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9 UNITED STATES DISTRICT COURT  
10 CENTRAL DISTRICT OF CALIFORNIA

11 \_\_\_\_\_, Individually and on behalf of  
12 all others similarly situated,

13 Plaintiff,

14 v.

15 TAL EDUCATION GROUP,  
16 BANGXIN ZHANG, RONG LUO, and  
17 LINDA HUO,

18 Defendants.  
19

No.

20 **CLASS ACTION COMPLAINT**  
21 **FOR VIOLATIONS OF THE**  
22 **FEDERAL SECURITIES LAWS**

23 CLASS ACTION

24 JURY TRIAL DEMANDED  
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26  
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1 Plaintiff \_\_\_\_\_ (“Plaintiff”) alleges the following upon personal  
2 knowledge as to allegations specifically pertaining to Plaintiff and, as to all other  
3 matters, upon the investigation of counsel, which included: (a) review and  
4 analysis of public filings with the United States Securities and Exchange  
5 Commission (“SEC”) made by TAL Education Group (“TAL” or the  
6 “Company”) and related parties; (b) review and analysis of press releases and  
7 other publications disseminated by TAL and related parties; (c) review and  
8 analysis of shareholder communications, conference calls and postings on TAL’s  
9 website concerning the Company’s public statements; (d) review and analysis of  
10 news articles concerning TAL and related parties; and (e) review of other  
11 publicly available information concerning TAL, related parties, and/or the  
12 Individual Defendants (as defined below).

13 **NATURE OF THE ACTION**

14 1. This is a federal securities class action brought on behalf of all  
15 persons or entities that purchased or otherwise acquired publicly traded TAL  
16 securities from May 16, 2019 through April 7, 2020, inclusive (the “Class  
17 Period”), seeking to pursue remedies under the Securities Exchange Act of 1934  
18 (the “Exchange Act”). Plaintiff alleges that Defendants violated the Exchange  
19 Act by publishing false and misleading statements to artificially inflate the  
20 Company’s ADS price.

21 **JURISDICTION AND VENUE**

22 2. The claims asserted herein arise under and pursuant to Sections  
23 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule  
24 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

25 3. This Court has jurisdiction over the subject matter of this action  
26 pursuant to 28 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C.  
27 §78aa).  
28



1           11. Defendants Zhang, Luo, and Huo are collectively referred to herein  
2 as the “Individual Defendants.”

3           12. Each of the Individual Defendants:

- 4           (a) directly participated in the management of the Company;
- 5           (b) was directly involved in the day-to-day operations of the  
6 Company at the highest levels;
- 7           (c) was privy to confidential proprietary information concerning  
8 the Company and its business and operations;
- 9           (d) was directly or indirectly involved in drafting, producing,  
10 reviewing and/or disseminating the false and misleading  
11 statements and information alleged herein;
- 12           (e) was directly or indirectly involved in the oversight or  
13 implementation of the Company’s internal controls;
- 14           (f) was aware of or recklessly disregarded the fact that the false  
15 and misleading statements were being issued concerning the  
16 Company; and/or
- 17           (g) approved or ratified these statements in violation of the federal  
18 securities laws.

19           13. The Company is liable for the acts of the Individual Defendants and  
20 its employees under the doctrine of *respondeat superior* and common law  
21 principles of agency because all of the wrongful acts complained of herein were  
22 carried out within the scope of their employment.

23           14. The scienter of the Individual Defendants and other employees and  
24 agents of the Company is similarly imputed to the Company under *respondeat*  
25 *superior* and agency principles.

26           15. The Company and the Individual Defendants are referred to herein,  
27 collectively, as the “Defendants.”  
28

1 **SUBSTANTIVE ALLEGATIONS**

2 **Background**

3 16. TAL is an education and technology enterprise in China. The  
4 Company provides after-school tutoring programs for primary and secondary  
5 school students in the PRC. TAL offers comprehensive tutoring services to K-12  
6 students covering core academic subjects, including others, mathematics, physics,  
7 chemistry, biology, history, geography, political science, English, and Chinese, as  
8 well as, through its Mobby tutoring services, young learners tutoring services for  
9 students aged three through eight.

10 **Materially False and Misleading**  
11 **Statements Issued During the Class Period**

12 17. On May 16, 2019, TAL filed a Form 20-F (“2019 20-F”) with the  
13 SEC for the fiscal year 2019 ended February 28, 2019. The 2019 20-F was signed  
14 by Defendant Zhang. Attached to the 2019 20-F were certifications pursuant to  
15 the Sarbanes-Oxley Act of 2002 (“SOX”) signed by Defendants Zhang and Luo  
16 attesting to the accuracy of financial reporting, the disclosure of any material  
17 changes to the Company’s internal controls over financial reporting, and the  
18 disclosure of all fraud.

19 18. The 2019 20-F discussed the Company’s policy regarding oversight  
20 of financial statements, stating in relevant part:

21 Our audit committee consists of Ms. Jane Jie Sun, Mr. Weiru Chen  
22 and Mr. Kaifu Zhang. Ms. Sun, Mr. Chen and Mr. Kaifu Zhang  
23 satisfy the “independence” requirements of Section 303A of the  
24 Corporate Governance Rules of the New York Stock Exchange and  
25 Rule 10A-3 under the Exchange Act. Ms. Sun is the chair of our  
26 audit committee. Our board of directors has determined that Ms. Sun  
27 is an audit committee financial expert as defined in the instructions to  
28 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:*

1 (i) *the integrity of our financial statements*, (ii) our compliance with  
2 legal and regulatory requirements, (iii) the independent auditor’s  
3 qualifications and independence and (iv) the performance of our  
4 internal audit function and independent auditor. The audit committee  
is responsible for, among other things:

\* \* \*

5 • *reviewing the adequacy and effectiveness of our accounting*  
6 *and internal control policies and procedures and any steps taken to*  
7 *monitor and control major financial risk exposures;*

\* \* \*

8 • *monitoring compliance with our code of business conduct*  
9 *and ethics*, including reviewing the adequacy and effectiveness of  
our procedures to ensure proper compliance.”

10 (Emphasis added.)

11 19. The 2019 20-F declared that the Company’s internal controls were  
12 effective, stating in part:

13  
14 Our management conducted an assessment of the design and  
15 operation effectiveness of our internal control over financial reporting  
16 as of February 28, 2019. In making this assessment, we used the  
17 criteria established within the Internal Control-Integrated Framework  
18 (2013) issued by the Committee of Sponsoring Organizations of the  
19 Treadway Commission (COSO). *Based on this assessment, our*  
*management has concluded that, as of February 28, 2019, our*  
*internal control over financial reporting was effective.*

20 \* \* \*

21  
22 There were no changes in our internal control over financial reporting  
23 that occurred during the period covered by this annual report on Form  
24 20-F that have materially affected, or are reasonably likely to  
materially affect, our internal controls over financial reporting.

25 (Emphasis added.)

26 20. On July 26, 2019, TAL filed a Form 6-K (“July 6-K”) with the SEC.  
27 The July 6-K was signed by Defendant Luo. Attached to the July 6-K was an  
28

1 unaudited financial result (“1Q20 Financial Result”) for the first quarter, ended  
2 May 31, 2019, of the fiscal year 2020.

3 21. In the 1Q20 Financial Result, the Company reported, “Net revenues  
4 increased by 27.6% year-over-year to US\$702.8 million from US\$550.6 million  
5 in the same period of the prior year.”

6 22. During a conference call that same day, Defendant Luo discussed the  
7 Company’s revenue growth, stating in part:

8 **“Revenue growth in the first quarter was 27.6% year over year in**  
9 **U.S. dollar terms to USD 702.8 million** and 36.3% in RMB terms.  
10 Total student enrollments of normal price long-term courses  
11 increased by 40.6% year over year, mostly driven by positive growth  
12 in online enrollments, as well as Peiyou small class.”

12 (Emphasis added.)

13 23. During that same conference call, Defendant Huo discussed the  
14 Company’s revenue, stating in relevant part:

15 **“Fiscal first-quarter revenue was based on steady growth**  
16 **momentum in the various education services of our tutoring**  
17 **business.** Let me review the business by different revenue streams.  
18 Let me start with small class and other business, which consists of  
19 Xueersi Peiyou small class, Firstleap, Mobby and some other  
20 education programs and services.

21 **These accounted for 78% of total revenue** compared to 83% in the  
22 fourth quarter last year. The revenue growth rate was 20% in U.S.  
23 dollar terms and 28% in RMB terms. Xueersi Peiyou small class,  
24 which remains our core business, represented 64% of total net  
25 revenue compared to 71% in the same year ago period.”

24 (Emphasis added.)

25 24. On October 25, 2019, TAL filed a Form 6-K (“October 6-K”) with  
26 the SEC. The October 6-K was signed by Defendant Luo. Attached to the  
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1 October 6-K was an unaudited financial result (“2Q20 Financial Result”) for the  
2 second quarter, ended August 31, 2019, of the fiscal year 2020.

3 25. In the 2Q20 Financial Result, the Company reported, “Net revenues  
4 increased by 33.8% year-over-year to US\$936.6 million from US\$699.8 million  
5 in the same period of the prior year.”

6 26. During a conference call that same day, Defendant Luo discussed the  
7 Company’s net revenue, stating in part:

8 *“Net revenue growth in the second quarter was 33.8% year over*  
9 *year in U.S. dollar terms to USD 936.6 million* and a 38.7% in  
10 RMB terms. Total normal priced long-term course Student  
11 Enrollments increased by 54.5% year over year, most driven by both  
12 the growth in online enrollments as well as the Xueersi Peiyou small  
13 class.”

14 (Emphasis added.)

15 27. During that same conference call, Defendant Huo discussed the  
16 Company’s revenue, stating in relevant part:

17 *“Fiscal second-quarter revenue was based on solid growth*  
18 *momentum in the various education services of our tutoring*  
19 *business.* Let me review the business by different revenue streams.  
20 Let me start with small class and other business, which consists of  
21 Xueersi Peiyou small class, Firstleap, Mobby, and some other  
22 education programs and services.

23 *These accounted for 76% of total net revenue,* compared to 81% in  
24 the second quarter last year. The revenue growth rate was 25% in  
25 U.S. dollar terms and 38% in RMB terms. Xueersi Peiyou small  
26 class, which remains our stable core business, represented 63% of  
27 total net revenue, compared to 70% in the same year-ago period.”

28 (Emphasis added.)

29 28. On January 21, 2020, TAL filed a Form 6-K (“January 6-K”) with  
30 the SEC. The January 6-K was signed by Defendant Luo. Attached to the January  
31



1 6-K was an unaudited financial result (“3Q20 Financial Result”) for the third  
2 quarter, ended November 30, 2019, of the fiscal year 2020.

3 29. In the 3Q20 Financial Result, the Company reported, “Net revenues  
4 increased by 47.2% year-over-year to US\$862.4 million from US\$586.0 million  
5 in the same period of prior year.”

6 30. During a conference call that same day, Defendant Luo discussed the  
7 Company’s net revenue, stating in relevant part:

8 *“Net revenue growth in third-quarter was 47.2% year over year in U.S.*  
9 *dollar terms to USD 862.4 million* and 50.7% in RMB terms. Total  
10 normal-priced long-term courses student enrollment increased by 66% year  
11 over year, mostly driven by online enrollment as well as Xueersi Peiyou  
12 small class.”

12 (Emphasis added.)

13 31. During that same conference call, Defendant Huo discussed the  
14 Company’s revenue, stating in relevant part:

15 *“Fiscal third-quarter revenue was based on solid growth*  
16 *momentum in the various education services of our tutoring*  
17 *business.* Let me review the business by different revenue streams.  
18 Let me start with small class and other business, which consists of  
19 Xueersi Peiyou small class, Firstleap, Mobby and some other  
20 education programs and services.

21 *These accounted for 76% of total net revenue,* compared to 79% in  
22 the third quarter last year. The revenue growth rate was 41% in U.S.  
23 dollar terms and 44% in RMB terms. Xueersi Peiyou small class,  
24 which remains our stable core business, represented 61% of total net  
25 revenue, compared to 65% in the same year-ago period.”

24 (Emphasis added.)

25 32. The above statements in paragraphs 17-31 were materially false  
26 and/or misleading and failed to disclose material adverse facts about the  
27 Company’s business, operations, and prospects. Specifically, Defendants failed to  
28

1 disclose that: (1) the sales figures for the Company’s new product, Light Classes,  
2 were inflated by an employee entering into fraudulent contracts and schemes with  
3 external vendors; (2) the Light Classes, which accounted for approximately 3% to  
4 4% of the Company’s fiscal year 2020 revenues, was inaccurate; (3) the Company  
5 failed to effectively and/or meaningfully monitor its employees and business  
6 segments and failed to prevent the reporting of inflated sales; (4) the Company’s  
7 internal controls were insufficient; and (5) as a result of the foregoing,  
8 Defendants’ public statements were materially false and/or misleading and/or  
9 lacked a reasonable basis.

### 10 THE TRUTH EMERGES

11 33. On April 7, 2020, TAL issued a press release titled, “TAL Education  
12 Group Discovered Employee Wrongdoing”. The press release disclosed the  
13 inflation of TAL’s revenues, stating:

14 *“[C]ertain employee wrongdoing discovered in the Company's routine*  
15 *internal auditing process. TAL discovered irregularities and violations of*  
16 *the Company's business conduct and internal control policies by an*  
17 *employee in the Company's newly introduced "Light Class" business. Upon*  
18 *such discovery, TAL immediately reported to the local police. The*  
*employee has been taken into custody by the local police.*

19 *Based upon the Company's routine internal audit, the Company suspects*  
20 *that the employee of question conspired with external vendors to wrongly*  
21 *inflate "Light Class" sales by forging contracts and other*  
22 *documentations. For the fiscal year 2020 ended February 29, 2020,*  
23 *"Light Class" sales accounted for approximately 3% to 4% of the*  
24 *Company's total estimated revenues.”*

(Emphasis added.)

25 34. In response to these revelations, TAL’s ADS price declined \$5.00  
26 per ADS, or almost 9%, over the next two trading days from a closing price of  
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1 \$55.82 per ADS on April 7, 2020, to a closing price of \$50.82 per ADS on April  
2 9, 2020.

3 35. As a result of Defendants' wrongful acts and omissions, and the  
4 precipitous decline in the market value of the Company's securities, Plaintiff and  
5 other Class members have suffered significant losses and damages.

6 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

7 36. Plaintiff brings this action as a class action pursuant to Federal Rule  
8 of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons  
9 other than defendants who acquired TAL securities publicly traded on NYSE  
10 during the Class Period, and who were damaged thereby (the "Class"). Excluded  
11 from the Class are Defendants, the officers and directors of TAL and its  
12 subsidiaries, members of the Individual Defendants' immediate families and their  
13 legal representatives, heirs, successors or assigns and any entity in which  
14 Defendants have or had a controlling interest.

15 37. The members of the Class are so numerous that joinder of all  
16 members is impracticable. Throughout the Class Period, TAL securities were  
17 actively traded on NYSE. While the exact number of Class members is unknown  
18 to Plaintiff at this time and can be ascertained only through appropriate  
19 discovery, Plaintiff believes that there are hundreds, if not thousands of members  
20 in the proposed Class.

21 38. Plaintiff's claims are typical of the claims of the members of the  
22 Class as all members of the Class are similarly affected by defendants' wrongful  
23 conduct in violation of federal law that is complained of herein.

24 39. Plaintiff will fairly and adequately protect the interests of the  
25 members of the Class and has retained counsel competent and experienced in  
26 class and securities litigation. Plaintiff has no interests antagonistic to or in  
27 conflict with those of the Class.  
28

1           40. Common questions of law and fact exist as to all members of the  
2 Class and predominate over any questions solely affecting individual members of  
3 the Class. Among the questions of law and fact common to the Class are:

- 4           • whether the Exchange Act was violated by Defendants' acts as  
5 alleged herein;
- 6           • whether statements made by Defendants to the investing public  
7 during the Class Period misrepresented material facts about the  
8 financial condition and business of TAL;
- 9           • whether Defendants' public statements to the investing public during  
10 the Class Period omitted material facts necessary to make the  
11 statements made, in light of the circumstances under which they  
12 were made, not misleading;
- 13           • whether the Defendants caused TAL to issue false and misleading  
14 filings during the Class Period;
- 15           • whether Defendants acted knowingly or recklessly in issuing false  
16 filings;
- 17           • whether the prices of TAL securities during the Class Period were  
18 artificially inflated because of the Defendants' conduct complained  
19 of herein; and
- 20           • whether the members of the Class have sustained damages and, if so,  
21 what is the proper measure of damages.  
22

23           41. A class action is superior to all other available methods for the fair  
24 and efficient adjudication of this controversy since joinder of all members is  
25 impracticable. Furthermore, as the damages suffered by individual Class  
26 members may be relatively small, the expense and burden of individual litigation  
27 make it impossible for members of the Class to individually redress the wrongs  
28

1 done to them. There will be no difficulty in the management of this action as a  
2 class action.

3 42. Plaintiff will rely, in part, upon the presumption of reliance  
4 established by the fraud-on-the-market doctrine in that:

- 5 • TAL shares met the requirements for listing, and were listed and  
6 actively traded on NYSE, an efficient market;
- 7 • As a public issuer, TAL filed periodic public reports;
- 8 • TAL regularly communicated with public investors via established  
9 market communication mechanisms, including through the regular  
10 dissemination of press releases via major newswire services and  
11 through other wide-ranging public disclosures, such as  
12 communications with the financial press and other similar reporting  
13 services;
- 14 • TAL's securities were liquid and traded with sufficient volume  
15 during the Class Period; and
- 16 • TAL was followed by a number of securities analysts employed by  
17 major brokerage firms who wrote reports that were widely  
18 distributed and publicly available.

19 43. Based on the foregoing, the market for TAL securities promptly  
20 digested current information regarding TAL from all publicly available sources  
21 and reflected such information in the prices of the securities, and Plaintiff and the  
22 members of the Class are entitled to a presumption of reliance upon the integrity  
23 of the market.  
24

25 44. Alternatively, Plaintiff and the members of the Class are entitled to  
26 the presumption of reliance established by the Supreme Court in *Affiliated Ute*  
27 *Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants  
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1 omitted material information in their Class Period statements in violation of a  
2 duty to disclose such information as detailed above.

3 **COUNT I**

4 **For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder**  
5 **Against All Defendants**

6 45. Plaintiff repeats and realleges each and every allegation contained  
7 above as if fully set forth herein.

8 46. This Count is asserted against Defendants is based upon Section  
9 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated  
10 thereunder by the SEC.

11 47. During the Class Period, Defendants, individually and in concert,  
12 directly or indirectly, disseminated or approved the false statements specified  
13 above, which they knew or deliberately disregarded were misleading in that they  
14 contained misrepresentations and failed to disclose material facts necessary in  
15 order to make the statements made, in light of the circumstances under which  
16 they were made, not misleading.

17 48. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that  
18 they:

- 19 • employed devices, schemes and artifices to defraud;
- 20 • made untrue statements of material facts or omitted to state  
21 material facts necessary in order to make the statements made,  
22 in light of the circumstances under which they were made, not  
23 misleading; or
- 24 • engaged in acts, practices and a course of business that  
25 operated as a fraud or deceit upon plaintiff and others similarly  
26

1 situated in connection with their purchases of TAL securities  
2 during the Class Period.

3 49. Defendants acted with scienter in that they knew that the public  
4 documents and statements issued or disseminated in the name of TAL were  
5 materially false and misleading; knew that such statements or documents would  
6 be issued or disseminated to the investing public; and knowingly and  
7 substantially participated, or acquiesced in the issuance or dissemination of such  
8 statements or documents as primary violations of the securities laws. These  
9 Defendants by virtue of their receipt of information reflecting the true facts of  
10 TAL, their control over, and/or receipt and/or modification of TAL's allegedly  
11 materially misleading statements, and/or their associations with the Company  
12 which made them privy to confidential proprietary information concerning TAL,  
13 participated in the fraudulent scheme alleged herein.

14 50. Individual Defendants, who are the senior officers and/or directors  
15 of the Company, had actual knowledge of the material omissions and/or the  
16 falsity of the material statements set forth above, and intended to deceive Plaintiff  
17 and the other members of the Class, or, in the alternative, acted with reckless  
18 disregard for the truth when they failed to ascertain and disclose the true facts in  
19 the statements made by them or other TAL personnel to members of the investing  
20 public, including Plaintiff and the Class.

21 51. As a result of the foregoing, the market price of TAL securities was  
22 artificially inflated during the Class Period. In ignorance of the falsity of  
23 Defendants' statements, Plaintiff and the other members of the Class relied on the  
24 statements described above and/or the integrity of the market price of TAL  
25 securities during the Class Period in purchasing TAL securities at prices that were  
26 artificially inflated as a result of Defendants' false and misleading statements.  
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1 promptly any public statements issued by TAL which had become materially  
2 false or misleading.

3 58. Because of their positions of control and authority as senior officers,  
4 the Individual Defendants were able to, and did, control the contents of the  
5 various reports, press releases and public filings which TAL disseminated in the  
6 marketplace during the Class Period concerning TAL's results of operations.  
7 Throughout the Class Period, the Individual Defendants exercised their power  
8 and authority to cause TAL to engage in the wrongful acts complained of herein.  
9 The Individual Defendants therefore, were "controlling persons" of TAL within  
10 the meaning of Section 20(a) of the Exchange Act. In this capacity, they  
11 participated in the unlawful conduct alleged which artificially inflated the market  
12 price of TAL securities.

13 59. By reason of the above conduct, the Individual Defendants are liable  
14 pursuant to Section 20(a) of the Exchange Act for the violations committed by  
15 TAL.

16 **PRAYER FOR RELIEF**

17 **WHEREFORE**, Plaintiff, on behalf of himself and the Class, prays for  
18 judgment and relief as follows:

19 (a) declaring this action to be a proper class action, designating plaintiff  
20 as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of  
21 the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead  
22 Counsel;

23 (b) awarding damages in favor of plaintiff and the other Class members  
24 against all defendants, jointly and severally, together with interest thereon;

25 awarding plaintiff and the Class reasonable costs and expenses incurred in  
26 this action, including counsel fees and expert fees; and  
27

28

1 (d) awarding plaintiff and other members of the Class such other and  
2 further relief as the Court may deem just and proper.

3 **JURY TRIAL DEMANDED**

4 Plaintiff hereby demands a trial by jury.

5 Dated:

**THE ROSEN LAW FIRM, P.A.**

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