owner shall have the right to entrust others to reinstate or clean up. The expenses incurred shall be borne by the Contractor.

14. Completion settlement

14.1 Application for completion settlement

Unless otherwise specified in the Special Terms of the Contract, the Contractor shall, within 28 days after the completion acceptance is qualified, submit the application form of completion settlement and complete settlement data to the Project Owner and the Supervisor. The data list and copies of the application form of completion settlement shall be stipulated by the parties in the Special Terms of the Contract.

Unless otherwise specified in the Special Terms of the Contract, the application form of completion settlement shall include:

(1) The Contract Price for completion settlement;

(2) Payments that have been made by the Project Owner to the Contractor;

(3) The Quality Deposit that should be detained. Except where the performance bond has been paid or other forms of project quality guarantee have been provided;

(4) The Contract Price that should be paid by the Project Owner to the Contractor.

14.2 Approval of completion settlement

(1) Unless otherwise specified in the Special Terms of the Contract, the Supervisor shall, within 14 days upon receipt of the application form of completion settlement, complete the review and submit it to the Project Owner. The Project Owner shall, within 14 days upon receipt of the application form of completion settlement reviewed by the Supervisor, complete the approval, and the Supervisor shall issue to the Contractor the completion payment certificate signed by the Project Owner. If the Supervisor or the Project Owner has objections to the application form of completion settlement, they shall have the right to request the Contractor to revise and provide supplementary data, and the Contractor shall submit the revised application form of completion settlement.

If the Project Owner fails to complete the approval and raises no objection within 28 days upon receipt of the application form of completion settlement submitted by the Contractor, it shall be deemed that the Project Owner has approved the application form of completion settlement submitted by the Contractor and that the completion payment certificate has been issued from the 29th day upon receipt of the application form of completion settlement submitted by the Contractor.

(2) Unless otherwise specified in the Special Terms of the Contract, the Project Owner shall complete the completion payment to the Contractor within 14 days upon the issuance of the completion payment certificate. If the Project Owner fails to pay within the time limit, it shall pay liquidated damages based on the benchmark interest rate for loans of the same period issued by the People's Bank of China. If the overdue payment exceeds 56 days, the Project Owner shall pay liquidated damages at twice the benchmark interest rate for loans of the same period issued by the People's Bank of China.

(3) If the Contractor has any objection to the completion payment certificate issued by the Project Owner, it shall raise an objection to the objectionable part within 7 days upon receipt of the completion payment certificate issued by the Project Owner. The parties shall review it with the methods and procedures agreed upon in the Special Terms of the Contract or handled it following Article 20 (dispute resolution). For the unobjectionable part, the Project Owner shall issue a provisional completion payment certificate and complete the payment following paragraph (2) of this Article. If the Contractor fails to raise any objection within the time limit, it shall be deemed to have approved the approval result by the Project Owner.

14.3 Agreement on the completion of sporadic items

If the Project Owner requires the completion of the sporadic items, the parties shall sign the completion agreement on the completion of sporadic items. It shall be specified in the agreement on the completion of sporadic items that the parties shall settle the completed and qualified works and pay the Contract Price following Article 14.1 (application for completion settlement) and 14.2 (approval of completion settlement).

14.4 Final Settlement

14.4.1 Final Settlement Application

(1) Unless otherwise stipulated in the Special Terms of the Contract, the Contractor shall, within 7 days upon the issuance of the Defects Liability Release Certificate,

submit the Final Settlement Application according to the number of copies stipulated in the Special Terms of the Contract and relevant evidentiary materials to the Project Owner.

Unless otherwise stipulated in the Special Terms of the Contract, the Final Settlement Application shall specify the Quality Deposit, the Quality Deposit that should be deducted and the increased or decreased expenses incurred during the Defects Liability Period.

(2) If the Project Owner has objections to the Final Settlement Application, they shall have the right to request the Contractor to revise and provide supplementary data, and the Contractor shall submit the revised Final Settlement Application to the Contractor.

14.4.2 Final Settlement Certificate and payment

(1) Unless otherwise specified in the Special Terms of the Contract, the Project Owner shall complete the approval and issue the Final Settlement Certificate to the Contractor within 14 days upon receipt of the Final Settlement Application submitted by the Contractor. If the Project Owner fails to complete the approval and raises no suggestion on revision within the time limit, it shall be deemed that the Project Owner has approved the Final Settlement Application submitted by the Contractor and that the Final Settlement Certificate has been issued from the 15th day upon receipt of the Final Settlement Application submitted by the Contractor.

(2) Unless otherwise specified in the Special Terms of the Contract, the Project Owner complete the payment within 7 days upon the issuance of the Final Settlement Certificate. If the Project Owner fails to pay within the time limit, it shall pay liquidated damages based on the benchmark interest rate for loans of the same period issued by the People's Bank of China. If the overdue payment exceeds 56 days, the Project Owner shall pay liquidated damages at twice the benchmark interest rate for loans of the same period issued by the People's Bank of China.

(3) If the Contractor has an objection to the Final Settlement Certificate issued by the Project Owner, it shall be handled following Article 20 (dispute resolution).

15. Defects liability and warranty

15.1 Principles of engineering warranty

After the handover of the project to the Project Owner, in case of any quality defect due to the Contractor, the Contractor shall bear the defects liability and warranty obligations. When the Defects Liability Period expires, the Contractor shall keep bearing the warranty obligation following the warranty period of each part of the project as stipulated in the Contract.

15.2 Defects liability period

15.2.1 The Defects Liability Period shall start from the date when the project is completed and accepted. The parties shall stipulate in the Special Terms of the Contract the specific Defects Liability Period, which shall not exceed 24 months.

For any unit project accepted and delivered for operation before the whole project, the Defects Liability Period of the unit project shall start from the date of acceptance of the unit project. If the completion acceptance cannot be conducted within the time limit stipulated in the Contract due to the Contractor, the Defects Liability Period shall start

from the date on which the project actually passes the completion acceptance. If the completion acceptance cannot be conducted within the time limit stipulated in the Contract due to Project Owner, the project will automatically enter the Defects Liability Period 90 days after the Contractor submits the report of completion acceptance; If the Project Owner, without authorization, uses the project which is not accepted, the Defects Liability Period shall start from the date of transfer.

15.2.2 After the completion acceptance is qualified, if any defect or damage due to the Contractor causes that the project, unit project or a major piece of equipment is unable to be used as intended, the Project Owner shall have the right to request the Contractor to extend the Defects Liability Period and issue the extension notice before the expiration of the original Defects Liability Period, but the Defects Liability Period shall not exceed 24 months.

15.2.3 If it is proved by inspection that any repaired defect or damage affects the performance of the project or the engineering equipment, the Contractor shall re-conduct the test and trial operation as agreed in the Contract. All expenses for the test and trial operation shall be borne by the responsible party.

15.2.4 Unless otherwise stipulated in the Special Terms of the Contract, the Contractor shall, within 7 days after the expiration of the Defects Liability Period, send a notice of the expiration of the Defects Liability Period to the Project Owner. The Project Owner shall, within 14 days upon receipt of the notice of expiration of the Defects Liability Period, verify whether the Contractor has performed the obligation for defect repair. If the Contractor fails to perform the obligation for defect repair, the Project Owner shall have the right to deduct corresponding maintenance expenses. The Project Owner shall, within 14 days upon receipt of the notice of the expiration of the Defects Liability Period, issue to the Contractor the defects liability release certificate.

15.3 Quality guarantee deposit

Where the Quality Deposit is detained by the parties through negotiation, it shall be specified in the Special Terms of the Contract. Before the completion of the project, in the event that the Contractor has provided a performance guarantee, the Project Owner shall not reserve the Quality Deposit at the same time.

15.3.1 Methods for the Contractor to provide the Quality Deposit

The Contractor can provide the Quality Deposit in the following three ways:

(1) Quality Deposit Guarantee;

(2) The proportionable construction payment;

(3) Other ways agreed upon by both parties.

Unless otherwise specified in the Special Terms of the Contract, the Quality Deposit shall follow the first way.

15.3.2 Detention of Quality Deposit

The Quality Deposit can be detained in the following three ways;

(1) The Quality Deposit can be detained with the progress payment successively. In

this case, the calculation base of the Quality Deposit shall not include the payment, deduction and price adjustment amounts of the advance payment;

(2) The Quality Deposit shall be detained in a lump sum upon the construction completion;

(3) Other ways of detention agreed upon by both parties.

Unless otherwise specified in the Special Terms of the Contract, the Quality Deposit shall be detained in the first way.

The accumulative Quality Deposit detained by the Project Owner shall not exceed 3% of the total settlement price of the project. If the Contractor submits the letter of quality guarantee within 28 days after the Project Owner issues the completion payment certificate, the Project Owner shall return the construction payments detained as the Quality Deposit; The Quality Deposit shall not exceed 3% of the total settlement price of the project.

The Project Owner shall pay the interest based on the benchmark interest rate for loans of the same period issued by the People's Bank of China when returning the Quality Deposit.

15.3.3 Refund of the Quality Deposit

During the Defects Liability Period, the Contractor shall earnestly perform its obligations stipulated in the Contract. After the expiration of the Defects Liability Period, the Contractor may apply to the Project Owner for a refund of the Quality Deposit.

The Project Owner shall, within 14 days upon receipt of the application for refund of the Quality Deposit from the Contractor, verify following the Contract. If there is no objection, the Project Owner shall return the deposit to the Contractor as agreed. Where the time limit for the refund is not prescribed or clearly prescribed, the Project Owner shall return the deposit to the Contractor within 14 days after verification. Otherwise, the Project Owner shall bear the liabilities for the breach. If the Project Owner fails to reply within 14 days upon receipt of the application for refund of the Quality Deposit from the Contractor and fails to reply within 14 days upon reminded by the Contractor, it shall be deemed to have approved Contractor's application for refund of the Quality Deposit.

Any dispute between the Project Owner and the Contractor over the reservation and refund of the deposit and the quality and expenses of engineering maintenance shall be settled following dispute and dispute resolution procedures stipulated in Article 20 of the Contract.

15.4 Warranty

15.4.1 Warranty liability

The Warranty Period of the project shall start from the date of completion acceptance, while the Warranty Period of the sub-contractual work shall be stipulated by the parties in the Special Terms of the Contract, but shall not be less than the statutory minimum warranty period. During the Warranty Period of the project, the Contractor shall undertake the warranty liabilities following relevant laws and the Contract.

If the Project Owner, without authorization, uses the project which is not accepted, the

Warranty Period shall start from the date of transfer.

15.4.2 Repair expenses

During the Warranty Period, the repair expenses shall be subject to the following agreements:

(1) During the Warranty Period, in case of any defect or damage due to the Contractor, it shall bear the expenses for repairing the defect or damage, and the personal injury and property loss caused by the defect or damage;

(2) During the Warranty Period, in case of any defect or damage due to the Project Owner, it may entrust the Contractor to repair, but the Project Owner shall bear the expenses incurred and pay the Contractor a reasonable profit;

(3) In case of any defect or damage due to other reasons, the Project Owner may entrust the Contractor to repair, and shall bear the expenses incurred and pay the Contractor a reasonable profit; The personal injury and property loss caused by the defect or damage shall be borne by the responsible party.

15.4.3 Notice of repair

During the Warranty Period, if the Project Owner finds any defect or damage in the accepted projects during the operation, it shall notify the Contractor of the repair in writing. However, if it is urgent and the defect or damage must be repaired immediately, the Project Owner may notify the Contractor orally and confirm in writing within 48 hours after the oral notice. The Contractor shall arrive at the construction site and repair the defect or damage within a reasonable time as agreed upon in the Special Terms of the Contract.

15.4.4 Failure to repair

In case of any defect or damage to the project due to the Contractor, if the Contractor refuses to repair or fails to repair the defect or damage within a reasonable period upon the Project Owner's written demand, the Project Owner shall have the right to repair or entrust a third party to repair.

All required expenses shall be borne by the Contractor. However, if the repair scope exceeds the defect or damage scope, the expenses for the exceeding part shall be borne by the Project Owner

15.4.5 Contractor's right of access

During the Warranty Period, the Contractor shall have the right of access to the construction site in order to repair the defects or damages. Unless the defect or damage needs to be repaired immediately, the Contractor shall notify the Project Owner of the time to enter the construction site for repair 24 hours in advance. The Contractor shall obtain the consent of the Project Owner before entering the construction site, shall not affect the regular operation of the Project Owner, and shall comply with the Project Owner's regulations on the security and confidentiality.

16. Default

16.1 Breach by the Project Owner

16.1.1 Breach by the Project Owner

The following circumstances which occur during performance hereof shall be deemed as a breach by the Project Owner:

(1) The failure of the issuance of commencement notice within 7 days prior to the planned commencement date attributed to the Project Owner's reason;

(2) The failure to pay the Contract Price as required hereof attributed to the Project Owner's reason;

(3) The Project Owner's breach of Section (2) of Article 10.1 (Scope of Changes) and performance of the cancelled work at its own or by entrusting other parties;

(4) The specification, quantity or quality of the materials and Engineering Equipment provided by the Project Owner do not conform to the Contract, or the delivery is delayed or the delivery place is changed due to the Project Owner;

(5) Suspension of construction caused by the breach of Contract by the Project Owner;

(6) The Contractor's failure to resume the construction in consequence of the absence of resumption instruction from the Project Owner within the agreed period and without any proper reason;

(7) The Project Owner has explicitly stated or demonstrated by its behaviour that it will not perform its main obligations under the Contract;

(8) The Project Owner's failure to perform other obligations provided herein.

In case of any breach by the Project Owner other than paragraph (7) of this Article, the Contractor may issue a notice to the Project Owner requesting it to take restrictive measures to correct the breach. If the Project Owner fails to correct the breach within 28 days upon receipt of the notice from the Contractor, the Contractor shall have the right to suspend the construction of the corresponding part and notify the Supervisor.

16.1.2 Liabilities for breach by the Project Owner

The Project Owner shall bear the incurred expenses and (or) delayed term due to its breach and shall pay the Contractor a reasonable profit. Besides, the Contractor may separately specify in the Special Terms of the Contract the manner and calculation method of liabilities for breach by the Project Owner.

16.1.3 Termination due to breach by the Project Owner

Unless otherwise stipulated in the Special Terms of the Contract, after the Contractor suspend the construction for 28 days as agreed in Article 16.1.1 (Breach by the Project Owner), if the Project Owner still fails to correct its breach causing that the purpose of the Contract cannot be realized, or if the breach stipulated in paragraph (7) of Article 16.1.1 (Breach by the Project Owner) occurs, the Contractor shall have the right to terminate the Contract, and the Project Owner shall bear the increased expenses and pay the Contractor a reasonable profit.

16.1.4 Payment after the termination due to breach by the Project Owner

If the Contractor terminates the Contract following this Article, the Project Owner shall, within 28 days upon the contract termination, pay the following sum and terminate the performance guarantee.

(1) The payment for the work completed before the contract termination;

(2) The price of materials, engineering equipment and other articles ordered and paid by the Contractor for the construction of the project;

(3) The payments for the Contractor's withdrawal from the construction site and the discharge of the Contractor's personnel;

(4) Liquidated damages payable prior to contract termination as agreed herein;

(5) Other payments that should be paid to the Contractor as agreed herein;

(6) The quality deposit that should be returned as agreed herein; and

(7) The loss to the Contractor due to contract termination.

If the parties fail to reach an agreement on the settlement after the contract termination, it shall be settled following Article 20 (dispute resolution).

The Contractor shall properly protect and handover the completed works and purchased materials and engineering equipment related to the project and remove the construction equipment and personnel for construction from the construction site, and the Project Owner shall provide the necessary conditions for the withdrawal of the Contractor.

16.2 Default by the Contractor

16.2.1 Default by the Contractor

The following circumstances which occur during performance hereof shall be deemed as default by the Contractor:

(1) Subcontracting or illegal subcontracting by the Contractor in violation of the Contract;

(2) The Procurement and use of substandard materials and engineering equipment by the Contractor in violation of the Contract;

(3) The unqualified project quality as required in the Contract due to the Contractor;

(4) The Contractor's violation of Article 8.9 (special requirements for materials and equipment) and withdrawal of the materials or equipment that have entered the construction site as required in the Contract without approval;

(5) The Contractor's failure to timely complete the work stipulated in the Contract according to the construction schedule, causing the delay in term;

(6) The Contractor's failure to repair the defects within a reasonable period during the Defects Liability Period and the Warranty Period, or refusal to repair the defects as required by the Project Owner;

(7) The Contractor has explicitly stated or demonstrated by its behaviour that it will not perform its main obligations under the Contract;

(8) The Contractor's failure to perform other obligations provided herein.

In case of any other default by the Contractor other than paragraph (7) of this Article, the Supervisor may issue a rectification notice to the Contractor requiring it to correct within the specified time limit.

16.2.2 Liabilities for default by the Contractor

The Contractor shall bear the incurred expenses and (or) delayed term due to its defaults. Besides, the parties may separately specify in the Special Terms of the Contract the manner and calculation method of liabilities for default by the Contractor.

16.2.3 Termination due to default by the Contractor

Unless otherwise stipulated in the Special Terms of the Contract, where there is a default as provided in Paragraph (7) of Article 16.2.1 (Default by the Contractor), or if the Contractor still fails to cure its breach within a specified reasonable time limit after the Supervisor sends the rectification notice, causing that the purpose of the Contract cannot be realized, the Project Owner shall have the right to terminate the Contract. Upon the contract termination, the Project Owner shall have the right to use the Contractor's materials, equipment, Temporary Work, Contractor's documents and other documents prepared by or in the name of the Contractor in the construction site. The parties shall specify in the Special Terms of the Contract the methods of bearing corresponding expenses. The Project Owner's continued use shall not exempt or reduce the liability for breach of Contract by the Contractor.

16.2.4 Treatment after contract termination due to default by the Contractor

If the Contract is terminated due to the Contractor, the parties shall, within 28 days after the contract termination, complete the valuation, payment and liquidation following the following provisions:

(1) Upon the contract termination, the Contract Price, corresponding to the actual completed work by the Contractor and the value of the materials, engineering equipment, construction equipment and temporary works provided by the Contractor shall be agreed or determined following Article 4.4 (negotiation or determination);

(2) Liquidated damages payable by the Contractor after the contract termination;

(3) The loss to the Project Owner due to contract termination after the contract termination;

(4) The Contractor shall complete site cleaning and withdrawal as required by the Project Owner and instructed by the Supervisor after the contract termination;

(5) The Project Owner shall settle the account with the Contractor after the contract termination, issue the final settlement payment certificate and settle all payments.

If Contract is terminated due to breach by the Contractor, the Project Owner has the right to suspend payment to the Contractor and check all payments and deductions. If the Project Owner and the Contractor fail to reach an agreement on the settlement and payments after the contract termination, it shall be settled following Article 20 (dispute

resolution).

16.2.5 Transfer of rights and interests in the Procurement Contract

If the Contract is terminated due to default by the Contractor, the Project Owner shall have the right to ask the Contractor to transfer the rights and interests in the Procurement Contract of materials and equipment signed by the Contractor for the implementation of the Contract to the Project Owner. The Contractor shall, within 14 days upon receipt of the contract termination, assist the Project Owner to reach relevant transfer agreement with the Supplier in the Procurement Contract.

16.3 Default due to a third party

In the course of performing the Contract, if any party breaches the Contract due to a third party, it shall be liable to the other party for breach of Contract. Any dispute between any party and a third party shall be settled following the law or the Contract.

17. Force majeure

17.1 Force majeure

Force majeure refers to the natural disasters and social emergencies which are unforeseeable when the Contract is signed by the parties and unavoidable and insurmountable during the performance of the Contract, such as, earthquake, tsunami, plague, disorder, restriction, riot, war and other circumstances as agreed in the Special Terms of the Contract.

After the occurrence of the force majeure, the Project Owner and the Contractor shall collect evidence to prove the occurrence of the force majeure and the losses caused by the force majeure and make a timely and careful calculation of the losses caused by the force majeure. If the parties disagree on whether it is a force majeure or the losses, the Supervisor shall deal with it following Article 4.4 (Negotiation or Determination). Any dispute shall be settled following Article 20 (Dispute resolution).

17.2 Notice of force majeure

If either party encounters a force majeure event that prevents it from performing its obligations under the Contract, it shall immediately notify the other party and the Supervisor, explain the details of the force majeure and the obstruction in writing, and provide necessary proofs.

If the force majeure continues, either party shall promptly submit an interim report to the other party and the Supervisor to explain the details of the force majeure and the obstruction in performing the Contract and submit the final report and relevant information within 28 days after the end of the force majeure event.

17.3 Undertaking of the consequences of force majeure

17.3.1 The consequences and losses caused by force majeure shall be borne by the parties following the law and the Contract. The project completed before the occurrence of force majeure shall be counted and paid following the Contract.

17.3.2 Personal injury, property loss, increase in expenses and (or) delay in construction and other consequences caused by force majeure shall be allocated by the parties on the following principles:

(1) The Project Owner shall bear the damage to the Permanent Work and the materials and the engineering equipment that have been transported to the construction site, and the casualties and property losses of the third party due to the damage;

(2) Damage to construction equipment of Contractors shall be undertaken by the Contractor;

(3) The Project Owner and the Contractor shall respectively undertake its personal injury and property loss;

(4) If the Contractor's performance of the obligations stipulated in the Contract is affected by the force majeure, which has caused and will cause a delay in the term, the term shall be postponed. The resulting expenses and losses for the Contractor's shutdown shall be shared by the Project Owner and the Contractor. The Project Owner shall bear the obligatory wages for workers during the shutdown;

(5) If the Project Owner requests for acceleration because the project delay due to the force majeure, the resulting expenses for acceleration shall be borne by the Project Owner; and

(6) The expenses for the safekeeping, cleaning and repair of the works by the Contractor as required by the Project Owner during the shutdown shall be undertaken by the Project Owner.

After the occurrence of force majeure, the parties shall take measures to avoid and minimize the expansion of losses. If any party fails to take effective measures, which causes the expansion of losses, it shall undertake the expanded losses.

Where either party delays in performing its obligations under the Contract and encounters the force majeure during the delay, it shall not be exempted from the liabilities for breach of Contract.

17.4 Contract dissolution due to Force Majeure

If the contract cannot be performed for more than 84 consecutive days or more than 140 days in total due to the force majeure, both the Project Owner and the Contractor shall have the right to terminate the Contract. After the contract termination, both parties shall negotiate or determine the payments to be paid by the Project Owner following Article 4.4 (Negotiation or determination). The payments include:

(1) The payment for the work completed by the Contractor before the contract termination

(2) The price of materials, engineering equipment and other articles which are ordered by and delivered to the Contractor for the project or which the Contractor is obligated to accept;

(3) The expenses incurred when the Project Owner requests the Contractor to return the goods or cancel the order contract, or the losses caused by failure to return the goods or cancel the contract;

(4) The expenses for the Contractor's withdrawal from the construction site and the discharge of the Contractor's personnel;

(5) Other payments payable to the Contractor prior to contract termination as agreed herein;

(6) Deductions of payments paid by the Project Owner to the Contractor as agreed herein; and

(7) Other sums negotiated or determined by both parties.

Unless otherwise specified in the Special Terms of the Contract, the Project Owner shall pay the aforesaid sums within 28 days after such sums are negotiated and determined after the contract termination.

18. Insurance

18.1 Project Insurance

Unless otherwise specified in the Special Terms of the Contract, the Project Owner shall purchase the construction all risks insurance or the erection all risks insurance; If the Project Owner entrusts the Contractor to purchase the insurance, the insurance premium and other related expenses incurred from the insurance shall be borne by the Project Owner.

18.2 Employment injury insurance

18.2.1 The Project Owner shall participate in the employment injury insurance according to laws, and purchase the employment injury insurance for all staff in the construction site, pay the industrial injury insurance premiums, and request the Supervisor and the third party hired by the Project Owner to perform the Contract to participate in the employment injury insurance.

18.2.2 The Contractor shall participate in the employment injury insurance according to laws, and purchase the employment injury insurance for all staff performing the Contract, pay the industrial injury insurance premiums, request the Subcontractor and the third party hired by the Contractor to perform the Contract to participate in the employment injury insurance.

18.3 Other insurance

The Project Owner and the Contractor may purchase the personal accident insurance and pay the insurance premiums for the personnel in the construction site, including its employees and third party personnel hired to perform the Contract. The specific matters shall be stipulated by the parties in the Special Terms of the Contract.

Unless otherwise specified in the Special Terms of the Contract, the Contractor shall purchase the property insurance for its construction equipment.

18.4 Maintained insurance

The parties shall keep in touch with the insurer to keep the insurer informed of any change in the implementation of the works and ensure that insurance is maintained following the insurance contract.

18.5 Evidence of Insurance

Either Party hereto shall timely submit the evidence of purchased insurance and

photocopy of insurance policy to the other Party.

18.6 Remedies for failure to insure as agreed

18.6.1 If the Project Owner fails to purchase the insurance as agreed herein, or fails to maintain the insurance, the Contractor may purchase the insurance on behalf of the Project Owner, but the expenses shall be borne by the Project Owner. If the Project Owner fails to purchase the insurance as agreed herein, which causes the deficiency of compensation, the Project Owner shall make up the deficiency.

18.6.2 If the Contractor fails to purchase the insurance as agreed herein, or fails to maintain the insurance, the Project Owner may purchase the insurance on behalf of the Contractor, but the expenses shall be borne by the Contractor. If the Contractor fails to purchase the insurance as agreed herein, which causes the deficiency of compensation, the Contractor shall make up the deficiency.

18.7 Notification Obligation

Unless otherwise specified in the Special Terms of the Contract, when the Project Owner changes the insurance contract except for the industrial injury insurance, it shall obtain the consent of the Contractor in advance and notify the Supervisor; when the Contractor changes the insurance contract except the industrial injury insurance, it shall obtain the consent of the Project Owner and notify the Supervisor.

When an insurance accident happens, the policy holder shall report to the insurer in time according to the conditions and time limit in the insurance contract. The Project Owner and the Contractor shall promptly notify each other of the occurrence of the insurance accident.

19. Claims

19.1 Claims by the Contractor

According to the Contract, if the Contractor considers that it is entitled to receive additional payment and (or) extension of the construction period, it shall file a claim against the Project Owner according to the following procedures:

(1) The Contractor shall, within 28 days after it is or should be informed of the claim, submit a notice of claim intention to the Supervisor, and explain the cause of the claim; If the Contractor fails to issue the notice of claim intention within the 28 days, it will forfeit the right to request for additional payment and (or) extend the construction period;

(2) The Contractor shall, within 28 days after the issuance of the notice of claim intention, formally submit the claim report to the Supervisor; The claim report shall state the cause of the claim and the requested amount of additional payment and (or) extension of the construction period, and necessary records and evidentiary materials shall be attached;

(3) The claim event has a continuing impact, the Contractor shall keep submitting the notice on the continuation of the claim reasonable intervals, stating the actual situation and record of the continuing impact and listing the accumulated amount of additional payment and (or) extension of the construction period;

(4) The Contractor shall, within 28 days after the impact of the claim is over, submit

the final claim report to the Supervisor, stating the final amount of additional payment and (or) extension of the construction period, and necessary records and evidentiary materials shall be attached.

19.2 Handling of claims by the Contractor

The claims by the Contractor shall be handled as follows:

(1) The Supervisor shall complete the review and submit it to the Project Owner within 14 days upon receipt of the claim report. If the Supervisor objects to the claim report, it shall have the right to require the Contractor to submit copies of all original records;

(2) The Project Owner shall reply within (28) days after the Supervisor receives the claim report or further evidentiary materials for the claim, and the Supervisor will issue the claim result signed and confirmed by the Project Owner to the Contractor. If the Project Owner fails to reply within the time limit, it shall be deemed to have accepted the Contractor's claim;

(3) If the Contractor accepts the claim result, the claim sum shall be paid in the current progress payment; otherwise, the claim shall be handled following Article 20 (dispute resolution).

19.3 Claims from the Project Owner

According to the Contract, if the Project Owner considers that it is entitled to receive compensation amount and (or) extension of the Defects Liability Period, the Supervisor shall give notice to the Contractor with detailed proofs.

The Project Owner shall, within 28 days after it is or should be informed of the claim, submit a notice of claim intention to the Contractor. If the Project Owner fails to issue the notice of claim intention within the aforesaid time limit, it will forfeit the right to claim damages and (or) extend the Defects Liability Period. The Project Owner shall, within 28 days after the issuance of the notice of claim intention, formally submit the claim report to the Contractor through the Supervisor.

19.4 Handling of claims by the Project Owner

The claims by the Project Owner shall be handled as follows:

(1) The Contractor shall, upon receipt of the claim report submitted by the Project Owner, promptly review the contents of the claim report and verify the proof materials submitted by the Project Owner;

(2) The Contractor shall reply the claim result to the Project Owner within 28 days upon receipt of the claim report or further evidentiary materials for the claim. If the Contractor fails to within the aforesaid time limit, it shall be deemed to have approved the Project Owner's claim;

(3) If the Contractor accepts the claim result, the Project Owner may deduct the compensation amount from the contract price payable to the Contractor or extend the Defects Liability Period; otherwise, the claim shall be handled following Article 20 (dispute resolution).

19.5 Time limit for claims

(1) After the Contractor accepts the completion payment certificate as provided in Article 14.2 (completion settlement approval), it shall be deemed that the Contractor has no right to make any claim prior to issuance of the project acceptance certificate.

(2) In the Final Settlement Application submitted by the Contractor as provided in Article 14.4, (final settlement), only claims after issuance of project acceptance certificate can be made. The deadline for making claims shall be the time of accepting the final settlement certificate.

20. Dispute Resolution

20.1 Reconciliation

The parties may reach a settlement on their own. The agreement reached through such settlement shall be signed and sealed by both parties as a supplementary document to the Contract and shall be complied with by both parties.

20.2 Mediation

The parties may request the competent administrative department of construction, the trade association or any other third party to mediate the dispute. If they reach an agreement, the agreement shall be signed and sealed by both parties as a supplementary document to the Contract and shall be complied with by both parties.

20.3 Dispute review

The parties agree to adopt the dispute review to resolve the dispute and the review rules in the Special Terms of the Contract, the following agreements shall apply:

20.3.1 Determination of the dispute review panel

The parties may jointly select one or three dispute assessors to form a dispute review panel. Unless otherwise specified in the Special Terms of the Contract, the parties shall, within 28 days after the contract is signed or within 14 days after the dispute occurs, select the dispute assessors.

If a dispute assessor is to be selected, it shall be jointly determined by the parties; if three dispute assessors are to be selected, both parties select one respectively, and another one as the chief dispute assessor shall be jointly determined by the parties or by the two dispute assessors selected by both parties, or appointed by the review institution as agreed in the Special Terms of the Contract.

Unless otherwise stipulated in the Special Terms of the Contract, the assessors' remuneration shall be borne half by the Project Owner and half by the Contractor.

20.3.2 Decision of the dispute review panel

The parties may, at any time, jointly submit any dispute concerning the Contract to the dispute review panel for review. The dispute review panel shall adhere to the principles of objectivity and impartiality, pay full heed to the opinions of the parties, make a written decision within 14 days upon receipt of the application report of dispute review following relevant laws, norms, standards, experience in cases and business practices, and state the reasons. This matter may be agreed by the Parties in the Special Terms of the Contract.

20.3.3 Validity of decisions made by the dispute review panel

The written decision made by the dispute review panel shall be binding upon both parties after it is signed and confirmed by both parties, and shall be complied with by both parties.

If either party fails to accept or implement the decision of the dispute review panel, both parties may choose other means to settle the dispute.

20.4 Arbitration or litigation

In case of any dispute arising from the Contract and other matters related to the Contract, the parties may specify in the Special Terms of the Contract one of the following ways to settle the dispute:

(1) apply to the agreed arbitration commission for arbitration;

(2) submit to people's court with jurisdiction.

20.5 Effectiveness of dispute resolution terms

The dispute resolution terms in the Contract shall exist independently, and the modification, rescission, termination, invalidity or cancellation of the Contract shall not affect its effectiveness.

Part III Special Terms of the Contract

1 General provisions

1.1 Definitions

1.1.1 Contract

1.1.1.10 Other Contract Documents include other Documents confirmed by both parties to form part of the Contract.

1.1.2 Parties to the Contract and other Related Party

1.1.2.4 Supervisor:

Name: Yutian Engineering Consulting Group Co., Ltd (江苏雨田工程咨询集团有限公司).;

Qualification category and level: integrated qualification for engineering supervision;

Tel: 13775552088;

Email: 710051781@qq.com;

Mailing address: No.88 Xingmin South Road, Science Park, Jiangning District, Nanjing;

1.1.2.5 Designer:

Name: Architects & Engineers Co., Ltd of Southeast University (东南大学建筑设计研究院有限公司).;

Qualification Category and level: class A;

Tel: 025-83793178;

E-mail: ×;

Mailing address: No. 2 Sipailou Street, Nanjing (南京市四牌楼2号).

1.1.3 Works and equipment

1.1.3.7 Other sites that are part of the Construction Site include: None

×.

1.1.3.9 Permanent Land Occupation includes None.

1.1.3.10 Temporary Land Occupation includes: See part II of Article 21 (Supplementary Terms).

1.3 Laws

Other normative documents applicable to the Contract: See part II of Article 21 (Supplementary Terms).

1.4 Standards and specifications

1.4.1 The standard specifications applicable to the Project include: Other normative Documents applicable to the Contract: See part II of Article 21 (Supplementary Terms)

×.

1.4.2 The name of the foreign standard and specification provided by the Project Owner: See part II of Article 21 (Supplementary Terms)

×.

Copies of foreign standards and specifications provided by the Project Owner for : /;

Name of the foreign standards and specifications provided by the Project Owner: Not applicable.

1.4.3 Special requirements of the Project Owner on the Technology standards and functional requirements for the Project: /

×.

1.5 Order of precedence of the Contract Documents

The Contract Documents are composed and prioritized as follows: See part II of Article 21 (Supplementary Terms)

1.6 Drawings and Contractor's documents

1.6.1 Provision of drawings

Time limit for the Project Owner to provide drawings to the Contractor: Within 7 days after the signature of the contract;

Copies of Drawings provided by the Project Owner to the Contractor: See part II of Article 21 (Supplementary Terms);

The contents of the Drawings provided by the Project Owner to the Contractor: All disciplines within the scope of the tender.

1.6.4 Contractor's documents

Documents to be provided by the Contractor, including: See part II of Article 21 (Supplementary Terms)

×.

The time limit for the provision of the document by the Contractor is: Within 21 days after the signature of the contract;

Copies of documents provided by the Contractor is Three;

The format of the document provided by the Contractor: Hard copy and electronic version, delivered in person;

The time limit for the Project Owner to review the contractor's document: Within 15 days after the receipt of the document.

1.6.5 Preparation of Site Drawings

Agreement on the preparation of site Drawings: See part II of Article 21 (Supplementary Terms)

×.

1.7 Contact

1.7.1 The Project Owner and the Contractor shall send written correspondence relevant to the Contract, including Notice, Approval, attestation, certificate, instruction, direction, requirement, request, consent, comment, confirmation, and decision, to the other party within 3 days.

1.7.2 The location for the Project Owner to receive document: Project Site office;

The receiver designated by the Project Owner: [***].

The location for the Contractor to receive the document: the Project Site office;

The recipient designated by the Contractor: [***].

The location for the Project Manager to receive the document: the Project Site office;

The recipient designated by the Project Manager: [***].

The location for the Supervisor to receive the Document: Supervisor's office on Project Site ;

The receiver designated by the Supervisor: [***].

The location for the Expenses Consultant to receive the document: the Project Site office;

The recipient designated by the Expenses Consultant: [***].

1.10 Transportation

1.10.1 Access to the site

The agreement on the right to access the site: The leader of Project Owner, relevant management personnel and manager; the personnel of the Project Management Company, the Expenses Consultant and the personnel of the Supervisor; and Project team Members of the Contractor .

1.10.3 In-site traffic

Agreement on the boundaries of off-site and on-site traffic: following the General Terms of the Contract.

×.

Agreement on free in-site road and transportation facilities provided by the Project Owner to the Contractor to Satisfied the construction requirement:

The Contractor takes the liability with the requirement of the review and approval by the Project Owner and relevant expenses included in the Contract Price

×.

1.10.4 Transportation of oversized and overweight items

Expenses on temporary reinforcement and Improvements of roads and bridges for the transportation of oversized or overweight items and any other related expenses shall be borne by the Contractor

×.

1.11 Intellectual Property

1.11.1 The ownership of the Drawings provided by the Project Owner to the Contractor, the technical specifications prepared or commissioned by the Project Owner for the implementation of the Project, and the copyright of any other Document to reflect the Project Owner's requirements on the Contract or other Documents of a similar nature: See part II of Article 21 (Supplementary Terms).

The requirements for the use of the above-mentioned Document provided by the Project Owner: See part II of Article 21 (Supplementary Terms)

×.

1.11.2 The copyright ownership of the Document prepared by the Contractor for the implementation of the Project: See part II of Article 21 (Supplementary Terms)

×.

Requirements on the use of the above Document provided by the Contractor: See part II of Article 21 (Supplementary Terms)

×.

1.11.4 The payment of use fees on the patent, Know-How, and technical secret in the

Middle of construction is borne by the Contractor and already included in the Contract Price.

1.13 Correction of errors in the Bill of Quantities

The confirmation on the adjustment of the Contract Price in the event of any error in the Bill of Quantities: with the consideration of fixed Lump Sum Contract, adjustment is not allowed. See part II of Article 21 (Supplementary Terms).

Allowable deviation range of the quantities in the Contract Price: No adjustment is not allowed with the consideration of the fixed Lump Sum Contract.

2 Project Owner

2.2 Project Owner's Representative

Project Owner's Representative:

Name: [***];

ID No.: /;

Title: Project Leader of TAL Zhenjiang Education Base Phase I Construction Project;

Tel: [***] ;

Email: [***] ;

Correspondence address: ×;

The Authorisations scope of the Project Owner's representative is as follows: See part II of Article 21 (Supplementary Terms)

×.

2.4 Provision of Construction Site, constrction conditions and basic materials

2.4.1 Provision of Construction Site

The deadline for the Project Owner to handover the Construction Site: Within 7 days after the signature of the Contract.

2.4.2 Provision of construction conditions

The Project Owner shall be responsible for providing the Conditions required for the construction, including: See part II of Article 21 (Supplementary Terms)

× .

2.5 Evidence of capital source and payment guarantee

The deadline for the Project Owner to provide evidence funding sources: Not provided.

Whether the Project Owner provides payment guarantee: No.

Form of payment guarantee provided by the Project Owner: None.

3 Contractor

3.1 Contractor's general obligations

(9) The as-built Document submitted by the Contractor: see Part II of Article 21 (Supplementary Terms)

×.

Copies of the as-built document to be provided by the Contractor: Four sets.

The expenses of the as-built Document submitted by the Contractor: Borne by the Contractor.

Handover time of the as-built Document submitted by the Contractor: Within one month after the Project completion and acceptance.

Requirements for the format of as-built Document submitted by the Contractor: All the Project completion acceptance and settlement Document should be hard copy together with the imperative electronic record.

(10) Other obligations to be performed by the Contractor: See part II of Article 21 (Supplementary Terms)

×.

3.2 Project Manager

3.2.1 Project Manager:

Name: [***];

ID No.: [***];

Architect qualification certificate level: First-level;

Architect registration certificate number: [***];

Architect seal number: [***];

Safety production assessment certificate No.: [***];

Tel: [***];

E-mail: [***];

Correspondence address: 7th floor, Building C1, Dongfang Wanguo Enterprise Center, No.1599 Xinjinqiao Road, Pudong New District, Shanghai (上海市浦东新区新金桥路1599号东方万国企业中心C1栋7层);

The Contractor's Authorisations cope to the Project Manager is as follows: See part II of

Article 21 (Supplementary Terms)

×.

The Project Manager's present requirement at the Construction Site each month: No less than 25 days a month and no less than 8 hours a day

×.

The Contractor's Default liability on its failure to submit an employment agreement and the payment evidence of social insurance for the Project Manager: The RMB 50,000 penalty imposed by the Project Owner on the Contractor.

The Project Manager's Default liability on his absence on the Construction Site without the Project Owner's Approval: RMB 5,000 Deduction from the payment to the Project Manager per day.

3.2.3 The Contractor's Default liability on the replacement of its Project Manager without the Project Owner's Approval: RMB 5m penalty on the Contractor, and the Project Owner's right reservation to take further Claims and terminate the Contract.

3.2.4 The Contractor's Default liability on the replacement of Project Manager without justifiable reasons: The RMB 200,000 penalty imposed by the Project Owner on the Contractor, and deducted from the payment to the Contractor. Besides, the Project Owner is entitled to terminate the Contract.

3.3 Contractor's personnel

3.3.1 The deadline for the Contractor to submit a report on the arrangement of the Project Administrator and Construction Site management personnel: One week before the commencement of construction

×.

3.3.3 The Contractor's Default liability on the refusal to remove or replace main Project Administrator personnel without justifiable reasons: The RMB 5,000 to 50,000 per person penalty imposed by the Project Owner on the Contractor.

3.3.4 Approval requirements for the main construction Administrator of the Contractor to leave the Construction Site: the submission of a written application to the Supervisor and the Project leader of the Project Owner, together with their Approval.

3.3.5 The Contractor's Default liability on the replacement of main Project Administrator personnel without the Project Owner's Approval: The RMB 5,000 to 50,000 per person penalty imposed by the Project Owner on the Contractor.

The Default Liability of the Contractor's main Project Administrator personnel on the absence from the Construction Site without any Approval: See part II of Article 21 (Supplementary Terms)

×.

3.5 Subcontracting

3.5.1 General provisions of subcontracting

The work not allowed to be subcontracted: Main structure and critical work.

The scope of main structure and critical work: Main structure work and other work

×.

3.5.2 Determination of subcontracting

The professional work allowed to be subcontracted include: See Article 3.5.2 Professional work allowed to be subcontracted in the Special Terms of Supplementary Terms.

Other agreement on the subcontract: See Article 3.5.2 Other agreement on the subcontract in the Special Terms of Supplementary Terms.

3.5.4 Subcontract price

Agreement on payment of subcontract Price: See part II of Article 21 (Supplementary Terms).

3.6 Project care and protection of finished products and semi-finished products

The start date for the Contractor to keep in custody materials and Engineering Equipment related to the Project: From the Commencement Date to the Project handover to the Project Owner.

3.7 Performance Guarantee

Whether the Contractor to provide performance guarantee: Yes.

The format, amount and duration of performance guarantee provided by the Contractor: See part II of Article 21 (Supplementary Terms)

×.

4 Supervisor

4.1 General provisions of the Supervisor

The work of the Supervisor: See part II of Article 21 (Supplementary Terms).

The authority of the Supervisor: See part II of Article 21 (Supplementary Terms).

Agreement on the provision and expenses undertaking of the Supervisor's office and accommodation place at the Construction Site:

See part II of Article 21 (Supplementary Terms).

4.2 Supervision personnel

Chief Supervisory Engineer:

Name: [***];

Title: Director;

Supervision engineer certificate No.: [***];

Tel: [***];

Email: [***];

Correspondence address: See part II of Article 21 (Supplementary Terms);

Other agreement on the Supervisor: See part II of Article 21 (Supplementary Terms).

4.4 Negotiation or Determination

If the Project Owner fails to reach an agreement with the Contractor through negotiation, the Project Owner grants the Supervisor permission through Authorisations to confirm the following:

(1) See part II of Article 21 (Supplementary Terms);

(2)/ ;

(3)/.

5 Quality of the Work

5.1 Quality Requirements

5.1.1 Special quality standards and requirements: None

×.

Agreement on engineering awards: See part II of Article 21 (Supplementary Terms).

5.3 Inspection on Concealed Work

5.3.2 The period agreement on the Contractor's advance Notice to the Supervisor about the Inspection on Concealed Work: See part II of Article 21 (Supplementary Terms)

×.

In the event that the Supervisor fails to perform the inspection on time, a written request for Adjourned should be submitted 8 hours in advance.

The maximum Adjourned should not exceed: 24 hours.

6 Safe and Civilized Construction and Environmental Protection

6.1 Safe and Civilized Construction

6.1.1 Agreement on the goal of Project safety production and relevant matters: See part

II of Article 21 (Supplementary Terms)

×.

6.1.4 Special agreement on security protection: For details, please refer to the relevant requirements in chapter 1.4 the Agreement on Security and Fire Management of volume 1.

Agreement on the preparation of the security management plan of the Construction Site: This part should be included in the construction organization design submitted in prior to the commencement of the construction.

6.1.5 Civilized Construction

Contract parties' requirements for Civilized Construction: See part II of Article 21 (Supplementary Terms).

6.1.6 Agreement on the payment proportion and payment period of Safe and Civilized Construction Expenses: See part II of Article 21 (Supplementary Terms)

×.

7 Term and Schedule

7.1 Construction organization design

7.1.2 Submission and Modification of the Construction Organization Design

The period agreement on the Contractor's submission of the detailed construction organization design: Within 21 days after the signature of the Contract

×.

The deadline for the Project Owner and Supervisor to confirm or propose remark on amendments after the receipt of the detailed construction organization design:

See part II of Article 21 (Supplementary Terms)

×.

7.2 Construction Schedule

7.2.2 Revision on Construction Schedule

The deadline for the Project Owner and Supervisor to confirm or propose remark on amendment after the receipt of the amended Construction Schedule:

See part II of Article 21 (Supplementary Terms)

×.

7.3 Commencement

7.3.1 Preparations for the commencement

The deadline for the Contractor to submit the review request on Project commencement: 7 days in prior to the Planned Commencement Date

×.

Other preparations for the commencement to be performed by the Project Owner and its deadlines: The provision of corresponding Drawings and Documents within 7 days after the signature of the Contract

×.

Other preparations for the commencement to be performed by the Contractor and its deadlines: None

×.

7.3.2 Commencement Notice

In the event that the Supervisor fails to issue the Commencement Notice which is attribute to the Project Owner's reason within / days from the Planned Commencement Date, the Contractor is entitled to request price adjustment or terminate the Contract.

7.4 Surveying settingout

7.4.1 The deadline for the Project Owner to provide the Contractor with the surveying datum point, datum line, datum mark and their written Document through the Supervisor: See part II of Article 21 (Supplementary Terms)

×.

7.5 Delay

7.5.1 Delay of Term Due to the Fault of Project Owner

(7) Other circumstances of Delay of Term Due to the Fault of Project Owner: See part II of Article 21 (Supplementary Terms)

×.

7.5.2 Delay of Term Due to the Fault of Contractor

The calculation of liquidated damages for overdue completion in consequence of the term delay attributed to the Contractor's reason is: As stipulated in the article 16.2 of special terms of the Contract.

The maximum amount of liquidated damages for overdue completion in consequence of the term delay attributed to the Contractor's reason is: See part II of Article 21 (Supplementary Terms)

×.

7.6 Adverse material conditions

Other situations of adverse material Conditions and related agreement: See part II of Article

21 (Supplementary Terms)

×.

7.7 Exceptional adverse weather conditions

The Project Owner and the Contractor agree that the following Conditions can be considered to be extremely severe weather Conditions:

(1) See part II of Article 21 (Supplementary Terms).

(2) /.

(3) /.

7.9 Incentive for early completion

7.9.2 Incentive for Early Completion: None

×.

8 Materials and Equipment

8.4 Custody and Use of Materials and Engineering Equipment

8.4.1 The expenses undertaking for keeping in custody materials and equipment supplied by the Project Owner: See part II of Article 21 (Supplementary Terms)

×.

8.6 Samples

8.6.1 Submission and Storage of Samples

Samples Document or Engineering Equipment required by the Contractor to submit Samples, and the type, name, specification, and quantity requirements of the Samples:

See part II of Article 21 (Supplementary Terms).

8.8 Construction equipment and temporary facilities

8.8.1 Expenses undertaking agreement on the temporary facilities: Borne by the Contractor

×.

9 Test and Inspection

9.1 Testing Equipment and Personnel

9.1.2 Testing Equipment

Test site to be configured at the Construction Site: According to the regulations issued by the administrative department in the Project location.

Testing Equipment to be equipped at the Construction Site: To make the relevant national regulations Satisfied.

Other test Conditions required at the Construction Site: According to the General Terms of the Contract .

9.4 Site Process Test

Agreement on Site Process Test: according to the regulations issued by the administrative department in the Project location

×.

10 Changes

10.1 Scope of Changes

Agreement on Scope of Changes: See part II of Article 21 (Supplementary Terms)

×.

10.4 Valuation of Changes

10.4.1 Principle for Valuation of Changes

Agreement on the Valuation of Changes: See part II of Article 21 (Supplementary Terms)

×.

10.5 Reasonable proposals for Contractor

Time limit for the Supervisor to review the Contractor's rationalization proposal: 5 days

×.

The time limit for the Project Owner to review the Contractor's rationalization proposal: 5 days

×.

The incentive method and the amount for the rationalization proposal put forward by the Contractor to reduce the Contract Price or to increase the economic benefits of the Project: Negotiate separately.

10.7 Provisional valuation

For details of materials and Engineering Equipment for Provisional Valuation, please refer to Exhibit 11.

10.7.1 Provisional Valuation items Imperatively Requiring Tender According to Applicable Laws

The confirmation and Approvals of Provisional Valuation Project Imperatively Requiring Tender According to Applicable Laws shall be determined in the / way.

10.7.2 Provisional Valuation items Not Imperatively Requiring Tender According to Applicable Laws

The confirmation and Approvals of Provisional Valuation Project Not Imperatively Requiring Tender According to Applicable Laws shall be determined in the / way.

The third method: the Provisional Valuation items implemented directly by the Contractor

The Agreement on the Provisional Valuation items directly implemented by the Contractor: See part II of Article 21 (Supplementary Terms)×.

10.8 Provisional Sum

Contract parties' agreement on the use of the Provisional Sum: See part II of Article 21 (Supplementary Terms)×.

11 Price adjustment

11.1 Adjustment caused by market price fluctuations

Agreement on the effect of the fluctuation of market price on the adjustment of Contract Price: See part II of Article 21 (Supplementary Terms)

×.

The adjustment of the Contract Price in consequence of the fluctuation of the market price should be performed with the following 3rd method:

The 1st method: price adjustment based on price indexes.

Conventions on adjustable factors, fixed and variable weights, and basic price indices and their sources:

×.

The 2nd method: price adjustment using Expenses Information.

(2) Agreement on benchmark price: ×

×.

Special Contract terms ① As for the unit price of the material stated in the Priced Bill of Quantities or the Budget Document by the Contractor lower than the benchmark price: the excess price should be adjusted following the actual Conditions if the unit price of the material during the performance of individual terms of the Contract exceeds the benchmark price by more than ×% or decreases the unit price stated in Priced Bill of Quantities or Budget Document by more than ×%.

② Regarding the unit price of the material stated in the Priced Bill of Quantities or the Budget Document by the Contractor higher than the benchmark price: The excess price should be adjusted following the actual Conditions if the unit price of the material during

the performance of individual terms of the Contract below the benchmark price by more than ×% or surpluses the unit price stated in Priced Bill of Quantities or Budget Document by more than ×%.

③ As for the Contractor's unit price of the material stated in the Priced Bill of Quantities or Budget Document is equal to the benchmark price: If the unit price of the material during the performance of the Special Terms of the Contract exceeds the benchmark unit price by more than ±×%, the excess portion should be adjusted based on the actual condition.

The third method: as for other price adjustment methods: See part II of Article 21 (Supplementary Terms)

×.

12 Contract price, measurement and payment

12.1 Form of Contract Price

1. Unit Price Contract.

The risk scope included in the comprehensive unit price: /

×.

Calculation method of risk expenses: /

×.

The adjustment method of the Contract Price outside the risk range: /

×.

2、 Lump Sum Contract.

The risk scope covered by the lump sum: See part II of Article 21 (Supplementary Terms).

The calculation method of risk expenses: See part II of Article 21 (Supplementary Terms).

The adjustment method of the Contract Price outside the risk range: See part II of Article 21 (Supplementary Terms).

3、 Other price calculation methods: /

×.

12.2 Advances

12.2.1 Payment of advance payment

Proportion or amount of advance payment: See article 12.2.1-the proportion of advance payment in the Special Terms of the Contract of the Supplementary Terms.

The payment period of advance payment: Within 30 days after the satisfaction of prepayment payment article.

Method of withholding advance payment: See part II of Article 21 (Supplementary Terms).

12.2.2 Advance Payment Guarantee

Deadline for the Contractor to submit an Advance Payment Guarantee: See part II of Article 21 (Supplementary Terms).

The format of Advance Payment Guarantee: See part II of Article 21 (Supplementary Terms).

12.3 Measurement

12.3.1 Measurement principles

Rules for quantities calculation: See part II of Article 21 (Supplementary Terms).

12.3.2 Measurement period

Agreement on the measurement cycle: Measure monthly.

12.3.3 Measurement of the Unit Price Contract

Agreement on the measurement of Unit Price Contract: /.

12.3.4 Measurement of the Lump Sum Contract

Agreement on the measurement of the Lump Sum Contract: See part II, Article 21, Supplementary Terms.

12.3.5 If the Lump Sum Contract measures the payment with the payment breakdown statement, whether it can apply the convention stipulated in article 12.3.4 (Measurement on the Lump Sum Contract) for measurement: /.

12.3.6 Measurement of the contract with other price forms

Measurement methods and procedures for other price forms: /_____×_____.

12.4 Payment of progress payment

12.4.1 Payment cycle

Agreement on payment cycle: See article 12.4.1-the convention on advance payment cycle in the Special Terms of the Contract of the Supplementary Terms.

12.4.2 Preparation of the application form of progress payment

The agreement on the preparation of the application form of progress payment: The Contractor is imperative to strictly comply with the format requirements on the application document for payment and settlement, together with their attachments issued by the Project Owner.

12.4.3 Submission of the application form of progress payment

(1) The agreement on the submission of the application for the project payment in the Unit Price Contract: /.

(2) The agreement on the submission of the application for the project payment in the Lump Sum Contract: See part II of Article 21 (Supplementary Terms).

(3) The agreement on the submission of the application for the project payment in other format of the Contract: / ×.

12.4.4 Progress payment review and payment

(1) The deadline for the Supervisor to review the project payment and submit it to the Project Owner: 7 days ×.

Deadline for the Project Owner to complete the Approval and issue the project payment certificate: See part II of Article 21 (Supplementary Terms)

×.

(2) Deadline for the Project Owner to pay the project payment: See Article 12.4.4 Deadline for the Project Owner to pay the project payment in the Special Terms of the Supplementary Terms.

The calculation method of the liquidated damages for the overdue payment of the progress payment by the Project Owner: following paragraph 16.1.2(1) of the Special Terms of the Contract.

12.4.6 Preparation of Payment Breakdown Statement

2、 Preparation and Approval of the payment breakdown statement in the Lump Sum Contract : / × .

3、 Preparation and Approval of the payment breakdown statement for the lump sum items in the Unit Price Contract : /

×.

13 Acceptance and engineering trial run

13.1 Acceptance of sub-contractual work

13.1.2 In the event that the Supervisor fails to perform the acceptance on time, it shall submit a written request for Adjourned 24 hours in advance.

The maximum extension period: 48 hours.

13.2 Acceptance inspection upon completion of the Work

13.2.2 Procedure of Completion Acceptance

Agreement on Procedure of Completion Acceptance: See part II of Article 21 (Supplementary Terms)

×.

Calculating method of liquidated damages under the circumstance that the Project Owner fails to perform completion acceptance and issue Project acceptance certificate following relevant agreement:

No liquidated damages.

13.2.5 Handover and receipt of all and part of the projects

The deadline for the Contractor to handover the Project to the Project Owner: Within (7) days after the Approval of acceptance inspection upon completion of the work.

In the event that the Project Owner fails to receive all or part of the Project as agreed in this Contract, the calculation method of liquidated damages: No liquidated damages.

×.

In the event that the Contractor fails to handover the Project on schedule, the calculation method of liquidated damages is: RMB 200,000 compensation for liquidated damages for each day lag

×.

13.3 Engineering trial run

13.3.1 Trial run procedures

Engineering trial operation includes: /

×.

(1) The expenses for non-load trial run for each single unit shall be borne by /;

(2) The expenses for non-load interlocking trial run for each single unit shall be borne by /.

13.3.3 Commissioning

Agreement on matters related to commissioning: /

×.

13.6 Demobilization after the completion

13.6.1 Demobilization after the completion

Deadline for Contractor's demobilization: See part II of Article 21 (Supplementary Terms).

14 Completion settlement

14.1 Completion Payment Application

Deadline for the Contractor to submit an Completion Payment Application: Within 60 days after the issuance of the Project acceptance certificate

×.

The Completion Payment Application should include: See part II of Article 21 (Supplementary Terms)

×.

14.2 Approval of completion settlement

The deadline for the Project Owner to approve the Completion Payment Application: See part II of Article 21 (Supplementary Terms).

The deadline for the Project Owner to complete the completion payment: 30 days.

The method and procedure for the review on the objection part of the completion payment certificate: See part II of Article 21 (Supplementary Terms).

×.

14.4 Final Settlement

14.4.1 Final Settlement Application

The number of copies of the Final Settlement Application submitted by the Contractor: In four copies and one electronic copy.

The deadline for the Contractor to submit the Final Settlement Application: Within 30 days after the issuance of the Defects Liability Release Certificate.

14.4.2 Final Settlement Certificate and payment

(1) The deadline for the Project Owner to complete the review on the Final Settlement Application and issue the Final Settlement Certificate: Please refer to the Supplementary Terms

Article 14.4.2 of Special Terms of the Contract -deadline for the Project Owner to complete the Approval of the Final Settlement Application and issue the Final Settlement Certificate;

(2) Deadline for the Project Owner to complete the payment: 30 days.

15 Defects Liability Period and Warranty

15.2 Defects Liability System

The specific period of defects liability period: See part II of Article 21 (Supplementary Terms).

15.3 Quality Deposit

Agreement on whether to withhold Quality Deposit: Yes

×.

Before the completion of the Project, if the Contractor provides performance guarantee following article 3.7 of the Special Terms of the Contract, the Project Owner shall not reserve the Project Quality Deposit at the same time.

15.3.1 Methods for the Contractor to provide the Quality Deposit

The Quality Deposit shall be provided in terms of the second way listed as follows:

(1) Guarantee letter of Quality Deposit with the guarantee amount of/;

(2) 3% of the Project payment;

(3) Other methods: /;

15.3.2 Detention of Quality Deposit

The Detention of Quality Deposit should be performed in the second way listed as follows:

(1) The Quality Deposit can be detained with the progress payment successively. In this case, the calculation base of the Quality Deposit shall not include the payment, deduction and price adjustment amounts of the advance payment;

(2) The Quality Deposit shall be detained in a lump sum upon the construction completion;

(3) Other ways for detention: ×.

Supplementary agreement on Quality Deposit: See part II of Article 21 (Supplementary Terms)

×.

15.4 Warranty

15.4.1 Warranty liability

The Warranty Period: See part II of Article 21 (Supplementary Terms).

15.4.3 Notice of repair

Reasonable time for the Contractor to receive the warranty Notice and to arrive at the Project Site: See article 15.4.3-reasonable time in the Special Terms of the Contract of the Supplementary Terms.

16 Default

16.1 Breach by the Project Owner

16.1.1 Breach by the Project Owner

Other circumstances of the Project Owner's Default: See part II of Article 21 (Supplementary Terms).

16.1.2 Liabilities for breach by the Project Owner

Methods of bearing and calculation of liabilities for breach by the Project Owner:

(1) The Default liability for the failure of the issuance of commencement Notice within 7 days prior to the Planned Commencement Date attributed to the Project Owner's reason:

/ ;

(2) The Default liability for the failure to pay the Contract Price attribute to the Project Owner: See part II of Article 21 (Supplementary Terms).

(3) The Default liability for the Project Owner to breach the provisions of Paragraph 2 of Article 10.1 (Scope of Changes) and to performs the cancelled work at its own or through the entrust of other parties: /.

(4) The Default liability for the failure of the specification, quantity or quality of the materials and Engineering Equipment provided by the Project Owner to conform to the Contract, or for the late delivery or the change of delivery place attribute to the Project Owner: See part II of Article 21 (Supplementary Terms).

(5) The Default liability for the suspension of the construction attributed to the Project Owner's breach of the Contract: See part II of Article 21 (Supplementary Terms).

(6) The Default liability for the Contractor's failure to resume the construction in consequence of the absence of resumption instruction from the Project Owner within the agreed period and without any proper reason: /.

(7) Others: See part II of Article 21 (Supplementary Terms).

16.1.3 Termination due to breach by the Project Owner

The Contractor is entitled to terminate the Contract in the event that the purpose of the Contract can not be achieved in consequence of the Project Owner's failure to rectify its Default after the agreed / days suspension of the Contractor's construction following article 16.1.1 (Project Owner's default)

16.2 Default by the Contractor

16.2.1 Default by the Contractor

Other circumstances of the Contractor's Default of Contract: See part II of Article 21 (Supplementary Terms).

16.2.2 Liabilities for default by the Contractor

The undertaking and calculation method of the Contractor's Default liability: See part II of

Article 21 (Supplementary Terms)

×.

16.2.3 Termination due to default by the Contractor

Special agreement on the termination of the Contract in consequence of the Contractor's Default: See part II of Article 21 (Supplementary Terms)

×.

The payment of the expenses arising from the Project Owner's continuous use of the Contractor's materials, equipment, Temporary Work, Document and other Document prepared by the Contractor or on his behalf at the Construction Site: See part II of Article 21 (Supplementary Terms)

×.

17 Force majeure

17.1 Confirmation on Force Majeure

Except for the force majeure event stipulated in the General Terms of the Contract, other circumstances deemed to be force majeure: See part II of Article 21 (Supplementary Terms)

×.

17.4 Contract dissolution due to Force Majeure

After the Contract is terminated, the Project Owner shall complete the payment of its payables within / days after the negotiation or determination of the Project Owner's payables.

18 Insurance

18.1 Project Insurance

Special agreement on Project insurance: See part II of Article 21 (Supplementary Terms).

18.3 Other insurance

Agreement on other insurances: /.

Whether the Contractor should purchase Insurance for its Construction Equipment, etc: The Contractor shall consider it at its discretion

×.

18.7 Notification Obligation

Agreement on Notification Obligation on the change of Insurance Contract: Following the General Terms of the Contract

×.

20 Dispute Resolution

20.3 Dispute review

Whether the Contract parties agree to submit the engineering Dispute to the Dispute review panel for decision: Disagree

×.

20.3.1 Determination of the dispute review panel

Determination of Dispute review panel Members: /.

The time limit for selecting Dispute assessors: /.

The method for payment to Dispute review panel Members: /.

Agreement on other matters: /.

20.3.2 Decision of the dispute review panel

The agreement by the Contract parties on this section: /.

20.4 Arbitration or litigation

Disputes arising from the Contract and other relevant matters shall be settled in the second way listed as follows:

(1) Apply to × arbitration commission for arbitration;

(2) Submit to people's court with jurisdiction over the Project location for litigation.

/stamp/ /stamp/

21 Supplementary Terms

Article 3.5.2 of Special Terms of the Contract-Professional Work Allowed to Be Subcontracted include pile foundation, foundation pit support, earthwork, steel structure and others. All subcontract of professional work should be approved by the

Project Owner.

Article 3.5.2 of Special Terms of the Contract- Other Agreement on Subcontract: the qualification of the Subcontractors should meet the requirements of national regulations on construction qualification, and be agreed by the Project Owner

Article 12.2.1 of Special Terms of the Contract-Portfolio and Sum of Advance Payment: 3% (including 60% of the Safe and Civilized Construction Expenses) of the Contract Price (deducted from the Provisional Valuation of the professional work, material, and Engineering Equipment, together with the Provisional Sum of the material and the equipment)

Article 12.4.1 of Special Terms of the Contract-Agreement on Payment Cycle: (1) The Contractor is responsible for the work within its scope, and the Project Owner should make the payment of 75% of the monthly qualified completed quantities

The amount of monthly project payment = the value of monthly completed works × 75% - deductible advance payment - the amount that the Project Owner is entitled to deduct following the Contract

"The value of completed qualified quantities" refers to the following amounts approved by the Project Owner:

A. The expenses of sub-contractual work and expenses of specific items with the fixed unit price: measured and approved following the completed quantities (i.e. corresponding quantity specified in the bill of quantity) in the current period and the Contract;

B. The expenses of specific items with a fixed total price: the expenses of completed specific items with fixed total price in the current period = the total expenses of specific items with fixed total price in the Contract Price × (the expenses of the completed sub-contractual work in the current period ÷ the total expenses of sub-contractual work in the Contract Price);

To avoid any doubt, if the Project Owner fails to deduct the amount that it is entitled to deduct following the Contract in the current progress payment, it shall not lose the right to claim deduction or compensation from the Contractor.

(2) 80% of the Contract Price measured and approved by the Project Owner should be paid upon the Approval of the Project completion acceptance

(3) 85% of the measured and approved Contract price by the Project Owner shall be paid upon the Contractor's obtain of project acceptance certificate and the record certificate of overall completion acceptance.

(4) After the completion of the Project, the Project Owner shall, within 30 days upon the issuance of the completion payment certificate and the handover of all completion materials and receipt of corresponding invoices by the Contractor, pay 97% of the completion settlement price ("completion payment"); The remaining 3% of the completion settlement price shall be deemed as the Quality Deposit, which shall be returned to the Contractor without interest after the expiration of the Defects Liability Period and within 30 days from the date of issuance of the Final Settlement Certificate if there is no quality problem.

(5) Progress payments for Professional Subcontracted Projects / Special Supply Items shall be paid following the schedule and proportion agreed in corresponding professional subcontracts / special supply contracts. For details, please refer to the Article 10.7.8 of Special Terms of the Contract.

(6) The PC service fee shall not be paid in the progress payment, and shall be paid at the completion settlement price on the premise that the Contractor has fulfilled the PC service obligations as agreed in the Contract.

/stamp/

/stamp/

(7) The increased price due to the change shall be paid in the settlement for completion (but the Deduction for change may be deducted in full from the project payment).

(8) The Contractor should issue an equivalent legal and valid VAT (special) invoice with a tax rate of (9%) prior to the Project Owner's payment of the relevant project payment including advance payment to avoid ambiguity; otherwise, the Project Owner is entitled to refuse to make the payment, and bear no liability for overdue payment or other liabilities

The article 12.4.4 of Special Terms of the Contract- Deadline for the Project Owner to Pay the Progress Payment: within 30 days from the issuance of the project payment certificate and the receipt of the equivalent invoice

The article 14.4.2 of Special Terms of the Contract- Deadline for the Project Owner to Approve Final Settlement Application and Issue Final Settlement Certificate: The Project Owner shall complete its review within (30) days after the Supervisor receives the Final Settlement Application and the Supervisor will issue Final Settlement Certificate signed and confirmed by the Project Owner to the Contractor

The article 15.4.3 of Special Terms of the Contract- Rational Time: See part II of Article 21 (Supplementary Terms)

Others: Part I: Supplementary Terms of Contract agreement

In case of any conflict or discrepancy between the Contract agreement and the

provisions of this section, the provisions of this section shall prevail.

The parties hereby, following the provisions of Contract Law of People's Republic of China, Construction Law of the People's Republic of China and other relevant laws, comply with the principles of equality, free will, fairness and honesty, mutually agree upon the construction and relevant matters of TAL Zhenjiang Education Base Phase I Construction Project and reach the following agreement:

I. Project Overview

1. Project Name: TAL Zhenjiang Education Base Phase I Construction Project

2. Project Location: in the north block of Dongchunhui Road, Zhihui Avenue, Zhenjiang New District, adjacent to Zhihui Avenue in the west, Chunhui Road in the south, and The National University Science Park in the east.

3. Project Approval No.: Zhen Xin Shen Pi Fa Gai [2019] No.130

4. Source of fund: Self-raised fund.

5. Project content: See Contracting scope. The total Building Area is about 222,729.91 square meters.

6. Contracting scope:

6.1 Earthwork, pile foundation construction, foundation treatment, dewatering and drainage, foundation pit support, main structure, masonry, steel structure, waterproofing, roofing, exterior wall and interior decoration, outdoor work, and others for TAL Zhenjiang Education Base Phase I Construction Project. For details, please refer to comparison and selection Document-volume 2-chapter 1- article 1.1 general contracting scope, and article 1.2 The division of the work interface, Drawings and Bill of Quantities, chapter II of the comparison and selection Document.

6.2 The management of the Project (including Professional Subcontracted Projects, Special Supply Items and other subcontracted Projects and supply items) and Independent Contracted Projects until the handover of the Entire Project to the Project Owner.

II Contract Term

2.1 Planned Commencement Date: Nov 10, 2019 (the Actual Commencement Date should comply with the article 7.3.2).

2.2 Planned Completion Date: May 18, 2022.

Total calendar days: 921 days. If the term total calendar days are inconsistent with those calculated by the above-Planned Commencement Date and Completion Date, the term total calendar days shall prevail.

2.3 The term control node of the general contracting Project (subject to the completion time of the last unit)

The completion date of the foundation base plate of the basement is A + 239 calendar days;

The completion date of the basement at the elevation ± 0. 000 is A + 312 calendar days;

The structure completion date and the acceptance Approval of main structure is A + 531 calendar days;

The date of electromechanical mobilization and installation is: A + 378 calendar days;

The electromechanical completion time: A + 725 calendar days;

The mobilization and installation time of the facade curtain wall work is A + 378 calendar days;

The completion time of the facade curtain wall work is A + 657 calendar days;

The mobilization time of the fine decoration work is: A + 588 calendar days;

The completion time of the fine decoration work is: A + 867 calendar days;

The official power-on time is: A + 796 calendar days;

The completion time of the system commissioning and acceptance is: A + 842 calendar days;

The Approval time for obtaining fire acceptance is A + 867 calendar days;

The acceptance Approval time of the quality supervision station is: A + 902 calendar days;

The handover-to-the Project Owner time is A + 921 calendar days.

Note: A refers to the Actual Commencement Date (following the article 7.3.2 of the Contract clause).

The total construction term refers to the period for the satisfaction of actual completion

standard for the entire Project including all Professional Subcontracted Projects such as main body, installation, decoration and fire protection.

III Quality requirements

The Project quality should meet the following qualification requirements (1) the Unified Standard for Constructional Quality Acceptance of Building Engineering (GB50300-2013), (2) the technical requirements and the requirements of the construction process in the Contract, (3) pass the one-time completion acceptance at a 100% rate, and (4) ensure that the 1 # plot is awarded Yangtze Cup and that the entire project meets the national standards of the two-star green building and smart construction site.

IV Contract Price and Form of Actual Price

1. Contract price is:

(In words) One billion, four hundred and twenty-four million, one hundred and ninety-two thousand, six hundred Yuan and forty-six cents only (￥1,424,192,600.46);

Wherein, the Contract amount excluding VAT is [￥1,306,598,716.00], and VAT is [￥117,593,884.46] at a rate of [9]%.

The above VAT rate and VAT amount are provisional. If the VAT rate applicable to the Contract according to the law is adjusted due to the change of national tax policy during the process of actual payment, for the unpaid part, the value-added tax amount will be determined according to the adjusted tax rate, but the contract amount excluding the value-added tax shall not be affected. For the avoidance of doubt, the Contractor confirms that all taxes (excluding VAT) related to this Contract have been included in the contract amount excluding VAT and shall be borne by the contractor. For the contract amount excluding VAT, no adjustment will be made due to the change of tax (fee) type, tax (fee) rate, tax (fee) base and other factors. If the increase of tax (excluding VAT) is caused by the change of national tax policy, the Contractor shall bear such expenses.

(1) Safe and Civilized Construction Costs:

(In words) Eighteen million, three hundred and twenty-eight thousand, two hundred and thirty-nine Yuan and thirty-five cents only (￥18,328,239.35);

(2) The Provisional Valuation of material and Engineering Equipment: /

In words /;

(3) The provisional valuation of the professional project:

(In words) Eight hundred and sixty-seven million, one hundred and ninety-two thousand, six hundred Yuan and forty-six cents only (￥867,192, 600.46);

(4) Provisional Sum: /

In words /.

2. Contract Price form: fixed Lump Sum Contract.

The General Contracting Construction Management Fees and cooperation Fees (General Contracting Service Expenses) is RMB 86,719,26.00 as a fixed lump sum price (but the included management cooperation fee for fine decoration subcontract is RMB 3,911,648.34 as a provisional amount, and the final amount shall be determined by multiplying the Settlement Amount of the fine decoration subcontracted work by a rate of 1%).

3. The amount for the Contractor's self-construction work refers to the remaining part after deducting the Deduction of the Provisional Valuation of materials, Engineering Equipment, and professional work from the Contract Price, with the amount of RMB five hundred and fifty-seven million Yuan (￥557,000,000.00). Wherein, the amount excluding VAT is RMB 511,009,174.31 and the VAT (￥45,990,825.69) is at the rate of (9)%.

V Project leader

The Contractor's Project leader: [***]

VI Contract Documents

For the composition and priority description of the Contract Documents, please refer to Article 1.5 of the Contract terms.

VII Covenants

1. The Project Owner shall undertake to pay the Contract Price in terms of the time and method stipulated in the Contract.

2. The Contractor undertakes to organize to complete project construction as provided in laws and this Contract, assure project quality and safety, not to subcontract in whole and illegally subcontract in part and undertake corresponding project maintenance responsibilities in the defect liability period and warranty period.

VIII Meaning of Expressions

The words and expressions in the agreement have the same meanings as are

respectively assigned to them in the terms and Conditions of Contract.

X Place of Execution

The Contract is signed on the 15F, Danleng SOHO, No. 6 Danleng Street, Haidian District, Beijing.

IX Signing Date

The Contract is signed on December 11, 2019.

XI Supplementary Agreements

Other matters not covered herein shall be made into supplementary agreements by the parties separately, which shall be an integral part hereof.

XII Effectiveness

This Contract shall come into effect after being signed by the Legal Representative or entrusted agents of both parties and affixed with the Company Seal of both parties.

XIII Counterparts

This Contract is in ten copies, with the Project Owner holding three copies and the Contractor holding seven copies, having the same legal validity.

Part II: Supplementary Terms of Contract terms (including Exhibit I to III)

If other Special Terms of the Contract (except for part 1 and part 2 of Article 21 of the Special Terms of the Contract and Exhibits) and General Terms of the Contract are in conflict or inconsistent with the second part, the contents of this second part shall prevail.

1. General provisions

1.1 Definitions

1.1.1 Contract

The Articles 1.1.1.1, 1.1.1.3, 1.1.1.4, 1.1.1.5 and 1.1.1.10 of the General Terms of the Contract are amended as follows:

1.1.1.1 Contract Documents (or the Contract): means the contract documents as agreed in Article 1.5 of the Special Terms of the Contract.

1.1.1.3 Notification of Award: means the letter from the Project Owner notifying the Contractor of being selected. The "Bid-winning Notice" referred to in the General Terms of the Contract shall be replaced with "Notification of Award".

1.1.1.4 Reply to Comparison and Selection: means the reply letter in respect of the comparison and selection completed and signed by the Contractor and forming a part of the Contract Documents. The "Bid Letter" referred to in the General Terms of the Contract shall be replaced with "Reply to Comparison and Selection".

1.1.1.5 Schedule of the Reply to Comparison and Selection: means the schedule attached to the Reply to Comparison and Selection and forming a part of the Contract Documents. The "Schedule to the Bid Letter" referred to in the General Terms of the Contract shall be replaced with the "Schedule of the Reply to Comparison and Selection".

1.1.1.10 Other Contract Documents: other documents confirmed by both parties to form part of the contract.

1.1.2 Parties to the Contract and other Related Party

1.1.2.2 Project Owner: hereinafter also referred to as "Owner", "Employer" or "Party A". The three expressions have the same meaning herein and Party A/Project Owner/Owner means TAL Education Technology (Jiangsu) Co., Ltd.

1.1.2.4 Supervisor:

Name: Yutian Engineering Consulting Group Co., Ltd

Qualification category and level: integrated qualification for engineering supervision

Tel: [***]

Email: [***]

Mailing address: No.88 South Xingmin Road, Science Park, Jiangning District, Nanjing (南京市江宁区科学园兴民南路88号)

1.1.2.5 Designer:

Name: Architects & Engineers Co., Ltd of Southeast University (东南大学建筑设计研究院有限公司)

Qualification category and level: class A

Tel: [***]

Email Address:

Mailing address: No. 2 Sipailou Street, Nanjing (南京市四牌楼2号)

The following should be added following Article 1.1.2.91 of the General Terms of the Contract:

1.1.2.10 Professional Subcontractor: means the Subcontractor selected by the Project Owner by bidding or other legal means. The projects carried out by the Professional

Subcontractors are the Professional Subcontracted Projects.

1.1.2.11 Special Supplier: means the supplier selected by the Project Owner by bidding or other legal means. The materials and engineered equipment supplied by the Special Suppliers are the Special Supply Items.

1.1.2.11 Independent Contractor: means any party who directly executes the construction contracting contract with the Project Owner and is responsible for the other work in relation to the project. The constructions carried out by the Independent Contractor are Independent Contracted Projects.

1.1.2.12 Independent Supplier: means any party who directly executes the goods supply contract with the Project Owner and is responsible for the supply of equipment and materials in relation to the project. The materials and engineered equipment supplied by the Independent Suppliers are the Independent Supply Items.

1.1.2.13 Project Management Company (PM):

Name: Cushman & Wakefield (Shanghai) Co., Ltd. (戴德梁行房地产咨询(上海)有限公司)

Qualification category and level:

Contact number:

Email Address:

Mailing Address: 42/F, Tower 2, Henglong Plaza, 1366 West Nanjing Road, Shanghai, China (中国(上海)南京西路1366号恒隆广场2座42楼)

The Project Management Company will exercise its power to manage the project to the extent as authorized by the Project Owner during the performance of the Contract. Except for the urgent quality and safety issues of the project that require for the instructions from the Project Management Company first, any instruction, opinion, clarification, notice, letter or other document or act sent or made to the Contractor by the Project Management Company during the provision of services that may affect the rights or obligations of the Project Owner shall be reviewed and confirmed by the Project Owner in writing in advance. Especially, the Project Management Company has no right to sign, modify or cancel any contract or similar documents with the Contractor as a representative or agent of the Project Owner, nor to reduce or relieve any responsibilities or obligations of the Contractor.

1.1.2.14 Construction Cost Consultant:

Name: Joincore Engineering Consulting Co., Ltd. (捷宏润安工程顾问有限公司)

Qualification category and level: class A

Contact number:

Email Address:

Mailing Address: 13/F, Phoenix Herui Tower, 389 South Taiping Road, Nanjing (南京市太平南路389#凤凰和睿大厦13楼)

1.1.3 Works and equipment

1.1.3.7 Other sites that are part of the construction site include None.

1.1.3.9 Permanent land occupation includes None.

1.1.3.10 Temporary land occupation includes: areas inside the boundary lines on the construction site and the Contractor shall consider the expenses increased due to the site on its own.

The following should be added following Article 1.1.3.10 of the General Terms of the Contract:

1.1.3.11 Entire Project/Project: means all of the engineering involved in TAL Zhenjiang Education Base Phase I Construction Project, including the Project (including Professional Subcontracted Projects, Special Supply Items and other subcontracted projects and supply items), and Independent Contracted Projects.

1.3 Laws

Other normative documents applicable to the Contract:

The Contract Law of the People's Republic of China, the Construction Law of the People's Republic of China, the Bidding Law of the People's Republic of China, Implementation Rules of the Biding Law of the People's Republic of China, Regulation on the Quality Management of Construction Projects, Implementation Rules of Regulations on VAT of the People's Republic of China, relevant laws, regulations, rules and normative documents published by the Ministry of Construction, Jiangsu Province and Zhenjiang Municipality.

1.4 Standards and specifications

1.4.1 Standards and specifications applicable to the Project: standards and specifications adopted following design documents and relevant regulations of the State, province and municipality.

1.4.1.1 The Contractor shall select, optimize and specify in writing all standards, specifications and rules required for project construction within 7 days after the Contract is valid, submit the same to the Project Owner for review at the expense of the Contractor. Such review by the Project Owner shall not be deemed as agreeing on the standards, specifications and rules provided by the Contractor, or exempt the Contractor's responsibility to supplement and revise the error or omission in the standards, specifications and rules or reduce or exempt any liability from being undertaken by the Contractor according to the Contract or laws and the Project Owner may continue to request the Contractor to further optimize, revise or supplement the standards, specifications and rules required for project construction based on actual situations of the Project.

1.4.1.2 If the Contractor fails to select, optimize, revise or supplement standards,

specifications and rules within the specified time limit and still fails to submit the foregoing materials within 3 days after reminded by the Project Owner, the Project Owner may complete the foregoing task on its own at the expense of the Contractor and the Contractor undertakes to comply with and strictly implement any standards, specification or rules reviewed, revised or accepted by the Project Owner.

1.4.1.3 Among the same type of standards, specification and rules, the Contractor shall choose the latest version or latest published version. If the standards, specifications, rules and contract drawings stipulated herein has controversy or conflict with the standards, specifications and rules published by the State or the place where the project is located, with respect to quantity the drawings shall prevail, the quality requirements/ process standards shall be chosen based on the following principle and the Contractor shall not propose to increase the cost or extend the term for this reason:

(1) If the quality requirements/process standards in the standards, specifications or rules stipulated in the contract drawings or the Contract are lower than the State/regional standards, the State/regional standards shall prevail;

(2) If the quality requirements/process standards in the standards, specifications or rules stipulated in the contract drawings or the Contract are higher than the State/regional standards, the quality requirements/process standards in the standards, specifications or rules stipulated in the contract drawings or the Contract shall prevail;

(3) If the quality requirements/process standards in the standards, specifications or rules stipulated in the contract drawings or the Contract have controversy or conflict with the State/regional standards, on the basis of satisfying the State/regional standards, the higher or stricter rules shall be implemented.

1.4.2 Name of the foreign standards and specifications provided by the Project Owner: Not applicable;

Copies of foreign standards and specifications provided by the Project Owner for: /;

Name of the international standards and specifications provided by the Project Owner: /.

1.4.3 Special requirements of the Project Owner on the technology standards and functional requirements for the project: /

1.5 Order of precedence of the Contract Documents

This Article of the General Terms of the Contract is amended as follows:

The composition and order of precedence of the Contract Documents are as follows:

(1) Part I Supplementary terms to the Contract, Article 21, Special Terms of the Contract Agreement;

(2) Contract Agreement;

(3) Notification of Award;

(4) Part II: Supplementary terms to the Contract, Article 21, Special Terms of the Contract;

(5) other Special Terms of the Contract (except for part I and part II of Article 21 of the Special Terms of the Contract);

(6) General Terms of the Contract;

(7) Technical Standards and Requirements;

(8) Drawings;

(9) Priced Bill of Quantities;

(10) Document of Comparison and Selection;

(11) Reply to Comparison and Selection;

(12) other Contract Documents.

For the Contract Documents of the same order of precedence, the latest version or the latest issued shall prevail.

With respect to the construction quality, if there is any conflict or discrepancy between the drawings and the technical standards and requirements or other Contract Documents, unless otherwise instructed by the Project Owner, the stricter standards shall prevail.

If there is any ambiguity, contradiction or inconsistency between different Contract Documents, between different parts of the same Contract Document, or in any contract itself, and the order of precedence above is still insufficient to clarify, unless otherwise agreed in the Contract, the clarification or description made by the Project Owner shall prevail.

Any supplementary agreements, meeting minutes, memo and other documents signed and affixed with company seals by the Parties hereto during the performance of the Contract shall also be an integral part of the Contract Documents, and the order of precedence thereof shall be determined according to its content and relationship with other Contract Document.

Any self-drafted conditions or descriptions in the materials submitted by the Contractor during the comparison and selection period that are inconsistent with any document for comparison and selection, and any inquiry or reply made by the Contractor in the clarification and question answering that compromises the Project Owner's rights or increase the responsibilities and obligations of the Project Owner in comparison with the documents for comparison and selection, unless expressly accepted by the Project Owner in writing in the Contract Documents, shall be null and void.

Besides, the technical documents, such as construction organization design, construction progress plan and the model and parameters of the relevant equipment and materials, submitted by the Contractor during the comparison and selection period or after being selected is the unilateral undertaking made by the Contractor to the

Project Owner and is not binding upon the Project Owner, and the Project Owner shall have the right to request the Contractor to modify the same according to the Contract Documents and the actual construction needs, and such technical documents shall not be implemented before being reviewed and approved by the Project Owner.

1.6 Drawings and Contractor's documents

1.6.1 Provision of drawings

The time limit for the Project Owner to provide drawings to the Contractor: Within 7 days after the signature of the contract;

The number of copies of drawings provided by the Project Owner to the Contractor: six sets (including four sets of as-completed drawings); Where the Contractor requires for additional sets of drawings, the Contractor shall copy the same by its own and at its own cost.

The contents of the drawings provided by the Project Owner to the Contractor: All disciplines within the scope of the tender.

1.6.2 Errors in the Drawings

This Article of the General Terms of the Contract is amended as follows:

Before the commencement of construction, the Contractor shall review the accuracy and completeness of drawings in combination with the Contract Documents, specifications and other information, data and materials provided by the Project Owner, so as to ensure there is no error or conflict in the drawings. Upon discovery of any error or conflict, the Contractor shall immediately notify the Supervisor and the Contractor, and may attach thereto the proposals or programs for modification of such errors or conflicts and the impact of such proposals or programs on the contract price; however, notwithstanding whether the Contractor has such proposals or conflicts or not, the Contractor shall implement according to the instructions and decisions of the Project Owner. The Contractor shall discover the errors and conflicts (including but not limited to the errors and conflicts of positioning, elevation and size, materials and processes that will cause construction obstacles or quality defects, and other non-compliant situations) that can be found by a Contractor with rich experience and inform the Project Owner of the same without any delay. If the Contractor fails to discover such errors and conflicts or fails to promptly inform the Project Owner of the same upon its awareness, the Contractor shall bear the liability according to the following provision: (1) if the Contractor has not commenced the construction according to the drawings with errors or conflicts that should be but not found by the Contractor, and the Project Owner has found such errors or conflicts in the drawings, the Contractor shall immediately implement as instructed and decided by the Project Owner and has no right to claim for additional costs and/or extension of the construction period; (2) if the Contractor has commenced the construction according to the drawings with errors or conflicts that should be but not found by the Contractor, the Contractor shall be liable to the demolition costs, the extension of the construction period and other losses from the relevant change or rectification to the extent of its fault. Where the Contractor fails to perform its obligations under this section, bringing losses to the Project Owner, the Contractor shall make compensation therefor.

1.6.4 Contractor's documents

Documents to be provided by the Contractor include:

1、 revised construction organization design, construction schedule (including temporary water supply and drainage and power supply design, construction master plan);

2、 earth excavation, maintenance of the structure of foundation pit, support mould and other special construction design;

3、 Form of Compliance of On-site Management Personnel;

4、 design development drawings (as provided in Article 1.6.6), the cost for which has been included in the contract price;

5、 necessary documents required by the Project Owner or Project Owner's Representative.

The time limit for the provision of the document by the Contractor is: Within 21 days after the signature of the contract;

Copies of documents provided by the contractor: Three;

The format of the document provided by the contractor: Hard copy and electronic version, delivered in person;

The time limit for the Project Owner to review the contractor's document: Within 15 days after the receipt of the document.

1.6.5 Preparation of Site Drawings

Provision on the preparation of site drawings: The Contractor shall keep a whole set of Contract Documents (including Contract, drawings stamped and approved by drawing examination centre, standards/specifications/rules provided herein) and any instruction, additional drawing, supplementary standards/specifications/rules signed and issued by the Project Owner after the commencement of construction on the construction site so that the Project Owner, Project Owner's Representative, Project Management Company's Representative, Supervisor and its Authorized Representative may refer to such documents at any time. The Contractor shall fix all drawings and tables on hard board or store the same suitably and orderly. In case of damage or loss of the foregoing documents for a reason not attributable to the Project Owner, the liability shall be undertaken by the Contractor.

The following should be added following Article 1.6.5 of the General Terms of the Contract:

1.6.6 Detailed design

The Contractor shall, on the basis of the drawings provided by the Project Owner, elaborate and promptly deliver the detailed design drawings and the node diagram and

detail drawings according to the Contract Documents, professional requirements, national, local and industrial specification and standards. The Project Owner shall deliver one copy of detailed design drawings list and the completion schedule to the Supervisor for its review within 14 days after the execution of the Contract, and each detailed design in such schedule shall be completed within sufficient period before the commencement of relevant construction. After its review, the Supervisor shall report the same to the Project Owner for approval, and the Contractor shall implement according to the schedule approved by the Project Owner.

The Contractor shall be responsible for the accuracy and completeness of the detailed design drawings, even if the Supervisor, the Project Owner or the designer has reviewed and approved such drawings and affixed company seal thereon, the Contractor shall not be reduced or exempted the Contractor from the responsibilities for conducting construction in strict compliance with the Contract Documents in any aspect; especially, such review and approval shall not be construed as (1) any violation against the Contract Documents; (2) reducing or exempting the Contractor from the responsibility for mistakes in any node diagram or size; (3) breach of any drawings and instructions previously provided by the Project Owner; and (4) reducing or exempting the Contractor from the responsibility for the coordination and cooperation between the processes, Professional Subcontractor and Independent Contractor. The Project Owner may reject, approve or require amendments to the detailed design drawings delivered by the Contractor. If such detailed design drawings are rejected or required for amendments due to any defects, the Contractor must modify the same as required and re-deliver the modified drawings for approval, but is not entitled to any additional costs and/or extension of the construction period.

1.6.7 Coordination and integration of drawings

The Contractor shall be responsible for the coordination and integration of all drawings of each speciality within the scope of the Project, resolving the conflicts among the engineer position of each speciality, checking the compatibility of the adjacent or related M&E equipment, and developing the integrated coordination and construction drawing for civil engineering and M&E, whether such drawings or works are implemented by the Contractor itself or by the Professional Subcontractor or Independent Contractor. Such coordination and integration shall include consideration and arrangement for the reservation and embedment of pipelines and fittings of the Professional Subcontracted Projects of each speciality and the Independent Contracted Construction; shall also include developing the M&E integration master drawing, including without limitation floor plans, elevations, and sections, which shall clearly indicate the elevation, width and location of all M&E installations and the relationship with buildings and structures, so as to avoid any conflict or dispute between M&E engineering or with civil engineering, decoration and other engineering, and make the pipelines, cables and equipment be correctly and orderly installed in the specific space determined in the design, meet the technical requirements, have a clean appearance and be retained sufficient space for future repairs. The coordination and integration of such drawings shall be completed within sufficient period before the commencement of relevant construction according to the construction progress plan, and the work results shall be reported to the Supervisor and the Project Owner for review and approval. If there is any contradiction, conflict or other problem or defect in any engineering or speciality engineering due to the failure of the Contractor to perform its obligation of coordination and integration of drawings as agreed in this section, the

Contractor shall resolve such issues and implement the demolition, alternation and change at its own expenses, but shall not be entitled to any additional costs and/or extension of the construction period, and if the Project Owner suffers any losses therefrom, the Contractor shall make compensation therefor.

1.7 Contact

1.7.1 The Project Owner and the Contractor shall send written correspondence relevant to the Contract, including notice, approval, attestation, certificate, instruction, direction, requirement, request, consent, comment, confirmation, and decision, to the other party within 3 days.

1.7.2 The location for the Project Owner to receive document: Project site office;

The recipient designated by the Project Owner: WANG Hai

The location for the Contractor to receive the document: the project site office;

The recipient designated by the Contractor: SUN Hailong

The location for the PM to receive the document: the project site office;

The recipient designated by the PM: YU Jiaxin

The location for the Supervisor to receive the document: Supervisor's office on the project site;

The recipient designated by the Supervisor: Tang Jianguang

The location for the Construction Cost Consultant to receive the document: the project site office;

The recipient designated by the Construction Cost Consultant: YE Chen

1.10 Transportation

1.10.1 Access to the site

The agreement on the right to access the site: The leader of Project Owner, relevant management personnel and manager; the personnel of the Project Management Company, the cost consultant and the personnel of the Supervisor; and project team members of the Contractor.

1.10.3 In-site traffic

Agreement on the boundaries of off-site and in-site traffic: following the General Terms of the Contract.

Agreement on providing the Contractor with in-site road and traffic facility satisfying project construction requirements free of charge by Project Owner free of charge: the Contractor shall be responsible for the in-site road and traffic facility, which shall be reviewed and approved by the Project Owner and the cost for which has been included

in the contract price.

The Contractor has fully investigated the construction site, and satisfied with the suitability and availability of the dedicated and temporary roads in the construction site prior to the attendance of projects comparison and selection and the signature of this Contract. The Contractor shall take charge of any maintenance required for the usage of access to the construction site. The Contractor shall provide all necessary guide-boards or direction instructions along with all accesses to the construction site, and obtain permission from the relevant authorities for their usage. The Project Owner shall not take any liability for any indemnity arising from the usage of any access to the construction site or any other relevant reasons, and for the warranty of suitability and availability of these accesses together with incurred charges against the failure to meet these features. The Contractor shall bear all incurred costs and expenses for obtaining approval for his required traffic right to the dedicated and temporary access to the construction site.

1.10.4 Transportation of oversized and overweight items

Fees on temporary reinforcement and improvements of roads and bridges for the transportation of oversized or overweight items and any other related costs shall be borne by the Contractor. Includes the reinforcement of off-site and in-site roads and storage place for transportation of materials and equipment to the construction site; especially reinforcement of roof plate of basement, the Contractor shall decide the reinforcement scheme on its own, the cost for which has been included in the contract price.

1.11 Intellectual Property

1.11.1 This Article of the General Terms of the Contract is amended as follows:

The copyright and other intellectual property right in or to the specifications, drawings and other documents developed by (or on behalf of) the Project Owner shall be owned by the Project Owner. The Contractor may copy, use and transmit such documents for the purpose of the Contract at its own costs. Except as required by the Contract, the Contractor shall not copy, use, or transmit such documents to a third party without the prior written consent of the Project Owner; otherwise, the Contractor shall compensate the Project Owner for all losses suffered thereby.

1.11.2 This Article of the General Terms of the Contract is amended as follows:

The copyright and other intellectual property right in or to the documents specific to the Project, such as design documents and completion materials, prepared by the Contractor shall be owned by the Project Owner; and the copyright and other intellectual property right in or to the documents not specific to the Project prepared by (in the name of) the Contractor shall be owned by the Contractor. The execution of the Contract by the Contractor shall be deemed that the Contractor has granted a free, perpetual, transferable, non-exclusive and royalty-free license to copy, use and transmit such documents of the Project Owner (including the license to the modified documents such documents as modified and to use such modified documents). Such license shall (1) allow any person who lawfully possesses related part of the Project to copy, use and transmit the Contractor's documents for the purpose of completing, operating, maintaining, changing, adjusting, repairing and dismantling the construction;

(2) allow such documents to be used in any computer on site and at other places as required by the Project Owner in the event that the Contractor's documents are in the form of computer program and other software, including the replacement of any computer provided by the Contractor.

The Project Owner shall have the right to license the other company as designated by it to use, copy, transmit, adapt, integrate with other programs of the Project, modify and/or alter such Contractor's documents and/or any part thereof for the purpose of the engineering construction and the completion of the Project or the disclosure, publication, sale, lease or other disposal related to the Project or any part thereof.

1.11.3 This Article of the General Terms of the Contract is amended as follows:

The Contractor (or its Professional Subcontractor, Special Supplier and other contractors and suppliers) does not and will not infringe the others' patents, trademarks, know-how and other protected intellectual property rights in terms of design, manufacture, process, materials and accessories and other aspects at home and abroad, and the Contractor shall protect and safeguard the Project Owner from any claim and litigation arising from the infringement in terms of engineer equipment, materials, construction machine, process and method of the Contractor on any patent rights, design trademarks or names or other protected rights, and shall protect and hold harmless the Project Owner from all damages, litigation costs and other costs arising therefrom or in relation thereto. Nevertheless, if the Contractor infringes or is suspected of infringing the patent right or other intellectual property right to any patent articles, processes or invention, causing the Project Owner to incur any claims, litigations, compensation, costs and expenses, the Contractor shall make full compensation, which may be deducted from any amounts payable or to be paid to the Contractor.

1.11.4 The payment of use fees on the patent, know-how, and technical secret in the middle of construction is borne by the Contractor and already included in the contract price.

1.12 Confidentiality

This Article of the General Terms of the Contract is amended as follows:

(1) The Contractor shall keep confidential all drawings, materials, data, plans, reports, specifications, calculations and other documents (including videos, meeting minutes, correspondences, related pictures and photos) relating to the Project obtained or to be provided by the Contractor. Unless required by the government authority, without the consent of the Project Owner, the Contractor shall not disclose the said documents to any person or company irrelevant to the Project or use the drawings for the purposes other than those specified herein, and its Subcontractors shall only view the drawings within the subcontracted scope. Such obligation shall extend to a term of (10) years from the expiry or termination of the Contract or shall be effective before the confidential matters are known to the public not due to the breach of the Contract by the Contractor.

(2) All external information release of the Project shall be managed by the Project Owner in a unified way, and without the written authorization or consent of the Project Owner, the Contractor shall not release any information in relation to the Project, nor

publicize the prices in the Contract lists or use the same for other purposes. The Contractor shall first ask for the Project Owner's opinions before accepting the interview in respect of the Project by any media (including but not limited to newspapers, magazines, radio and television stations, and Internet media, the same below) or providing any media with the report materials in relation to the Project. If the Project Owner agrees that the Contractor may accept such interview or provide such report materials, the Contractor shall take the initiative and procure the relevant media to first deliver the articles contributed after the interview or the provided report materials to the Project Owner for confirmation before the same is formally publicized, released or otherwise disclosed.

(3) Where the Contract Documents are cancelled due to any reason, the Contractor shall immediately return all materials, drawings, data, electronic files, computer programs or equipment control procedures and passwords in relation to the Project held by it to the Project Owner, and warrant that the Contractor will not use, utilize, disclose to others any materials, drawings, data, electronic files, computer programs or equipment control procedures and passwords in relation to the Project at any time after it stops the performance of the Project.

(4) If the Contractor breaches the provision of Article 1.12 of the Special Terms of the Contract, the Project Owner shall have the right to request the Contractor to pay liquidated damages in an amount of RMB (100,000) to (500,000) according to the severity and the consequences and impacts (as determined by the Project Owner); if the liquidated damages are not sufficient for covering all losses suffered by the Project Owner therefrom, the Project Owner shall be entitled to recover against the Contractor, and the Contractor shall be liable to apologize, restore the reputation, eliminate the impact and otherwise for the loss of reputation that may be suffered by the Project Owner.

(5) Without the consent of the Contractor, the Project Owner shall not disclose to any third party the Drawings and documents provided by and the data and information stated to be confidential by the Contractor. Where relevant documents are the property of the Project Owner or the intellectual property rights thereto are owned by the Project Owner following the Contract, the Project Owner shall be entitled to use the same according to law and will not be bound by the foregoing confidentiality obligations.

1.13 Correction of errors in the Bill of Quantities

The confirmation on the adjustment of the contract price in the event of any error in the bill of quantities: with the consideration of a fixed lump sum contract, adjustment is not allowed.

The Bill of Quantities provided by the Project Owner is for reference only. The Contractor shall revise and supplement the Quotation according to the Bill of Quantities calculated by it. The Contractor shall list the Bill of Quantities and quote for all works and services within the project scope. If the Contractor does not revise or supplement the Bill of Quantities provided by the Project Owner, it shall be deemed the Contractor has confirmed all project scope in the comparison and selection document has been listed in the Bill of Quantities. Any omission, uncovered items or insufficiently quoted items shall be deemed to be included in the Bill of Quantities: any error or difference in such project breakdown and quantities shall be risks undertaken by the Contractor. After selection and settlement, the quantities will not be re-calculated and adjusted and

the fixed contract price will not be adjusted.

Allowable deviation range of the quantities in the contract price: No adjustment is not allowed with the consideration of the fixed lump sum contract.

1.14 Transfer of rights and interests

1.14.1 Without consent from the Project Owner, the Contractor shall not transfer all or any part of the Contract, or any interest or right in or under the Contract to any third party.

1.14.2 The Project Owner may transfer all or any part of the Contract or any benefits or rights and interests in or under the Contract to the others at any time by notifying the Contractor, and such transfer shall become effective from the date on which the Contractor receives the written transfer notice from the Project Owner.

1.15 Losses

1.15.1 The loss of Project Owner: unless otherwise expressly provided herein, the loss that can be compensated to the Project Owner includes but not limited to: loss of the Project Owner due to delay in operation and opening; the amount of compensation paid by the Project Owner to a third party; the litigation fee, arbitration fee, appraisal cost, notarization fee, travel expenses arising from litigation or arbitration between the Project Owner and the third party; the increase of financial cost of the Project Owner; all other direct loss, indirect loss, loss of anticipated profits and expected interests.

1.15.2 The loss of the Contractor: unless otherwise expressly provided herein, the loss that can be compensated to the Contractor only includes direct loss and not includes expected interests and profit and any other indirect loss.

1.16 Approval and confirmation

The Supervisor, Project Management Company and the Project Owner shall, following the provisions of the contract, promptly give reply, approval and confirmation, and put forward modification suggestions or other opinions to the Contractor's requirements, requests, applications and approvals related to the implementation of the Project. Notwithstanding the provisions of other terms of the contract or other contract documents, if the Supervisor, Project Management Company or the Project Owner fails to give reply, approval and confirmation, or put forward modification suggestions or other opinions for the Contractor's any document, application, report, work, works, or materials and engineering equipment adopted within the time limit as agreed or any other time limits, then it shall not be deemed to have no objection or be at default, and shall not affect the rights of the Supervisor, Project Management Company and the Project Owner to reject such document, application, report, work, works, materials and engineering equipment, and the final opinions of the Supervisor, Project Management Company and the Project Owner on such document, application, report, work, works, or materials and engineering equipment adopted shall be subject to the written confirmation document. In case of any discrepancy between the other provisions of the contract and the provisions of this Article, the provisions of this Article shall prevail.

2 Project Owner

2.2 Project Owner's Representative

Project Owner's Representative:

Name: [***]

ID No.: /;

Title: The leader of TAL Zhenjiang Education Base Phase I Construction Project

Contact number: [***]

Email: [***]

Correspondence address:

The scope of the authorization granted by the Project Owner to the Project Owner's Representative is as follows: issuing an instruction to the Contractor in terms of progress, quality, safety and civilized construction. The Project Owner's Representative is entitled to give instruction for changes on behalf of the Project Owner by signing the Engineering Changes Instruction. The instruction of the Project Owner's Representative with the premise of promoting the smooth progress of the project and the purpose of ensuring quality and progress shall be deemed to be directly given by the Project Owner, but the instruction of the Project Owner's Representative shall have no conflict or contradiction with the Contract. And except when the Contractor gives separate authorization after the conclusion of the Contract, in addition to the signature of the Project Owner's Representative, the change involved in the revision of contract documents, adjustment of the contract price (including but not limited to confirmation of changes and claim amount, and confirmation of settlement price, etc.), adjustment of the construction period, and change in quality standards and functions of the project shall also be fixed with an official seal by the Project Owner on the relevant documents before binding on the Project Owner.

2.4 Provision of Construction Site, construction conditions and basic materials

2.4.1 Provision of Construction Site

The deadline for the Project Owner to handover the construction site: within 7 days after the execution of the Contract.

2.4.2 Provision of construction conditions

The Project Owner shall be responsible for providing the conditions required for the construction, including:

1、 The Project Owner shall provide locations for water and electricity access before commencement, and both parties shall promptly handle the formalities for the temporary handover of water and electricity facilities (to be accepted by the signature of the Project Owner, the Contract and the Supervisor). After the handover, the Contractor shall be responsible for the protection and bear the Fees. The water and electricity Fees (including loss between the meter and submeter) shall be paid by the

Contractor to the electricity and water supply authorities.

2、 The off-site public roads and rainwater and sewage pipe network have been opened. The Contractor shall be responsible for temporary roads, water and electricity pipelines and connection of rainwater and sewage connection with the municipal pipeline in the Construction Site, and for handling the relevant formalities, the Fees of which are included in the signed Contract price.

2.4.3 Provision of basic materials

The Project Owner provides the Contractor with materials relating to engineering geology and underground pipeline 7 days before the project commencement. However, the Contractor shall further survey and confirm before construction to ensure there is no damage to the underground pipeline. Otherwise, the liability caused thereby shall be undertaken by the Contractor.

The Project Owner shall provide the Contractor with the materials relating to underground pipeline in the adjacent area, meteorological and hydrological observation materials (if any), geological survey materials, basic materials relating to adjacent buildings, structures and underground works (if any) that are necessary for the Construction Site and project construction before or after the handover of the Construction Site. If there is any inadequacy, the Contractor shall point out before construction. The Contractor has an obligation to review and confirm authenticity, accuracy and completeness of all basic materials, and shall not make Claims against the Project Owner on the ground that the materials are incomplete, untruthful and inaccurate.

2.5 Evidence of capital source and payment guarantee

The deadline for the Project Owner to provide evidence funding sources: not provided.

Whether the Project Owner provides payment guarantee: No.

Form of payment guarantee provided by the Project Owner: None.

3. Contractor

3.1 Contractor's general obligations

(5) The as-built Document submitted by the Contractor: as-completed drawing, as-completed settlement material, design change, visa, etc. (including hard copy and electronic version) that conform to current archiving specifications and local archiving requirements, including acceptance and incorporation of materials relating to early pile testing and other Professional Subcontracted Projects and Independent Contracted Projects in completion acceptance archive system.

Copies of the as-built document to be provided by the Contractor: Four sets.

The cost of the as-built Document submitted by the Contractor: borne by the Contractor.

Handover time of the as-built Document submitted by the Contractor: within one month after the Project completion and acceptance.

Requirements for the format of as-built Document submitted by the Contractor: All the Project completion acceptance and settlement Document should be hard copy together with the imperative electronic record.

(6) Other obligations that the Contractor shall perform: refer to Chapter 1 of Volume 2 "Project Specifications and Requirements", including but not limited to:

1. The Contractor shall provide names and completion dates of plans and statements:

① The Contractor shall provide revised construction organization design, total construction schedule, special construction schedule, material procurement plan, material entry plan, labour plan and money allocation plan etc. within 21 days after execution of the Contract;

② The Contractor shall provide the Project Owner and the Supervisor respectively with the detailed construction schedule for the next month, the statement of completed quantities for the current month, the list of the Contractor's procurement material plans, the entry plan of equipment provided by the Project Owner, labour plan, money allocation plan and other materials before the 25th day of each month;

③ The Contractor shall provide the statement of completed quantities and the progress schedule for the next week every Monday morning;

④ The Supervisor shall be provided with one copy of each statement and plan. The above plans shall be subject to review and confirmation by the Supervisor. If the Contractor fails to submit these plans on time and as required, the Project Owner has the right not to pay the relevant progress payment or postpone the payment.

2. Responsibilities and requirements of undertaking construction safety and security work and construction lighting: The Contractor shall comply with management regulations concerning engineering construction and safety production, organize construction in strict accordance with safety standards, and at any time accept supervision and inspection implemented by the Project Owner and industry inspectors according to law. The Contractor shall take reliable safety protection measures to eliminate accident hazards. If the Contractor fails to perform the foregoing obligations, resulting in engineering, property and body injury, the Contractor shall assume the liability and all costs arising therefrom; in the case of a third-party accident caused by inadequate safety measures at the Contractor's Construction Site, the Contractor shall take all responsibilities.

1) The site shall be staffed with security guards, and the Construction Site and the construction personnel's living area must be fully closed, and effective anti-theft measures shall be taken. The management personnel and construction personnel (including specialized subcontracting units) shall be worn with certificates and cards proving their identity before entering the site to implement real-name management;

2) The Contractor shall establish and perform the firefighting management system. In construction or storage or use of flammable equipment in wildfire-prone areas (such as carpentry yard), the Contractor shall take special fire safety measures and smoking is prohibited at the site;

3) The passages, construction fences, fire entrance and exit, emergency evacuation, etc. in the Construction Site shall have visible marks or signs. The construction fences shall be set up in a manner that the impact on surrounding roads is considered. The warning signs or lenses shall be set up to avoid visual blind spots and create traffic hazards. The places with height limitation shall have height limitation marks;

4) The canteen is sanitary and safe, and the drinking water facilities are safe and reliable;

5) The enclosure facilities at the height of 2.0m must be set up surrounding the Construction Site according to the specifications (construction with reference to Zhenjiang's standard for enclosure of construction site for an engineering project and the regulations of Zhenjiang New Area);

6) The safety of using temporary electricity in the Construction Site shall be performed with reference to the Technical Specification for Safety of Using Temporary Electricity in the Construction Site (JGJ46-2005). If the Contractor fails to perform the above provisions and relevant obligations under the general terms, causing engineering, property and body injury, the Contractor shall assume the liability, compensate for the loss and pay all relevant costs incurred;

7) The Contractor shall provide sufficient and qualified 24-hour site security service;

8) The Contractor shall cooperate with and manage all Professional Subcontracted Projects and Independent Contracted Projects designated by the Project Owner, provide necessary construction conditions (temporary water supply, temporary electricity supply, temporary construction site, construction operation area and existing equipment and facilities at the site).

3、 The requirements for office and living houses and facilities provided to the Project Owner:

The Contractor shall provide the Project Owner, the Project Management Company, the cost Consultant and the Supervisor with temporary office building and facilities, including 7 offices, 1 small meeting room and1 big meeting room. For details, please refer to Chapter 1.7 of Volume 2 "Requirements for Site Office".

4、 Special requirements for the protection of finished products of the completed project and cost allocation: the Contractor shall perform the general contracting duty, and the Contractor shall be responsible for management and protection of all finished products and semi-finished products before construction acceptance and delivery, with the Fees included in the general contracting management and cooperation costs;

5、 Requirements for the protection of underground pipeline surrounding the Construction Site and adjacent buildings, structures (including buildings protected as cultural relics), ancient and rare trees and cost allocation: if cultural relics or other valuable items are found during construction, the Contractor shall take measures to prevent damage, and immediately report the Project Owner, the state administration for cultural relics or other authorities, and protect the site; if unexpected electric wires, water pipes or other public utilities are found during construction, the Contractor shall immediately stop digging and immediately inform the Project Owner or professional

institution. The Contractor shall be responsible for repairing damaged public facilities and restoring to the original state as per relevant instructions and the expenses shall be borne by the responsible party.

6、 The requirements for sanitation and hygiene of the Construction Site: the Contractor shall construct in a civilized manner following the Management Regulations of Zhenjiang for Construction Site of and the Standard for Inspection of Building Construction Safety (JGJ59-2011), and all clean-up penalties incurred by polluting urban roads and other violations shall be borne by the Contractor, and the Contractor shall ensure that the materials are cleaned up upon completion, and the surrounding of the site is tidy. Besides, the Contractor shall:

① set up, repair and manage temporary pollution discharge system;

② keep construction roads smooth and clean on a daily basis, and be responsible for maintaining and repairing access road to construction region of the Construction Site at the expense of the Contractor;

③ The Contractor shall collect and dispose of all garbages within the Construction Site and living area, until completion and delivery;

④ The Contractor shall, at the request of the Project Owner, harden in-site roads and deploy various marks and signs for inspection following the regulations for safe and civilized construction;

⑤ If the Contractor fails to do well in site sanitation and hygiene at the site, resulting in complaints or media exposure, the Contractor shall bear the consequences and expenses caused thereby; Besides, the Project Owner may request the Contractor to pay the liquidated damages of RMB10,000 to 30,000 per case depending on the extent of influence.

7、 All construction garbages shall be transported to approved locations for disposal as per approved methods, and domestic garbages shall be collected on a daily basis as per urban regulations and included in the domestic garbage disposal system at the expense of the Contractor. Any garbage and earthwork that is transported to the Construction Site as stipulated shall not be discarded in the site. If the Contractor is found to have discarded the garbage in the site without approval, the Contractor shall be ordered to transport all garbages out of the site and imposed a penalty of RMB 1,000 to 10,000 per case.

8、 The Contractor must comply with the management regulations of competent government authorities concerning the traffic of Construction Site, construction noise and environmental protection and safety production, proactively and promptly handle the relevant formalities and bear the relevant payable expenses which have been included in the contract price. The Contractor shall bear penalties of relevant authorities incurred in the transport process relating to the project during the construction period. The Contractor shall promptly handle all permits necessary for the construction process (including construction permit at night) with the assistance of the Project Owner.

The Contractor shall strengthen environmental management of the Construction Site,

and strictly put into place measures for prevention of pollutions such as dust and wastewater and measures for ecological protection and conservation of water and soil. The Contractor shall actively coordinate and handle various regional conflicts that occurred during the construction to ensure normal project construction and bear the corresponding expenses. The Contractor shall bear the liability caused by itself and expenses incurred thereby.

Unless otherwise agreed in the Special Terms of the Contract, the Contractor shall pay taxes and fees and handle and obtain all necessary permits, licenses or approvals following the requirements of the law relating to the design, implementation and completion of the works and the repair of any defects. The Contractor shall protect the Project Owner from loss arising from the failure to complete the above work.

9、 The Contractor shall be responsible for civilized construction and dust and noise reduction of the whole site and managing civilized construction and dust and noise reduction of Subcontractors (including professional Project Owner) and Independent Contractor, and shall be responsible for or assist in handling relevant formalities.

10、Requirements for general contracting management and cooperation:

Independent Contracted Projects and Professional Subcontracted Projects shall be included in the general construction period of the Contractor and the Contractor shall implement quality, technology, safety and civilization management. The Contractor shall assume the liability for management of PC and be responsible for coordinating work of Subcontractors, ensure the term designated by the Project Owner will not be affected, and fully responsible for organization and implementation of construction scheme and construction plan of the project (including various subcontracted projects), control of construction quality and progress, summarizing of Subcontractors' completion materials, supervision and management of safe and civilized construction of Subcontractors, and full coordination of work involving the surrounding of the project or work of relevant authorities and units (including all authorities including public security, environmental protection, subdistrict office, municipal administration, fire protection, transport authorities). The general contracting management cooperation and management services of the project shall include without limitation:

(1) The Contractor must be responsible for the management of the Entire Project (including Professional Subcontracted Projects and Independent Contracted Projects, etc.), shall rapidly pass the portion of subcontracting projects in the project instructions given by the Project Owner to Professional Subcontractors to ensure rapid execution of such instructions.

(2) The Contractor must be fully responsible for progress, quality and safety of the whole project (including Professional Subcontracted Projects), and the Contractor shall be familiar with specific job contents of various Professional Subcontracted Projects and shall pay special attention to sub-contractual work that affects construction progress of civil engineering. Professional Subcontractors shall be required to provide a construction organization plan and schedule of professional contracting, and conduct audit and summary analysis, and coordinate with and provide a solution for conflicts in construction procedures.

(3) The Contractor shall be responsible for holding and presiding over coordination

meeting in connection with Professional Subcontracted Projects, and submitting meeting minutes to the Project Owner and the Supervisor within three days after the meeting. The Contractor shall hold one to three routine meetings of Professional Subcontracted Projects every week, a monthly planning meeting once a month and a quarterly planning meeting once a quarter; during construction peak-hours, the Contractor shall implement the rule of holding a daily meeting to coordinate with conflicts for the area of operation the next day; each Professional Subcontractor shall put forward requirements regarding road transport, site occupation, floor occupation, large mechanical lifting, etc. at routine meetings one week in advance.

(4) The Contractor shall be responsible for completing the connection with Professional Subcontracted Projects according to construction drawings, joint drawing review, design change and relevant specifications, including blocking and filling relating to ancillary works such as water, electricity and gas, for example:

a、 using fine aggregate concrete, cement mortar and other materials to fill in gaps between equipment, frames and building structures;

b、 grouting inner and outer door and window frames with cement, using cement mortar and other materials to fill in gaps between all window frames, door frames and building;

c、 caulking and cleaning of civil engineering after mechanical and electrical installation and the Contractor shall ensure the quality of caulking and cleaning of civil engineering. performing other civil engineering repair work generally required;

d、 sealing preserved slots, holes and sleeves after use, and blocking off gaps of wires, cables and pipes;

e、 ensuring no ponding in the interior ground of the basement permanently, whether in cloudy days or rainy season, no water seepage in walls, doors and windows, failing which, all economic losses will be borne by the Contractor;

f、 The Contractor must contact with Professional Subcontractors before each construction item and check for consistency between drawings of Professional Subcontracted Projects and Contractor's drawings in terms of relevant dimensions, elevation, etc.; understand special requirements for sub-contractual work, such as slotting, preserving holes, embedded parts, etc., and request Professional Subcontractors to coordinate and confirmation (if Professional Subcontractors have not entered the site, by the Project Owner) before each conceal work (such as casting concrete) and ensure accurate preservation and embedding and smooth pipeline. The Contractor shall do such work well for Professional Subcontractor/Independent Contractor. Besides, the Professional Subcontractor/Independent Contractor shall be provided with reasonably enough time to lay cables, wire casing pipes and embedded parts and do other similar work. Otherwise, any repair and extra expenses incurred thereby shall be borne by the Contractor.

(5) The Contractor must provide Professional Subcontractor/Independent Contractor of the Project Owner with existing facilities at the site in order for the Professional Subcontractor/Independent Contractor of the Project Owner to smoothly conduct their work. These basic facilities shall include without limitation:

a、 To the extent permitted by the Construction Site, the Contractor shall provide and arrange site for the Project Owner's designated Project Owner/Independent Contractor and provide them with existing office, dormitory, auxiliary facilities and warehouse at the site on a paid basis.

b、 The Contractor must well arrange for the Professional Subcontractor/Independent Contractor to use site roads and premises together with it, and provide the Professional Subcontractor/Independent Contractor with reasonable space for construction operation.

c、 During subcontracting period of the Professional Subcontractor/Independent Contractor, the Contractor shall provide temporary lighting and delivery points for temporary electricity and power for construction. The Professional Subcontractor/Independent Contractor shall be solely responsible for necessary connection pipes and electric wires and provide water and electricity for construction on a paid basis, and the charging standard shall be subject to the government charging standard; and shall, upon completion of the project and as instructed by the Contractor, clean up all garbages left at the site and collect them to the designated garbage dumping place. If the producer cannot be determined or any dispute arises, the Contractor shall be responsible for cleaning them up;

d、 The Contractor shall provide for free existing canopy frames, ladder stands, scaffolds and vertical transport tools and other auxiliary facilities of the Contractor in the site for the Professional Subcontractor/Independent Contractor during the construction period.

e、 The Contractor shall permit the Professional Subcontractor/Independent Contractor of the Project Owner to reasonably use the Contractor's sanitary facilities at the site, and the relevant maintenance and emission matters shall be undertaken by the Contractor.

f、 The Contractor shall be responsible for fence wall construction and normal maintenance of the whole project, for safekeeping and security work of the whole site, including materials placed by the Professional Subcontractor/Independent Contractor at the site to prevent Loss;

g、 The Contractor shall be responsible for protection and safeguarding of completed work, finished products and semi-finished products of the whole Project to prevent Loss, and take proper measures such as fire protection, wind protection, rain protection and theft protection;

h、 The Contractor shall provide the Professional Subcontractor/Independent Contractor with existing equipment at the site, and assist them in unloading the Goods delivered by them to the site at a designated location. The Contractor shall provide for free mechanical installations at the site for them to conduct material loading and unloading, lifting and horizontal transport.

i、 The Contractor shall provide the Professional Subcontractor/Independent Contractor of the Project Owner with required elevation, locating point and locating line, and check the relevant settingout size and the dimension and shape of preserved holes, etc.

j、 The Contractor shall coordinate with general mechanical and electrical and other Professional Subcontractors in completing relevant work, and cooperate with construction application and acceptance procedures of Professional Subcontracted Projects;

k、 In addition to the preparation of completion acceptance materials and filing materials for its own work, the Contractor shall also be responsible for collecting and summarizing the completion acceptance materials and filing materials for the whole Project (including the construction projects done by the Professional Subcontractor/Independent Contractor). The Professional Subcontractor/Independent Contractor is responsible for preparing the completion acceptance materials and filing materials of their construction projects, and handing over such materials at the request of the Contractor for summarizing by the Contractor.

m、 The Contractor shall not maliciously embarrass the Professional Subcontractor. If the Project Owner determines that the Contractor maliciously embarrasses the Professional Subcontractor, the Contractor shall be imposed a penalty of RMB 10,000 to 100,000 per case.

n、 If any Independent Contracted Project undergoes online contract filing and relevant procedures, the Contractor shall provide cooperation, the independent contracting contract and relevant procedures shall be completed within 10 days after Party A confirms the relevant contract and deliver it to the Contractor.

o、 Other obligations that shall be foreseen or performed by the Contractor as the general contractor.

3.2 Project leader

3.2.1 Project leader:

Name: [***]

ID No.: [***]

Architect qualification certificate level: First-level

Architect registration certificate number: [***]

Architect seal number: [***]

Safety production assessment certificate No.: [***]

Tel: [***]

E-mail: [***]

Correspondence address: 7th floor, Building C1, Dongfang Wanguo Enterprise Center, No.1599 Xinjinqiao Road, Pudong New District, Shanghai (上海市浦东新区新金桥路1599号东方万国企业中心C1栋7层)

The scope of authorisations by the Contractor to the project manager is as follows: determining organization structure of the Project, organizing formulation of management rules of the Project, dealing with internal and external affairs in the name of the Contractor, being entrusted to execute relevant contracts, sign visas, issue documents, dispatching and managing labour, capital, materials, mechanical equipment and other production factors for the works, and select construction workforce, etc. The project manager shall be deemed as the sole representative of the Project.

The project manager's present requirement at the construction site each month: No less than 25 days a month and no less than 8 hours a day.

The contractor's default liability on its failure to submit an employment agreement and the payment evidence of social insurance for the project leader: The RMB 50,000 penalty imposed by the Project Owner on the contractor.

The Project Manager's default liability on his absence on the construction site without the Project Owner's approval: RMB 5,000 deduction from the payment to the project manager per day. Other main management personnel at the site of the Project shall be present at the Construction Site for no less than 6 days a week and no less than 8 hours a day. In the case of absence in the site for management as required, the relevant personnel shall be imposed a penalty of RMB 1,000 per person per day for each absence, which is directly deducted from the progress amount.

3.2.3 The contractor's default liability on the replacement of its project manager without the Project Owner's approval: RMB 5 million penalties on the contractor, and the Project Owner's right reservation to take further claims and terminate the contract.

3.2.4 Where the Project Owner requires to replace the project manager, the contractor's default liability on such replacement without justifiable reasons: The RMB 200,000 penalty imposed by the Project Owner on the contractor, and deducted from the payment to the contractor. Besides, the Project Owner is entitled to terminate the contract.

3.3 Contractor's personnel

3.3.1 The deadline for the Contractor to submit a report on the arrangement of the project administrator and construction site management personnel: One week before the commencement of construction.

3.3.3 The contractor's default liability on the refusal to remove or replace main project administrator personnel without justifiable reasons: The RMB 5,000 to 50,000 per person penalty imposed by the Project Owner on the contractor.

3.3.4 Approval requirements for the main construction administrator of the contractor to leave the construction site: the submission of a written application to the Supervisor and the project leader of the Project Owner, together with their approval.

3.3.5 The contractor's default liability on the replacement of main project administrator personnel without the Project Owner's approval: The RMB 5,000 to 50,000 per person penalty imposed by the Project Owner on the contractor.

The Contractor's default liability on the main construction personnel leaving the Construction Site without permission: if the main construction personnel leave the Construction Site without approval, the Project Owner will impose a penalty of RMB 1,000 each time. During the contract term, if a person quits his job without permission for more than 5 times accumulatively, the economic penalty of RMB 10,000 per person each time will be separately imposed.

3.5 Subcontracting

3.5.1 General provisions of subcontracting

The work not allowed to be subcontracted: Main structure and critical work.

The scope of the main structure and critical work: Main structure work and other work.

3.5.2 Determination of subcontracting

Professional work allowed to be subcontracted: pile foundation, foundation pit support, earthwork, steel structure and others. All subcontract of professional work should be approved by the Project Owner.

Other agreement on the subcontract: the qualification of the Subcontractors should meet the requirements of national regulations on construction qualification, and be agreed by the Project Owner. In the case of subcontracting pursuant to the Contract, the Contractor shall ensure that the Subcontractor has the corresponding qualification and ability. The project subcontracting will not alleviate or exempt the Contractor's liability and obligation. The Contractor and the Subcontractor shall be severally and jointly liable to the Project Owner for subcontracted projects.

3.5.4 Subcontract price

3.5.4.1 Agreements on payment of the subcontract price:

(1) Payment to the Professional Subcontractor shall be made following Article 10.7.8 of Special Terms of the Contract.

(2) Any dispute relating to various damages, Losses, Claims and matters between the Contractor and the Professional Subcontractor shall be resolved by the Contractor and the Professional Subcontractor pursuant to the professional subcontract. In no event shall the Project Owner be involved in the disputes similar as above. Otherwise, all Losses arising therefrom shall be borne by the Contractor.

(3) With respect to the construction of single government ancillary works independently entrusted by the Project Owner, the Contractor will not collect cooperation fees and water and electricity use fees and shall obey unified guidance and deployment of the Project Owner in cross construction. The government construction items for the Project (including but not limited to the followings, based on the market practice):

a、 Professional government ancillary works (including outdoor water supply system, gas system, power supply system, based on actual conditions locally).

b、 Communications network system.

c、 Cabled TV system.

3.5.5 Assignment of subcontract interest

The existence or exercise of the foregoing rights, or anything else herein, will not cause the Project Owner to assume obligations for any Subcontractor in any way.

The following should be added following Article 3.5.5 of the General Terms of the Contract:

3.5.6 Notwithstanding any other provisions of the Contract, both parties hereby expressly agree that the following provisions will fully become effective and take effect

a. The scope of works of the Contractor and its duties shall include those of the Professional Subcontractor.

b. The Contractor shall procure the Professional Subcontractor to conduct construction, completion and repair of subcontracting works following the provisions of the professional subcontract.

c. For any references about insurance, guarantee, security deposit herein, or similar expressions that have been included in the Actual Price or Contract Price, such Actual Price and the Contract Price shall include provisional valuation in the bill of quantities regarding professional subcontract.

d. After the professional subcontract is awarded, the contract price will be adjusted accordingly.

3.5.7 The Contractor shall procure the Project Owner to be fully aware of the progress of the Professional Subcontracted Projects.

3.5.8 If the Contractor intends to terminate the professional subcontract for whatever reasons, it shall be first subject to the consent of the Project Owner. If the professional subcontract is terminated for whatever reasons, the Project Owner shall appoint a Professional Subcontractor who is responsible for completing any remaining matters of the relevant Professional Subcontracted Projects that are left unfulfilled as at the termination date provided under the subcontract. The Contractor shall enter into a new professional subcontract with the newly appointed Professional Subcontractor, and all relevant provisions of the contract regarding obligations and duties of the Contractor for Professional Subcontracted Projects shall remain applicable to this case. The Project Owner also has the right to issue instructions to the Contractor and require the Contractor to implement the remaining works of the relevant Professional Subcontracted Project according to the nature and workload of such remaining works. In this case, the Contractor shall be responsible for such works and the Project Owner shall pay the Contractor for proper implementation of such works.

3.5.10 Where the Contractor requests the Professional Subcontractor/Special Supplier to provide the performance guarantee, the Contractor shall inform the Project Owner in writing and obtain the Project Owner's consent prior to commencement of procurement of the Professional Subcontracted Projects/Special Supply Items, and the

proportion of the amount of performance guarantee for the Professional Subcontractor/Special Supplier shall not be higher than the proportion of performance guarantee provided by the Contractor to the Project Owner.

3.6 Project care and protection of finished products and semi-finished products

The start date for the Contractor to keep in custody materials and engineering equipment related to the project: From the commencement date to the project handover to the Project Owner.

3.7 Performance Guarantee

This Article of the General Terms of the Contract is amended as follows:

3.7.1 Form and amount of the Performance Guarantee

The Project Owner requires the Contractor to provide the Contractor's performance guarantee. The Contractor's performance guarantee shall be 10% of the Contract Price, i.e. RMB (142419260.05). The Contractor shall, within 10 days after the conclusion of the contract, submit to the Project Owner the performance guarantee in the form specified in the exhibit to the contract or in any other forms approved by the Project Owner, which shall be unconditional, irrevocable and independent bank guarantee payable on demand.

3.7.2 Term of validity of Performance Guarantee

The performance guarantee shall be valid from the effective date of the Contract to 30 days after the Project Owner issues the project acceptance certificate to the Contractor (i.e. "invalidity condition"). In case that the Contractor fails to obtain the guarantee without specific deadlines, while the Performance Guarantee has indicated the specific invalidity date, and fails to meet above invalidity conditions agreed (56) days before the specific invalidity date, then the Contractor shall extend the Guarantee to the time when the invalidity conditions are met as expected by the Project Owner at his own expense no later than (28) days before the invalidity of the Guarantee. Otherwise, the Project Owner is entitled to cash the Performance Guarantee or deduct performance bond from the payables as the guarantee security.

During the term of validity of the Performance Guarantee, the Project Owner is entitled to file a claim with the bank issuing the guarantee in the event of any claim. Once the claim is filed, the Contractor shall renew the guarantee within (14) days after the bank pays the compensation to the Project Owner to restore the guarantee limit to the performance guarantee amount listed in the Contract, regardless of whether the claim has been settled or not. Before the renewal provisions of this Article are met, any amount to be paid to the Contractor under the Contract shall only be paid after deducting the full amount of the difference between the performance guarantee amount listed in the Contract and the balance of current performance guarantee (if any), and the deducted amount will be used as guarantee security and returned to the Contractor without interest on the final expiry date of the Performance Guarantee as stipulated in the Contract.

3.7.3 Return of Performance Guarantee

The Performance Guarantee shall be returned to the Contractor within 28 days after the invalidity conditions are met. The Project Owner shall not be liable for any interest or other similar costs or benefits incurred by the Contractor in connection with the Performance Guarantee.

3.7.4 Notification Obligation

Notwithstanding the provision of the terms of the Performance Guarantee, the Project Owner shall notify the Contractor of and explain the nature or cause of the breach of such claim or cash prior to making a claim or cashing following the terms of the security, but such notice shall not be construed as seeking the consent of the Contractor in any sense.

The following should be added following Article 3.8 of the General Terms of the Contract:

3.9 The Contractor must bear any and all taxes, fees or charges in connection with, directly or indirectly, the business and the Project within the territory of the People's Republic of China. Such taxes, fees or charges will include (without limitation):

1) Corporate income tax;

2) Construction management fee after local entry from other places;

3) Individual income tax;

4) Business tax;

5) Value-added tax, urban maintenance and construction fee and education surcharges;

6) Tax on import of construction machines;

7) Tariff on import of equipment/materials;

8) Application fee for customs declaration, port fee, commodity inspection fee, sanitation inspection fee, port reaching fee and other fees;

9) Comprehensive insurance for workers of construction companies (or will be adjusted to be other payments in future (such as social insurance);

10) Budget and final accounts preparation and reconciliation fees;

11) Fees for preparation of/inquiries about completion materials;

12) Detection, inspection or test fees that shall be borne by the Contractor itself as stipulated by national and local competent authorities;

13) Various government charges and funds collected by government agencies, such as charges for road sweeping by others, sewage discharge, safe and civilized construction, domestic garbage disposal and environmental protection management surcharge, etc.;

14) Fees relating to muck transport, including muck fee, earth field consumption fee, road cleaning fee, etc.

15) Fees for receiving a permit for practising in the People's Republic of China and transactional service fee for bidding and tendering (the Contractor's

part);

16) Other taxes and fees stipulated by current regulations of national and local governments.

3.10 Before commencement, the Contractor must have the construction qualification for projects similar to the Project in cities/regions where the Project is conducted and registration documents. If the Contractor does not meet the above qualification, the Project Owner may terminate the work of the Contractor hereunder by notice.

In this case, the Contractor must exit the site within 14 days after receipt of the termination notice and return the received amounts (if any) to the Project Owner in full. Besides, the Contractor must also be liable for delay in the Project and termination of the Contract (if any).

4. Supervisor

4.1 General provisions of the Supervisor

Regarding the Supervisor's supervision content: controlling the quality, progress and cost of the Project, managing safe and civilized production and engineering information, and coordinating construction order of construction project.

Regarding the Supervisor's supervision powers: managing quality, safety and progress of the Construction Site according to the supervision contract; procedural audit of matters corresponding to the powers to be exercised with the approval of the Project Owner (the relevant procedural audit shall not be regarded as the final conclusion and shall be binding upon the Project Owner only after the written confirmation of the Project Owner), and other duties and powers entrusted following the Contract. The Project Owner has the right to adjust the aforementioned duties and powers entrusted.

Power to be exercised with the approval of the Project Owner:

(1) Issuance of commencement notice, instruction for suspension of construction or resumption notice, and adjustment of the construction period;

(2) Change, negotiation and site certificate;

(3) Project measurement and valuation;

(4) Confirmation and approval of any project progress payment, change the payment, settlement payment, liquidated damages, compensation, etc.;

(5) Replacement of building functions, quality standards, safety standards and materials and equipment;

(6) Project acceptance;

(7) Project claims (claims for the construction period, costs, etc.);

(8) Scope and content of subcontracting, and selection of Subcontractors and suppliers;

(9) Replacement or withdrawal of the Contractor's project manager or other key management personnel and technical experts;

(10) Approval and adjustment of detailed design documents, construction organization design or plan;

(11) Approval and adjustment of the project's monthly schedule and higher-level construction schedules;

(12) Contractor's liability for breach of contract;

(13) Handling of quality accidents;

(14) Other matters that may affect the material interests of the Project Owner (including term, cost, quality, etc.).

Any order, audit, confirmation, approval opinion, instruction, opinion, clarification, notice, letter or other document or act of the Supervisor which involves the aforesaid matters shall be subject to the written approval or confirmation of the Project Owner. Otherwise, it shall not be binding on the Project Owner.

Where the Supervisor performs the powers that shall be approved by the Project Owner before exercise, the Supervisor shall present to the Contractor the document proving that its exercise of such powers has been approved by the Project Owner or other legal and valid proofs. The "legal and valid proof" above shall be the formal confirmation made by the Project Owner in writing and conform to the authorization system of the Project Owner.

Agreement on the provision and cost undertaking of the Supervisor's office and accommodation place at the construction site: the Contractor provides 3 office rooms and fees are included in the quotation. For details, please refer to Chapter 1.7 of Volume 2 "Requirements for Site Office".

The Contractor fully understands and acknowledges that the Project Owner shall also enjoy any power (right) to be entitled by the Supervisor and Project Management Company in the Contract. The Supervisor and Project Management Company shall enjoy any power (right) in the Contract based on the authorization of the Project Owner and shall exercise such power (right) within the scope of authorization of the Project Owner. The Project Owner shall have the right to withdraw the relevant authorization at any time, and directly exercise such power (right) without the Supervisor and Project Management Company. In case of any discrepancy between the Project Owner and the Supervisor or Project Management Company, the Contractor shall be subject to the opinion of the Project Owner. The Contractor shall also notify or submit to the Project Owner the matters in the contract that the Contractor is required to notify or submit to the Supervisor or Project Management Company for approval. In case of any

conflict between the other provisions of this Contract and this Article, the latter shall prevail.

In case of any discrepancy between the other provisions of the contract and the provisions of this Article, the provisions of this Article shall prevail.

4.2 Supervision personnel

Chief Supervisory Engineer:

Name: [***]

Title: Director

Supervision engineer certificate No.: [***]

Tel: [***]

Email: [***]

Mailing address: in the north block of Dongchunhui Road, Zhihui Avenue, Zhenjiang New Area, adjacent to Zhihui Avenue in the west, Chunhui Road in the south, and The National University Science Park in the east.

4.3 Supervisor's instructions

Paragraph 2 of this Article of the General Terms of the Contract is amended as follows:

The instructions issued by the Supervisor shall be given to the Project leader of the Contractor or the personnel authorised by the Project leader. The Project Owner shall be liable for the compensation for the Contractor's cost increase and/or delay in a term due to the Supervisor's failure to issue the instructions, delay or error in the instructions as agreed in the Contract. However, the Project Owner shall not bear any liability for compensation in the case that the Supervisor acts beyond the scope of authorization stipulated in the Contract or fails to perform the approval and confirmation procedures of the Project Owner stipulated in the Contract (including but not limited to the matters involved in Article 4.1 "powers be exercised with the approval of the Project Owner"). The Chief Supervisory Engineer shall not authorise or delegate powers that shall be determined by the Chief Supervisory Engineer as provided under Article 4.4 to other supervisory personnel.

The last paragraph of this Article of the General Terms of the Contract is amended as follows:

For the performance of the Contract, in the event of the Supervisor's failure to issue the instructions, delay or error in the instructions as agreed in the contract, the Contractor shall promptly request the Project Owner in writing to require the Supervisor to give instructions or directly give instructions by itself, and the Project Owner shall do so within (14) days after receiving the Contractor's written request. The Contractor shall take responsibility for any increase in costs and/or delay in the construction period caused by its failure to promptly request.

4.4 Negotiation or Determination

In the event that the Project Owner fails to reach an agreement with the Contractor through negotiation, the Project Owner authorises the Supervisor to determine the following matters:

(1) The Supervisor may fairly determine measures to improve delay in term and progress according to relevant provisions of the general terms, provided that all matters to be determined must obtain the prior written consent of the Project Owner. Otherwise, such measures will not have a legal effect on the Project Owner;

(2) /;

(3) /.

5. Quality of the Work

5.1 Quality Requirements

5.1.1 Special quality standards and requirements: None

Agreement on engineering awards: the Project Owner agrees that the Contractor creates awards higher than those that must be achieved as agreed by this Contract at the expense of the Contractor.

5.3 Inspection on Concealed Work

5.3.2 The period agreement on the Contractor's advance notice to the Supervisor about the Inspection on Concealed Work:

1) Upon completion of concealed engineering or key procedures, the Contractor shall carry out self-inspection. If the result is satisfactory, the Contractor report to the supervisory engineers, the Project Management Company and the Project Owner's Representative for acceptance. Upon their acceptance and signature, the Contractor may go to the next construction procedure. Otherwise, the Contractor shall pay the liquidated damages of RMB 2,000 per case. Besides, the progress payment for this part will be suspended, until the Project Owner, the Project Management Company and the supervisory engineers confirm that such part is qualified.

2) In the construction process, the Contractor must take photos or record videos of each sub-contractual work. Certain concealed engineering must be provided with corresponding photos or videos, especially concealed part involving engineering cost. If the Contractor fails to provide the corresponding photos or videos, the increase in relevant fees will not be taken into consideration in settlement.

3) If the Project Owner, the Project Management Company or the supervisory personnel challenges the quality of the Contractor's concealed engineering, a professional testing institution may be appointed to do testing. If the quality is qualified, the testing expenses and repair expenses will be borne by the Project Owner. If unqualified, the testing expenses will be borne by the Contractor and a fine of RMB 5,000 will be imposed on the Contractor. Unqualified works must be reworked until qualified, and the term will not be extended accordingly.

In the event that the Supervisor fails to perform the inspection on time, a written request for extension should be submitted 8 hours in advance.

The maximum extension period: 24 hours.

6. Safe and Civilized Construction and Environmental Protection

6.1 Safe and Civilized Construction

6.1.1 Agreement on the goal of project safety production and relevant matters:

(1) The Contractor must implement safe construction management following the (Zhen Zheng Jian (2015) No.5 document, the Notice of Jiangsu Office of Housing and Urban-Rural Development on Comprehensive Promotion of Standardized Examination and Evaluation of Safety Production of Building Construction (Su Jian Zhi An (2017) No. 683), the Notice of Jiangsu Office of Housing and Urban-Rural Development on Accelerated Promotion of Standardized Examination and Evaluation of Safety Production of Building Construction (Su Jian Zhi An (2018) No. 942). The general contracting unit shall take the overall responsibility of safe construction at the Construction Site. The mechanical and electrical general contractor and professional projects contracting units shall be subject to civilized construction management of the general contracting unit. The Contractor shall organize the construction according to the safety standards, take necessary safety preventive measures according to site conditions, take overall responsibility of safety at the Construction Site and personal injury of third parties, strengthen safety education, persist in the elimination of safety accidents and assume any liability.

(2) The Contractor takes overall responsibility of safety production, and separately sign the Agreement for Responsibility of Safety Production with the Project Owner. The Contractor shall strengthen safety prevention awareness and measures during construction to eliminate the occurrence of safety accidents. For each occurrence of a safety accident, the Project Owner may impose a one-off economic penalty on the responsible unit, in the minimum amount of RMB 1,000 and the maximum amount of RMB 5,000. In the case of occurrence of major safety accident, the Project Owner will impose an economic penalty of RMB 100,000 on the Contractor.

6.1.4 Special agreement on security protection: For details, please refer to the relevant requirements in chapter 1.4 the agreement on security and fire management of volume 1.

Agreement on the preparation of the security management plan of the construction site: This part should be included in the construction organization design submitted prior to the commencement of the construction.

6.1.5 Civilized Construction

Contract parties' requirements for civilized construction: the Project seeks to obtain the provincial (star level 1) civilized construction site. The Contractor must implement civilized construction management following the (Zhen Zheng Jian (2015) No.5 document, the Notice of Jiangsu Office of Housing and Urban-Rural Development on Comprehensive Promotion of Standardized Examination and Evaluation of Safety Production of Building Construction (Su Jian Zhi An (2017) No. 683), and the Notice of

Jiangsu Office of Housing and Urban-Rural Development on Accelerated Promotion of Standardized Examination and Evaluation of Safety Production of Building Construction (Su Jian Zhi An (2018) No. 942).

The Construction Site shall be subject to the conditions surveyed by the Contractor at the site. As an experienced contractor, the Contractor shall consider all adverse factors surrounding and inside the Construction Site (such as pond, dark pond inside the site), handle the site upon entry for construction and meet the construction requirements at the Construction Site, and also harden road according to the requirements on provincial civilized construction site (star level 1). The above fees shall be included in the quotation responded by the Contractor in comparison and selection (if not included, it is deemed surrendering part of the profits).

6.1.6 Agreement on the payment proportion and payment period of safe and civilized construction fees: before the commencement of the project, the fees for safe and civilized construction measures that shall be advanced by the project unit to the construction unit shall not be less than 60% of totally safe and civilized construction costs, and the remaining 40% will be paid off before the construction completion.

7. Term and Schedule

7.1 Construction organization design

7.1.1 The construction organization design as agreed by parties to the Contract shall include:

(1) project overview and description of project characteristics;

(2) construction deployment and main construction scheme;

(3) construction schedule (including network graph that can reflect key lines);

(4) planning and arrangement of construction machinery, materials and personnel;

(5) construction layout;

(6) construction measures in winter and rainy season and under high temperature and other special construction conditions;

(7) special construction scheme (including reinforcing measures for underground lines and other underground facilities);

(8) quality, safety and civilized construction measures;

(9) cost reduction and other technical and organizational measures and main technical and economic indicators, etc.

7.1.2 Submission and Modification of the Construction Organization Design

The period agreement on the contractor's submission of the detailed construction organization design: Within 21 days after the signature of the contract.

The deadline for the Project Owner and Supervisor to confirm or propose remark on amendments after the receipt of the detailed construction organization design:

In case that the Contractor fails to submit the construction schedule and construction organization design as the agreed time, then the Project Owner is entitled to require the Contractor to pay the liquidated damages of RMB (10,000) for each day of delay. In case that the construction schedule and construction organization design submitted by the Contractor are not approved by the Project Owner at one time, then the Contractor shall make modification within the time stipulated by the Project Owner until it is accepted by the Project Owner. The completion time of the construction schedule and construction organization design shall be subject to final submission time of the schedule and construction organization design approved by the Project Owner, and the liquidated damages due to the overdue submissions of the Contractor shall be calculated accordingly.

The Contractor shall ensure that the construction schedule and construction organization design submitted is in conformity with the construction period and technical standards agreed in the Contract, and shall not be inferior to the construction organization design compared and selected by the Contractor or all the project contents, standards and commitments specified in other compared and selected response documents. The construction schedule prepared by the Contractor must include both Gantt diagram and network diagram which can effectively reflect the key construction routes and can be presented in the form of professional schedule management software approved by the Project Owner. In the construction process, the Contractor shall, following the requirements of the Supervisor and the Project Owner, submit the construction schedule and any description or document by the construction unit which the Supervisor and the Project Owner deem necessary.

The Supervisor shall report the audit opinion to the Project Owner for approval within (7) days upon receipt of the relevant construction scheme description, and give written approval or propose modification opinion to the Contractor following the Project Owner's approval opinion. Where the Supervisor fails to approve or propose amendments within the agreed period, the Contractor shall implement the provision of Article 4.3 of the Special Terms of the Contract, and such schedule shall not be deemed having been approved.

7.2 Construction Schedule

7.2.2 Revision on Construction Schedule

The deadline for the Project Owner and Supervisor to confirm or propose remark on amendment after the receipt of the amended Construction Schedule:

The Supervisor shall report the audit opinion to the Project Owner for approval within (10) days upon receipt of the revised construction scheme description, and give written approval or propose modification opinion to the Contractor following the Project Owner's approval opinion.

The Contractor must organize construction according to the schedule confirmed by the Project Owner, the Project Management Company and the Supervisor, and be subject to inspection and supervision of the Project Owner, the Project Management Company and the Supervisor. If the Project cannot be completed on time based on actual

progress, the Contractor must provide the improvement measures which shall be subject to confirmation by the Supervisor, the Project Management Company and the Project Owner before implementation. If actual progress is inconsistent with the schedule for reasons that are not attributable to the Project Owner, the Contractor is not entitled to make claims or issue certificates with respect to the improvement measures for an additional increase of construction payment.

The Contractor must organize construction according to the schedule confirmed by the Project Owner, and be subject to inspection and supervision of the Project Owner or the Project Management Company. If actual project progress is inconsistent with the confirmed schedule, the Contractor shall, at the request of the Project Owner, provide the improvement measures which shall be subject to confirmation by the Project Owner before implementation. The determination by the Project Owner of the construction organization design scheme shall be only the confirmation of the feasibility of the construction organization design scheme instead of the confirmation of expenses incurred. The Contractor shall be exempted from its due liability. As the construction organization design scheme belongs to the Contractor's own construction measure, the increased expenses for labour, materials and machinery, etc. shall be borne by the Contractor itself.

The Contractor shall promptly notify the Supervisor, the Project Management Company and the Project Owner of any event or circumstance that may in future cause adverse impact on work, increase Actual Price or postpone project construction. The Supervisor, the Project Management Company and the Project Owner may require the Contractor to submit the estimation of the expected impact of such future events or circumstances, and/or provide suggestions according to the provisions of Article 10.3 (Change procedure).

7.3 Commencement

7.3.1 Preparations for the commencement

The deadline for the Contractor to submit the review request on project commencement: 7 days prior to the planned commencement date.

Other preparation work for the project commencement to be performed by the Project Owner and its deadlines: The provision of corresponding drawings and documents within 7 days after the signature of the Contract.

Other preparation work for the project commencement to be performed by the Contractor and its deadlines: None.

7.3.2 Commencement Notice

This Article in the General Terms of the Contract and the Special Terms of the Contract are amended as follows:

The Supervisor shall issue the commencement notice to the Contractor 7 days prior to the commencement date. The Supervisor shall obtain the consent of the Project Owner before issuing the commencement notice, and the Project Owner may also directly issue the commencement notice. The construction period shall be calculated from the commencement date specified in the commencement notice issued by the Supervisor

or the Project Owner (in case that such two notices are inconsistent, the notice issued by the Project Owner shall prevail).

The Contractor shall commence construction immediately after the commencement date.

If the Contractor fails to enter the site for construction within 90 days as of the Commencement Date stated in the commencement notice, the Project Owner has the right to terminate the Contract and claim from the Contractor the termination liquidated damages that are equivalent to (5)% of the Contract Price.

7.4 Surveying settingout

7.4.1 This Article of the General Terms of the Contract is amended as follows:

The Project Owner shall provide datum point, datum line, datum mark and relevant documents. The deadline for the Project Owner to provide the Contractor with the surveying datum point, datum line, datum mark and their written document through the Supervisor: the Project Owner shall provide datum point and coordinate control point before commencement, and the Project Owner and the Contractor shall conduct site handover and inspection according to requirements of construction drawings. Upon handover and inspection, the Contractor is responsible for the protection and bearing expenses. Any future expenses for re-measurement and settingout due to damage or misalignment and the Loss caused thereby shall be borne by the Contractor.

The Contractor shall take charge of the positioning of the project section and the correction of any errors in position, level, dimension and setting-out. The Contractor shall put his heart into the inspection and verification of the correction of Project Owner-supplied datum point, datum line, datum mark, and their documents prior to their usage. If any error was found, the Contractor should notify the Supervisor and the Project Owner immediately. All project delays and cost increases in consequence of non-compliance with the above rule should be borne by the contractor. The Contractor shall not be entitled to claim any indemnity with the Project Owner against the re-surveying setting-out or construction loss in consequence of the Project Owner-supplied wrong datum data. Any inspection by the Supervisor or the Project Owner shall not relieve the Contractor from any liability for the accuracy of settingout.

7.5 Delay

7.5.1 Delay of Term Due to the Fault of Project Owner

This Article of the General Terms of the Contract is amended as follows:

During the performance of the contract, the Contractor shall be entitled to require the Project Owner to extend the construction period and/or increase the cost if and only if the critical lines of the Project are affected by the following reasons due to the Project Owner, making the Project unable to be completed on schedule:

(1) Increase in the contents of the contract work;

(2) Change in the quality requirements or other characteristics of any work in the contract;

(3) Force majeure;

(4) Suspension of works at the request of local administrative authorities, but if such request is made due to reasonably foreseeable circumstances (including the high school entrance examination, college entrance examination, major conventions and special days in Zhenjiang, and the special days that are not conventional that the Contractor has been required to consider before the conclusion of the Contract), then the construction period shall not be extended;

(5) The Project Owner's delay in providing materials, engineering facilities or change of delivery place;

(6) Suspension of construction due to the reasons of the Project Owner;

(7) Delay in providing the drawings;

(8) Failure to commence at the commencement date stipulated in the commencement notice in Article 7.3.2 due to the reasons of the Project Owner;

(9) Delay in the critical lines of the Contractor caused by the delay, interference or hindrance due to the reasons of the Project Owner.

Notwithstanding the foregoing, but if the reasons of the Project Owner as stipulated in this Article are caused by the Contractor's fault, delay, non-compliance with instructions, failure to coordinated management, etc., the Contractor shall not be entitled to require the additional costs and/or extension of the construction period. Notwithstanding the foregoing, the Contractor shall also not be entitled to require additional costs and/or delay in the construction period in the event of concurrent delays in the same period. Concurrent delays refer to two or more delays occurring in the same period, at least one of which is caused due to the reasons of the Contractor or which should have been reasonably controlled and avoided by the Contractor, while the other or another several delays shall be the delay(s) which the Contractor should have been entitled to obtain the extension of the construction period as agreed in the contract.

For delays that do not affect the critical lines, the Contractor shall have no right to request additional costs and/or extension of the construction period for whatever reason.

For the avoidance of doubt, the Contractor shall not require to postpone of the term on the ground that the Project Owner fails to pay the project advance payment, progress payment or completion settlement payment and any other payables on dates agreed in the Contract, or postpone or suspend the construction without permission. Otherwise, all Losses caused to the Project Owner shall be borne by the Contractor.

7.5.2 Delay of Term Due to the Fault of Contractor

The calculation of liquidated damages for overdue completion in consequence of the term delay attributed to the Contractor's reason is: As stipulated in Article 16.2 of Special Terms of the Contract.

If the term is delayed for reasons attributable to the Contractor, the upper limit of liquidated damages for overdue completion is (10% of the Contract Price). However, if

the liquidated damages for overdue completion reach 10% of the Contract Price, the Project Owner has the right to terminate the Contract; if the Project Owner thus terminates the Contract, in addition to the above liquidated damages for overdue completion, the Project Owner may also claim from the Contractor the termination liquidated damages that are equivalent to (5)% of the Contract Price.

The following should be added following Article 7.5.2 of the General Terms of the Contract:

7.5.3 Absolute construction period

The contract construction period shall be absolute construction period including statutory holidays, which has taken into account the suspension of construction caused by the construction at night or on holidays, construction in winter and rainy seasons which shall not be carried out according to the government regulations, and the suspension of construction caused by two sessions, college entrance examination, high school entrance examination, construction caused by the suspension of water and electricity supply within 24 hours, diplomatic visits, traffic control, rainfall, strong winds, smog, dust control, sand storms, environmental protection, factors affecting the construction period such as insufficient construction site, and other factors such as the government's stop work order and restrictive measures adopted. In the event of the occurrence of the factors for the adjustment of the construction period which is clearly stipulated in the contract terms, the contract construction period shall not be extended under any circumstances.

7.5.4 Construction Period and Costs

The extension of the construction period does not mean necessary additional costs, and the Contractor shall be entitled to increase the costs due to the extension of the construction period only in the case that:

(1) the circumstances in Paragraphs 7.5.1 (1), (2), (5), (6), (7), (9) of the Special Terms of the Contract occur;

(2) the construction is suspended for a continuous period of more than (3) days (excluding (3) days) under the circumstances mentioned in Paragraph (1) above. The additional costs which the Contractor is entitled to claim shall be the costs for the continued suspension of construction for more than (3) days, and the costs are limited to the following costs (the compensation principle is also as follows):

1) Compensation for on-site construction labour: the compensation shall be given according to the actual number of the construction labour on site during the suspension of construction in excess and the suspension confirmed by the Project Owner on site, and the unit price of labour cost in the priced bill of quantities (excluding any charge);

2) Compensation for on-site machinery: the compensation shall be given according to the type and quantity of on-site machinery confirmed by the Project Owner on site during the suspension of construction in excess, and the unit price of the machinery holding in the priced bill of quantities (excluding any charge); and

3) Compensation for on-site construction management personnel: the compensation shall be given based on the number of management personnel on duty during the

suspension of construction in excess and the suspension confirmed by the Project Owner on site, and according to the average daily salary calculated based on the bank statement of such personnel's salary in six months prior to the suspension of construction provided by the Contractor.

Except for the above costs, the Contractor shall be no titled to claim management fees, profits or any other costs due to the extension of the construction period.

During the application for the cost increased due to the extension of the construction period, the Contractor shall attach sufficient materials, that is, a valid on-site certificate which can prove the suspension of construction and work slowdown and specify the number of labour and machinery, and the construction record approved by the Supervisor and the Project Owner, and shall not convert such cost directly according to the contents of the list in the absence of facts.

The Contractor's claim for the extension of the construction period and/or the increase in costs resulting therefrom shall be made following the claim procedure set forth in Article 19.1. Otherwise, the Contractor shall be deemed to have waived its right to request the extension of the construction period and/or the increase in costs.

7.6 Adverse material conditions

Other situations of adverse material conditions and related agreement: adverse material conditions shall include rock and gravel obstacles that are limited in pile foundation engineering, underground karst caves, voids in rock stratum, increased concrete filling coefficient of pile foundation caused by collapse holes due to liquid plastic soil layers, and rock breaking that occurs during earth excavation.

Paragraph 2 of this Article of the General Terms of the Contract is amended as follows:

In the event that the Contractor encounters adverse material conditions, it shall take rational measures to overcome the conditions to continue the construction and delivery relevant Notice to the Project Owner and the Supervisor in a timely manner. The Notice should specify the content of the adverse material conditions and the reason why the Contractor considers it unforeseen. However, the risks associated with adverse have been considered in the contract price, the Contractor has no right to claim any increase in costs and/or extension of the construction period due to adverse material conditions.

7.7 Exceptional adverse weather conditions

This Article does not apply to the General Terms of the Contract. Only the weather conditions meeting the circumstances of force majeure stipulated in the contract will be regarded as the exceptionally adverse weather conditions and shall be implemented following the provisions of the contract related to the force majeure.

7.8 Suspension of Construction

7.8.1 Suspension of Construction Due to the Fault of the Project Owner

Paragraph 2 of this Article of the General Terms of the Contract is amended as follows:

In case that the construction period for the critical lines of the Project is delayed due to

the suspension of construction caused by the reasons of the Project Owner, then it shall be implemented according to Articles 7.5.1 and 7.5.4 in the Special Terms of the Contract.

7.8.2 Suspension of Construction Due to the Fault of the Contractor

"84 days" in this Article in the General Terms of the Contract is amended as "42 days".

7.8.6 Suspension of construction for more than 56 days

This Article of the General Terms of the Contract is amended as follows:

In the case of construction suspension caused by the Project Owner, if the Supervisor fails to send a notice of work resumption to the Contractor within 56 days after the issuance of construction suspension instruction with the consent of the Project Owner, the Contractor may submit the Supervisor and the Project Owner a written notice for the permission on the work resumption for the suspended project or part thereof within 28 days after the receipt of the notice. If the Project Owner permits the resumption of the suspended project or part thereof, the Contractor shall reasonably arrange personnel and organize resumption of construction; if the Project Owner decides to continue the suspension of construction, the Contractor shall at the request of the Project Owner evacuate the personnel and construction equipment out of the Construction Site. If the Contractor fails to exit the Construction Site at the request of the Project Owner, the increased expenses and incurred losses shall be borne by the Contractor itself.

7.8.7 Construction Care during Construction Suspension

This Article of the General Terms of the Contract is amended as follows:

In the event of the suspension of construction, the Contractor shall make every effort to minimize the damage suffered through reasonable work arrangements, including proper storage of the completed works, reasonable arrangement of personnel on duty and machinery at the site, etc. In particular, part of the project is suspended, the Contractor shall ensure the maximum utilization efficiency of various construction factors through adjusting the allocation of personnel and construction equipment, so as to avoid the occurrence of work slowdown and the delay of the construction period. The Contractor shall, within the time limit required by the Project Owner, submit the work plan of personnel and machinery during the suspension of construction to the Project Owner for approval, and organize the implementation according to the work plan confirmed by the Project Owner. The Project Owner shall have the right not to pay the costs incurred beyond the work plan confirmed by the Project Owner or due to the implementation inconsistent with the relevant work plan. If the Contractor fails to perform the obligations specified in this Article, then it shall be liable for any additional losses arising therefrom.

7.9 Incentive for early completion

7.9.2 Incentives for early completion: None

The following should be added following Article 7.9 of the General Terms of the Contract:

7.10 Actual completion standards

The actual completion standards agreed in the Contract are as follows:

(1) The Project is implemented and completed according to the requirements of the contract documents, qualified in the completion acceptance as agreed in the contract and is confirmed by five parties upon the signature for acceptance, and is qualified in any special acceptance, approval and licensing required for legal operation and completion acceptance for the record of the project, including but not limited to, civil air defence acceptance, fire acceptance, sanitary and anti-epidemic acceptance, environmental protection acceptance and planning acceptance;

(2) The Contractor has completed the demobilization and handed over the Project to the Project Owner as agreed in Articles 13.6 and 13.2.5, and completed the handover upon the signature of the Project Owner;

(3) The Contractor has sorted out all the completion data of the Project, which fully meets the requirements of completion acceptance filing and urban construction archives, and conforms to the document management requirements of the Project Owner, and has handed over to the Project Owner after the review and confirmation of the Supervisor and the Project Owner.

After all the above standards are met, the Project Owner will issue the project acceptance certificate to the Contractor according to Article 13.2.2(3). The date indicated in the project acceptance certificate is the actual completion date of the Project.

8. Materials and Equipment

8.4 Custody and Use of Materials and Engineering Equipment

8.4.1 The undertaking of the storage fee of materials and equipment supplied by the Project Owner: After the materials and equipment are transported to the construction site, the Contractor shall safe keep them and bear the cost after making an inventory. The storage fee shall be 1% of the tax-inclusive price of the materials supplied by the Project Owner. The storage fee of materials and equipment referred to herein do not include the fees for materials and equipment in Professional Subcontracted Projects, which have been included in the PC service fees and shall not be calculated separately. The materials and equipment supplied by the Project Owner shall not be included in the Contract Price.

8.5 Prohibition on the use of substandard materials and engineering equipment

Delete the content in Article 8.5.3 of the General Terms of the Contract that ", and pay the Contractor reasonable profits".

The following should be added following Article 8.5.3 of the General Terms of the Contract:

8.5.4 If any material or equipment provided by the Contractor is found by the Supervisor or Project Owner to be against the contract during the inspection, test, acceptance of material and engineering equipment or any other phases including but

not limited to factory inspection, receiving inspection, third party inspection, intermediate acceptance, special acceptance, completion acceptance, the Project Owner is entitled to proceed the goods in the following method based on the specific conditions of the materials and equipment used in the project. The Contractor shall assume the liability in one or more following way specified in the written instructions from the Project Owner:

(1) Return the received goods in whole or in part. If the Project Owner chooses this method to deal with the goods, the Contractor shall remove the returned materials and equipment from the delivery or storage place of delivery or storage within 48 hours after the receipt of the written notice of the Project Owner, with the incurred fees assumed by the Project Owner, including but not limited to interest, bank fees, freight, insurance, storage charge, loading and unloading fees, dismantling cost, and other expenses required for the custody and protection of returned materials and equipment. If the Contractor fails to remove the goods within the mentioned period, the Project Owner may adopt an appropriate way to dispose of relevant materials and equipment without the assumption of the liability for the disposal.

(2) Replace or repair the non-compliance without any charge. As for this disposal selected by the Project Owner, the Contractor shall follow the Project Owner's instructions to fully replace or repair the non-compliance. The replaced or repaired materials and equipment shall comply with all relevant regulations in this Contract, including but not limited to specifications, quantity, quality, performance.

(3) When the Project Owner considers the options of return, replacement or repair to be unfeasible or inappropriate, he is entitled to, but have no obligation to, receive and use non-conformed materials and equipment supplied by the Contractor. In this case, the increase of contract price is unnecessary regardless of whether the market value of the contractor-supplied materials and equipment is higher than the price in this Contract agreement. Besides, the Contractor shall discount the original contract price based on the scope and the degree of defects in the materials and equipment, the market value and the loss caused to the Project Owner. The contract price should be deducted accordingly at a price determined by the Project Owner.

In spite of the disposal methods the Project Owner chooses, the Contractor shall bear the liability of increased costs and/or process delays, and compensate the Project Owner for all the incurred losses.

8.6 Samples

8.6.1 Submission and Storage of Samples

The Contractor shall submit samples of materials or engineering equipment. Type, name, specification and quantity of samples: including but not limited to windows and doors (including shutters) (samples), fire shutter (samples), steel doors, fire doors, fire rolling shutter doors, extruded polystyrene board, rock wool board, waterproof roll, over-coating mortar (sample), electrostatic / raised flooring, granite, railings and other testing materials required by the Project Owner following relevant specifications and site requirements. Samples of the above materials shall be submitted to the Project Owner 60 days before use and can be purchased for construction upon approval. For specific specifications and quality requirements, please refer to Article 1.8 of Chapter I of Volume II, Model Management System of Project Quality.

8.7 Substitution of Materials and Engineering Equipment

8.7.2 This Article of the General Terms of the Contract is amended as follows:

Where substitute materials or engineering equipment are required, the Contractor shall, at least 28 days in advance, submit to the Project Owner the proposal on the use of substitute materials or engineering equipment for consideration, and the following documents shall be attached:

(1) The name, quantity, specification, model, brand, performance, price and other relevant information of the substituted materials and engineering equipment;

(2) The name, quantity, specification, model, brand, performance, price and other relevant information of the substitutes;

(3) The difference between the substitutes and substituted products and the influence of the use of the substitutes on the project;

(4) Price differences between substitutes and substituted products;

(5) Reasons for using the alternative;

(6) Other documents required by the Project Owner.

The Project Owner shall have the absolute right to approve or disapprove the Contractor's proposals regarding the use of substitute materials or engineering equipment. The Contractor shall not use substitute materials or engineering equipment without the approval of the Project Owner. Any approval or disapproval of the Project Owner will not abate the Contractor's liabilities as stipulated in the Contract Documents. The foregoing approvals shall be issued in writing and affixed with the Project Owner's official seal. Otherwise they shall be invalid.

8.7.3 This Article of the General Terms of the Contract is amended as follows:

Where the Project Owner approves the use of substitute materials or engineering equipment, the price of which shall be determined in the following ways:

(1) Determination method:

1) If the materials and equipment are included in the Contractor's price list of materials, the unit price of such materials shall prevail; If the material price in the analysis statement of the comprehensive unit price of some works in the Contractor's tender documents is inconsistent with the unit price in the Contractor's price list of materials, the material price shall be determined following the principle in favour of the Project Owner.

2) If the materials and equipment are not included in the Contractor's price list of materials, the material information price specified in the *Zhenjiang Project Cost Information* during the current procurement period (that is the month in which the Project Owner confirms the brand, price and technical specification of relevant materials and equipment submitted by the Contractor) shall prevail; if it is not specified in the *Zhenjiang Project Cost Information* during the current period of changes, the

price quoted by the Contractor and approved by the Supervisor, Cost Consultant and Project Owner shall prevail.

(2) Principle of undertaking:

1) For any material reported by the Contractor in the list of material prices, if material substitution occurs during the construction when the material cannot be procured due to the market or when the material is prohibited by law which enters into force after the base date, the exceeding expenses shall be borne by the Contractor.

2) In the case of the material substitution due to the Project Owner, the price shall be adjusted according to the price difference of substitute materials and raw materials.

The following should be added following Article 8.7.3 of the General Terms of the Contract:

8.7.4 If the Contractor uses the substitute materials or engineering equipment without the approval of the Project Owner, the Project Owner shall have the right to request the Contractor to replace whether the project has been completed or whether the acceptance is qualified. All expenses shall be borne by the Contractor, and the Contractor shall indemnify for any losses incurred thereby to the Project Owner. Before the Contractor completes the replacement, the construction payment of this part of work shall not be made for the moment and shall be made after based on the facts after the replacement.

8.7.5 If the Contractor, without the approval, uses the substitute materials or engineering equipment which is inconsistent with the Contract, both parties confirm that the rest of the project to be constructed with the same material shall be deemed to be inconsistent with the Contract unless the Contractor proves to the Project Owner one by one that all or part of the remaining materials and equipment are consistent with the Contract. Under any circumstances, the Project Owner shall have the right to request the Contractor to replace, rework or reduce the price. The Contractor shall not reject for any reason, such as the project has passed the acceptance inspection, the project has been put into operation, and the project acceptance certificate and performance certificate have been issued.

8.8 Construction equipment and temporary facilities

8.8.1 Contractor-supplied construction equipment and temporary facilities

The agreement on the undertaking of fees for the temporary facilities: borne by the Contractor.

9. Test and Inspection

9.1 Testing Equipment and Personnel

9.1.1 This Article of the General Terms of the Contract is amended as follows:

For projects that shall be tested, detected, inspected or checked by the third party entrusted by the owner according to the relevant national and Zhenjiang regulations and the contract, the Project Owner shall entrust and bear the costs, and the

Contractor shall sample, seal and send samples, and the Supervisor shall witness. The Contractor shall also perform other obligations required by the foregoing provisions.

Except for the above-mentioned projects entrusted by the third-party inspection enterprise by the contractor, other testing, detection, inspection or checking work required to complete the project shall be entrusted by the Contractor with bearing the cost, while the enterprise of testing, detection, inspection or checking entrusted by the Contractor shall be approved by the Project Owner.

Regardless of whether the third-party testing enterprise entrusted by the Project Owner or the contractor, in order to effectively perform the required testing, detection, inspection or checking, the Contractor shall provide all required instruments, assistance, documents and other materials, water and power, device, equipment, fuel, consumables, tools, labour, machinery and equipment, materials and auxiliary materials, worksites, and staff with appropriate qualifications and experience according to the Project Owner's requirements, and the costs needed have been included in the contract price.

The specified testing, detection, inspection or checking of any engineering equipment, materials and other parts of the project shall be performed at the time and place as agreed in the contract; if there is no agreement in the contract, if the Project Owner entrusts a third party for testing, the Project Owner shall notify the Contractor the time and place. If the Contractor entrusts a third party for testing, the Contractor shall notify the Supervisor and the Project Owner 48 hours before the testing, detection, inspection or checking are available and the specific time and place shall be determined by the Project Owner. The Contractor shall promptly submit fully verified testing, detection, inspection, or checking reports to the Supervisor and the Project Owner.

The Contractor has taken into account the time and cost required for sampling, sealing, sending samples and completing the above testing, detection, inspection or checking in the contract duration and price and shall not require extension of the duration and/ or increase of costs.

9.1.2 Testing Equipment

Test site to be configured at the construction site: According to the regulations issued by the administrative department in the project location.

Test equipment to be equipped at the construction site: Meet relevant national requirements.

Other test conditions required at the construction site: According to the General Terms of the Contract.

9.4 Site Process Test

The agreement on in-site process test: According to the regulations issued by the administrative department in the project location.

10. Changes

10.1 Scope of Changes

This Article of the General Terms of the Contract is amended as follows:

10.1.1 If and only if one of the following situations occurs in the performance of the contract, the change shall be made following the provisions of this Article.

(1) The increase or decrease of any work in the Contract, or any Additional Increase ;

(2) Cancel any work in the contract;

(3) Any change in work quality standard or other characteristics in the Contract;

(4) Change the baseline, elevation, location or size of the works.

10.1.2 The Project Owner has the right to transfer the cancelled work to the Contractor or other person, and the Contractor has no right to claim for the duration and/or expenses or compensation for any losses.

10.1.3 Changes shall not invalidate the contract in any way, while the impact (if any) of all changes on the contract price of the project shall be valued following this contract.

10.1.4 If the Project Owner issues instructions to make engineering changes due to: (1) the contractor's breach of contract or termination of the Contract; (2) the Contractor fails to prepare the goods in time according to the construction organization design and material arrival plan approved by the Project Owner; causing material outages or shortages; (3) the Contractor proposes replacement or adjustment of materials and equipment or construction technology to recover the delayed construction progress caused by its own reasons or to ensure that the construction progress not to fall behind; (4) the Contractor causes the failure of materials and equipment or construction technology; (5) for the convenience of the contractor's own construction; (6) the need for construction measures caused by the contractor; (7) The part where the Contractor is responsible for the design (if any) has design errors or omissions (including but not limited to failure to meet the design standards, specifications or requirements of the competent government department or substantially respond to the design requirements of the Project Owner), regardless of whether the Project Owner has approved the relevant design documents; (8) the contractor's own other reasons. The cost of changes and the delay of the construction period due to the above reasons shall be borne by the contractor.

10.1.5 The Contractor confirms that the following conditions do not constitute a change: (1) the Contractor adopts or changes any construction plan, construction measures, and construction technology to complete the agreed work in the contract; (2) unless the Project Owner agrees otherwise in writing (such written consent shall be sealed with the Project Owner's official seal) as a change, any clarification made by the Project Owner, the designer, the Project Management Company, the cost consulting company, or the consultant on the drawings or other contract documents that the Contractor fails to understand the content accurately, or any explanation or confirmation made on the existing content; (3) except for the written consent of the Project Owner (the written consent shall be confirmed by the Project Owner ’s official seal) to deal as a change, the deepened design drawings, sample drawings, detailed drawings/lofting drawings, expansion drawings, attached drawings, comprehensive drawings and so on during the process of construction (if any). The Contractor has no right to request an increase in costs or extension of the construction period on these

accounts.

10.2 Right of change

The first paragraph of this Article of the General Terms of the Contract is amended as follows:

The Project Owner may propose changes at any time by giving instructions. Only the Project Owner has the final decision on the change. Except for the Project Owner, no other enterprise or individual including the designer, Project Management Company, supervisor, and so on, have the right to propose or confirm changes without the written consent of the Project Owner. The Contractor shall comply with and implement each change. The contractor shall not make any changes and/or modifications to the project unless and until the change is instructed or approved by the Project Owner.

10.3 Change procedures

This Article of the General Terms of the Contract is amended as follows:

10.3.1 If any circumstance stipulated in Article 10.1.1 occurs during the performance of the Contract, the Project Management Company and Supervisor can issue the intent letter for change to the Contractor after the agreement of the Project Owner. The intent letter for change shall state the specific content of the change and the Project Owner's time requirement for the change, and necessary drawings and relevant materials shall be attached. The intent letter for change shall require the Contractor to submit an implementation scheme with plans, measures and completion date for the proposed implementation of the change. If the Project Owner agrees to the change the implementation scheme submitted by the Contractor according to the intent letter for change, the Project Management Company and Supervisor shall issue the change instruction following Article 10.3.4.

After receiving the intent letter for change, the Contractor shall promptly respond in writing and submit the implementation plan (unless requested by the Project Owner, no later than 7 days after receiving an intent letter for a change): 1) Description on suggested work to be done and implementation schedule; and 2) a proposal for the Contractor to make necessary modifications to the contract schedule according to the Completion Date. The Project Owner shall respond with approval, disapproval or comment as soon as possible after receiving such a proposal, while the contractor's proposal shall not constitute a change under any circumstances. While waiting for the response, the Contractor shall not postpone any work. The Project Owner shall give the Contractor instructions to execute any changes and attach any required records of expenses, and the Contractor shall confirm receipt of such instructions.

10.3.2 In case of any circumstance stipulated in Article 10.1.1 during the performance of the Contract, the Project Management Company and Supervisor shall issue the change instruction to the Contractor following Article 10.3.4.

10.3.3 After the Contractor receives the drawings and documents issued by the Supervisor following the Contract, if it finds that there is any circumstance stipulated in Article 10.1.1 after inspection, the Contractor may make a written proposal for a change to the Project Management Company and Supervisor. The proposal for change shall state the basis for the change requested and necessary drawings and

explanations shall be attached. The Project Management Company shall, after receiving the written proposal from the Contractor, jointly study with the Project Owner and give the change instruction within 14 days after receiving the written proposal from the Contractor after confirming the existence of the changes. If the change is not agreed after the study, the Supervisor or Project Management Company shall reply to the Contractor in writing.

10.3.4 The Supervisor and Project Management Company shall obtain the written approval of the Project Owner before issuing the intent letter for change, instructions for change and any documents related to the change. The Project Owner may also send the intent letter for change and instructions to the Contractor without the Supervisor or the Project Management Company. The change instruction shall be issued in a change order or other form approved by the Project Owner.

10.4 Valuation of Changes

10.4.1 Principle for Valuation of Changes

The agreement on the change of valuation:

(1) If there is the same item in the Priced Bill of Quantities, it shall be determined following the unit price of the same item;

(2) There is no same item in the Priced Bill of Quantities, while the single price of similar items within a reasonable range can be referred to if there are similar items;

Notwithstanding the foregoing, for similar items in the Priced Bill of Quantities, the Project Owner shall also have the right to choose not to calculate following this Article, but to follow section (3). The Contractor shall not raise any objection.

(3) If there is no unit price for the same or similar items in the Priced Bill of Quantities, the price of changed work can be determined with the following methods:

1) The project rates of corresponding categories shall be calculated following the C*onstruction and Decoration Engineering Valuation Quota in Jiangsu Province (Edition 2014), Installation Project Valuation Quota in Jiangsu Province (Edition 2014), Municipal Engineering Valuation Quota in Jiangsu Province (Edition 2014), Code of Bills of Quantities and Valuation for Construction Works (GB50500-2013)* and its supporting Code of Quantities Calculation, *Cost Quota for Construction Works in Jiangsu Province (Edition 2014)* and the valuation procedure stipulated in the content adjustment of replacing business tax with value-added tax.

2) The labour cost shall be subject to the "guide price of labour wages in the construction projects in Jiangsu Province" issued by Jiangsu Provincial Department of Housing and Urban-rural Development. The material and machinery costs shall be subject to the material information price in the *Zhenjiang Project Cost Information*. The labour and material price difference shall not be calculated and adjusted; If the labour, machinery and material costs are not included in the above government documents and the *Zhenjiang Project Cost Information* in the current period of change, the reasonable market price approved by the Project Owner shall prevail.

3) The construction cost shall, after the calculation of the tax of stipulated fees

following the aforesaid standards, be included in the settlement price after decreasing by 10%. The cost of specific items with a fixed total price shall not increase due to the changes. The unit price measure items added due to the change confirmed by the Project Owner shall implement the valuation principles for changes as stipulated in 10.4.1.

(4) The comprehensive unit price shall not be adjusted regardless of the change range between the actual quantities and the quantities provided in the Priced Bill of Quantities.

10.4.2 Procedure for Valuation of Changes

This Article of the General Terms of the Contract is amended as follows:

(1) The Contractor shall submit the changed quotation within (14) days upon receipt of the change instruction. The Supervisor, Project Management Company and the Project Owner shall have the right to comment on the changed quotation, and the Contractor shall make amendments or supplementary explanations according to the opinions of the Supervisor and Project Management Company.

The changed quotation shall be consecutively numbered and signed by the project manager of the contractor. Each changed quotation shall indicate the location, size and technical requirements of the change to ensure that the engineering quantities can be tracked and calculated, or the Project Owner has the right not to consider them in the valuation and settlement. A changed quotation shall be the price report of a single change order (or other forms of change instruction). The contractor shall not accumulate multiple change orders (or other forms of change instructions) in a single changed quotation. Otherwise, the Supervisor, Project Management Company and the Project Owner have the right to refuse to receive and review this changed quotation.

(2) If the change affects the term, the Contractor shall provide the specific details of the term adjustment. The Supervisor and Project Management Company may ask the Contractor to submit the construction schedule and the corresponding construction measures to advance or extend the term if they deem it necessary. If the change of work affects the term, the Project Owner will determine whether to adjust the contract term following Article 7.5 of the Contract.

(3) The Supervisor and Project Management Company shall complete the review within (7) days after receiving the contractor's changed quotation and submit it to the Project Owner for approval. The Project Owner shall check within (28) days after receiving the changed quotation reviewed by the Supervisor and decide whether to agree to the value of the change. If the Project Owner does not agree, the Project Owner shall notify the Contractor of the value of the changes it has reviewed.

If the Supervisor, Project Management Company or the Project Owner review and considers that the construction conditions, quality, location, size and on-site construction conditions do not match the change instructions, the Contractor shall make amendments or supplementary instructions following the Supervisor, Project Management Company or Project Owner's instructions and resubmit for review.

(4) If the Contractor fails to submit a changed quotation within the prescribed period after receiving the change instruction, the Contractor may decide whether to adjust the

contract price and the specific amount adjusted accordingly when the Project Owner decides to adjust the contract price.

(5) After the Project Owner and the Contractor have reached a written agreement (referring to a written confirmation document affixed with the official seal of both parties), the changed price shall be paid or deducted following 12.4.1(7) of the Special Terms of the contract. The Project Owner shall not bear the liability for overdue payment, and the Contractor shall not stop implementing the project or request an extension of the construction period and/or increase costs on that ground.

10.5 Reasonable proposals for Contractor

The time limit for the Supervisor to review the Contractor's rationalization proposal: 5 days.

The time limit for the Project Owner to approve the Contractor's rationalization proposal: 5 days.

The incentive method and the amount for the rationalization proposal put forward by the Contractor to reduce the Contract Price or to increase the economic benefits of the project: Negotiate separately.

10.7 Provisional valuation

This Article of the General Terms of the Contract is amended as follows:

For details of materials and engineering equipment to be provisionally valued, please refer to List of Provisional Valuation (if any).

10.7.1 Provisional Valuation items Imperatively Requiring Tender According to Applicable Laws

The confirmation and approvals of the provisional valuation items requiring imperative bid according to law shall be determined in the following way.

The Project Owner shall determine the provisional valuation Supplier or Subcontractor through a tender on its own. The Contractor shall, following the construction schedule, notify the Project Owner 60 days prior to the commencement of the tender. After the winning bidder is determined, the Contractor shall sign the Provisional Valuation Contract with the winning bidder

10.7.2 Provisional Valuation items Not Imperatively Requiring Tender According to Applicable Laws

The confirmation and approvals of the provisional valuation items which is not subject to the imperative bid according to law shall be determined in the following way.

The Project Owner shall determine the provisional valuation Supplier or Subcontractor through comparison and selection or other procurement methods on its own. The Contractor shall, following the construction schedule, notify the Project Owner 60 days prior to the commencement of the procurement. After the winning candidate is determined, the Contractor shall sign the Provisional Valuation Contract with the

winning candidate.

10.7.3 With the consent of the Project Owner, the Contractor may, as a bidder or an applicant for the comparison and selection, participate in the procurement of the Professional Subcontracted Projects / Special Supply Items agreed upon in Articles 10.7.1 and 10.7.2; If the Project Owner agrees that the procurement can be implemented directly by the Contractor, the Contractor shall sign a supplementary agreement with the Project Owner for the Professional Subcontracted Projects / Special Supply Items. The PC service fees for the Professional Subcontracted Projects / Special Supply Items shall be deducted from the Contract Price.

10.7.4 If the laws, regulations, rules, normative documents or requirements of local government departments are adopted, it is hard for the Project Owner to unilaterally adopt the bidding, comparison and selection, or other procurement methods as stipulated in Articles 10.7.1, 10.7.2 and 10.7.3. The Contractor must cooperate (if it must be issued in the name of the Contractor or jointly). The Contractor shall provide corresponding cooperation as required by the Project Owner. In any event, unless the Contractor can provide specific evidence stating that the Professional Subcontractor / Special Supplier selected by the Project Owner does not meet the mandatory qualifications required by law to undertake the Professional Subcontracted Projects / Special Supply Items, the Project Owner shall have the right to the Professional Subcontractor / Special Supplier, control the bidding, comparison and selection, bid evaluation/selection and pricing, and determine other terms and conditions of the professional subcontract / special supply contract. The Contractor shall not object to or interfere with the above arrangements.

10.7.5 The Contractor shall sign the professional subcontract / special supply contract (including the letter of acceptance or other documents in the professional subcontract / special supply contract, if necessary) provided by the Project Owner within 14 days (or other time specified by the Project Owner). Unless otherwise stipulated in the Contract, the Contractor shall, within 7 days after signing the professional subcontract / special supply contract, submit a counterpart of the professional subcontract / special supply contract to the Project Owner and the Project Management Company. Unless approved by the Project Owner, the Contractor shall not terminate, modify or amend the above professional subcontract / special supply contract.

If the Contractor fails to sign the documents within the time limit as agreed in this Article or fails to issue the bidding documents/documents for comparison and selection within the time required by the Project Owner following Article 10.7.4, the Project Owner shall have the right to request the Contractor pay the liquidated damages of RMB (50,000) per day. If delayed for more than (7) days, the Project Owner has the right to convert the relevant Professional Subcontracted Projects or specially supplied materials and engineering equipment to independent contracted projects or materials and engineering equipment provided by the Project Owner, and the contract shall be signed directly between the Project Owner and the Independent Contractor or Independent Supplier. The standards and responsibilities of the contractor's general contracting management, cooperation and coordination services shall not be reduced or mitigated in any way, while the general contracting management cooperation fee shall be

deducted, and the increase in costs and/or delays in construction period shall be borne by the contractor. The Contractor shall also compensate for additional costs and losses incurred to the Project Owner accordingly.

10.7.6 After each professional subcontracting/special supply contract is signed, the Contractor shall not modify or terminate the professional subcontracting/special supply contract without the consent of the Project Owner. If required by the Project Owner, the Contractor shall sign a supplementary agreement with the Project Owner to adjust the price of this contract following the professional subcontracting/special supply contract. The Contractor shall sign the relevant supplementary agreement according to the format and conditions approved by the Project Owner within 7 days after the Project Owner issues the instructions, and shall not raise the price on the basis of the price determined by the professional subcontracting/special supply contract.

10.7.7 The Project Owner's participation in the selection of the Professional Subcontractor / Special Supplier of Professional Subcontracted Projects / Special Supply Items and the pricing of professional subcontract / special supply contract does not mean that the Project Owner with build any contractual relationship with the Professional Subcontractor / Special Supplier. The professional subcontract / special supply contract is a contract directly signed by the Contractor and the Professional Subcontractor / Special Supplier. For the Project Owner and the Contractor, the Professional Subcontracted Projects / Special Supply Items are still part of the project for which the Contractor is responsible, the Contractor shall be responsible for the behaviours, performance and faults of the Professional Subcontractor / Special Supplier in the performance of work or services, including but not limited to the progress, quality and safety of Professional Subcontracted Projects / Special Supply Items, and the behaviours, faults, omissions and negligence of the Professional Subcontractor / Special Supplier.

10.7.8 Professional subcontracting/special supply contract and the payment

(1) The Project Owner shall pay the Contractor construction cost of the professional sub-contracted project/Special Supply Item, and the Contractor shall pay the professional Subcontractor / special supplier according to the contract of the professional subcontract / special supply contract; If the special supply contract does not stipulate a specific payment period, the Contractor shall pay the corresponding funds to the professional Subcontractor/special supplier within (7) days after receiving the Professional Subcontracted Project / Special Supply Item payment from the Project Owner. The Contractor shall issue valid formal invoices to the Project Owner, and the professional Subcontractor/special supplier shall issue valid formal invoices to the contractor. The risk of the difference between the payment time and payment conditions stipulated in the professional subcontracting/special supply contract and the

payment time and payment conditions stipulated in this contract has been included in the contract price.

(2) The Contractor shall issue an audit opinion on the payment application within (5) days after receiving the application from the professional Subcontractor / special supplier and shall submit the payment it considers to be paid to the professional Subcontractor / special supplier together with the details and audit opinions to the Project Owner for approval in written form. The Project Owner has the right to decide whether to accept the contractor's audit opinion. The final funds of construction payments payable to professional Subcontractor/special supplier shall be determined by the Project Owner. If the Contractor fails to issue an audit opinion within the above-mentioned time limit, the Project Owner may notify the Contractor of the audit result after the unilateral audit, and the Contractor shall pay based on the Project Owner's audit opinion unconditionally.

(3) If the Contractor fails to pay the construction payment in full and on time following the provisions of the professional subcontracting/special supply contract, the Project Owner has the right to cash the performance guarantee or take other measures deemed appropriate by the Project Owner for full compensation, and the Project Owner has the right to pay directly to the professional Subcontractor / special supplier on behalf of the contractor. The Contractor shall be deemed to have received the payment and shall issue an equivalent special value-added tax invoice to the Project Owner. The Project Owner's direct payment following this Article shall not relieve the Contractor of any obligations and responsibilities under this contract and professional subcontracting/special supply contracts.

If the Contractor fails to pay the professional Subcontractor/special supplier in a timely manner, the Project Owner has the right to suspend the payment to the Contractor for it should have paid to the professional Subcontractor / special supplier for the project, until the Contractor pays to the professional Subcontractor / special supplier; Meanwhile, the Project Owner has the right to charge the Contractor a penalty for deferred payment: for each day of delay, the Project Owner has the right to charge the Contractor deferred payment interest / liquidated damages (if not, it refers to the loan interest calculated based on the benchmark interest rate of the same period issued by the People's Bank of China) whose amount shall be doubled as that specified in the professional subcontract / special supply contract for liquidated damages until the Contractor pays the funds to the professional Subcontractor / special supplier or directly makes the payment based on this Article. The Project Owner's collection of the liquidated damages shall not be deemed as that the Project Owner will pay the deferred payment interest to the professional Subcontractor / special supplier on behalf of the contractor.

(4) Before applying for any progress payment, the Contractor shall submit to the Project Owner the evidence of have promptly paid for the professional subcontracting/special supply contract at that time following the relevant contract and financial evidence of payment (including the copy of the invoice issued by the professional Subcontractor and special supplier, a copy of the cheque stub with the signature of the payee and a copy of the bank receipt; if the Project Owner agrees to pay in the manner described in paragraph 2 of Article 10.7.8 (6) below, the Contractor shall also provide a confirmation letter of receipt from the professional Subcontractor / special supplier, and bank flow documents between the Contractor and the professional Subcontractor / special supplier). If the Contractor fails to provide these documents, the Project Owner has the right to suspend the payment of progress payments, which shall be deemed that the Contractor fails to make the payment in a timely manner. After the payment is completed, the Contractor shall issue its bank transaction documents with the professional Subcontractor / special supplier.

(5) The Contractor may only withhold or refuse to pay to the professional Subcontractor / special supplier if both of the following conditions are met at the same time: 1) The Contractor states in advance that it has sufficient and reasonable excuses to withhold or refuse to pay the funds, and the Project Owner has expressed its approval or consent for these excuses after receiving the report; 2) The Contractor submits to the Project Owner that the professional Subcontractor/special supplier has been notified in writing of the above situation.

(6) The Project Owner has the right to choose the following payment methods for the payment of Professional Subcontracted Projects / Special Supply Items:

1) Escrow account method: If the Project Owner requires an escrow account method, the Contractor shall set up an escrow account at a bank approved in writing by the Project Owner for the payment of Professional Subcontracted Projects / Special Supply Items paid by the Project Owner. The Project Owner has the right to reserve a seal and monitor the income and expenditure of the escrow account in real time. The opening and use of an escrow account shall meet the following requirements: ① be jointly opened by the Project Owner and the contractor;

② use the contractor's name for the account name, while the reserved account seal shall include the financial seal of the Project Owner or the name specified by the Project Owner;

③ The escrow account shall only use bank counter payment methods instead of being handled through online banking, mobile banking and other operation methods;

④ The Project Owner has the right to check all the account details of the escrow account;

⑤ The process of payment of the corresponding funds for Professional Subcontracted Projects / Special Supply Items is as follows: a. After going through the professional subcontracting/special supply contract and all the approval processes stipulated in this contract, the Project Owner will pay the corresponding funds directly to the escrow account and cooperate with the Contractor to pay to the professional Subcontractor / special supplier by check; b. The Contractor shall issue a payment check following the payment certificate (including the payee of the Professional Subcontracted Project / Special Supply Item and payment amount) issued by the Project Owner, and the check shall be filled with the name and amount of the payee's account; c. After the Project Owner checks that the contents of the payment certificate and check are correct, it shall be confirmed and stamped with the financial seal of the Project Owner in the reserved seal for the escrow account or the personal seal designated by the Project Owner. If the payee is not a professional Subcontractor / special supplier, or the check information is inconsistent with the payment certificate approved by the Project Owner, the Project Owner has the right to refuse to add a seal or personal stamp on the payment voucher, and the Contractor shall bear the responsibility.

2) Notwithstanding the foregoing agreement, the professional subcontracted project / Special Supply Item can adopt the following payment methods after approval by the Project Owner: according to the procedures agreed in the professional subcontracting/special supply contract, the Contractor shall issue a progress payment certificate to the professional Subcontractor / special supplier according to the amount determined by the Project Owner within (2) days after the Project Owner finishes the approval payment application to the professional Subcontractor/ special supplier and confirms the amount of the project payment; Within (15) days after the professional Subcontractor / special supplier issues the progress payment certificate, the Contractor shall complete the payment of the progress payment to the professional Subcontractor / special supplier; the settlement payment shall be performed following paragraph (7) of Article 10.7.8 below. Within (3) days after the Contractor completes the payment, the payment certificate (including but not limited to a copy of the invoice issued by the professional Subcontractor / special supplier, a copy of the cheque stub with the payee's signature and a bank receipt, confirmation letter of the receipt by professional Subcontractor / special supplier, bank transfer documents between the Contractor and the professional Subcontractor / special supplier and so on) and the equivalent value-added tax invoice shall be submitted to the Project Owner, and the Project Owner shall pay the corresponding payment paid for the Professional Subcontracted Project / Special Supply Item within (30) days after receiving the payment certificate, invoice and confirmation with no errors.

For this type of payment method, regarding the payment for Professional Subcontracted Project / Special Supply Item, the Project Owner shall not have an

obligation to pay before the Contractor completes the payment and provides complete payment certificate, invoice and confirmation by the Project Owner and the payment period expires.

If the Contractor fails to pay following the above agreement, the Project Owner will bear the breach of contract liability for the delayed payment under the corresponding contract to the Project Owner and the professional Subcontractor / special supplier. If the Contractor delays the payment of any one of the professional Subcontractor / special supplier's project for more than (10) days, the Project Owner has the right to require the Contractor to implement the provisions of paragraph (1) of Article 10.7.8.6 (1) above and pay the project Subcontractor / special supplier's project funds in the form of an escrow account, and the Contractor shall not raise an objection; meanwhile, the Contractor shall also bear all losses and liabilities arising from the conversion of the payment method.

(7) Settlement of Professional Subcontracted Projects and Special Supply Items shall be conducted following the settlement procedures of professional subcontracts / special supply contracts. The Contractor shall issue an audit opinion or amendment opinion on the settlement application and explain the reasons within (14) days after receiving the settlement application from the professional Subcontractor / special supplier, and submit the payment with the professional Subcontractor / special supplier together with details and opinions (with reasons) to the Project Owner for approval in written form. The Project Owner has the right to decide whether to accept the contractor's settlement opinions. The final settlement amount of the professional subcontracted project / Special Supply Item shall be subject to the approval of the Project Owner. If the Contractor fails to issue a settlement audit opinion within the above-mentioned time limit, the Project Owner shall have the right to conduct settlement audit independently. After the Project Owner has unilaterally reviewed and reached an agreement with the professional Subcontractor / special supplier, the Project Owner shall inform the Contractor of the results of the audit, and the Contractor shall pay the professional Subcontractor / special supplier according to the settlement amount determined by the Project Owner's review and sign the relevant settlement documents. The Project Owner hereby confirms that if it fails to sign the relevant settlement documents with the professional Subcontractor / special supplier following the above agreement and the requirements of the contractor, the Project Owner has the right to directly pay to the professional Subcontractor / special supplier based on the settlement amount determined by its own review., and the Contractor shall be deemed to have received the payment, and shall issue an equivalent special value-added tax invoice to the Project Owner.

(8) The Contractor has no right to raise any objection to the amount of payment or settlement payable to the professional Subcontractor / special supplier as determined

by the Project Owner, nor has the right to ask the Contractor for any additional fees or refuse to perform any work related to the Professional Subcontracted Project / Special Supply Item on the grounds that the Project Owner postpones the payment or settlement or directly pays to the professional Subcontractor / special supplier.

10.8 Provisional Sum

The parties' agreement on the use of the Provisional Sum: It shall be used as required by the Project Owner, and shall be settled with the amount actually incurred after the verification and confirmation of the Project Owner. The amount not incurred shall be deducted from the Contract Price accordingly. Besides, when the Project Owner explicitly refers to the "optional project" in the Provisional Sum Project, unless explicitly instructed by the Project Owner, the Project Owner shall have the right to cancel it from the scope of the Contractor at any time and the Contractor shall have no right to make any claim.

11. Price adjustment

11.1 Adjustment caused by market price fluctuations

This Article of the General Terms of the Contract is amended as follows:

Unless otherwise stipulated in this Contract, no matter how the market price fluctuates, the Contractor shall not adjust the contract price. According to this Contract, the price of concrete, steels (including reinforcing bars in the concrete structure, structural steel (excluding steel tubular goods, crane span structures and supports in installation projects), and premixed grinding shelves (hereinafter referred to as "materials with adjustable prices") can be adjusted when the price increases or decreases by more than 5%, and only the increased or decreased price in excess of 5% can be adjusted. The material difference adjustment is based on price excluding the tax and shall be carried out separately among unit projects. Except for the above-mentioned materials with adjustable prices, labour costs, machinery costs, and other materials and equipment costs shall not be adjusted due to market price fluctuations.

The difference adjustment period is as follows:

1) Structural steels I and concretes: The beginning month of the construction period of the main body of the basement project is the month when the subcrust is poured for the first time, and the end month is the month when the basement roof plate is capped. Both shall be subject to the confirmation of the Project Owner. If there is any document that can prove the Project Owner agrees to delay the term, the difference adjustment period shall be the actually delayed construction period. The beginning month of the construction period of the main body of the single upper structure is the month when

the first layer is concreted, and the end month is the month when the roof plate is capped. Both shall be subject to the confirmation of the Project Owner. If there is any document that can prove the Project Owner agrees to delay the term, the difference adjustment period shall be the actually delayed construction period.

2) Structural steels II and concretes: The construction period from the beginning date to the completion date of the construction of structural steels II shall be subject to the confirmation of the Project Owner. If there is any document that can prove the Project Owner agrees to delay the term, the difference adjustment period shall be the actually delayed construction period.

3) Ready-mixed mortar: The difference adjustment period of ready-mixed mortar shall be the actual construction period from the beginning to the completion of the construction of masonry, painting and terrace of each unit project. The actual construction date shall be subject to the confirmation of the Project Owner. If there is any document that can prove the Project Owner agrees to delay the term, the difference adjustment period shall be the actually delayed construction period.

4) Notwithstanding the foregoing, in case of any project delay due to the Contractor, the Contractor shall bear the price difference if the prices of materials with adjustable prices rise during the period of delay, but both parties shall reduce the contract price following the decreased price in excess of 5% if the prices are reduced during the period of delay.

The formula of material price adjustment is as follows:

(i) When A<B

a) When (C-B) /B>5%, increased price = (C-B*1.05) × Qx (1+project tax rate)

b) When (C-B) /B<-5%, decreased price = (B*0.95-C) × Qx (1+project tax rate)

(ii) When A≥B

a) When (C-A) /A>5%, increased price = (C-A*1.05) × Qx (1+project tax rate)

b) When (C-A) /A<-5%, decreased price = (A*0.95-C) × Qx (1+project tax rate)

-Q refers to the quantities calculated according to the calculation rules of quantities in this Contract during the price adjustment period. It shall subject to the quantities for bidding in the Priced Bill of Quantities (in case of any change, the changed quantities shall be subject to the confirmation of the Project Owner).

-A refers to the corresponding unit prices of materials provided by the Contractor in

the Contract.

-B refers to the guide price of the materials market information price in the construction cost information released by the local construction authority where the project in (September) 2019 locates (if there is an upper or lower limit, the lower limit shall prevail).

-C refers to the monthly arithmetic mean value of the materials market information price in the construction cost information released by the local construction authority where the project locates during the price adjustment period (however, the market information price of the corresponding month during the suspension of IS work shall not be calculated).

Payment time of material difference adjustment fees:

Material difference adjustment fees shall be adjusted (paid or deducted) in the project completion settlement price.

12. Contract price, measurement and payment

12.1 Form of Contract Price

1、 Unit price contract.

The risk scope included in the comprehensive unit price: /.

The calculation method of risk cost: /.

The adjustment method of the contract price outside the risk scope: /.

2、 Lump Sum Contract.

This Contract is a Lump Sum Contract prepared following the drawings, documents for comparison and selection, specifications and technical standards and requirements. The Contractor shall scrutinize the drawings, specifications and technical standards and requirements. For any content (including any implied or incidental content) not specified in the Bill of Quantities but involved in the drawings, documents for comparison and selection, specifications and technical standards and requirements or other contract documents, the costs of which shall be deemed to have been fully considered by the Contractor in the Contract Price and have been appointed among the existing items in the Bill of Quantities. Moreover, the comprehensive unit price in the Bill of Quantities is the fixed price. However, if the unit price of the relevant specific item is obviously higher than the market price or if there is an unbalanced quotation, the Project Owner shall reserve the right to ask the Contractor to modify the relevant

comprehensive unit price.

The pricing mode of this Contract is fixed and lump sum price and all unit contract prices are lump sum comprehensive unit prices, which refers that unless otherwise stipulated in the Contract, the comprehensive unit price shall not be adjusted in any case. The start-up cost in the Contract (including the PC cooperation fees, management fees, stipulated fees and additional construction costs, the same hereinafter) shall be the lump sum price under all circumstances. No adjustment shall be made during the settlement. The comprehensive unit price, additional construction costs, and stipulated fess shall include but not limited to: all direct and indirect expenses including labour costs, material costs (including material wastage costs), utilization expenses of construction machinery, management fees, profits, fees stipulated in policy documents, technical measure fees, safe and civilized construction costs, detailed design fees, protection fees for finished products, contingencies, comprehensive fees, entry and exit fees of machinery, on-site transportation and transhipment fees (including secondary transportation), custody and finished product protection fees and taxes, service fees during the Warranty Period, intellectual property fees, social security funds, expenses of all approval and permit procedures (which shall be borne by the Contractor as required) from the project commencement to the completion acceptance and record, necessary overtime pay, crashing fees, insurances, profits, national and local taxes and charges, expected rise and fall of market prices (unless otherwise stipulated in the Contract), exchange rate fluctuations, changes in national and local policies and all risk factors in the construction. After the Contract is signed, it is not allowed to adjust the unit contract price, the start-up cost and the Contract Price for any reason (unless otherwise stipulated in the Contract). Unless otherwise expressly provided for in the Contract, the fixed and lump sum comprehensive unit price in the Contract shall not be adjusted in case of any increase or decrease of the price of all materials and labour costs.

According to the fixed lump sum price and comprehensive unit price as provided in the Contract, the following fees have been comprehensively considered, including but not limited to:

(1) Entry and exit fees and installation and removal fees of machinery;

(2) Compensation for proper shutdown, and idling of the labour force and machinery due to drawings or changes (except as otherwise stipulated in the Contract);

(3) Compensation for crashing;

(4) Increased labour cost during busy season;

(5) Additional fees for the construction with daytime and night lighting and

construction in the basement (darkroom);

(6) Additional fees for construction in winter and rainy seasons (i.e. adding admixture in the concrete in winter);

(7) Additional fees for secondary transportation of materials in the site;

(8) Compensation for temporary water and power outage;

(9) Testing, inspection or experimental expenses stipulated by the national or local authorities to be borne by the Contractor; Fees for cooperation with the on-site entity detection and sampling and provision and presentation of a test specimen of the retest of materials on site;

(10) Sewage and rainwater pumping and discharge fees during the construction;

(11) Safe and civilized construction cost and safety measures cost;

(12) Protection fees for finished products;

(13) Site-clearing fees after the completion of the project;

(14) Fees for dust monitoring;

(15) Fees for BIM technology application;

(16) Fees for site loan; and

(17) Fees for informationalized site.

Any changes due to the water charges, electricity charges, fuel costs, transportation charges, any increase or decrease of the tax rate, tax categories and monetary exchange rate, salaries, government charges, price fluctuation of materials and equipment other than the materials with adjustable prices stipulated in Article 11.1 of the Contract, tax after the Contract is signed, regulations and government decrees have been included in the start-up costs, Contract Price and comprehensive unit price.

The risk scope included in the total price:

This Contract adopts the Lump Sum Contract. The total Contract Price shall include the expenses required to complete all the work within the PC Contract, including but not limited to:

(1) Any increase or decrease in the market price, unless otherwise agreed herein;

(2) The calculation error of Contract Price due to the difference between the quantities recorded in the Bill of Quantities provided by the Project Owner and the quantities calculated following relevant design drawings.

(3) Calculation and price errors in the comprehensive unit price analysis in the Priced Bill of Quantities;

(4) Changes in laws, policies and other normative documents, including price adjustments announced by local cost management department where the project locates;

(5) Changes in the tax rate (except as otherwise expressly stipulated in the Contract) and exchange rate;

(6) Risk of not getting a formal invoice for utilities; and

(7) Other risks included in the contract price as stipulated by laws, regulations and the Contract.

The calculation method of risk cost: The Contractor shall fully consider the risk scope when responding to the offer of comparison and selection. The risk cost shall be included in the Contract Price and shall not be adjusted in the completion settlement.

The adjustment method of the Contract price outside the risk scope: See Articles 10.4 and 11.1 of this Contract.

3、 Other price calculation methods: /.

4、 Further explanations of the Contract Price

(1) The comprehensive unit price of all specific items of the sub-contractual work and specific items with a fixed unit price in the Priced Bill of Quantities is the fixed comprehensive unit price. The Project Owner accepts no improper offer proposed by the Contractor based on the unit price of any specific item during the pricing for comparison and selection (including but not limited to the deviation in understanding the determination of the work content included in the specific item and the level of quantity and machinery consumption, the judgment of the market price of each production factor, the determination of standards for collecting fees, the calculation rules of quantities, and the costs included in the comprehensive unit price) or any loss or claim claimed due to any other error. Besides, the Contractor shall be liable for any error or fault arising from any misunderstanding of the contract documents or drawings in the documents for comparison and selection or any negligence by the Contractor.

(2) Fine decoration professional subcontracting management cooperation fee shall

be finally determined following the fine decoration professional subcontracting project settlement amount multiplied by the rate of 1%. Other PC services fees shall be fixed following the amount provided in the Priced Bill of Quantities, and shall not be adjusted due to the contract amount or settlement amount or other factors related to the PC services (such as Professional Subcontracted Projects and Independent Contracted Projects). However, if a project involving the PC service is not implemented or transformed into a project implemented by the Contractor, the corresponding PC service fee shall be deducted from the contract price. The Contractor shall not, for any reason, collect any additional PC service fee from the independent Contractor, professional Subcontractor or other relevant parties. If the Contractor collects, it shall be deemed as a breach of Contract. During the settlement, the Project Owner shall have the right to request the Independent Contractor, Professional Subcontractor or other relevant parties to issue a statement on whether the Contractor has additionally charged the PC service fees. If the Contractor additionally charges the PC service fees, the Project Owner shall have the right to deduct the double amount of the additional fees from the completion settlement price as liquidated damages.

(3) Tax: The project is priced as a non-competitive fee, which shall be subject to the national measures for adjusting the VAT rate of construction projects;

(4) Additional construction costs: the civilized construction cost is a non-competitive fee. Whether the price is quoted or not, it shall be deemed to have been quoted in full amount according to the standard rate. The price of items with fixed total price in the Priced Bill of Quantities shall be the fixed price and shall not be adjusted, no matter whether the expenditure of such items is different from the Contractor's estimate due to any change or other reasons, and whether there is any missing item in the Bill. However, if any item does not occur, it shall be deducted from the expense statement of specific items with a fixed total price in the settlement. All expenses incurred in the performance of any item with additional construction fees (including the specific items with fixed total price and fixed unit price) not limited in the Bill of Quantities shall be deemed to have been included in the Contract Price. See Article 10.4 of the Special Terms of the Contract for the calculation method of additional construction costs increased due to the changes confirmed by the Project Owner. Beyond that, the additional construction costs shall not be increased in any case.

(5) Labour cost and machinery cost: The Contract Price shall not be adjusted due to the changes of labour cost and machinery cost (unit price of construction machinery and use fee of construction machinery) (the difference of labour cost in the machinery cost shall not be adjusted).

(6) The quantities in the Bill of Quantities for comparison and selection is only a reference, all quantities, project characteristics and work contents (either provided by

the cost consultant or the participants) shall not be valid components of this Contract and shall be reviewed by the Contractor. The quantities provided in the Priced Bill of Quantities will be deemed as the actual quantities confirmed by the participants, and shall not be adjusted (including any error or missing item found later). Except for design changes, all claims for the difference between the quantities and contents in the Bill of Quantities and the actual quantities, project characteristics and work contents will not be accepted. The sub-contractual work with unqualified construction quality shall not be counted. Project settlement cost (including change and visa fees) shall be subject to the final cost confirmed by the Project Owner.

(7) Before signing the Contract, the Contractor has carefully calculated and reviewed the quantities following the drawings, documents for comparison and selection, technical standards and requirements and other contract documents provided by the Project Owner and the on-the-spot survey by the Contractor, and has determined the Contract Price accordingly. The Contractor shall guarantee the sufficiency, completeness and conformity of all project offers completed itself. That is to say, whether the description of each specific items in the Bill of Quantities is sufficiently detailed, the Contractor shall, following the drawings, specifications, technical standards and requirements and other requirements on the work contents in other contract documents, make the offer for specific items with the fixed unit price and total price, and fully consider all costs for all work as indicated in the drawings or as reasonably speculated or foreseen following the drawings, specifications, technical standards and requirements, engineering practices and contract documents in relevant unit price or total price. The contract price has included the risks that the drawings, documents for comparison and selection, technical standards and requirements and site conditions are inconsistent with the Bill of Quantities. The Project Owner does not accept the adjustment of the Contract Price required by the Contractor due to the missing items in the Bill of Quantities, inconsistent project characteristics, inaccurate quantities in the Bill of Quantities and wrong calculations. However, if the Contractor actually completes fewer projects or quantities than those listed in the Bill of Quantities (whether they are required in the drawings, documents for comparison and selection, technical standards and requirements or not), the Project Owner shall have the right to deduct the Contract Price accordingly.

(8) All calculation errors in unit price and subtotal, total, total and aggregate amount in the quotation for comparison and selection are the risks borne by the Contractor. When there are multiple possible explanations for the price, the price shall be calculated according to the explanation of the favourable Project Owner.

(9) Unless a force majeure event stipulated in Article 17 of this Contract occurs, the Contractor shall bear any additional expenses or losses caused by climate change, internal and external environment of the construction site, traffic organization and

intersecting construction.

(10) Any expenditure other than the contract price caused by defects in the detailed design drawings and construction organization design completed by the Contractor shall be borne by the Contractor, even such contents have been reviewed by the Supervisor and Designer and confirmed by the Project Owner.

(11) The change of construction technology and construction scheme shall not be deemed as the basis for the change of the contract price unless the change is due to higher quality standards and specifications proposed by the Project Owner during the construction than those stipulated in the Contract.

(12) For items with the unbalanced price quoted by the Contractor, the Project Owner reserves the right to adjust the unit price of items with a high quoted price that the Project Owner considers to be obviously unreasonable in the Contractor's quotation.

(13) For any work contracted to be done or cooperated by the Contractor (including the changes in the Contract, meeting minutes agreed and designs, and other instructions and requirements of the Project Owner or Supervisor), if the Contractor refuses to complete or fails to complete as required, and the Contractor has not completed after being urged by the Project Owner, the Project Owner can arrange a third party to complete it and can deduct the cost (plus 10% liquidated damages) from the contract price. The Contractor shall also be responsible for the impact on the term.

(14) The Contractor must unconditionally accept the increased quantities which is not clearly stipulated in the Contract but must be added for the project completion, and relevant fees have been included in the Contract Price.

(15) The Project Owner shall have the right to deduct the corresponding project price for the work contents, practices, drawing practices and construction contents specified in the specifications not specified in the project characteristics of the Priced Bill of Quantities.

(16) Where the value or cost of the work stated in this Contract is included or considered in the contract price, they shall be deemed to be included in the sub-contractual work cost of sub-contractual work and cost of specific items in the Priced Bill of Quantities. The contract price will no longer be adjusted due to any work and in no case shall it be understood that the work may constitute the provisional sum or provisional estimate.

12.2 Advances

12.2.1 Payment of advance payment

Portfolio and sum of the advance payment: 3% (including 60% of the safe and civilized construction cost) of the Contract Price (deducted from the Provisional Valuation of the professional work, material, and Engineering Equipment, together with the Provisional Sum of the material and the equipment).

Advance payment period: Within 30 days after the conditions for advance payment are met.

Conditions for advance payment:

a. after the contract documents signed by both parties come into force;

b. upon the filing of construction contracts by the government (if necessary);

c. after the Contractor submits to the Project Owner the construction insurance documents conforming to the contract requirements;

d. after the Contractor submits to the Project Owner the advance payment guarantee and the performance guarantee conforming to the contract requirements; and

e. after the Contractor submits to the Project Owner the VAT invoice conforming to the contract requirements.

Method of advance payment deduction: The advance payment shall be 100% deducted from the month when the advance payment is paid. If the monthly progress payment is not enough to fully offset the advance payment, the advance payment which has not been deducted shall be deducted in the next month's progress payment until the advance payment is fully deducted.

12.2.2 Advance Payment Guarantee

The time limit for the Contractor to submit the Initial Advance Payment Guarantee: After the contract becomes effective, and before the Contractor submits the application for advance payment to the Project Owner. In addition to the Initial Advance Payment Guarantee, the Contractor shall submit an additional Advance Payment Guarantee to the Project Owner for each Professional Subcontracted Project. When paying the advance payment for Professional Subcontracted Projects following the professional subcontracts / special supply contracts confirmed by the Project Owner and signed by the Contractor and Professional Subcontractor / Special Supplier, the Contractor shall submit or ensure that the Professional Subcontractor / Special Supplier will submit to the Project Owner an Advance Payment Guarantee in the same amount. The Advance Payment Guarantee: The Contractor shall submit to the Project Owner the Advance Payment Guarantee in the form specified in the exhibit to the Contract or in any other forms approved by the Project Owner, which shall be an unconditional, irrevocable and

independent bank guarantee payable on demand.

The Guarantee Amount of the Advance Payment Guarantee shall be reduced according to the amount deducted from the advance payment. An article for the reduction of Guarantee Amount can be provided in the Guarantee, but remaining amount of Advance Payment Guarantee shall not be less than the amount of advance payment that is not deducted.

The term of validity of the Advance Payment Guarantee shall be from the date when the advance payment is paid to the Contractor to the date when the progress payment certificate issued by the Project Owner indicates that the advance payment has been fully deducted. In case that the Contractor fails to obtain the Advance Payment Guarantee without specific deadlines, while the Advance Payment Guarantee has indicated the specific invalidity date, and fails to meet above condition that "the advance payment has been fully deducted" within (28) days before the specific invalidity date, then the Contractor shall extend the Guarantee to the time when the advance payment has been fully deducted as expected by the Project Owner at his own expense no later than (14) days before the invalidity of the Guarantee. Otherwise, the Project Owner is entitled to cash the Advance Payment Guarantee or deduct performance bond from the payables as the guarantee security.

The Advance Payment Guarantee shall be returned to the Contractor within 14 days after the progress payment certificate issued by the Project Owner indicates that the advance payment has been fully deducted. The Project Owner shall not be liable for any interest or other similar costs or benefits incurred by the Contractor in connection with the Advance Payment Guarantee.

12.3 Measurement

12.3.1 Measurement principles

Rules of quantities calculation: *Code of Bills of Quantities and Valuation for Construction Works* (GB50500-2013) and its supporting Code of Quantities Calculation, *Cost Quota for Construction Works in Jiangsu Province* (Edition 2014) and relevant national standards and industry standards. However, where there is any discrepancy between the measurement and valuation standard and that agreed in the Contract Agreement, Conditions of Contract, Technical Standards and Requirements, other contents of the Bill of Quantities and other contract documents, the Contract Document shall prevail. Moreover, the measurement and valuation standard shall be applicable to the technical method of measurement and valuation only. The contractual rights and obligations in the specification shall not apply to the parties to the Contract. In case of any rights and obligations between the Project Owner and the Contractor, this Contract shall prevail.

12.3.2 Measurement period

The agreement on the measurement cycle: on a monthly basis.

12.3.3 Measurement of the Unit Price Contract

The agreement on the measurement of Unit Price Contract: /.

12.3.4 Measurement of the Lump Sum Contract

The agreement on the counting of the Lump Sum Contract: the Contractor shall report the quantities completed in the current month before the 25th day of each month. There must be valid engineering instructions for all items involving Contract Price changes (the valid engineering instructions shall be in the form specified by the Project Owner and shall be signed by the Authorized Representative of the Project Owner for confirmation). The quantities due to the engineering change is only the quantity difference between the drawings for comparison and selection and the changed drawings (only the changed part shall be calculated). It shall have nothing to do with the quantities in the Priced Bill of Quantities. If the Contractor fails to perform construction according to the drawings, the Project Owner shall, when calculating the quantities to be deducted, calculate the quantities in the drawings corresponding to those not under construction, and it shall have nothing to do with the quantities in the Priced Bill of Quantities.

12.3.5 In the event that the Lump Sum Contract measures the payment with the breakdown statement, whether it can apply Article 12.3.4 (Measurement on the Lump Sum Contract) for measurement: /.

12.3.6 Measurement of the contract with other price forms

Measurement methods and procedures for other price forms: /.

12.4 Payment of progress payment

12.4.1 Payment cycle

The agreement on the payment cycle:

(1) The Contractor is responsible for the work within its scope, and the Project Owner should make the payment of 75% of the monthly completed qualified quantities. The amount of monthly progress payment = the value of monthly completed qualified quantities × 75% - deductible advance payment - the amount that the Project Owner is entitled to deduct following the Contract

"The value of completed qualified quantities" refers to the following amounts approved

by the Project Owner:

A. The cost of sub-contractual work and cost of specific items with the fixed unit price: measured and approved following the completed qualified quantities (i.e. corresponding quantities specified in the Bill of Quantities) in the current period and the Contract;

B. The cost of specific items with a fixed total price: the cost of completed specific items with fixed total price in the current period = the total cost of specific items with fixed total price in the contract price × (the cost of the completed sub-contractual work in the current period ÷ the total cost of sub-contractual work in the contract price); To avoid any doubt, if the Project Owner fails to deduct the amount that it is entitled to deduct following the Contract in the current progress payment, it shall not lose the right to claim deduction or compensation from the Contractor.

(2) 80% of the Contract Price measured and approved by the Project Owner shall be paid upon the approval of the project completion acceptance.

(3) 85% of the measured and approved Contract price by the Project Owner shall be paid upon the Contractor's obtain of project acceptance certificate and the record certificate of overall completion acceptance.

(4) After the completion of the project, the Project Owner shall, within 30 days upon the issuance of the completion payment certificate and the handover of all completion materials and receipt of corresponding invoices by the Contractor, pay 97% of the completion settlement price ("completion payment"); The remaining 3% of the completion settlement price shall be deemed as the Quality Deposit, which shall be returned to the Contractor without interest after the expiration of the defect liability period and within 30 days from the date of issuance of the final settlement certificate if there is no quality problem.

(5) Progress payments for Professional Subcontracted Projects / Special Supply Items shall be paid following the schedule and proportion agreed in corresponding professional subcontracts / special supply contracts. For details, please refer to the Article 10.7.8 of Special Terms of the Contract.

(6) The PC service fee shall not be paid in the progress payment, and shall be paid at the completion settlement price on the premise that the Contractor has fulfilled the PC service obligations as agreed in the Contract.

(7) The increased price due to the change shall be paid in the settlement for completion (but the Deduction for change may be deducted in full from the project payment).

(8) To avoid any doubt, the Contractor shall, before the Project Owner pays any construction cost (including the advance payment), issue a legal and valid VAT (special) invoice in the equivalent amount with the tax rate of 9%, or the Project Owner has the right to refuse payment and shall not be liable for overdue payment or other liabilities.

12.4.2 Preparation of the application form of progress payment

The agreement on the preparation of the application form of progress payment: The Contractor is imperative to strictly comply with the format requirements on the application document for payment and settlement, together with their attachments issued by the Project Owner.

12.4.3 Submission of the application form of progress payment

(1) The agreement on the submission of the application form of progress payment in the Unit Price Contract: /

(2) The agreement on the submission of the application form of progress payment of Lump Sum Contract: the Contractor shall submit a written application for progress payment and relevant materials (including the progress payment of all Professional Subcontracted Projects and the payment format and materials shall meet the requirements of the Project Owner) before the 25th day of each month.

(3) The agreement on the submission of the application form of progress payment in the contract of price forms: /

12.4.4 Progress payment review and payment

(1) The deadline for the Supervisor to review the progress payment and submit it to the Project Owner: 7 days.

The deadline for the Project Owner to complete the approval and issue the progress payment certificate: 30 days. If the Contractor fails to perform any work or obligation as required by the Contract, the Project Owner may withhold the value of the work or obligation in the progress payment certificate prior to the performance of the work or obligation. Delete the content in the General Terms that "if the Project Owner fails to complete the approval and raises no objection within the time limit, the progress payment certificate shall be deemed to have been issued".

(2) Deadline for the Project Owner to pay the progress payment: within 30 days upon the issuance the progress payment certificate and the receipt of the equivalent invoice.

The calculation method of the liquidated damages for the overdue payment of the progress payment by the Project Owner: following paragraph 16.1.2(1) of the Special

Terms of the Contract.

12.4.6 Preparation of Payment Breakdown Statement

2、 Preparation and approval of the payment breakdown statement in the Lump Sum Contract: /.

3、 Preparation and approval of the payment breakdown statement for the Lump Sum Item in the Unit Price Contract: /

13. Acceptance and engineering trial run

13.1 Acceptance of sub-contractual work

13.1.2 In the event that the Supervisor fails to perform the acceptance on time, it shall submit a written request for extension 24 hours in advance.

The maximum extension period: 48 hours.

The provision “If the Supervisor fails to perform the acceptance on time and submit a request for an extension, the Contractor has the right to perform the acceptance by itself and the Supervisor shall recognize the acceptance result” in this Article of the General Terms of the Contract shall be amended as follows: If the Supervisor fails to perform the acceptance on time and submit a request for an extension, the Contractor shall implement the provisions of the last paragraph of Article 4.3 of the Special Terms of the Contract and shall not perform the acceptance by itself.

13.2 Acceptance inspection upon completion of the Work

13.2.1 Conditions for completion acceptance

This Article of the General Terms of the Contract is amended as follows:

Only when the following conditions are met for the project, the Contractor may submit the application report for completion acceptance pursuant to this Contract:

(1) With the exception of the work of sporadic items and defect repair approved by the Project Owner to be listed in the defects liability period, the overall project and all related activities, including the testing, inspections, commissioning, the trial operation required by the contract documents and relevant specifications, has been completed, and all equipment, facilities, and building bodies been ensured to be in normal operations. It means that the requirements have been met that the project handover is available from the Contractor to the Project Owner and the Project Owner can put it into operation without any obstacle;

(2) The completion acceptance materials that shall be consolidated and submitted by the Contractor shall meet the requirements on construction materials imposed by the administrative authority of construction and/or urban construction archives management authority in the place where the project is located, and completion materials have been fully prepared pursuant to the Contract;

(3) Implementation schedule and relevant rules have been approved by the Supervisor and the Project Owner for the work of sporadic items and repair work required to be completed in the defects liability period following the requirements of the Supervisor, Project Management Company and the Project Owner;

(4) Other activities required by the Supervisor, the Project Management Company and the Project Owner to be finished before acceptance of completed projects have been completed;

(5) As required by the Supervisor, Project Management Company and the Project Owner, a detailed document list for acceptance of completed projects have been submitted;

(6) Any other completion conditions specified by the government or relevant management authorities.

13.2.2 Procedure of Completion Acceptance

(3) This Article of the General Terms of the Contract is amended as follows:

Once the project passes the completion acceptance and meets the standards of practical completion stipulated in Article 7.10, the Project Owner shall issue a project acceptance certificate to the Contractor, or the Supervisor and the Project Management Company shall issue the certificate signed by the Project Owner to the Contractor. The date indicated on the certificate should be the actual completion date.

(5) This Article of the General Terms of the Contract is amended as follows:

As any required by the Project Owner, the Contractor should allow the construction unit hired by the actual user of the project (including but not limited to the Project Owner) to carry out the relevant work on site before acceptance of completed projects. Such activity should not be regarded as unauthorized use by the Project Owner, and the Contractor shall still take liability for the quality of relevant parts of the project. The Contractor shall regard the construction unit hired by the actual user as an Independent Contractor and provide them with coordination and cooperation following the agreed standard of the Contract. The Contractor is not entitled to require an additional charge and /or the extension of the construction period for the coordination, cooperation or arising intersecting construction and any other factors. Calculating method of

liquidated damages under the circumstance that the project owner fails to perform acceptance inspection upon completion of the Work and issue project acceptance certificate following relevant agreement: no liquidated damages.

13.2.3 Project completion date

This Article of the General Terms of the Contract is amended as follows: for the Actual Completion Date, the provisions of Article 13.2.2 (3) of the Special Terms of the Contract shall apply.

13.2.5 Handover and receipt of all and part of the projects

The deadline for the Contractor to handover the project to the Project Owner: Within (7) days after the approval of acceptance inspection upon completion of the work

In the event that the Project Owner fails to receive all or part of the project as agreed in this Contract, the calculation method of liquidated damages: No liquidated damages

In the event that the Contractor fails to handover the project on schedule, the liquidated damages is RMB 200,000 compensation for liquidated damages for each day lag.

13.3 Engineering trial run

13.3.1 Trial run procedures

Engineering trial operation includes: /.

(1) The expenses for a non-load trial run for each single unit shall be borne by /;

(2) The expenses for a non-load interlocking trial run for each single unit shall be borne by /.

13.3.3 Commissioning

Agreement on matters related to commissioning: /.

13.6 Demobilization after the completion

13.6.1 Demobilization after the completion

Deadline for contractor's demobilization: See Article 13.2.5 The deadline for the Contractor to handover the project to the Project Owner: During his demobilization, the Contractor shall go through the project handover formalities to the Project Owner or his designated third party following the handover list required by the Project Owner. Should the Project Owner requires handover procedures to be issued in writing, the

Contractor shall cooperate in signing the handover agreement. The completion settlement and of the project shall be handled within the period specified in by the Contract, without any effect on the contractor's demobilization and the delivery of this project. The Contractor shall not refuse to evacuate the construction site (on-site) or to go through the handover procedures on the grounds that the settlement and payment for completion have not been completed.

In the handover process, the Contractor shall fully and actively cooperate with the Project Owner or his designated third party to fulfil the handover. All construction teams, construction equipment, temporary work should be demobilized or removed from the site with the exception of the ones approved by the Project Owner to continue work during the defects liability period without any affection on Project Owner's use of the project. If the Defects Liability Period expires, the Contractor's personnel and construction equipment shall be evacuated from the Construction Site within 3 calendar days after the Defects Liability Period expires (or if the Project Owner has other requirements, follow such requirements). Regardless of any reasons for the termination of the Contract, the Contractor must perform the demobilization and hand over the project at the time determined by the Project Owner upon the Project Owner's evacuation direction (if any). Should the overdue demobilization or handover occurs, the Contractor shall bear the same liability for breach of contract as the overdue completion specified in the Article 7.5.2.

Regardless of any reasons for the contractor's withdrawal from the site, the Contractor must, at the time of the withdrawal or at the time required by the Project Owner, hand over all the project documents to the Project Owner or to the subsequent construction unit upon the contractor's instruction, and properly conserve and hand over the finished project, purchased material and equipment to the Project Owner or the subsequent construction unit. If any overdue handover of project documents occurs, the Project Owner is entitled to charge the Contractor RMB 50,000.00 as liquidated damages until full handover.

The Contractor promises not to delay his demobilization and to interfere with the Project Owner's subsequent construction by occupying and retaining the project or detaining the construction site. The Contractor promises to waive his possible right of project priority of claim and lien over the project that the project, and the materials and equipment used for the project; the payment for the contract price responding to the completed project shall be determined by both the Project Owner and the Contractor after the contractor's demobilization. Should no agreement can be reached, either party can resolve the dispute following article 20 of the contract terms, but the settlement of the dispute cannot affect the performance of the demobilization.

14. Completion settlement

14.1 Completion Payment Application

The deadline for the Contractor to submit completion payment application: within 60 days upon issuance of project acceptance certificate. The Completion Payment Application Form shall include: the Contractor shall deliver to the Project Owner the completion settlement materials in quadruplicate and one copy of the electronic version. Such completion settlement materials shall include without limitation comparison and selection document and Q&A documents, Priced Bill of Quantities, construction contract, tender drawing, as-completed drawing, commencement and completion acceptance reports, project handover book, reviewed and determined change and certificates signed at the site, settlement book submitted for review and computational working paper, paid invoice (scanned copy), construction record (including pile foundation construction record), assessment form of the civilized construction site, etc. Special requirements shall be subject to then-current requirements of the Project Owner. If the Contractor fails to submit the above documents and materials within 60 days, the Contractor shall be imposed a fine of RMB 500 for each day of delay. The Contractor shall mention all payments that it believes it has the right to obtain hereunder in the Completion Payment Application submitted by it and shall not request for any additional payment after submitting Completion Payment Application. The Contractor agrees to waive the right to request for any additional payment not mentioned in foregoing Completion Payment Application.

The Contractor shall review the final settlement report in relation to Professional Subcontracted Projects and Special Supply Items as provided in professional subcontracting contract/special supply contract and the final settlement in relation to Professional Subcontracted Projects/Special Supply Items shall be implemented in the method provided in the relevant contract. The project negotiation and claim between the Contractor and Professional Subcontractor/Special Supplier which is irrelevant with the Project Owner, other amounts not payable and other affairs not undertaken by the Project Owner shall be settled and paid between the Contractor and each Professional Subcontractor/Special Supplier.

14.2 Approval of completion settlement

This Article in the General Terms of the Contract and the Special Terms of the Contract are amended as follows:

(1) The Supervisor shall complete the examination within 14 days after receiving the Completion Payment Application submitted by the Contractor and proposes the amount payable by the Project Owner to the Contractor and submit the proposal to the Project Owner for its review. The Project Owner shall complete its review within (6) months (excluding dispute settlement) after receiving the same and the Supervisor will

issue Completion Payment Certificate signed and confirmed by the Project Owner to the Contractor. After the Contractor receives the Completion Payment Application from the Project Owner, unless it approves or accepts the same in writing affixed with its common stamp, any other act or omission by the Project Owner shall be deemed as the Project Owner's disapproval of the Completion Payment Application from the Contractor. Especially where the Project Owner raises any objection in any way, including requesting the Contractor to supplement materials, or expressing its disapproval orally or in writing, contesting the application, requesting to hold a meeting for consultation or requesting to conclude agreement or memorandum which is different from the Completion Payment Application submitted by the Contractor, it shall be deemed as its disapproval of the Completion Payment Application submitted by the Contractor.

(2) After the Supervisor issues Completion Payment Certificate, the Project Owner shall pay the amounts to the Contractor within the time limit specified in Article 12.4.1(4) of the Special Terms of this Contract.

(3) After the Project Owner confirms the completion settlement amount with the Contractor as provided above, as per request from the Project Owner, the Contractor shall sign the completion settlement agreement with the Project Owner in the form and substance provided by the Project Owner.

(4) If the Contractor fails to provide the Project Owner with the project completion materials as scheduled or fails to provide cooperation during the Project Owner's review period, resulting in impossibility to complete settlement procedures within (6) months after issuance of the project acceptance certificate, the Project Owner has the right to unilaterally complete the settlement and the settlement result shall be deemed accepted by the Contractor and the Contractor shall handle signature and confirmation procedures; Besides, if the Contractor fails to go through the procedures relating to the Project due to its own reason, the Contractor shall be liable for all Losses (including economic losses caused to any third party) suffered by the Project Owner.

(5) To avoid any doubt, before the Project Owner and the Contractor agree on the settlement amount or effective judgment is rendered, the obligation of the Project Owner to pay for the disputed amount is not determined and thus the Project Owner has no payment obligation therefor. Only if the Parties agree on the settlement amount and effective judgment determines the payment obligation of the Project Owner, the Project Owner has an obligation to pay such settlement amount as agreed by the Parties or as specified in the effective judgment. If the Project Owner fails to pay the settlement amount within the payment period agreed by the Parties or specified in the effective judgment, it shall undertake liquidated damages for overdue payment or other liabilities for breach.

14.4 Final Settlement

14.4.1 Final Settlement Application

The number of copies of the Final Settlement Application submitted by the Contractor: In eight copies and one electronic copy.

The deadline for the Contractor to submit Final Settlement Application: within 30 days upon issuance of Defects Liability Release Certificate.

14.4.2 Final Settlement Certificate and payment

This Article in the General Terms of the Contract and the Special Terms of the Contract are amended as follows:

(1) The Supervisor shall propose the amount payable by the Project Owner to the Contractor and expresses other review opinions within (7) days after receiving the Final Settlement Application submitted by the Contractor and submit the proposal to the Project Owner for its review. The Project Owner shall complete its review within (30) days after the Supervisor receives the Final Settlement Application and the Supervisor will issue Final Settlement Certificate signed and confirmed by the Project Owner to the Contractor. Where the Supervisor fails to make a specific proposal within the agreed time limit, the Contractor shall implement the provision of Article 4.3 of the Special Terms of this Contract, and the Final Settlement Application submitted by it shall not be deemed to have been approved. After the Project Owner receives the Final Settlement Application from the Contractor, unless it approves or accepts the same in writing affixed with its common stamp, any other act or omission by the Project Owner shall be deemed as the Project Owner's disapproval of the Final Settlement Application from the Contractor.

(2) After the Supervisor issues Final Settlement Certificate, the Project Owner shall pay the amounts to the Contractor within the time limit specified in Article 12.4.1(4) of the Special Terms of this Contract. The following should be added following Article 14.4 of the General Terms of the Contract:

14.5 Using funds for the designated purpose only

All amounts payable to the Contractor as provided herein shall be paid to the following accounts of the Contractor and the Contractor shall ensure it will use all amounts received hereunder for the purpose of this Project and accepts supervision from the Project Owner.

If the Project Owner has a justifiable reason to believe the Contractor has misappropriated the project funds, it has the right to request the Contractor to provide

a breakdown sheet on the usage of project funds. For items not specified in the breakdown sheet or doubted by the Project Owner, the Contractor shall provide relevant evidence to the Project Owner. If the Contractor cannot reasonably prove the project funds are used for the purpose of this Project only, the Project Owner has the right to postpone paying subsequent project funds; provided that the Contractor shall not suspend works or propose for termination or partial termination of this Contract as the Project Owner has postponed paying subsequent project funds.

Beneficiary name: (escrow account information to be inserted in supplementary agreement)

Beneficiary address: (escrow account information to be inserted in supplementary agreement)

Bank name: (escrow account information to be inserted in supplementary agreement)

Bank address: (escrow account information to be inserted in supplementary agreement)

Account number: (escrow account information to be inserted in supplementary agreement)

Bank code: (escrow account information to be inserted in supplementary agreement)

The foregoing account specified by the Contractor shall be the account opened with the bank accepted in writing by the Project Owner and specially used for receiving and paying project funds hereunder. In addition to ensuring using the funds for the designated purpose only and accepting supervision from the Project Owner, the Contractor shall also be supervised by the bank designated by the Project Owner. As per request from the Project Owner, the account shall be managed account opened with the bank designated by the Project Owner and the Project Owner has the right to keep stamp specimen and carry out real-time supervision on the receipt and payment of amounts in the managed account.

If the Project Owner has a justifiable reason to believe the Contractor has misappropriated the project funds, it has the right to request the Contractor to provide project funds usage breakdown sheet, including but not limited to submitting funds usage plan including the advance payments to the Project Owner every month and provide corresponding financial evidence based on the actual usage status (including the photocopy of invoice issued by its Subcontractor or supplier, bank statement of payment to the payee, check stub copy signed by the payee and photocopy of bank receipts).

14.6 The right of the Project Owner for deduction

14.6.1 Notwithstanding any provision in the Contract Documents, the Project Owner has the right to deduct (permanently or temporarily) or offset the amount payable by the Contractor to the Project Owner hereunder (including but not limited to liquidated damages, compensation, indemnity, warranty, disbursements and any other amounts) from or with any amount payable to the Contractor. If the Project Owner fails to exercise the right of (permanent or temporary) deduction of offset as provided herein, it does not prevent the Project Owner to recover relevant amounts from the Contractor as liabilities.

14.6.2 The Contractor shall reasonably use the construction funds paid by the Project Owner. The Contractor shall open a special account for paying salary (service fee) to the migrant works according to latest policy of Zhenjiang on payment of salary to migrant workers and give priority to pay salary (service fee) to migrant workers after receiving the payment of contract price from the Project Owner and timely provide the Project Owner with a financial voucher of payments (including a photocopy of receipts issued by the payees, bank statements of payment to payees). In no case shall the Contractor fail or delay in paying salary (service fee) to the migrant workers for the reason that the Project Owner fails or delays in paying any amount. The Contractor has fully considered all circumstances that may cause dispute with migrant workers when determining the construction period and price and shall formulate a contingency plan to prevent and control relevant circumstances and ensure the migrant workers will not collectively demand unpaid salary, disturb or gather to make trouble or cause other mass events. In case of foregoing events, the Contractor shall immediately take actions to eliminate the impact, resume works, accelerate to remedy the delayed construction, and the Project Owner has the right to deduct (0.05)% of Contract Price each time from the contract price as liquidated damages from current project progress funds payable to the Contractor.

14.7 Suspension of payment

Under any of the following circumstances, the Project Owner has the right to suspend paying for project progress, issuing payment certificate or settling the payment until the reason therefor is eliminated. Such suspension shall not be deemed as delay in payment by the Project Owner:

(1) The Contractor uses the project funds paid by the Project Owner for other purposes than this Project;

(2) The Contractor fails to submit an effective and legitimate invoice in equivalent amount before payment by the Project Owner;

(3) The Contractor fails to timely pay Professional Subcontractor/Special Supplier as provided in relevant contract;

(4) In the construction process by the Contractor, safety accident or quality accident occurs, or migrant workers collectively demand unpaid salary, disturb or gather to make trouble or other mass event occurs and has not been properly solved;

(5) The Supervisor or the Project Owner catches sight of materially false documents or qualifications provided by the Contractor during the execution of the contract;

(6) The Contractor fails to demobilize his whole crew from the construction site, or to handover as-built documents to the Project Owner following the contract;

(7) The contractor fails to settle the claim which he is scheduled to take liability for after the Project Owner's relevant notice during the progress of the construction;

(8) Any lawsuit or arbitration occurs between the Contractor and other parties for its liability not attributable to the Supervisor and the Project Owner, with the process not conducive to the execution of the project;

(9) There has any construction defect or the contractor has any other breach of contract;

(10) Other circumstances in which the Project Owner is entitled to suspend the payment following applicable laws and regulations and the contract.

15. Defects Liability Period and Warranty

15.2 Defects liability period

15.2.1 This Article of the General Terms of the Contract is amended as follows:

The Defects Liability Period is calculated from the Actual Completion Date set forth in the project acceptance certificate and shall be 24 months.

15.2.2 This Article of the General Terms of the Contract is amended as follows:

During the Defects Liability Period, the Contractor shall be responsible for repairing any defect caused for whatever reasons. If the defect is caused by the reason attributable to the Contractor, the Contractor shall bear the authentification and repair expenses. If the Contractor neither repairs nor pays for such repair, the Project Owner may deduct from the Quality Deposit as provided under the Contract. If the amount is higher than the amount of the Quality Deposit, the Project Owner may claim the Contractor for compensation as provided under the Contract. Even if the Contractor repairs and bears corresponding expenses, the Contractor cannot be exempted of the compensation liability for the Loss of the project. Should some work or engineering equipment fail to work for the intended purpose and required to be re-inspected, re-

examined, and repaired in consequence of any defects or damage attributed to the contractor, the Project Owner shall be entitled to extend the defects liability period.

15.2.4 This Article of the General Terms of the Contract is amended as follows:

After the defects liability period expires following the Contract, the Contractor should notify the Supervisor and the Project Owner with writing notice when he argues that his warranty liability in the defects liability period following the contract has been fulfilled and that all the sporadic items and defect repair work in Project Owner's modification list has been accomplished. In witness of joint review and confirmation of the Supervisor and the Project Owner on defect repair work, the Defects Liability Release Certificate should be hereby issued by the Project Owner to the Contractor. However, the issuance of the certificate shall not relieve the contractor of the warranty liability for the project following national laws, regulations and the Contract. If necessary, the Project Owner is entitled to directly contact with suppliers of certain material and engineering equipment for maintenance service under any circumstance, and the Contractor should provide detailed information about these suppliers. The maintenance service direct from the suppliers should not reduce or relieve the contractor's any obligations and liability following the contract.

After the issuance of defects liability release certificate, each party should continue to fulfil any remaining obligations. To determine the nature and scope of the obligation to be fulfilled, the contract shall be considered to be valid.

15.3 Quality Deposit

Agreement on whether to withhold Quality Deposit: Yes

15.3.1 Methods for the Contractor to provide the Quality Deposit

The Quality Deposit shall be provided in terms of the second way listed as follows:

(1) Guarantee letter of Quality Deposit with the guarantee amount of/;

(2) 3% of completion settlement amount;

(3) Other methods: /.

15.3.2 Detention of Quality Deposit

The Quality Deposit should be withheld in the second way listed as follows:

(1) The Quality Deposit can be detained with the progress payment successively. In this case, the calculation base of the Quality Deposit shall not include the payment, deduction and price adjustment amounts of the advance payment;

(2) The Quality Deposit shall be detained in a lump sum upon the construction completion;

(3) Other ways for detention: /.

The last two paragraphs in this Article of the General Terms of the Contract are not applicable, so delete them.

15.3.3 For the return of the Quality Deposit, this Article of the General Terms of the Contract is amended as follows:

For the return of the Quality Deposit, the provisions of Article 12.4.1 (4) of the Special Terms of the Contract shall apply.

15.4 Warranty

15.4.1 Warranty liability

This Article of the General Terms of the Contract is amended as follows: the Warranty Period for the Project shall be calculated from the Actual Completion Date set forth in the project acceptance certificate. For the Warranty Period of specific sub-contractual work, see the provisions of the quality warranty certificate as an Exhibit to the Contract. In no event shall the warranty period exceed the minimum statutory repair period. During the Warranty Period of the project, the Contractor shall undertake the warranty liabilities following relevant laws and the Contract.

15.4.2 Repair expenses

This Article of the General Terms of the Contract is amended as follows: For the undertaking of repair expenses, see the provision of the quality warranty certificate as an Exhibit to the Contract.

15.4.3 Notice of repair

Reasonable time for the Contractor to receive the warranty notice and to arrive at the project site: see the provision of the quality warranty certificate as an Exhibit to the Contract.

15.4.4 Failure to repair

This Article of the General Terms of the Contract is amended as follows:

In case of any defect or damage to the project due to the Contractor, if the Contractor refuses to repair or fails to repair the defect or damage within a reasonable period, the Project Owner shall have the right to repair or entrust a third party to repair at the

expense of the Contractor.

16. **Default**

16.1 Breach by the Project Owner

16.1.1 This Article, Breach by the Project Owner, of the General Terms of the Contract is amended as follows:

The following circumstances which occur during performance hereof shall be deemed as a breach by the Project Owner:

(1) the Project Owner fails to pay the undisputed contract price as provided herein or delays without proper reason or refuses to approve payment application and voucher, it fails to pay the amount payable hereunder and the Parties fail to conclude deferred payment agreement within 60 days after the Contractor sends written reminder notice, it shall constitute breach as of the 61st day after the reminder notice is received;

(2) The specification, quantity or quality of the materials and Engineering Equipment provided by the Project Owner do not conform to the Contract, or the delivery is delayed or the delivery place is changed due to the Project Owner;

(3) Suspension of construction caused by the breach of Contract by the Project Owner;

(4) The Project Owner has explicitly stated or demonstrated by its behaviour that it will not perform its main obligations under the Contract;

(5) The Project Owner's failure to perform other obligations provided herein.

Unless as instructed by the Project Owner in writing, the Contractor has no right to suspend or postpone construction whether or not the Project Owner has breached this Contract.

16.1.2 Liabilities for breach by the Project Owner

Articles (1) (3) and (6) of Article 16.1.2 of the Special Terms of the Contract do not apply and are deleted.

Methods of bearing and calculation of liabilities for breach by the Project Owner:

(1) Liability for breach of Contract if the Project Owner fails to pay the contract price as required hereof: If the Project Owner fails to pay the amount which the Contractor shall receive and which the parties shall not dispute within the time limit stipulated in the Contract, the Contractor shall promptly issue a written reminder notice to the Project Owner. If the Project Owner has not paid the payment within the grace period

stipulated in Article 16.1.1 upon receipt of the reminder notice, the Project Owner shall pay the Contractor the liquidated damages for overdue payment from the day following the expiration of the grace period (hereinafter referred to as "the date of overdue payment").

The liquidated damages for overdue payment = the amount of overdue payment × the benchmark deposit interest rate in the same period issued by the People's Bank of China × days overdue (from the date of overdue payment). The benchmark deposit interest rate in the same period refers to the interest rate of time deposit in the period of overdue payment. However, if the whole period or partial remaining period of overdue payment fails to reach the minimum period for a time deposit, the current deposit rate shall prevail.

The aforesaid liquidated damages for late payment conform to the reasonable expectation and true intention of both parties. The Project Owner shall bear all liabilities (including but not limited to interest, loss compensation and breach of contract) to the Contractor due to overdue payment.

(2) The liabilities for breach of Contract that specification, quantity or quality of the materials and Engineering Equipment provided by the Project Owner do not conform to the Contract or the delivery is delayed or the delivery place is changed due to the Project Owner; the circumstance under paragraph 7.5.1(9) is constituted due to the delay in construction of the critical lines resulted from the replacement of qualified products by the Project Owner, the term shall be postponed accordingly.

(3) Liabilities for suspension of construction caused by the breach of Contract by the Project Owner: subject to Article 7.8.1.

16.1.3 Termination due to breach by the Project Owner

This Article in the General Terms of the Contract and the Special Terms of the Contract are amended as follows:

If and only if the Project Owner breaches this Contract in the following way, the Contractor has the right to terminate this Contract through the procedure provided herein:

(1) the Project Owner fails to pay undisputed contract price as provided herein and still fails to pay within (182) days after the Contractor sends written reminder notice (except for the part the Project Owner has the right to deduct);

(2) the bankruptcy, insolvency or liquidation of the Project Owner, or any action or event that has a similar effect with the foregoing action or event (according to Applicable Laws).

Upon the occurrence of the foregoing event or circumstances, the Contractor may terminate this Contract 28 days with notice to the Project Owner. But if in that 28 days the Employer performs its obligation, this Contract shall still be performed. If the Contractor terminates this Contract in violation of this article, the Project Owner has the right to request the Contractor to pay (20%) of the contract price as liquidated damages.

After contract termination due to breach by the Project Owner, the Contractor shall properly protect and handover the completed works and purchased materials and equipment and remove the equipment and personnel of the Contractor from the construction site as requested by the Project Owner. Removal from the construction site by the Contractor shall comply with Article 13.6 and Article 13.2.5.

16.1.4 Payment after the termination due to breach by the Project Owner

This Article of the General Terms of the Contract is amended as follows:

If this Contract is terminated due to breach by the Project Owner, the Project Owner shall pay the following amount within (30) days after the Parties agree on the settlement amount and receive a VAT invoice in the equivalent amount and the Contractor shall timely submit relevant materials and vouchers in the following amount and issue a legitimate invoice in an equivalent amount:

(1) the price for Permanent Works completed, inspected and accepted prior to termination of this Contract and price for step items for completion of relevant Permanent Works and general contracting service fee;

(2) the price for materials and engineering equipment that the Project Owner agrees to take over subject to the following conditions: 1) the time when the Contractor purchases materials and engineering equipment shall match the schedule stipulated in this Contract; 2) the materials and engineering equipment is specially ordered for the construction of this Project and the quality is satisfactory; 3) the price of materials and engineering equipment is reasonable (which matches the market price at the time of ordering and not exceeds the amount stipulated herein) and the Contractor has paid the amount for orders; 4) materials and engineering equipment have been transported to the construction site; 5) materials and engineering equipment cannot be returned. The Project Owner has the right not to accept the materials and engineering equipment not satisfying the foregoing conditions.

(3) The expense for the Contractor to remove Temporary Works confirmed by the Project Owner from the construction site.

Apart from the foregoing amounts, the Project Owner has no obligation to pay any

other amounts to the Contractor (including but not limited to expenses for non-conforming works; if materials and engineering equipment do not satisfy conditions provided in paragraph (2) above, the expense incurred by the Contractor to return the goods and terminate order contract and loss of amounts that cannot be refunded; except paragraph (3) above, the price for step items incurred by the Contractor to move from the construction site and dismiss personnel of the Contractor; other loss suffered by the Contractor due to termination of this Contract). However, the Project Owner also has the right to choose not to accept materials and engineering equipment not satisfying payment conditions and not to pay corresponding amounts to the Contractor, for which the Contractor shall cooperate.

The Project Owner shall pay aforesaid amounts as provided herein, but it has the right to offset or request the Contractor to pay all amounts payable to the Project Owner (including liquidated damages and compensation). The Project Owner has the right to withhold Quality Deposit in relation to the completed works and the Contractor shall still undertake quality warranty liability for completed works.

If the amount paid by the Project Owner to the Contractor exceeds the amount payable, the difference shall be refunded to the Project Owner by the Contractor within 7 days after the Parties agree on the settlement amount.

16.2 Default by the Contractor

16.2.1 Default by the Contractor

Other defaults by the Contractor: project delay, quality issues, material quality defect (fail to respond to the requirements in the documents for comparison and selection, the drawing design and the general specification for bill compilation), relevant technical documents not submitted as agreed, the Contractor's unauthorized shutdown or unilateral termination of the contract, and other defaults by the Contractor as stipulated hereof.

16.2.2 Liabilities for default by the Contractor

Methods of bearing and calculation of liabilities for Default by the Contractor:

A、 Project delay: If the Contractor fails to complete 80% of the work as agreed upon in the construction schedule within the planned term, the Project Owner shall have the right to entrust other personnel to carry out the construction or to ceases to pay the construction payment, and the Project Owner shall have the right to deduct 1.1 times of all expenses incurred thereby from the Contractor's contract payment. Following the requirements of this project, in case of one day's delay, the Contractor shall pay the Project Owner the liquidated damages of RMB 200,000/day, which shall not relieve the

Contractor from the responsibility for completing the works or other responsibilities stipulated in the Contract.

In case that the Contractor fails to complete the relevant work at the construction period of each node stipulated in the contract, the Project Owner shall be entitled to temporarily deduct the liquidated damages of RMB (200,000) from the project payment for each day of delay in each node.

(1) In case that a subsequent node has been completed on schedule, the Project Owner shall return the Contractor all the liquidated damages for delayed completion of the nodes before this node without interest which are temporarily deducted.

(2) In case the Contractor completes the project on schedule, the Project Owner shall return the Contractor all the liquidated damages for delayed completion of the node without interest which is temporarily deducted.

(3) In case the Contractor fails to complete the project on schedule, the liquidated damages for delayed completion of the node temporarily deducted will be taken as the liquidated damages for delayed completion. If such amount is insufficient, the Project Owner shall have the right to deduct the insufficient part of the liquidated damages for delayed completion from the completion settlement price; if such amount is in excess, the Project Owner will return to the Contractor liquidated damages for delayed completion of the node in excess without interest. The parties specifically confirm that: unless the Project Owner clearly stated in the document confirming the extension of the construction period that the Contractor was exempted from the contract's liability for breach of contract. Otherwise, in any case, the Supervisor's or the Project Owner's approval of the revised schedule, request of the establishment of new construction period based on actual conditions, and indication or acknowledgement of the fact of delay of the construction period shall neither represent their consent of postponement of the construction period nor relieve or release the Contractor's responsibility for the delay in breach of contract.

B、 Quality issue: The project quality shall conform to the national acceptance standard. If the quality does not meet the requirements, the Contractor shall rectify. After the rework is qualified, the Project Owner shall have the right to deduct the economic loss caused to the Project Owner from the Contractor's project settlement.

If the Contractor does not take the aforesaid measures that the Designer, Supervisor, Project Management Company's Representative and Project Owner / Project Owner's Representative respectively or jointly consider must be taken within the time specified by the Project Owner / Project Owner's Representative or Project Management Company's Representative to make up the defect in engineering quality, the Project Owner / Project Owner's Representative shall have the right to entrust a third party to

enter the construction site to carry out the construction work accordingly, and all expenses incurred shall be borne by the Contractor. In case of the above circumstances, the term shall not be postponed and the Contractor shall compensate the Project Owner for all the losses incurred thereby. If the project fails to pass the one-time 100% completion inspection, the Contractor shall pay liquidated damages of RMB 4 million to the Project Owner; If Plot 1# does not win the Yangzi Cup Award, the Contractor shall pay liquidated damages of RMB 5 million to the Project Owner.

C、 Material quality defect: The materials supplied must be purchased and declared in strict accordance with the requirements of the documents for comparison and selection, the general specification for bill compilation and the design drawings. In case that the Contractor is found to apply the project materials that do not conform to the documents for comparison and selection, the general specification for bill compilation and the design drawings (change the brand, specification, and reduce the product quality, etc.) to this project without authorization, the Contractor shall unconditionally replace following the documents for comparison and selection, the general specification for bill compilation and the design drawings and pay the liquidated damages of RMB 10,000/item/once to the Project Owner.

D、 If the technical documents (including as-built drawings and completion settlement) cannot be submitted within the agreed time due to the Contractor, the Project Owner shall deduct RMB 1,000/day from the construction payment to the Contractor as the liquidated damages. Moreover, the Contractor shall not be released from the obligation to further submit the above technical documents.

E、 In case that the Contract cannot be performed due to the Contractor's unauthorized shutdown or unilateral termination of the Contract or breach of contract, the Contractor must, within 3 days upon the termination of the Contract, withdraw unconditionally. The Contractor shall bear all losses caused thereby to the Project Owner. The completed workload shall be settled following this Contract and shall be reported to the Supervisor and the cost consultant for audit. 80% of the project price shall be settled according to the audit results. Besides, the Contractor shall bear the liability for breach of contract and compensation, and shall not be exempted from the quality warranty liability.

F、 Liabilities for defaults by the Contractor as stipulated in other contract terms.

The liquidated damages provided herein will be deducted from the amounts payable or to be paid to the Contractor hereunder or recovered from the Contractor as liabilities. If the total liquidated damages paid by the Contractor to the Project Owner as agreed in the Contract is insufficient to cover the losses caused to the Project Owner by due to its breach of contract, the Contractor shall pay compensation to the Project Owner until all its losses are made up.

To avoid any doubt, if the provisions herein or in Contract Documents on Contractor's liability for breach have a conflict or are inconsistent, the highest liability for breach by the Contractor shall prevail.

16.2.3 Termination due to default by the Contractor

This Article of the General Terms of the Contract is amended as follows:

Where there is a default as provided in Paragraph (7) of Article 16.2.1 (Default by the Contractor), or if the Contractor still fails to cure its breach 14 days after the Supervisor or the Project Owner sends rectification notice on the default by the Contractor, the Project Owner may send a notice for contract termination to the Contractor. If the Project Owner terminates this Contract due to breach by the Contractor, the Project Owner has the right to request the Contractor to pay (20)% of the contract price as liquidated damages. Upon termination of the Contract, the Contractor shall remove from the construction site as provided in Articles 13.6 and 13.

2.5; otherwise, the Project Owner has the right not to settle the payments or pay any subsequent amounts. Upon the contract termination, the Project Owner shall have the right to use the Contractor's materials, equipment, Temporary Work, Contractor's documents and other documents prepared by or in the name of the Contractor in the construction site. The Project Owner's continued use shall not exempt or reduce the liability for breach of contract by the Contractor.

16.2.4 Treatment after contract termination due to a breach by the Contractor

This Article of the General Terms of the Contract is amended as follows:

If this Contract is terminated due to breach by the Contractor, the Project Owner shall pay the following amount within (30) days after the Parties agree on the settlement amount and receive a VAT invoice in the equivalent amount and the Contractor shall timely submit relevant materials and vouchers in the following amount and issue a legitimate invoice in an equivalent amount: The amount that the Contractor has the right to obtain is limited to the price for Permanent Works completed, inspected and accepted prior to termination of this Contract and price for step items for completion of relevant Permanent Works and general contracting service fee.

Apart from the foregoing amounts, the Project Owner has no obligation to pay any other amounts to the Contractor (including but not limited to expenses for non-conforming works; price of materials and engineering equipment other than Permanent Works; the expense incurred by the Contractor to return the goods and terminate order contract and loss of amounts that cannot be refunded; price for step items incurred by the Contractor to move from the construction site and dismiss personnel of the

Contractor). However, the Project Owner also has the right to choose not to accept materials and engineering equipment not satisfying payment conditions and not to pay corresponding amounts to the Contractor, for which the Contractor shall cooperate. The Project Owner shall pay aforesaid amounts as provided herein, but it has the right to offset or request the Contractor to pay all amounts payable to the Project Owner (including liquidated damages and compensation). The Project Owner has the right to withhold Quality Deposit in relation to the completed works and the Contractor shall still undertake quality warranty liability for completed works. If the amount paid by the Project Owner to the Contractor exceeds the amount payable, the difference shall be refunded to the Project Owner by the Contractor within 7 days after the Parties agree on the settlement amount.

The following should be added following Article 16.2.5 of the General Terms of the Contract:

16.2.6 Right of the Project Owner to terminate this Contract

The Project Owner shall be entitled to terminate this Contract at any time at its convenience by giving notice of termination to the Contractor. The termination is effective on the date the Contractor receives such notice. Upon termination of the Contract, the Contractor shall remove from the construction site as provided in Article 13.6 and Article 13.2.5,

3.2.5 and shall be paid as provided in Article 17.4 (2). The Project Owner will not undertake any other liability than those provided above as it exercises the right of termination hereof.

17. Force majeure

17.1 Confirmation on Force Majeure

Force Majeure provided in the General Terms and Special Terms of the Contract is limited to the following circumstances and the place of occurrence shall be limited to Zhenjiang:

(1) the following circumstances declared by State authority and defined as a disaster: epidemic,.7.0 or higher degree earthquake, 10 or higher grade wind, once in thirty years flood in Zhenjiang, once in fifty years storm and once in fifty years blizzard;

(2) Wars;

(3) ionic radiation or radioactive contamination;

(4) pressure waves generated by a sonic or supersonic aircraft or aircraft device,

falling of aircraft;

(5) serious social unrest or riot, other than internal events of or events caused by the Contractor (including its Professional Subcontractor, Special Supplier and other Subcontractor and supplier) and the persons engaged by it;

Apart from the disaster of Force Majeure specified in Paragraph (1) in this paragraph, intermittent or continuing high temperature, low temperature, storm, wind, snow, fog or haze or sand storm and other natural climate impacts shall not be deemed as Force Majeure.

17.3 Undertaking of the consequences of force majeure

This Article of the General Terms of the Contract is amended as follows:

Personal injury, property loss, increase in expenses and/or delay in construction and other consequences caused by Force Majeure shall be allocated by the Parties on the following principles:

(1) Damage to Permanent Work, including damage to materials and engineering equipment transported to the construction site and installed to Permanent Work and third party personal injury or death and property loss caused by damage to Permanent Work shall be undertaken by the Project Owner; damage to materials and engineering equipment transported to the construction site but not installed to Permanent Work and third party personal injury and property loss caused by such damages shall be undertaken by the Contractor.

(2) Damage to equipment of Contractors shall be undertaken by the Contractor;

(3) The Project Owner and the Contractor shall respectively undertake its bodily injury and other property loss and relevant expenses;

(4) The loss caused by the suspension of works by Contractor shall be undertaken by the Contractor; but the amount in relation to safekeeping the works and cleaning, repairing the works in the suspension period shall be undertaken by the Project Owner;

(5) If a failure in timely completion is caused by delay in construction of critical line due to Force Majeure, upon confirmation from the Project Owner, the construction period shall reasonably extend and the Contractor does not need to pay liquidated damages for overdue completion. If the Project Owner requests for acceleration, the Contractor shall take actions for acceleration at the expense of the Project Owner.

17.4 Contract dissolution due to Force Majeure

This Article in the General Terms of the Contract and the Special Terms of the Contract are amended as follows:

(1) If a failure in performing the contract due to Force Majeure event lasts for more than (182) days, both Parties may terminate this Contract with a 14 days' notice to the other party to that effect. after the contract termination, the Contractor shall properly protect and handover the completed works and purchased materials and equipment and remove the equipment and personnel of the Contractor from the construction site as requested by the Project Owner. Removal from the construction site by the Contractor shall comply with Article 13.6 and Article 13.2.5. The Contractor shall return the ordered materials and engineering equipment or terminate an order contract. The amount for the commodity that cannot be refunded and expenses incurred in returning and terminating order contract shall be afforded by the Contractor (unless as provided in Paragraph (2)).

(2) If this Contract is terminated due to Force Majeure, the Project Owner shall pay the following amount within (30) days after the Parties agree on the settlement amount and receive a VAT invoice in the equivalent amount and the Contractor shall timely submit relevant materials and vouchers in the following amount and issue a legitimate invoice in an equivalent amount:

1) the price for Permanent Works completed, inspected and accepted prior to termination of this Contract and price for step items for completion of relevant Permanent Works and general contracting service fee;

2) The cost of materials and Engineering Equipment agreed to be received by the Project Owner shall meet the following conditions:

① the time for the Contractor to purchase materials and engineering equipment conforms to the requirements of the contract schedule;

② the materials and engineering equipment are specially ordered for the construction of the Project with acceptable quality;

③ the prices of materials and engineering equipment are reasonable (conforming to the market price at the time of order and not exceeding the amount agreed in the Contract) and the Contractor has made payment for the order;

④ Materials and Engineering Equipment have been transported to the construction site;

⑤ Materials and Engineering Equipment cannot be refunded. The Project Owner has the right not to accept the materials and engineering equipment not satisfying the foregoing conditions.

Apart from the foregoing amounts, the Project Owner has no obligation to pay any other amounts to the Contractor (including but not limited to expenses for non-conforming works; if materials and engineering equipment do not satisfy conditions provided in paragraph 2) above, the expense incurred by the Contractor to return the goods and terminate order contract and loss of amounts that cannot be refunded; price for step items incurred by the Contractor to move from the construction site and dismiss personnel of the Contractor; other loss suffered by the Contractor due to termination of this Contract). However, the Project Owner also has the right to choose not to accept materials and engineering equipment not satisfying payment conditions and not to pay corresponding amounts to the Contractor, for which the Contractor shall cooperate.

The Project Owner shall pay aforesaid amounts as provided herein, but it has the right to offset or request the Contractor to pay all amounts payable to the Project Owner (including liquidated damages and compensation). The Project Owner has the right to withhold Quality Deposit in relation to the completed works and the Contractor shall still undertake quality warranty liability for completed works.

If the amounts paid by the Project Owner to the Contractor exceed the amount payable, the difference shall be refunded to the Project Owner by the Contractor within (7) days after the Parties agree on a settlement amount.

18. Insurance

18.1 Project Insurance

Special agreement on project insurance: the Contractor shall, following relevant national or local regulations, provide accident insurance for the workers engaged in hazardous operations, purchase insurance for the safety of life and property of personnel and construction machinery in the construction site, and bear insurance liabilities including the construction all risks insurance, third party liability insurance and personal accident insurance.

18.3 Other insurance

Agreement on other insurances: /.

Whether the Contractor shall underwrite insurance for its Construction Equipment: at the discretion of the Contractor.

18.7 Notification Obligation

Agreement on the obligation to notify when an insurance contract is changed: following the General Terms of the Contract.

19. Claims

19.1 Claims by the Contractor

The following provisions are added following Article (4) of this Article of the General Terms of the Contract:

(5) The Contractor shall keep such record in the same period that may be required for proving any claim and shall allow the Project Owner to inspect all such records. The Contractor shall submit a sufficiently detailed claim report to the Project Owner within the time limit specified by the Project Owner, which includes all detailed materials on the basis of claims. If the event or circumstance giving rise to the claim has a continuous impact, the Contractor shall submit the interim claim report at suitable intervals.

(6) The notice of claim intention, a notice of claim, a final notice of claim submitted by the Contractor as provided herein shall be in the form acceptable to the Project Owner. If the Contractor fails to submit the notice of claim intention and notice of claim within the specified time limit, it will lose the right to request for additional payment and/or extension of the construction period.

(7) The claim submitted by the Contractor as provided herein and in laws and regulation to the Project Owner in relation to economic loss is limited to direct loss that it can sufficiently prove and not includes profits and indirect loss. Similar expressions in other contract terms that the Project Owner shall pay reasonable profits to the Contractor shall not be applicable. In case of any conflict between the other provisions of this Contract and Paragraph (7), the latter shall prevail.

19.2 Handling of claims by the Contractor

Articles (2) and (3) of this Article of the General Terms of the Contract is amended as follows:

(2) The Project Owner shall confirm the following items as soon as possible: 1) as provided in Article 7.5, the extension of the construction period (if any) to be granted, and/or 2) the additional payment (if any) to be paid to the Contractor as provided herein. The Contractor may only obtain the part of claims that have basis as proven by it. The Project Owner will send back the claim settlement result to the Contractor within (42) days after receiving complete claim materials.

(3) If the Contractor accepts claim settlement result, the Project Owner and the Contractor will reach a written agreement on the claimed amount (means a written confirmation document affixed with the official seal of both parties), which shall be included in and paid along with the completion settlement amount. The Project Owner

shall not bear the liability for overdue payment, and the Contractor shall not stop implementing the project or request an extension of the construction period and/or increase costs on that ground.

19.3 Claims from the Project Owner

This Article of the General Terms of the Contract is amended as follows:

Upon the occurrence of a claim event, if the Project Owner believes it has the right to be paid according to any terms herein or any other document relevant to this Contract, the Project Owner has the right to send a notice to the Contractor and specify the details. The notice shall be sent within a reasonable time after the Project Owner becomes aware of the event or circumstances giving rise to the claim, but the time limit and requirements for making the claim by the Project Owner are not subject to Article 19.1

19.5 Time limit for claims

This Article of the General Terms of the Contract is amended as follows:

(1) After the Contractor submits Completion Payment Application as provided in Article 14.1, it shall be deemed that the Contractor has no right to make any claim prior to issuance of project acceptance certificate.

(2) In the Final Settlement Application submitted by the Contractor as provided in Article 14.4, only claims after issuance of project acceptance certificate can be made. The deadline for making claims shall be the time of submitting the final settlement application.

20. Dispute Resolution

20.3 Dispute review

Whether the contract parties agree to submit the project dispute to the dispute review panel for decision: disagree.

20.3.1 Determination of the dispute review panel

Determination of dispute review panel members: /.

The time limit for selecting dispute assessors: /.

The method for payment to dispute review panel members: /.

Agreement on other matters: /.

20.3.2 Decision of the dispute review panel

The agreement by the contract parties on this section: /.

20.4 Arbitration or litigation

Disputes arising from the Contract and other matters related to the Contract shall be settled in the following two ways:

(1) apply to the Zhenjiang Arbitration Commission for arbitration;

(2) submit to people's court with jurisdiction over the project location for litigation.

TAL EDUCATION GROUP

2020 SHARE INCENTIVE PLAN

ARTICLE 1

PURPOSE

The purpose of this TAL Education Group 2020 Share Incentive Plan (the "Plan") is to promote the success and enhance the value of TAL Education Group, an exempted company duly incorporated with limited liability under the laws of the Cayman Islands (the "Company") by aligning the personal interests of the Directors, 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 Directors, 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, Restricted Share Unit award or other types of awards 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 "Cause" with respect to a Participant means (unless otherwise expressly provided in the applicable Award Agreement, or another applicable contract with the Participant that defines such term for purposes of determining the effect that a "for cause" termination has on the Participant's Awards) a termination of employment or service based upon a finding by the Service Recipient, acting in good faith and based on its reasonable belief at the time, that the Participant:

(a) has been negligent in the discharge of his or her duties to the Service Recipient, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a disability or analogous condition) incapable of performing those duties;

(b) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information;

(c) has breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Service Recipient; or has been convicted of, or plead guilty or nolo contendere to, a felony or misdemeanor (other than minor traffic violations or similar offenses);

(d) has materially breached any of the provisions of any agreement with the Service Recipient;

(e) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Service Recipient; or

(f) has improperly induced a vendor or customer to break or terminate any contract with the Service Recipient or induced a principal for whom the Service Recipient acts as agent to terminate such agency relationship.

A termination for Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Committee) on the date on which the Service Recipient first delivers written notice to the Participant of a finding of termination for Cause.

2.6 "Code" means the Internal Revenue Code of 1986 of the United States, as amended.

2.7 "Committee" means a committee of the Board described in Article 10.

2.8 "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.

2.9 "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.

2.10 “Director”, means a member of the Board or a member of the board of directors of any Parent or Subsidiary of the Company.

2.11 “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.

2.12 “Effective Date” shall have the meaning set forth in Section 11.1.

2.13 “Employee” means any person, including an officer or a Director, who is in the employment of or otherwise engaged by 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.

2.14 “Exchange Act” means the Securities Exchange Act of 1934 of the United States, as amended.

2.15 “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 or 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 on the website maintained by such exchange or market system 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 transaction, (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.

2.16 “Group Entity” means the Company and any Parent or Subsidiary of the Company.

2.17 “Incentive Share Option” means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.18 “Independent Director” means (i) if the Shares or other securities representing the Shares are not listed on a stock exchange, a Director of the Company who is a Non-Employee Director; and (ii) if the Shares or

other securities representing the Shares are listed on one or more stock exchange, a Director of the Company who meets the independence standards under the applicable corporate governance rules of the stock exchange(s).

2.19 "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.

2.20 "Non-Qualified Share Option" means an Option that is not intended to be an Incentive Share Option.

2.21 "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.

2.22 "Participant" means a person who, as an Employee, a Director or a Consultant, has been granted an Award pursuant to the Plan. A person may be granted an Award directly through an Award Agreement, or indirectly through participation in award holding platform or other similar arrangements.

2.23 "Parent" means a parent corporation under Section 424(e) of the Code.

2.24 "Plan" means this 2020 Share Incentive Plan of TAL Education Group, as it may be amended and/or restated from time to time.

2.25 "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, or controls through contractual arrangements and consolidates the financial results according to applicable accounting standards, but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

2.26 "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.

2.27 "Restricted Share Unit" means an Award granted pursuant to Article 7.

2.28 "Securities Act" means the Securities Act of 1933 of the United States, as amended.

2.29 "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.

2.30 "Share" means Class A common shares of the Company, and such other securities of the Company that may be substituted for Shares pursuant to Article 9.

2.31 "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.

2.32 "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 that may be issued pursuant to all Awards (including Incentive Share Options) (the "Award Pool") shall initially be five percent (5%) of the total issued and outstanding shares of the Company as of the Effective Date, provided that (A) the Award Pool shall be increased automatically if and whenever the number of Shares that may be issued pursuant to ungranted Awards pursuant to this Plan (the "Ungranted Portion") accounts for less than one percent (1%) of the then total issued and outstanding shares of the Company, so that for each automatic increase, the Ungranted Portion immediately after such increase shall equal five percent (5%) of the then total issued and outstanding shares of the Company, and (B) the size of the Award Pool shall be equitably adjusted in the event of any share dividend, subdivision, reclassification, recapitalization, split, reverse split, combination, consolidation or similar transactions.

(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 a Group Entity 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, at the discretion of the Committee, any Shares distributed pursuant to an Award may be represented by American Depositary Shares. 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, Directors, and Consultants, 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, is employed, operates or is incorporated. 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 Award Agreement which may be a fixed price or a 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 aggregate exercise price of the Option or exercised portion thereof, (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.

(e) Effects of Termination of Employment or Service on Options. Termination of employment or service shall have the following effects on Options granted to the Participants:

(i) Dismissal for Cause. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient is terminated by the Service Recipient for Cause, the Participant's Options will terminate upon such termination, whether or not the Option is then vested and/or exercisable;

(ii) Death or Disability. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient terminates as a result of the Participant's death or Disability:

(a) the Participant (or his or her legal representative or beneficiary, in the case of the Participant's Disability or death, respectively), will have until the date that is 12 months after the Participant's termination of Employment to exercise the

Participant's Options (or portion thereof) to the extent that such Options were vested and exercisable on the date of the Participant's termination of Employment on account of death or Disability;

(b) the Options, to the extent not vested and exercisable on the date of the Participant's termination of Employment or service, shall terminate upon the Participant's termination of Employment or service on account of death or Disability; and

(c) the Options, to the extent exercisable for the 12-month period following the Participant's termination of Employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 12-month period.

(iii) Other Terminations of Employment or Service. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient terminates for any reason other than a termination by the Service Recipient for Cause or because of the Participant's death or Disability:

(a) the Participant will have until the date that is 90 days after the Participant's termination of Employment or service to exercise his or her Options (or portion thereof) to the extent that such Options were vested and exercisable on the date of the Participant's termination of Employment or service;

(b) the Options, to the extent not vested and exercisable on the date of the Participant's termination of Employment or service, shall terminate upon the Participant's termination of Employment or service; and

(c) the Options, to the extent exercisable for the 90-day period following the Participant's termination of Employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 90-day period.

5.2 Incentive Share Options. Incentive Share Options may be granted to Employees of a Group Entity. 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) 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.

(b) 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 a Group Entity 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.

(c) 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.

(d) 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.

(e) 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 an 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 Shares). 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 Award Agreement; *provided, however*, the Committee may (a) provide in any 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 Performance Objectives and Other Terms. The Committee, in its discretion, may 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.

7.3 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.

7.4 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 Share Units that are at that time unvested shall be forfeited or repurchased in accordance with the Award Agreement; *provided*, *however*, the Committee may (a) provide in any 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 No Transferability; Limited Exception to Transfer Restrictions.

8.2.1 Limits on Transfer. Unless otherwise expressly provided in (or pursuant to) this Section 8.2, by applicable law and by the Award Agreement, as the same may be amended:

(a) all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge;

(b) Awards will be exercised only by the Participant; and

(c) amounts payable or shares issuable pursuant to an Award will be delivered only to (or for the account of), and, in the case of Shares, registered in the name of, the Participant.

In addition, the shares shall be subject to the restrictions set forth in the applicable Award Agreement.

8.2.2 Further Exceptions to Limits on Transfer. The exercise and transfer restrictions in Section 8.2.1 will not apply to:

(a) transfers to a Group Entity;

(b) transfers by gift to "immediate family" as that term is defined in SEC Rule 16a-1(e) promulgated under the Exchange Act;

(c) the designation of a beneficiary to receive benefits if the Participant dies or, if the Participant has died, transfers to or exercises by the Participant's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution; or

(d) if the Participant has suffered a disability, permitted transfers or exercises on behalf of the Participant by the Participant's duly authorized legal representative; or

(e) subject to the prior approval of the Committee or an executive officer or director of the Company authorized by the Committee, transfer to one or more natural persons who are the Participant's family members or entities owned and controlled by the Participant and/or the Participant's family members, including but not limited to trusts or other entities whose beneficiaries or beneficial owners are the Participant and/or the Participant's family members, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee or may establish. Any permitted transfer shall be subject to the condition that the Committee receives evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes and on a basis consistent with the Company's lawful issue of securities.

Notwithstanding anything else in this Section 8.2.2 to the contrary, but subject to compliance with all Applicable Laws, Incentive Share Options, Restricted Shares and Restricted Share Units will be subject to any and all transfer restrictions under the Code applicable to such Awards or necessary to maintain the intended tax consequences of such Awards. Notwithstanding clause (b) above but subject to compliance with all Applicable Laws, any contemplated transfer by gift to "immediate family" as referenced in clause (b) above is subject to the condition precedent that the transfer be approved by the share plan administrator in order for it to be effective.

8.3 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 the Awards that will be granted or paid out to the Participants.

8.4 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.

8.5 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.

8.6 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.

8.7 Foreign Currency. A Participant may be required to provide evidence that any currency used to pay the exercise price of any Award was 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 such 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 as determined by the Committee 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, Independent Directors and executive officers of the Company. Reference to the Committee shall refer to the Board in absence of the Committee. Notwithstanding the foregoing, the full Board, acting by majority of its members in office, shall conduct the general administration of the Plan if required by Applicable Laws, and with respect to Awards granted to the Committee members, Independent Directors and executive officers of the Company and for purposes of such Awards the term "Committee" as used in the Plan shall be deemed to refer to the Board.

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 unanimously in writing by all members 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 a Group Entity, 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 the 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, and 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;

(j) amend terms and conditions of any Award Agreement; and

(k) 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, including the design and adoption from time to time new types of Awards that are in compliance with Applicable Laws.

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 or as of such date specified by the Board in its adoption and approval of the Plan (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 and Articles of Association or, alternatively, if the Company has sought and effected a home country practice exemption from shareholder approval pursuant to Rule 303A series of the New York Stock Exchange Listed Company Manual applicable to foreign private issuers.

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. At any time and from time to time, the Board 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 3.1 or Article 9), or (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.

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, employee 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, employees 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 Applicable Laws 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 employment, service or engagement 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 relevant Group Entity.

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 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 any Group Entity 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 Group Entities.

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 anything herein to the contrary, 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 Shares 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. Subject to Section 12.1, 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 8.1

List of the Registrant's Principal Subsidiaries and Consolidated Affiliated Entities

Name	Jurisdiction of Incorporation	Direct Parent Company of the Subsidiary and its Jurisdiction of Incorporation
Subsidiaries:		
TAL Holding Limited	Hong Kong	TAL Education Group(Cayman)
Firstleap Education	Cayman	TAL Education Group(Cayman)
Firstleap Education (HK) Limited	Hong Kong	Firstleap Education(Cayman)
Beijing Century TAL Education Technology Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Beijing Xintang Sichuang Education Technology Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Beijing Yizhen Xuesi Education Technology Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Yidu Huida Education Technology (Beijing) Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Beijing Huanqiu Zhikang Shidai Education Consulting Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Zhixuesi Education Consulting (Beijing) Co., Ltd.	PRC	TAL Holding Limited(Hong Kong)
Pengxin TAL Industrial Investment (Shanghai) Co., Ltd. *	PRC	Beijing Century TAL Education Technology Co., Ltd. (PRC)
Beijing Lebai Information Consulting Co., Ltd.	PRC	Firstleap Education(Cayman)
Variable Interest Entities:		
Beijing Xueersi Education Technology Co., Ltd.**	PRC	
Beijing Xueersi Network Technology Co., Ltd.**	PRC	
Xinxin Xiangrong Education Technology (Beijing) Co., Ltd.**	PRC	
Beijing Lebai Education Consulting Co., Ltd.**	PRC	
Affiliated Entities:		
Shidai TAL Education Technology (Beijing) Co., Ltd.	PRC	Xinxin Xiangrong Education Technology (Beijing) Co., Ltd.(PRC)
TAL Education Technology (Jiangsu) Co., Ltd.	PRC	Xinxin Xiangrong Education Technology (Beijing) Co., Ltd.(PRC)

* Pengxin TAL Industrial Investment (Shanghai) Co., Ltd. had the following wholly owned subsidiaries as of February 29, 2020, all of which are formed in the PRC: (1) 25 schools; and (2) 7 subsidiaries that operate TAL's tutoring services under the brands Xueersi Peiyou, Mobby and IZhikang.

** Xueersi Education, Xueersi Network, Xinxin Xiangrong and Lebai Education had the following subsidiaries as of February 29, 2020, all of which are formed in the PRC: (1) 151 schools; and (2) 81 subsidiaries that operate TAL's tutoring services under the brands Xueersi Peiyou, Firstleap, Mobby and IZhikang, oversea study consulting service and test preparation course for major oversea exams in China. These four VIEs wholly owned 76 subsidiaries and owned majority equity of the remaining five subsidiaries.

Exhibit 12.1

Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Bangxin Zhang, certify that:

1. I have reviewed this annual report on Form 20-F of TAL Education Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 30, 2020

By: /s/ Bangxin Zhang
Name: Bangxin Zhang
Title: Director and Chief Executive Officer

Exhibit 12.2

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Rong Luo, certify that:

1. I have reviewed this annual report on Form 20-F of TAL Education Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 30, 2020

By: /s/ Rong Luo
Name: Rong Luo
Title: Chief Financial Officer

Exhibit 13.1

Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of TAL Education Group (the "Company") on Form 20-F for the year ended February 29, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bangxin, Zhang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 30, 2020

By: /s/ Bangxin Zhang
Name: Bangxin Zhang
Title: Director and Chief Executive Officer

Exhibit 13.2

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of TAL Education Group (the "Company") on Form 20-F for the year ended February 29, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rong Luo, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 30, 2020

By: /s/ Rong Luo
Name: Rong Luo
Title: Chief Financial Officer

Exhibit 15.1

TIAN YUAN LAW FIRM
10/F, CPIC Plaza, 28 Fengsheng Lane, Xicheng District
Beijing 100032, P. R. China
Tel: (8610) 5776-3888; Fax: (8610)5776-3777

Date: June 30, 2020
TAL Education Group
15/F Danling SOHO
6 Danling Street, Haidian District
Beijing 100080
People's Republic of China

Ladies and Gentlemen:

We hereby consent to the reference to our firm in "Item 4. Information on the Company-B. Business Overview-VIE Contractual Arrangements," and "Item 5. Operating and Financial Review and Prospects-A. Operating Results" in the annual report on Form 20-F for the fiscal year ended February 29, 2020, which will be filed by TAL Education Group on June 30, 2020 with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and further consent to the incorporation by reference into the Registration Statement No. 333-172178 on Form S-8. We also consent to the filing with the Securities and Exchange Commission of this consent letter as an exhibit to the annual report on Form 20-F for the fiscal year ended February 29, 2020. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Sincerely yours,

/s/ Tian Yuan Law Firm
Tian Yuan Law Firm

Exhibit 15.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-172178 on Form S-8 of our reports dated June 30, 2020, relating to the financial statements of TAL Education Group and the effectiveness of TAL Education Group's internal control over financial reporting appearing in this Annual Report on Form 20-F for the year ended February 29, 2020.

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

June 30, 2020

Exhibit 15.3

[Letter Head of Maples and Calder (Hong Kong) LLP]

Our ref RDS/658302-000001/16634145v1
Direct tel +852 2971 3046
Email richard.spooner@maples.com

TAL Education Group
15/F, Danling SOHO
No. 6 Danling Street, Haidian District
Beijing 100080
People's Republic of China

30 June 2020

Dear Sirs

TAL Education Group

We consent to the reference to our firm under the heading "Item 4. Information on the Company-Organizational Structure" in the annual report on Form 20-F for the fiscal year ended February 29, 2020, which will be filed by TAL Education Group in June 2020 with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and further consent to the incorporation by reference of our opinions under this heading into the Company's Registration Statement No. 333-172178 on Form S-8. We also consent to the filing with the Securities and Exchange Commission of this consent letter as an exhibit to the annual report on Form 20-F for the fiscal year ended February 29, 2020.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933 or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP
Maples and Calder (Hong Kong) LLP