

TAL Education Group Announces Second Fiscal Quarter Results and Declares Dividend

- Quarterly Net Revenues Increased by 32.3% Year-Over-Year*
- Quarterly Income from Operations Increased by 65.1% Year-Over-Year*
- Quarterly Net Income Attributable to TAL Increased by 49.7% Year-Over-Year*
- Quarterly Non-GAAP Net Income Attributable to TAL Increased by 36.8% Year-Over-Year*
- Board of Directors approved cash dividend of US\$0.50 per ADS*

(Beijing – October 23, 2012)—TAL Education Group (NYSE: XRS) (“TAL” or the “Company”), a leading K-12 after-school tutoring services provider in China, today announced its unaudited financial results for the quarter ended August 31, 2012, which is the second quarter of TAL’s fiscal year 2013.

Highlights for the Second Quarter of Fiscal Year 2013

- Net revenues increased by 32.3% year-over-year to US\$68.1 million from US\$51.4 million in the same period of the prior year.
- Income from operations increased by 65.1% to US\$16.7 million, from US\$10.1 million in the second quarter of fiscal year 2012.
- Net income attributable to TAL increased by 49.7 % year-over-year to US\$16.0 million from US\$10.7 million in the same period of the prior year.
- Non-GAAP net income attributable to TAL, which excluded share-based compensation expenses, increased by 36.8 % year-over-year to US\$18.1 million from US\$13.2 million in the same period of the prior year.
- Basic and diluted net income per American Depositary Share (“ADS”)¹ were both US\$0.21. Non-GAAP basic and diluted net income per ADS, excluding share-based compensation expenses, were both US\$0.23.
- Total student enrollments during the second quarter of fiscal year 2013 increased by 24.8% year-over-year to approximately 247,100.
- Total physical network decreased to 257 learning centers as of August 31, 2012 from 268 learning centers as of August 31, 2011.

Highlights for the First Six Months Ended August 31, 2012

- Net revenues increased by 38.7% year-over-year to US\$117.4 million from US\$84.7 million in the same period of the prior year.
- Income from operations increased by 67.6% to US\$22.7 million, from US\$13.5 million in the same period of fiscal year 2012.
- Net income attributable to TAL increased by 37.3 % year-over-year to US\$21.0 million from US\$15.3 million in the same period of the prior year.

¹ Each ADS represents two Class A common shares.

- Non-GAAP net income attributable to TAL, which excluded share-based compensation expenses, increased by 24.6% year-over-year to US\$25.3 million from US\$20.3 million in the same period of the prior year.
- Basic and diluted net income per ADS were both US\$0.27. Non-GAAP basic and diluted net income per ADS, in each case excluding share-based compensation expenses, were US\$0.33 and US\$0.32.
- Total student enrollments during the first six months of fiscal year 2013 increased by 28.4% year-over-year to approximately 411,610.
- Total physical network decreased to 257 learning centers as of August 31, 2012 from 270 learning centers as of February 29, 2012.

Financial and Operating Data—Second Quarter and First Six Months of Fiscal Year 2013

(In US\$ thousands, except per ADS data, student enrollments and percentages)

	Three Months Ended		
	August 31,		
	<u>2011</u>	<u>2012</u>	<u>Pct. Change</u>
Net revenues	51,430	68,064	32.3%
Net income attributable to TAL	10,714	16,042	49.7%
Non-GAAP net income attributable to TAL	13,245	18,121	36.8%
Operating income	10,097	16,673	65.1%
Non-GAAP operating income	12,629	18,752	48.5%
Net income per ADS attributable to TAL – basic	0.14	0.21	47.9%
Net income per ADS attributable to TAL – diluted	0.14	0.21	49.4%
Non-GAAP net income per ADS attributable to TAL – basic	0.17	0.23	35.2%
Non-GAAP net income per ADS attributable to TAL – diluted	0.17	0.23	36.5%
Total student enrollments in small class, one-on-one, and online courses	198,000	247,100	24.8%

	Six Months Ended		
	August 31,		
	<u>2011</u>	<u>2012</u>	<u>Pct. Change</u>
Net revenues	84,652	117,378	38.7%
Net income attributable to TAL	15,290	20,993	37.3%
Non-GAAP net income attributable to TAL	20,309	25,301	24.6%

Operating income	13,539	22,689	67.6%
Non-GAAP operating income	18,558	26,997	45.5%
Net income per ADS attributable to TAL – basic	0.20	0.27	35.4%
Net income per ADS attributable to TAL – diluted	0.20	0.27	36.7%
Non-GAAP net income per ADS attributable to TAL – basic	0.27	0.33	22.9%
Non-GAAP net income per ADS attributable to TAL – diluted	0.26	0.32	24.0%
Total student enrollments in small class, one-on-one, and online courses	320,650	411,610	28.4%

"I am pleased to report solid top and bottom line results in the second fiscal quarter, which underscore how well we have executed on our plan to improve the quality of our revenue growth this year. During the quarter, we further progressed in better utilizing our learning center network. We closed underperforming, mostly one-on-one, centers while at the same time we grasped opportunities to open new small class centers in new markets. This continued ability to replicate our model in new markets led to our small class business in cities other than Beijing and Shanghai contributing 22% of total small class revenues in the second fiscal quarter versus 11% in the same period last year and 21% in the previous quarter," said TAL's Chairman and Chief Executive Officer, Mr. Bangxin Zhang.

"Beginning with the fall term, based on a new policy adopted by the Beijing Education Commission, we have amended and upgraded the mathematics course offerings in our primary school classes in Beijing. We expect this adjustment to our curriculum to have a near-term impact on student enrollments in our third and fourth fiscal quarters, but believe over a longer time frame the improvements we are now making will support the ongoing health and sustainable growth of our business by providing students with an even more enjoyable and effective environment to pursue their studies."

Mr. Joseph Kauffman, Chief Financial Officer, continued, "Once again this quarter, revenues exceeded our guidance. Growth of operating income and net income outpaced revenue growth and resulted in margin expansion, due mainly to a combination of more effective utilization of learning centers and budgetary discipline. As we believe we have ample room for further growth, particularly in the new cities where we are relatively underpenetrated, we plan to continue to make the appropriate investment to realize this business opportunity."

"Furthermore, we are happy to announce that the Board of Directors has approved our first ever dividend after we became a listed company of 25 cents per common share, or 50 cents per ADS. We believe this is a suitable strategy to achieve capital returns for our shareholders

at this time," Mr. Kauffman added.

Financial Results for the Second Quarter of Fiscal Year 2013

Net Revenues

For the second quarter of fiscal year 2013, TAL reported net revenues of US\$68.1 million, representing a 32.3% increase from US\$51.4 million in the second quarter of fiscal year 2012. The increase was mainly driven by an increased number of total student enrollments combined with higher average selling prices (ASPs). Total student enrollments increased by 24.8% to approximately 247,100 from approximately 198,000 in the same period one year ago. The increase in total student enrollments was driven primarily by increases in enrollments in our small class offerings and to a lesser degree by increases in enrollments in our online courses and one-on-one tutoring services. ASP increased by 5.8% from US\$260 in the second quarter of fiscal year 2012 to US\$275 in the same quarter of fiscal year 2013. The growth in ASP was mainly driven by the hourly rate increases of a portion of our center-based course offerings.

Operating Costs and Expenses

Operating costs and expenses were US\$51.4 million, a 24.1% increase from US\$41.4 million in the second quarter of fiscal year 2012. Non-GAAP operating costs and expenses, which exclude share-based compensation expenses, were US\$49.3 million, a 26.8% increase from US\$38.9 million in the second quarter of fiscal year 2012.

Cost of revenues increased by 26.0% to US\$31.8 million, from US\$25.3 million in the second quarter of fiscal year 2012. The increase in cost of revenues was primarily due to an increase in teacher compensation, other staff costs, and increased rental costs associated primarily with an expansion of learning center capacity. Non-GAAP cost of revenues, which exclude share-based compensation expenses, increased by 26.4% to US\$31.8 million, from US\$25.2 million in the second quarter of fiscal year 2012.

Selling and marketing expenses increased by 2.7% to US\$7.0 million, from US\$6.8 million in the second quarter of fiscal year 2012. This slight increase primarily reflected an increase in sales and marketing staff expense to support a greater number of programs and service offerings, which was mostly offset by reduced advertising and other expenses. Non-GAAP selling and marketing expenses, which exclude share-based compensation expenses, increased by 1.2% to US\$6.5 million, from US\$6.4 million in the second quarter of fiscal year 2012.

General and administrative expenses increased by 36.7% to US\$12.5 million, from US\$9.2 million in the second quarter of fiscal year 2012. The increase in general and administrative expenses was mainly due to an increase in general and administrative staff expenses to support expanded number of cities in which the Company had learning center operations and related rental and office expenses. Non-GAAP general and administrative expenses, which exclude share-based compensation expenses, increased by 54.1% to US\$11.0 million, from US\$7.1 million in the second quarter of fiscal year 2012.

Total share-based compensation expenses allocated to the related operating costs and expenses decreased by 17.9% to US\$2.1 million in the second quarter of fiscal year 2013, from US\$2.5 million in the same period of fiscal year 2012.

Gross Profit

Gross profit increased by 38.5% to US\$36.2 million, from US\$26.2 million in the second quarter of fiscal year 2012.

Income from Operations

Income from operations increased by 65.1% to US\$16.7 million, from US\$10.1 million in the second quarter of fiscal year 2012. Non-GAAP income from operations, which excludes share-based compensation expenses, increased by 48.5% to US\$18.8 million, from US\$12.6 million in the second quarter of fiscal year 2012.

Other Income/(Expense)

Other income was US\$0.3 million for the second quarter of fiscal year 2013, compared to other income of US\$1.5 million in the second quarter of fiscal year 2012. In both years, other income was primarily driven by foreign exchange gains. As the Company holds the vast majority of its cash balance in RMB and reports in US Dollars, the Company benefits from exchange gains in times of relative strength of the RMB and incurs exchange losses in times of relative strength of the U.S. Dollar.

Income Tax Expense

Income tax expense was US\$2.4 million in the second quarter of fiscal year 2013, as compared to US\$1.9 million in the second quarter of fiscal year 2012. The increase was mainly a result of the increase of income before income tax.

Net Income Attributable to TAL Education Group

Net income attributable to TAL Education Group increased by 49.7% to US\$16.0 million, from US\$10.7 million in the second quarter of fiscal year 2012. Non-GAAP net income attributable to TAL, which excludes share-based compensation expenses, increased by 36.8% to US\$18.1 million, from US\$13.2 million in the second quarter of fiscal year 2012.

Basic and Diluted Net Income per ADS

Both basic and diluted net income per ADS were US\$0.21, in the second quarter of fiscal year 2013. Both Non-GAAP basic and Non-GAAP diluted net income per ADS, which exclude share-based compensation expenses, were US\$0.23 in the second quarter of fiscal year 2013.

Capital Expenditures

Capital expenditures for the second quarter of fiscal year 2013 were US\$1.7 million, representing a decrease of US\$27.1 million from US\$28.8 million in the second quarter of fiscal year 2012. The decrease was mainly a result of our making a payment in the second quarter of fiscal year 2012 for office space purchased last year, which did not recur again in the second quarter of fiscal year 2013.

Cash and Cash Equivalents

As of August 31, 2012, the Company had US\$223.0 million of cash and cash equivalents and US\$15.8 million of term deposits, as compared to US\$188.6 million of cash and cash equivalents and US\$10.3 million of term deposit as of February 29, 2012.

Deferred Revenue

As of August 31, 2012, the Company's deferred revenue balance was US\$103.3 million as compared to US\$70.1 million as of August 31, 2011, representing an increase of 47.3%.

Completion of the Share Repurchase Program

The Company's Share Repurchase Program authorizing the Company to repurchase up to US\$50 million of its ADSs, which was approved by its Board of Directors in October 2011, has now been completed. The Company has repurchased 288,969 ADSs in the open market, at an average price of US\$8.43 per ADS, for an aggregate consideration of US\$2.44 million.

Declaration of Cash Dividend

TAL Education Group's Board of Directors has approved a cash dividend of US\$0.25 per share on the Company's common shares. Each of the Company's ADS represents two common shares. The cash dividend will be paid on or about December 28, 2012 to shareholders of record at the close of business on December 7, 2012. The cash dividends will be funded by surplus cash on the Company's balance sheet.

Business Outlook

Based on the Company's current estimates, total net revenues for the third quarter of fiscal year 2013 are expected to be between US\$48.0 million and US\$49.2 million, representing an increase of 18% to 21% on a year-over-year basis.

Taking into account the near-term impact of the new Beijing policy, the company is adjusting its full year guidance from that provided on February 29, 2012 and reaffirmed on July 24, 2012. For the fiscal year ending February 28, 2013, the Company expects total net revenues to be in the estimated range of US\$227.2million to US\$232.6 million, representing an increase of 28% to 31% year-over-year.

These estimates reflect the Company's current expectation, which is subject to change.

Conference Call

The Company will host a conference call and live webcast to discuss its financial results for the second fiscal quarter of fiscal year 2013 ended August 31, 2012 at 8:00 a.m. Eastern Daylight Time on October 23, 2012 (8:00 p.m. Beijing time on October 23, 2012).

The dial-in details for the live conference call are as follows:

- U.S. toll free: +1-866-519-4004
- China toll free: 800-819-0121
- Hong Kong toll free: 800-930-346
- U.S. toll / International: +1-718-354-1231

Conference ID: 37477240

A live and archived webcast of the conference call will be available on the Investor Relations section of TAL's website at en.xueersi.org.

A telephone replay of the conference call will be available through October 30, 2012.

The dial-in details for the replay are as follows:

- U.S. toll:	+1-718-354-1232
- China toll:	400-692-0026
- Hong Kong toll:	800-901-596
- International toll:	+61-2-8235-5000
Conference ID:	37477240

Safe Harbor Statement

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, the outlook for the third quarter of fiscal year 2013 and the fiscal year ending February 28, 2013, as well as quotations from management in this announcement, as well as TAL's strategic and operational plans, contain forward-looking statements. The Company may also make written or oral forward-looking statements in its reports filed with, or furnished to, the U.S. Securities and Exchange Commission, in its annual reports to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: its ability to continue to attract students to enroll in its courses; its ability to continue to recruit, train and retain qualified teachers; its ability to improve the content of its existing course offerings and to develop new courses; its ability to maintain and enhance its brand; its ability to maintain and continue to improve its teaching results; and its ability to compete effectively against its competitors. Further information regarding these and other risks is included in the Company's reports filed with, or furnished to the Securities and Exchange Commission. All information provided in this press release and in the attachments is as of the date of this press release, and TAL undertakes no duty to update such information or any forward-looking statement, except as required under applicable law.

About TAL Education Group

TAL Education Group, which operates under the brand "Xueersi," is a leading K-12 after-school tutoring service provider in China. Its tutoring services cover the core subjects in

China's school curriculum, including mathematics, English, Chinese, physics, chemistry and biology, and are delivered through three formats: small class, one-on-one, and online courses. The Company's network includes 257 physical learning centers as of August 31, 2012, located in 15 key cities in China: Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Wuhan, Xi'an, Chengdu, Nanjing, Hangzhou, Taiyuan, Zhengzhou, Chongqing, Suzhou and Shenyang. It also operates www.eduu.com, a leading online education platform in China. The Company's ADSs trade on the New York Stock Exchange under the symbol "XRS."

About Non-GAAP Financial Measures

In evaluating its business, TAL considers and uses the following measures defined as non-GAAP financial measures by the SEC as supplemental metrics to review and assess its operating performance: non-GAAP operating costs and expenses, non-GAAP cost of revenues, non-GAAP selling and marketing expenses, non-GAAP general and administrative expenses, non-GAAP income from operations, non-GAAP net income attributable to TAL, non-GAAP basic and non-GAAP diluted net income per ADS. To present each of these non-GAAP measures, the Company excludes share-based compensation expenses. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. For more information on these non-GAAP financial measures, please see the table captioned "Reconciliations of non-GAAP measures to the most comparable GAAP measures" set forth at the end of this release.

TAL believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance and liquidity by excluding share-based expenses that may not be indicative of its operating performance from a cash perspective. TAL believes that both management and investors benefit from these non-GAAP financial measures in assessing its performance and when planning and forecasting future periods. These non-GAAP financial measures also facilitate management's internal comparisons to TAL's historical performance and liquidity. TAL computes its non-GAAP financial measures using the same consistent method from quarter to quarter and from period to period. TAL believes these non-GAAP financial measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision making. A limitation of using non-GAAP measures is that these non-GAAP measures exclude share-based compensation charges that have been and will continue to be for the foreseeable future a significant recurring expense in the Company's business. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from each non-GAAP measure. The accompanying tables have more details on the reconciliations between GAAP financial measures that are most directly comparable to non-GAAP financial measures.

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TAL EDUCATION GROUP
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In U.S. dollars)

	<u>As of February 29, 2012</u>	<u>As of August 31, 2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 188,579,767	\$ 222,993,318
Term deposits	10,328,116	15,752,001
Restricted cash	-	401,694
Available-for-sale securities	361,803	337,628
Inventory	223,611	491,651
Deferred tax assets-current	1,729,758	2,381,212
Prepaid expenses and other current assets	9,011,975	10,576,857
Total current assets	<u>210,235,030</u>	<u>252,934,361</u>
Property and equipment, net	76,726,219	75,072,483
Deferred tax assets-non-current	490,222	523,728
Rental deposit	4,545,605	4,735,410
Intangible assets, net	183,523	1,790,557
Goodwill	548,825	544,079
Long-term prepayments	1,923,481	822,521
Long-term Investment	-	2,362,800
Total assets	<u>\$ 294,652,905</u>	<u>338,785,939</u>

LIABILITIES AND EQUITY

Current liabilities

Accounts payable (including accounts payable of the consolidated VIEs without recourse to TAL Education Group of 1,993,297 and 3,113,673 as of February 29, 2012, and August 31, 2012, respectively)	\$ 2,863,596	\$ 3,203,216
Deferred revenue (including deferred revenue of the consolidated VIEs without recourse to TAL Education Group of 50,395,945 and 70,154,693 as of February 29, 2012, and August 31, 2012, respectively)	85,594,032	103,349,766

Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to TAL Education Group of 9,546,915 and 12,068,650 as of February 29, 2012, and August 31, 2012, respectively)	15,284,190	17,875,951
Income tax payable (including income tax payable of the consolidated VIEs without recourse to TAL Education Group of 2,206,266 and 3,000,850 as of February 29, 2012, and August 31, 2012, respectively)	637,302	2,044,744
Total current liabilities	104,379,120	126,473,677
Deferred tax liabilities-non-current (including deferred tax liabilities-non-current of the consolidated VIEs without recourse to TAL Education Group of 45,881 and 41,940 as of February 29, 2012, and August 31, 2012, respectively)	156,494	191,593
Total liabilities	104,535,614	126,665,270
Shareholders' Equity		
Class A common shares	45,277	67,920
Class B common shares	109,681	87,806
Additional paid-in capital	119,769,989	121,548,380
Statutory reserve	10,502,713	10,502,713
Retained earnings	54,779,267	75,772,635
Accumulated other comprehensive income	4,910,364	4,141,215
Total equity	190,117,291	212,120,669
Total liabilities and equity	\$ 294,652,905	\$ 338,785,939

TAL EDUCATION GROUP
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

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

	For the Three Months Ended August 31,		For the Six Months Ended August 31,	
	2011	2012	2011	2012
Net revenues	\$ 51,430,002	\$ 68,063,752	\$ 84,652,437	\$ 117,378,427
Cost of revenues	25,276,793	31,845,082	43,416,143	57,622,215
Gross profit	26,153,209	36,218,670	41,236,294	59,756,212
Operating expenses (note 1)				
Selling and marketing	6,825,571	7,012,903	11,150,546	13,145,236
General and administrative	9,168,570	12,532,377	16,620,640	23,959,949
Impairment loss on goodwill	139,660	-	139,660	-
Total operating expenses	16,133,801	19,545,280	27,910,846	37,105,185
Government Subsidies	77,589	-	213,270	38,069
Income from operations	10,096,997	16,673,390	13,538,718	22,689,096
Interest income	993,452	1,447,465	1,861,144	2,364,029
Other income / (expenses)	1,520,090	309,364	2,908,323	(931,748)
Income before income tax provision	12,610,539	18,430,219	18,308,185	24,121,377
Provision for income tax	(1,896,932)	(2,388,159)	(3,018,556)	(3,128,009)
Net income	10,713,607	16,042,060	15,289,629	20,993,368
Total net income attributable to TAL Education Group	\$ 10,713,607	\$ 16,042,060	\$ 15,289,629	\$ 20,993,368
Net income per common share				
Basic	\$ 0.07	\$ 0.10	\$ 0.10	\$ 0.14
Diluted	0.07	0.10	0.10	0.13
Net income per ADS (note 2)				
Basic	0.14	0.21	0.20	0.27
Diluted	\$ 0.14	\$ 0.21	\$ 0.20	\$ 0.27
Other comprehensive income, net of tax	1,141,924	322,790	1,986,723	(769,149)
Comprehensive income	11,855,531	16,364,850	17,276,352	20,224,219
Comprehensive income attributable to TAL Education Group	\$ 11,855,531	\$ 16,364,850	\$ 17,276,352	\$ 20,224,219

Weighted average shares used in
calculating net income per
common share

Basic	153,505,610	155,387,963	153,052,805	155,173,004
Diluted	155,923,297	156,311,147	155,720,423	156,432,354

Note 1: Share-based compensation expenses are included in the operating costs and expenses as follows:

	For the Three Months		For the Six Months	
	Ended August 31		Ended August 31	
	2011	2012	2011	2012
Cost of revenues	\$ 105,843	\$38,115	\$ 328,285	\$88,711
Selling and marketing	387,509	494,524	813,041	1,066,860
General and administrative	2,038,214	1,546,212	3,877,679	3,152,170
Total	<u>\$ 2,531,566</u>	<u>\$2,078,851</u>	<u>\$ 5,019,005</u>	<u>\$ 4,307,741</u>

Note 2: Each ADS represents two Class A common shares.

TAL EDUCATION GROUP

**Reconciliation of Non-GAAP Measures to the Most Comparable U.S. GAAP Measures
(In U.S. dollars, except share, ADS, per share and per ADS data)**

	For the Three Months		For the Six Months	
	Ended August 31,		Ended August 31,	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Cost of revenues	\$25,276,793	\$31,845,082	\$43,416,143	\$57,622,215
Share-based compensation expense in cost of revenues	<u>105,843</u>	<u>38,115</u>	<u>328,285</u>	<u>88,711</u>
Non-GAAP cost of revenues	<u>25,170,950</u>	<u>31,806,967</u>	<u>43,087,858</u>	<u>57,533,504</u>
Selling and marketing expenses	6,825,571	7,012,903	11,150,546	13,145,236
Share-based compensation expense in selling and marketing expenses	<u>387,509</u>	<u>494,524</u>	<u>813,041</u>	<u>1,066,860</u>
Non-GAAP selling and marketing expenses	<u>6,438,062</u>	<u>6,518,379</u>	<u>10,337,505</u>	<u>12,078,376</u>
General and administrative expenses	9,168,570	12,532,377	16,620,640	23,959,949
Share-based compensation expense in general and administrative expenses	<u>2,038,214</u>	<u>1,546,212</u>	<u>3,877,679</u>	<u>3,152,170</u>
Non-GAAP general and administrative expenses	<u>7,130,356</u>	<u>10,986,165</u>	<u>12,742,961</u>	<u>20,807,779</u>
Operating costs and expenses	41,410,594	51,390,362	71,326,989	94,727,400
Share-based compensation expense in operating costs and expenses	<u>2,531,566</u>	<u>2,078,851</u>	<u>5,019,005</u>	<u>4,307,741</u>
Non-GAAP operating costs and expenses	<u>38,879,028</u>	<u>49,311,511</u>	<u>66,307,984</u>	<u>90,419,659</u>
Income from operations	10,096,997	16,673,390	13,538,718	22,689,096
Share based compensation expenses	<u>2,531,566</u>	<u>2,078,851</u>	<u>5,019,005</u>	<u>4,307,741</u>
Non-GAAP income from operations	<u>12,628,563</u>	<u>18,752,241</u>	<u>18,557,723</u>	<u>26,996,837</u>
Net income attributable to TAL Education Group	10,713,607	16,042,060	15,289,629	20,993,368
Share based compensation expenses	<u>2,531,566</u>	<u>2,078,851</u>	<u>5,019,005</u>	<u>4,307,741</u>
Non-GAAP net income attributable to TAL Education Group	<u>\$13,245,173</u>	<u>\$18,120,911</u>	<u>\$20,308,634</u>	<u>\$ 25,301,109</u>

Net income per ADS

Basic	\$ 0.14	\$ 0.21	\$ 0.20	\$ 0.27
Diluted	0.14	0.21	0.20	0.27
Non-GAAP Net income per ADS				
Basic	0.17	0.23	0.27	0.33
Diluted	\$ 0.17	\$ 0.23	\$ 0.26	\$ 0.32
ADSs used in calculating net income per ADS				
Basic	76,752,805	77,693,982	76,526,402	77,586,502
Diluted	77,961,648	78,155,573	77,860,212	78,216,177

Note 3: Non-GAAP net income per share and per ADS are computed using Non-GAAP net income and the same number of shares and ADSs used in U.S. GAAP basic and diluted EPS calculation.