
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR THE SECURITIES ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

For the fiscal year ended August 31, 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: 001-38077

Bright Scholar Education Holdings Limited

(Exact name of registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation)

**No.1, Country Garden Road
Beijiao Town, Shunde District, Foshan, Guangdong 528300
The People's Republic of China
(Address of principal executive offices)**

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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	Name of each exchange on which registered
American depositary shares, each representing one Class A ordinary share, par value US\$0.00001 per share Class A ordinary shares, par value US\$0.00001 per share* *Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares	BEDU	The New York Stock Exchange

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

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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:

Class A ordinary shares, par value US\$0.00001 each	25,695,274
Class B ordinary shares, par value US\$0.00001 each	93,690,000

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 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

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INTRODUCTION

Except where the context otherwise requires and for purposes of this annual report on Form 20-F only:

- “ADSs” refers to American depositary shares, each of which represents one Class A ordinary share;
- “Advanced Placement” or “AP” refers to a program in the United States and Canada created by the U.S. College Board which offers college-level curricula and examinations to high school students;
- “A-Level” or “A Levels” refers to the General Certificate of Education (Advanced Level) Examination, a subject-based qualification conferred as part of the General Certificate of Education, as well as a school leaving qualification offered by the educational bodies in the United Kingdom and the educational authorities of British Crown dependencies to students completing secondary or pre-university education;
- “BGY Education Investment” refers to BGY Education Investment Management Co., Ltd., our affiliated entity that controls and holds our schools in China, through certain contractual arrangements;
- “Bright Scholar Holdings” refers to Bright Scholar Education Holdings Limited;
- “CAGR” refers to compound annual growth rate;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report only, Taiwan and the special administrative regions of Hong Kong and Macau;
- “Country Garden” refers to Country Garden Holdings Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 2007), a related party, and its subsidiaries;
- “Diploma Program” refers to the International Baccalaureate Diploma Program, a two-year educational program administered by the International Baccalaureate headquartered in Geneva, Switzerland, providing an internationally accepted qualification for entry into higher education, which is generally recognized in all major English-speaking countries;
- “fiscal year” refers to the period from September 1 of the previous calendar year to August 31 of the concerned calendar year;
- “IB” or “IB Organization” refers to International Baccalaureate, an international educational foundation headquartered in Geneva, Switzerland, which offers four educational programs: the IB Diploma Program and the IB Career-related Program for students aged 16 to 19, the IB Middle Years Program for students aged 11 to 16, and the IB Primary Years Program for children aged three to 12, generally recognized in all major English-speaking countries;
- “IGCSE” refers to the International General Certificate of Secondary Education, an English language curriculum developed by the University of Cambridge International Examinations and offered to students to prepare them for the International Baccalaureate, A Level and BTEC Level 3 which is recommended for higher-tier students;
- “learning centers” refer to entities providing after-school education training services, including English proficiency training and extracurricular programs;
- “ordinary shares” or “shares” refers to our Class A and Class B ordinary shares of par value US\$0.00001 per share;
- “RMB” or “Renminbi” refers to the legal currency of China;

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- “school” refers to each of our international schools, bilingual schools, overseas schools and kindergartens, unless otherwise specified;
- “school year” refers to the annual period of instruction at each school respectively, which customarily runs from September of the previous calendar year to July of the concerned calendar year;
- “SEC” refers to the Securities and Exchange Commission of the United States;
- “top local high schools” refers to a group of public high schools that are designated as top local high schools during each high school application period by the local educational authorities in cities in which our bilingual schools are located. Such schools are granted early admission privilege by which they enjoy first priority to admit student applicants with excellent academic performances based on their score rankings in Zhongkao, the high school entrance examinations administered in China;
- “US\$,” “U.S. dollars,” “\$” and “dollars” refers to the legal currency of the United States of America;
- “we,” “us,” “our,” and “our company” refers to Bright Scholar Education Holdings Limited, its subsidiaries and its affiliated entities; and
- “Zhuhai Bright Scholar” refers to Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd., our wholly-owned subsidiary in China.

Names of certain companies provided in this annual report are translated or transliterated from their original Chinese legal names.

Discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

This annual report on Form 20-F includes our audited consolidated financial statements for the 2018, 2019 and 2020 fiscal years.

This annual report on Form 20-F contains information from an industry report commissioned by us and prepared by Frost & Sullivan, an independent research firm, to provide information regarding our industry and our market position in China. We refer to this report as the Frost & Sullivan report.

This annual report contains translations of certain Renminbi amounts into U.S. dollars at specified rates. Unless otherwise stated, the translation of Renminbi into U.S. dollars has been made at RMB6.8474 to US\$1.00, the noon buying rate in effect on August 31, 2020 as set forth in the H.10 Statistical Release of the Federal Reserve Board. We make no representation that any Renminbi 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, the rates stated below, or at all. The PRC government imposes controls over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On December 18, 2020, the noon buying rate was RMB6.5395 to US\$1.00.

We listed our ADSs on the New York Stock Exchange under the symbol “BEDU” on May 18, 2017 and completed an initial public offering of 17,250,000 ADSs on June 7, 2017. We issued an additional 10,000,000 ADSs on March 2, 2018. In July 2019, we issued senior notes in the aggregate principal amount of US\$300.0 million, with interests of 7.45% per annum and maturing on July 31, 2022, and listed such senior notes on the Stock Exchange of Hong Kong Limited.

MARKET AND INDUSTRY DATA

Market data and certain industry forecasts used in this annual report were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and we make no representation as to the accuracy of such information.

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*

We have derived our selected consolidated statement of comprehensive income data for the 2018, 2019 and 2020 fiscal years, and our selected consolidated balance sheet data as of August 31, 2019 and 2020, from our audited consolidated financial statements included in this annual report. Our selected combined statement of comprehensive income data for the fiscal years of 2016 and 2017 and our selected combined and consolidated balance sheet data as of August 31, 2016, 2017 and 2018 have been derived from our audited combined and consolidated financial statements not included in this annual report. Our financial statements have been prepared in accordance with U.S. GAAP.

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You should read the following information in conjunction with our audited combined and consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” in this annual report. Our historical operating results presented below are not necessarily indicative of the results to be expected for any future fiscal period.

	Year Ended August 31,					
	2016	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	RMB	US\$
Summary Combined and Consolidated Income (Loss) Data:						
Revenue	1,040,329	1,328,367	1,718,871	2,563,005	3,366,503	491,647
Cost of revenue	(736,205)	(860,330)	(1,090,595)	(1,586,014)	(2,144,786)	(313,226)
Gross profit	304,124	468,037	628,276	976,991	1,221,717	178,421
Selling, general and administrative expenses	(290,098)	(261,972)	(368,141)	(691,900)	(871,154)	(127,224)
Other operating income	4,283	8,874	12,027	15,435	38,661	5,646
Impairment loss on operating lease right-of-use assets	—	—	—	—	(12,772)	(1,866)
Impairment loss on goodwill	—	—	—	—	(68,723)	(10,036)
Operating income	18,309	214,939	272,162	300,526	307,729	44,941
Interest income/(expense), net	2,148	4,901	27,297	24,254	(159,352)	(23,272)
Investment income	805	13,718	21,669	17,414	106,675	15,579
Other expenses	(457)	(779)	(4,803)	(8,617)	(11,291)	(1,649)
Income before income taxes and share of equity in income of unconsolidated affiliates	20,805	232,779	316,325	333,577	243,761	35,599
Income tax expense	(17,889)	(40,970)	(67,382)	(80,580)	(78,992)	(11,536)
Share of equity in income of unconsolidated affiliates	—	—	(40)	(239)	(595)	(87)
Net income	2,916	191,809	248,903	252,758	164,174	23,976
Net income attributable to non-controlling interests	39,290	19,759	1,934	11,659	3,169	463
Net (loss)/income attributable to ordinary shareholders	(36,374)	172,050	246,969	241,099	161,005	23,513
Net (loss)/earnings per share attributable to ordinary shareholders						
Basic	(0.38)	1.64	2.02	1.97	1.34	0.20
Diluted	(0.38)	1.64	2.02	1.97	1.34	0.20
Weighted average shares used in calculating net loss/earnings per ordinary share:						
Basic	96,983,360	104,839,041	122,088,201	122,322,894	120,158,001	120,158,001
Diluted	96,983,360	104,839,041	122,186,796	122,430,457	120,158,001	120,158,001

	As of August 31,					
	2016	2017	2018	2019	2020	
	RMB	RMB	RMB	RMB	RMB	US\$
Summary Combined and Consolidated Balance Sheet Data						
Cash and cash equivalents	356,018	1,883,000	3,153,852	3,246,995	3,377,684	493,280
Restricted Cash	6,433	13,662	10,229	18,019	1,046,253	152,795
Total assets	1,239,232	2,686,632	4,666,481	7,787,637	10,823,309	1,580,643
Total equity	161,561	1,419,458	3,011,599	3,083,268	3,124,381	456,287
Current liabilities	1,011,849	1,202,074	1,625,344	2,512,290	3,695,043	539,626
Total liabilities	1,077,671	1,267,174	1,654,882	4,704,369	7,698,928	1,124,356

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in our ADSs involves risks. You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this annual report, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The market or trading price of our ADSs could decline due to any of these risks, and you may lose all or part of your investment. In addition, the risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. You should also review the section of this annual report captioned “Item 5. Operating and Financial Review and Prospects—G. Safe Harbor on Forward-Looking Statements.” Please note that additional risks not presently known to us, that we currently deem immaterial or that we have not anticipated may also impair our business and operations.

Risk Factor Summary

Risks Related to Our Business

- our ability to execute our growth strategies or continue to grow as rapidly as we have in the past;
- our ability to remain profitable or increase profitability in the future;
- PRC laws and regulations imposing significant limitations on our ability to engage in the private for-profit education business;
- Uncertainties in our contractual arrangements resulting from changes in and interpretations of PRC laws and regulations;
- limitations on our ability to maintain the operation of our kindergartens and to expand our kindergarten network;
- our learning centers being able to secure required educational permits and business license;
- acquisition related risks as a result of our acquisition strategy;
- our ability to manage our business expansion and integrate businesses we acquire;
- unknown or contingent liabilities related to the acquired businesses;
- our ability to secure additional capital for our future expansion;
- our ability to ramp up existing schools and successfully launch new schools;
- concentration of our business in Guangdong province, China;
- our ability to enroll and retain a sufficient number of students;
- accidents, injuries or other harm that may occur at our schools, learning centers or the events we organize; and
- our ability to charge tuition or other fees at sufficient levels.

Risks Related to Our Corporate Structure

- ownership structure and contractual arrangements being challenged by extensive regulation over private education service business in China;

- uncertainties in the interpretation and implementation of the newly enacted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations;
- contractual arrangements with BGY Education Investment and its shareholders being ineffective in providing control as direct ownership;
- failure by our affiliated entities and their shareholders to perform their obligations under the contractual arrangements;
- potential conflict of interest between us and our largest shareholders; and
- additional taxes owed by us or our affiliated entities due to the PRC tax authorities' scrutiny over our contractual arrangement.

Risks Related to Doing Business in China

- overall economy in China or the education services market affected by PRC economic, political and social conditions, as well as changes in any government policies, laws and regulations;
- uncertainties with respect to the PRC legal system;
- any increase in applicable enterprise income tax rates or the discontinuation of any preferential tax treatments currently available to us;
- unfavorable tax consequences to us as a result of us being classified as a PRC "resident enterprise;"
- are significant uncertainties under the PRC enterprise income tax law relating to the withholding tax liabilities of our PRC subsidiaries;
- uncertainties with respect to indirect transfers of the equity interests in PRC resident enterprises by their non-PRC holding companies; and
- restrictions on currency exchange.

Risks Related to Our Ordinary Shares and ADSs

- exemptions from requirements applicable to other public companies due to our status as an emerging growth company;
- volatile ADS trading price;
- decline in our ADS price due to substantial future sales or perceived potential sales of our ADSs;
- decline in our ADS price due to techniques employed by short sellers;
- limitation on your ability to influence corporate matters due to our dual-class share structure with different voting rights; and
- decline in our ADS price due to inaccurate, unfavorable or little research about us.

Risks Related to Our Business

We may not be able to execute our growth strategies or continue to grow as rapidly as we have in the past several years.

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We have grown rapidly in the past few years, expanding our school network from 29 schools as of September 1, 2013 to 102 schools as of the date of this annual report. We intend to enroll students, recruit teachers and educational staff, increase the utilization rates of our existing and new schools and invest in overseas and complementary businesses. However, we may not be able to continue to grow as rapidly as we did in the past due to uncertainties involved in the process, for example:

- we may not be able to attract and retain a sufficient number of students for our existing and new schools;
- we may be unable to successfully integrate complementary or acquired businesses with our current service offerings and achieve anticipated synergies;
- we may not be able to hire and retain principals, teachers, educational staff and other employees for our existing and new schools;
- we may require more time than expected to obtain the accreditation for the education programs, particularly the international education programs, at our schools;
- we may be unable to continue to refine our curricula and optimize our students' academic performance;
- our business partner, Country Garden, a related party, may be unable to develop new residential communities at locations with a robust demand for private education or sell residential units to a sufficient number of buyers seeking convenient access to private education;
- the development of new schools may be delayed or affected as a result of many factors, such as delays in obtaining government approvals or licenses, shortages of key construction supplies and skilled labor, construction accidents, or natural catastrophes, some of which are beyond our control;
- we may be unable to successfully build our brand name and launch schools independent of Country Garden; and
- we may be unable to successfully execute new growth strategies.

These risks may increase significantly when we expand into new cities or countries. Managing the growth of a geographically diverse business also involves significant risks and challenges. We may find it difficult to manage financial resources, implement uniform education standards and operational policies and maintain our operational, management and technology systems across our network. If we are unable to manage our expanding operations or successfully achieve future growth, our business, prospects, results of operations and financial condition may be materially and adversely affected.

We may not remain profitable or increase profitability in the future.

We may not be successful in maintaining or increasing overall profitability. In particular, certain of our schools, especially those at the ramp-up stage and with comparatively low utilization rates, are currently operating at a loss and we may not be able to improve the profitability of these schools. As we plan to expand our school network, new schools we launch may negatively impact our profitability.

Our ability to maintain profitability and positive cash flow will depend in large part on our ability to control our costs and expenses which we expect to increase as we further develop and expand our school network, as well as our ability to attract and retain educational talents to promote our business success. We may incur significant losses in the future for a number of reasons, including the other risks described in this annual report. We may also further encounter unforeseen expenses, difficulties, complications, delays and other unknown events. If we fail to increase revenue at the rate we anticipate or if our expenses increase at a faster rate than the increase in our revenue, we may not be able to remain profitable or increase profitability.

We may be subject to significant limitations on our ability to engage in the private for-profit education business and may otherwise be materially and adversely affected by changes in PRC laws and regulations.

The Standing Committee of the National People’s Congress amended the Law on the Promotion of Private Education on November 7, 2016, which became effective on September 1, 2017 and were further amended on December 29, 2018 (the “Amended Law”). Pursuant to the Amended Law, sponsors of private schools may choose to establish schools in China either as non-profit or for-profit schools. 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. On the other hand, 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. As a holding company, our ability to generate profits, pay dividends and other cash distributions to our shareholders under the existing and the Amended Law is affected by many factors, including but not limited to the characterizations of our schools as for-profit or non-profit schools, the profitability of our schools and other affiliated entities, and our ability to receive dividends and other distributions from our PRC subsidiary, Zhuhai Bright Scholar, which in turn depends on the service fees paid to Zhuhai Bright Scholar from our schools and other affiliated entities. If our schools elect to be non-profit private education entities, our contractual arrangements with such schools may be subject to more stringent scrutiny. Furthermore, pursuant to the Amended Law, sponsors are not permitted to establish for-profit schools if such schools provide compulsory education services, which cover grades one to nine. Nevertheless, during the reporting period, compulsory education services accounted for a significant portion of our student base as well as revenue. For further details, see “Item 4. Information on the Company—B. Business Overview— Regulations—Regulations on Private Education in the PRC—The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education.”

As of the date of this annual report, it remains uncertain as to how the Amended Law will be interpreted and implemented as well as the impact the Amended Law may have on our business operations. For example, under the Amended Law, schools that offer compulsory education services in China must register as non-profit schools while high schools can elect to register as either for-profit or non-profit schools. However, it is unclear what options are available for schools that offer both compulsory and high school education in some provinces where our schools operate. In addition, the local government authorities may impose additional limits on the tuition and fees our schools in China can charge when implementing the Amended Law. Any of the abovementioned uncertainties with regard to the Amended Law may have a material adverse effect on our business, financial condition and results of operations.

As of the date of this annual report, we have 94 schools in China, among which 11 are for-profit schools, 13 are non-profit private schools, and the remaining ones have not elected to register as either for-profit or non-profit schools. The election to register as for-profit or non-profit schools depends on the legislative status of the implementing regulations by competent government authorities in the various provinces where we operate. In the provinces where the implementation regulations have specified deadlines and provided grace periods for sponsors to elect to register private schools as for-profit or non-profit schools, we are still within such grace periods. For example, for our schools located in Hunan province, we shall be submitting our applications in batches aiming to complete the required election by August 2022. For our schools located in Jiangsu province, we do not have to make such elections until December 2022. For our schools located in Hebei and Shandong provinces, we do not have to make such elections until September 2022. The date of election can be postponed to a later date in some of the provinces we operate, if so approved by the local authorities. However, for provinces that have not promulgated implementing regulations that include deadlines or procedures for making the election, it is unclear when or how we must make the election. To the extent that we have to register certain of our schools in China as non-profit schools pursuant to the implementing regulations, our ability to generate revenue from these schools in the form of service fees could be adversely affected.

Our corporate structure is built upon a series of contractual arrangements which are subject to uncertainties resulting from changes in and interpretations of PRC laws and regulations.

Zhuhai Bright Scholar has entered into an exclusive management services and business cooperation agreement with each of our affiliated entities in China, including our schools controlled and held by BGY Education Investment, pursuant to which we provide service to our schools in China in exchange for the payment of service fees. As a holding company, our ability to generate profits and pay dividends and other cash distributions to our shareholders depends on our ability to receive dividends and other distributions from our PRC subsidiary, Zhuhai

Bright Scholar, which in turn depends on the service fees paid to Zhuhai Bright Scholar from our schools and other affiliated entities in China.

As advised by JunHe LLP, our PRC legal counsel, our right to receive the service fees from our schools and other affiliated entities in China does not contravene any PRC laws and regulations and that payment of service fees under our contractual arrangements should not be regarded as the distribution of returns, dividends or profits to the sponsors of our schools under the PRC laws and regulations. However, if the relevant PRC government authorities take a different view, or if the Amended Law were to be implemented and interpreted in a manner that results in our current business practices being in violation, our business, financial condition and results of operations may be materially and adversely affected. For example, the relevant PRC government authorities may seek to confiscate any or all of the service fees that have been paid by our schools to Zhuhai Bright Scholar, including retrospectively, to the extent that such service fees are tantamount to returns, dividends or profits taken by the sponsors of these schools. The relevant PRC government authorities may also seek to prevent students from attending our schools or, in a more extreme situation, revoke the operating permits of these schools. We may also have to reorganize our operations to meet the requirements regarding the compulsory education services and comply with the Amended Law. In addition, if our schools in China are to elect to be non-profit private education entities, our contractual arrangements with such schools may be subject to more stringent scrutiny. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

On August 10, 2018, the Ministry of Justice, or the MOJ, released the Implementation Rules of the Law on the Promotion of Private Education (Revised Draft) (Draft for Review), or the MOJ Draft, to seek public comments. As of the date of this annual report, the MOJ Draft has not entered into force, with uncertainties with respect to its contents and its retroactive effect. As advised by our PRC legal counsel, if the MOJ Draft is legislated in the same form as published, pursuant to the Legislation Law of the PRC, it shall not have retroactive effect in principle, and except for the situations disclosed in this annual report, the implementation of the MOJ Draft will not require our existing corporate structure and contractual arrangements to be restructured. The MOJ Draft has stipulated, among others, (1) that foreign-invested enterprises established in China and social organizations whose actual controllers are foreign parties shall not sponsor, participate in or actually control private schools that provide compulsory education, (2) that group-based education organizations shall not control non-profit private schools through mergers and acquisitions, franchise agreements and contractual arrangements, and (3) that related party transactions entered into by private schools shall be open, fair and just and shall not harm national interests, school interests, or student or teacher interests. However, there is uncertainty as to whether the MOJ Draft will be legislated in the same form as published for consultation and how they will be interpreted and implemented when and if legislated at all. In particular, as advised by our PRC legal counsel, if the Implementation Rules of the Law on the Promotion of Private Education is promulgated and implemented in accordance with the MOJ Draft with retroactive effect, the validity of our contractual arrangements may be challenged and our corporate structure may need to be restructured to comply with the new regulations, which may be time-consuming and expensive and impose additional restrictions on our business expansion.

On August 17, 2020, the PRC Ministry of Education, or MOE, and other four ministries and commissions promulgated the Opinions on Further Standardization of Education Fee, which further strengthen the regulation of private education fees. The Opinions on Further Standardization of Education Fee stipulate that private schools must publicize the itemized fees and standards at a prominent location in the school and indicate the itemized fees and standards in the admissions brochure and admission notice. If fees that should be publicized are not publicized, or the content of the publicity is not in compliance with the relevant policies, students are entitled to refuse the payment of the fees. In addition, the Opinions on Further Standardization of Education Fee emphasizes that sponsors of non-profit schools shall not transfer proceeds generated from operating such schools by way of related party transactions that fail to meet the requirements of being open, fair or just, and other service fees charged to our students must be charged based on a reasonable basis and voluntary and non-profit principles. If the regulatory authority deems otherwise, our operations may be adversely affected.

On September 7, 2020, the MOE published the Draft Preschool Education Law for public comments. The Draft Preschool Education Law, among other things, tightens restrictions over kindergartens in pursuing profits and prohibits social capital from controlling state-run kindergartens and non-profit kindergartens through mergers and acquisitions, entrusted operation, franchising, through variable interest entities or via contractual control.

Our schools in China that are involved in related party transactions may also be subject to strict supervision by relevant government authorities, and we may need to establish corresponding information disclosure systems and

incur greater compliance costs, and our contractual arrangements, which may be deemed as related-party transactions, may be subject to scrutiny against the stipulated benchmarks by relevant government authorities.

If our existing group structure or contractual arrangements are deemed to violate any rules, laws or regulations, we may be required to terminate or amend our contractual arrangement, our license to operate private schools may be revoked, cancelled or not be renewed and we may be subject to penalties as determined by the relevant authorities. We may also be restricted from further expanding our schools or school network. For example, we may not be able to acquire non-profit private schools. If any of the foregoing occurs, our business, financial condition and results of operations would be materially and adversely affected.

Our ability to maintain the operation of our kindergartens and to expand our kindergarten network may be limited due to our listing status as well as the PRC laws and regulations, which may in turn affect our results of operations.

On November 7, 2018, the Central Committee of the Communist Party of China and the State Council promulgated the Opinions on Regulating the Development and Deepening of the Reform of the Pre-School Education (the “Opinions”), which limits the ability by kindergartens to obtain financing through equity financing. It is unclear whether the Opinions will be applied retrospectively. In addition, we have not been notified of or been subject to any material fines or other penalties under any PRC laws or regulations due to any alleged violation of the Opinions. However, we cannot assure you that the Opinions will not be applied retrospectively, and that we will not be subject to adverse impact under the Opinions or any laws or regulations promulgated pursuant to the Opinions in the future. Moreover, the Opinions restrict public companies from acquiring for-profit kindergartens with funds raised in the capital markets. Even though the Opinions do not clearly provide whether companies listed in capital markets outside the PRC fall under such restriction, we may be subject to this restriction, which would limit our ability to carry out further expansion plans with regard to our kindergarten business.

In addition, on January 22, 2019, the General Office of the State Council issued the Circular on Initiating the Rectification of Kindergartens Affiliated to Residential Communities in Urban Areas (the “Circular on Initiating the Rectification”), which requires existing community-affiliated kindergartens to be handed over to local education authorities and shall be held by local education authorities as public kindergartens or turn into inclusive kindergartens operated by authorized social entities. It also provides that community-affiliated kindergartens shall be not-for-profit. Some of our kindergartens are community-affiliated facilities, and the enforcement of the Circular on Initiating the Rectification may require us to convert them into low-profit or not-for-profit kindergartens, which may affect our profitability and results of operations. As of the date of this annual report, we are in the process of clarifying with local education authorities for four of our kindergartens, which we were notified to hand over to, or to operate on behalf of the local education authorities. As the implementation rules for determining community-affiliated kindergartens have not been promulgated and the attitudes of local education authorities towards the enforcement of such circular may vary in different regions, it remains uncertain whether and when our community-affiliated kindergartens will be required to make such conversion and to what extent such circular will impact on our business operations in general. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Private Education in the PRC—Opinions on Regulating the Development and Deepening of the Reform of Pre-school Education.”

A number of our learning centers do not possess the required educational permits and business licenses and are currently unable to obtain them, which may subject us to fines and other penalties, including the suspension of operations in noncompliant learning centers and confiscation of profits derived from noncompliant operations.

According to the Amended Law, which became effective on September 1, 2017, private schools for after-school tutoring can be established as for-profit private schools at the election of the school sponsors. The Amended Law also deleted the provision which stipulates that measures for administration of profit-making privately-run training institutions registered with the administrative department for industry and commerce shall be separately formulated by the State Council. According to The Rules for the Implementation of Supervision and Management of For-profit Private Schools, jointly issued by the Ministry of Education, the Ministry of Human Resources and Social Security and the State Administration for Industry and Commerce, which came into force on December 30, 2016, for-profit private tutoring institutions shall be in compliance with the regulations applicable to private schools. On February 13, 2018, the General Offices of the Ministry of Education and three other ministries in China jointly issued the Notice to Launch Special Campaign towards After-school Tutoring Institutions on Practically Reducing Burdens for Primary and Middle School Students, which requires after-school tutoring institutions with satisfactory

conditions to obtain school operation licenses and other permits. Further, on August 22, 2018, the State Council issued the Opinion on Supervising After-School Tutoring Institutions (the “Opinions 80”), which provides detailed guidance for these after-school tutoring institutions. Therefore, we expect that the Amended Law, accompanied with its relevant implementation rules and regulations as well as other administrative actions, will bring significant changes to our compliance environment and a certain number of our entities, through which we operate our existing learning centers, may be required to obtain new licenses and permits or update their existing ones.

As of the date of this annual report, eight out of 22 of our learning centers in China currently in operation do not possess the operating permits, while nine out of 22 of our learning centers do not possess business licenses required by the regulatory changes discussed above. Although the implementing rules for the Amended Law or the relevant local regulations have not been published to the public, we are in the process of preparing filings and applying for permits for these learning centers in accordance with the 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. If we fail to obtain such required permits and licenses, we may be subject to fines or confiscation of profits derived from noncompliant operations and we may be unable to continue the operations at our noncompliant learning centers, which could materially and adversely affect our business and results of operations.

We have in the past acquired several businesses and intend to remain acquisitive while continue our organic growth, which may expose us to acquisition related risks.

We are at all times pursuing a number of acquisition opportunities and these processes are, at any time, in various stages of completion. For example, we have completed several acquisitions in the United Kingdom and will continue to seek opportunities in overseas markets as well as in complementary education services. Our targets may cover a wide range of education, including independent schools, boarding schools, art institutes, pre-university education service providers, language training centers and other education-related service providers. Our acquisition strategy exposes us to significant acquisition related risks. If we successfully complete several of these ongoing opportunities, the overall scope of our operations could grow substantially in the near to mid-term and would have a material impact on our business, results of operations and financial condition. While there is no certainty as to whether any of the opportunities that we are currently pursuing, or any future opportunity, will be completed, some of these opportunities may be completed in the near- or mid-term, if current challenges to the processes can be overcome. Our acquisition related risks include:

- failure to obtain sufficient financing on satisfactory commercial terms in a timely manner;
- failure to successfully manage the increased leverage, interest expense, gearing and risks of default;
- depletion of our resources and cash flows available for existing operations;
- significant reduction in our cash flow and liquidity for financing the acquisitions;
- unanticipated challenges in operating in jurisdictions in which we do not currently operate in or do not operate at a significant scale, such as failure to get accustomed to the political, cultural and legal environment of these new jurisdictions;
- unforeseen challenges in operating new types of schools or programs and the failure to obtain relevant licenses for these new businesses;
- failure to manage and integrate the acquired businesses into our current operations effectively and may require financial resources that would otherwise be available for the ongoing development or expansion of our existing operations;
- failure to adjust our current business model to manage and operate at a more sizable scale and to realize the expected benefits from economies of scale;
- divert our management’s attention from existing businesses as they commit significant resources and efforts to the acquisition process;

- incurrence of significant costs in pursuing each acquisition, even if transactions cannot be successfully pursued, such as legal and managerial costs in conducting due diligence on the targeted businesses, resulting in a deprivation of the value of the targeted businesses;
- unforeseen contingent risks and latent liabilities of the targeted businesses that are not revealed to us in the due diligence process;
- financial risks related to the acquisition processes due to the inaccuracy of our assumptions with respect to the cost of and schedule for completing the acquisitions;
- potential loss of key personnel and students of the acquired business and failure to develop new relationships with students, teachers and other third parties in the overseas market;
- failure to recover the cost of the acquisitions through the materialization of the expected value from the targeted businesses or to achieve synergistic effect;
- regulatory risks related to the acquisition processes and to the operation of the newly acquired businesses, such as trade barriers and other restrictive or protective measures of our targeted overseas markets due to our lack of experience in dealing with the relevant authorities;
- liabilities related to the acquisitions against the sellers if we are unable to fulfil our obligations to them pursuant to the relevant sell and purchase agreements resulting in unanticipated financial costs;
- unanticipated increase in financing cost for the acquisitions due to fluctuation in foreign currencies and other foreign exchange restrictions or currency controls; and
- failure to protect our minority interests in certain non-wholly owned schools or to increase our shareholdings by acquiring more equity interests and our interests may not be aligned with those of controlling shareholders’.

We may not be able to effectively manage our business expansion and successfully integrate businesses we acquire.

In recent years, we have expanded rapidly through acquisitions in China and overseas. We plan to continue expanding our operations in China as we address the growth in our student base and the market demand of our quality education services and complementary education services. As part of our global expansion plan, we have also been actively exploring merger and acquisition opportunities abroad to expand our global school network, targeting quality K-12 private education providers and reputable schools in our targeted overseas countries and jurisdictions where students of our domestic school network would normally be interested in pursuing or continuing their education. For further details, see “Item 4. Information on the Company—B. Business Overview—Our Expansions and Investments.”

Our rapid expansion has resulted, and will continue to result, in substantial demands on our management, personnel, operational, technological and other resources. The sustainable post-acquisition organic growth is largely dependent on our ability to integrate operations, system infrastructure, existing partnerships and management philosophies of acquired schools and businesses. The integration of acquired schools is complicated and time-consuming and requires significant resource commitment, standardized integration process, and adequate planning and implementation. There can be no assurance that the acquisitions will be as successful as intended, or at all. The main challenges involved in integrating acquired schools and business include the following:

- implementing integration process and management systems to ensure management philosophies, group-wide strategies and evaluation benchmarks can be effectively carried out at each acquired school and business;
- demonstrating to students of our acquired schools that the acquisitions will not result in adverse changes in the service quality and business focus;

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- retaining local existing managerial and operational teams and qualified education professionals of our acquired schools and businesses;
- integrating and streamlining different system infrastructure and data management systems;
- integrating financial reporting systems, the failure of which could cause a delay in, or impact the reliability of, our financial statements;
- maintaining adequate internal control over financial reporting and preventing failed or delayed integration of these acquired businesses into our internal control over financial reporting;
- preserving strategic, marketing or other important relationships of the acquired schools;
- obtaining requisite pre-acquisition and post-acquisition regulatory approvals in countries and jurisdictions in which our target schools and businesses are located in a timely manner or at all; and
- competing with multinational education companies.

Therefore, we cannot assure you that we will be able to integrate the acquired schools and businesses with our existing operations in accordance with the expected timetables, and we may incur significant financial resources to streamline the operation of the acquired schools and businesses under our internal control requirements, and our pricing and profitability targets may not prove accurate or feasible resulting in adverse impact to our financial performance. Any difficulties or delays encountered in connection with the integration of our and the acquired businesses' operations could divert substantial management attention to the transition of the acquired schools and businesses before achieving full integration and may result in delay or deferral by our management of important strategic decisions for our existing businesses, which may adversely affect our business growth. In addition, the businesses and schools we acquire may be loss making or have existing liabilities or other risks that we may not be able to effectively manage or may not be aware of at the time we acquire them, which may impact our ability to realize the expected benefits from the acquisition or our financial performance.

In addition, we plan to acquire additional overseas schools to expand our global network. We have announced a number of international acquisitions and may undertake future acquisitions or other corporate transactions in the future. We cannot assure you that we will be able to effectively and efficiently identify new overseas school projects, manage acquired overseas schools and our overseas operations, or integrate the acquired overseas schools with our existing operations. In addition, political and economic instabilities, tariffs, trade barriers and other restrictive actions taken by the governments of our targeted markets, fluctuations in foreign exchange rates, our insufficient experience and knowledge of the local markets as well as the relevant local laws and regulations may all affect our ability to operate our overseas schools and manage our overseas operations, which in turn may have a material and adverse effect on our business, financial position and results of operations.

We may be subject to unknown or contingent liabilities related to the acquired businesses, which may adversely affect our financial performance.

The businesses and schools we acquired or plan to acquire may be operating at a loss or have existing liabilities or other risks that we may not be able to effectively manage or may not be aware of at the time that we acquire them. Although we always conduct a review of assets prior to each acquisition that we believe is consistent with industry practice, such reviews are inherently incomplete as it is generally not feasible to review in depth every individual asset involved in each acquisition. Ordinarily, we will focus our due diligence efforts on higher valued businesses or assets and will only conduct a sample due diligence on the remainder. Nonetheless, even an in-depth review of all assets and records may not necessarily reveal an exhaustive list of existing and potential problems, nor will it permit us to become sufficiently familiar with the assets to assess fully their deficiencies and capabilities. As we may have no recourse, or only limited recourse, against the sellers for these unknown liabilities and risks, this may in turn affect our ability to realize the expected benefits from the acquisition or our financial performance. Furthermore, even though the sellers may be required to indemnify us with respect to breaches of the representations and warranties pursuant to the respective sell and purchase agreements, such indemnification is limited and subject to various materiality thresholds and an aggregate cap on losses. As a result, there is no guarantee that we will be able to recover any amounts with respect to losses due to breaches by the sellers of their representations and

warranties. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with the acquired business may exceed our expectations, along with other unanticipated adverse effects, all of which may adversely affect our business, results of operations and financial condition.

We may need additional capital for our future expansion and our leverage profile may change significantly.

To the extent our existing sources of capital are not sufficient to satisfy our existing and future needs, we may have to seek external financing sources. Our ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, regulatory considerations, general market conditions for capital raising activities and economic, political and other conditions in jurisdictions where we operate. In particular, future debt financing, if it can be obtained, could include terms that may restrict our financial flexibility or restrict our ability to manage our business freely, which may adversely affect our business and results of operations. In addition, we have completed several overseas acquisitions in the past, such as the acquisitions of Bournemouth Collegiate School (“BCS”), St. Michael’s School, Bosworth Independent School (“BIC”) and CATS Colleges Holdings Limited (“CATS”), and may in the future enter into agreements in relation to future overseas acquisitions, some of which may be funded through debt financing by us. In the event that the amount of debt drawn to fund such acquisitions is significant, this could result in a significant change to our leverage profile and financing costs, which could impact our financial position and results of operations in the future. Additional debt financing may also increase our interest expense, leverage and gearing, as well as potentially require us to dedicate a substantial portion of our cash flow from operations to debt servicing. If we fail to repay our debt in a timely manner, we may face risks of default which may also cause our other debt to be accelerated.

If we fail to ramp up our existing schools or successfully launch new schools, our business growth and prospects could be materially and adversely affected.

As of the date of this annual report, we have a network of 94 schools in China and eight overseas schools in the United Kingdom and the United States, 34 of which, including three international schools, four bilingual schools and 27 kindergartens, are in the ramp-up period which typically follows within the first five fiscal years upon the launch of a new school. Certain of our schools currently in the ramp-up period are operating at a loss. We have dedicated significant resources to expanding our international school business in China. As of the date of this annual report, we have five international schools in China that have been in operation for more than five years. Five international schools were profitable for the 2018 fiscal year, and all were profitable for the 2019 and 2020 fiscal years. We cannot assure you that we will be able to continue to attract a sufficient number of students to enroll in these schools, recruit additional qualified teachers and educational staff to meet the demands of the increased student enrollment or otherwise expand our operations at schools in a manner that ensures a consistently high quality of education service. For example, our five newly added kindergartens and two newly acquired overseas schools in the 2020 fiscal year contributed an increase of 1,361 out of a total increase of 5,087 in student enrollment in the 2020 fiscal year.

As a growth strategy, we seek to continue to expand our school network in the future. We plan to launch schools in collaboration with school development partners, including Country Garden, and on our own. We or our partners may encounter difficulty in procuring the land and obtaining the permits for construction. As the offering of international education programs requires us to meet the relevant accreditation standards and attract and retain teachers qualified to deliver internationally-accredited courses, we cannot assure you that we will be able to apply our experience from the operation of our existing international schools to new schools or that we will be able to obtain the requisite accreditations or recruit a sufficient number of qualified teachers. If we fail to attract students to our existing schools or start new schools with the requisite accreditations and teachers, our business growth and prospects could be materially and adversely affected.

A significant portion of our schools are located in Guangdong province, China, and any significant downturn of the regional economy or adverse changes in the local regulatory regime may materially and adversely affect our business, financial condition and results of operations.

As of the date of this annual report, 49 of our 102 schools are located in Guangdong province, China. Our schools in Guangdong province in aggregate generated 53.8% and 41.7% of our total revenues in the 2019 and 2020 fiscal years, respectively. Our flagship school, Guangdong Country Garden School, alone generated approximately 16.4% and 13.8% of our total revenues in the 2019 and 2020 fiscal years, respectively. We have historically benefited from the rapid economic development of this region. The concentration of our business in Guangdong province, however, exposes us to geographical concentration risks related to this region or the schools located in this region. Any material adverse social, economic or political development or any natural disaster or epidemic affecting this region could negatively affect the disposable income of the families of our current and prospective students and their demand for private education. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

If we fail to enroll and retain a sufficient number of students, our business could be materially and adversely affected.

Our ability to continue to enroll and retain students for our schools is critical to the continued success and growth of our business. The success of our efforts to enroll and retain students will depend on several factors, including our ability to:

- enhance existing education programs and services to respond to market changes and student demands;
- develop new programs and services that appeal to our students and their parents;
- maintain and enhance our reputation as a leading school operator offering quality education;
- expand our school network and geographic reach;
- effectively market our schools and programs to a broader base of prospective students;
- manage our growth while maintaining the consistency of our teaching quality;
- develop and license additional high quality education content; and
- respond to increasing competition in the market.

In addition, local and provincial government authorities may impose restrictions on the number of students we can enroll. Our business, financial condition and results of operation could be materially and adversely affected if we cannot maintain or increase our student base as we expand our school network.

Accidents, injuries or other harm may occur at our schools, learning centers or the events we organize, which could negatively affect our reputation and our ability to attract and retain students.

There are inherent risks of accidents or injuries in our business. We could be held liable if any student, employee or other person is injured in any accident or incident at any of our schools, learning centers or the events we organize. Though we believe we have taken appropriate measures to limit these risks, in the event of personal injuries, food poisoning, fires or other accidents or incidents suffered by students or other people, we could nonetheless face claims alleging that we were negligent, that we provided inadequate supervision or that we were otherwise liable for the injuries. In addition, if any of our students, teachers or instructors commits acts of violence or otherwise behaves inappropriately, we could face claims alleging our failure to provide adequate security measures or precautions to prevent such actions. Similar events and allegations may also arise with respect to events we organize, including off-campus gatherings and overseas camp programs. Parents of our students may perceive our facilities or programs to be unsafe, which may discourage them from sending their children to our schools, learning centers or programs. We have historically encountered isolated student-related accidents on our school premises and compensated the injured students. Although we maintain liability insurance, the insurance coverage may not be adequate to fully protect us from claims of all kinds and we cannot guarantee that we will be able to obtain sufficient liability insurance in the future on commercially reasonable terms or at all. A liability claim against us or any of our employees could adversely affect our reputation and ability to attract and retain students. 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.

We may be unable to charge tuition or other fees at sufficient levels to be profitable or raise tuition as planned.

Our results of operations are affected in large part by the pricing of our education services. We charge tuition based on each student's grade level and the programs in which the student is enrolled. Subject to the applicable regulatory requirements, we generally determine tuition based on the demand for our education services, the cost of our services, and the tuition and the fees charged by our competitors. Although we have been able to increase the tuition we charge our students in the past, we cannot guarantee that we will be able to maintain or increase our tuition in the future without adversely affecting the demand for our education services.

The tuition we charge for some of our education programs is subject to regulatory restrictions. The regulatory authorities in China, at both the provincial and local levels, have broad powers to regulate the private education industry in China, including the tuition, room and board fees and other fees charged by schools. We have occasionally encountered difficulty in persuading the local regulatory authorities to approve our tuition increase proposals in the past. In light of the significant increase in tuition and other education related fees in China in recent years, regulatory authorities may impose stricter price controls on education charges generally in the future. For example, in accordance with the relevant local regulations, if we increase the tuition at our schools in Guangdong province in a certain school year, such increase will generally not affect the existing students until they complete their current section of education at the same schools. If the tuition we charge were required to be reduced or were not allowed to increase in line with increases in our costs, or if there are any changes in the regulations which may otherwise negatively affect or restrict our ability to adjust our tuition, our business, financial condition and results of operations may be materially and adversely affected. For example, the local government authorities in implementing the Amended Law may impose additional limits on the tuition and fees our schools charge, restrict proposed increase in fees as charged by any of our kindergartens if deemed community-affiliated kindergartens, or prevent us from raising the tuition and fees to our desired levels or at all. For our complementary education services, we have more discretion in determining the tuition, but we cannot guarantee that the current regulatory regime will not change in a manner that may restrict our ability to increase tuition for our complementary education services.

In addition, the Amended Law for Promoting Private Education sets out certain restrictions as to the use of profits earned by not-for-profit schools. We plan to submit applications and designate certain of our kindergartens as for-profit schools, but there is no guarantee that our for-profit school designation applications will be approved. As a result, we may not be able to maintain our current tuition fee rates and may not be able to raise any of such fees for our kindergartens at our desired rates, times and places or at all in the future under the framework of the Amended Law for Promoting Private Education.

Furthermore, the tuition we are able to charge is subject to a number of other factors, such as the perception of our brand, the academic results achieved by our students, our ability to hire qualified teachers, and general local

economic conditions. Any significant deterioration in these factors could have a material adverse effect on our ability to charge tuition at levels sufficient for us to remain profitable.

We may not be able to renew school operation agreements or maintain favorable fee rates at our existing schools or enter into school operation agreements for new schools on commercially reasonable terms.

Since our inception, we have launched substantially all of our schools in China by collaborating with Country Garden. Our schools have enabled Country Garden to meet the local zoning requirements of associated residential properties and have helped market its residential units to prospective home buyers seeking convenient access to private education.

As of August 31, 2020, substantially all of our schools in China, other than those that did not operate on Country Garden properties, had entered into a three-year school operation agreement with Country Garden. We are in the process of arranging the execution of such school operation agreements with Country Garden for our schools in China established after August 31, 2020. Under these agreements, Country Garden provides the premises and facilities for our schools, while we are responsible for school operation and management. We may also offer preferential placement and favorable tuition rates to Country Garden homeowners and employees or under some other extraordinary circumstances. In the 2020 fiscal year, the aggregate amount of tuition discounts was equal to 7.1% of total revenues from our schools in China. If a higher proportion of our students are from families of Country Garden homeowners in the future, the aggregate amount of tuition discounts may increase as a percentage of our revenue. We only recognize the tuition that we actually receive as revenue. However, we cannot assure you that we will be able to renegotiate the contract terms that are commercially acceptable to us with Country Garden when the existing agreements expire. As a result, we may be required by Country Garden to pay fees such as rent to use Country Garden's school premises and facilities or relocate the affected operations to new locations outside of Country Garden's school premises and facilities or residential communities, which would require us to pay higher fees for or even purchase the school facilities, and may significantly increase our marketing expenses to attract students from families residing outside Country Garden's residential communities. Our profitability may decrease if we are unable to pass on the increased costs and expenses to our students by raising tuition without compromising our ability to retain students.

As Country Garden is responsible for ensuring the proper land use type, obtaining the requisite government certifications on construction, environmental assessments, fire control and title certificates and providing utilities including water, heating and power, if Country Garden fails to procure the land use type designated for education-related purposes, obtain such certifications or maintain uninterrupted utility supplies, our operations could be disrupted. If our use of any such properties is challenged by third parties or government authorities, we may be forced to relocate the affected operations and incur significant expenses. We cannot assure you that we will be able to find suitable replacement sites in a timely manner, on terms acceptable to us, or at all. Any protraction for the relocation may also materially interrupt our business operations and result in a loss of student enrollment.

We plan to launch new schools in China in collaboration with school development partners, including Country Garden, and on our own. We cannot assure you that we will obtain leases for school premises or enter into school operation agreements on commercially reasonable terms, or at all. Country Garden has an internal policy that designates us as a preferred school operator partner, under which we are entitled to a right of first refusal on school development projects in connection with its new residential properties. We cannot assure you that Country Garden will faithfully implement this policy or will not amend it, and we do not have any standing to require Country Garden to do otherwise. For new schools we launch in the future, we may not offer tuition discounts to Country Garden homeowners but may be required to pay fees, such as rent, for Country Garden's school premises and facilities. This may increase our revenues but also cost of revenue at the same time at a different level, which may affect our profit margins.

We have certain property defects relating to our lease of the land occupied by Guangdong Country Garden School, which may adversely affect our operations.

Guangdong Country Garden School is located on a parcel of land of approximately 172,240 square meters, leased pursuant to a 70-year lease agreement, effective since 1994, signed between Guangdong Country Garden School and the local village cooperative. This long-term lease agreement has been registered on the rural collective asset management platform in accordance with the local administrative rules. However, PRC law requires that land parcels be classified according to their specific use type. Although the parcel on which Guangdong Country Garden School is located and which was classified for agricultural use has been converted by the relevant government authorities from agricultural use into a piece of land for construction purpose and upon which the construction and operation of a school can be carried out, we are still unable to obtain the relevant land planning approval, construction planning approval, construction approval, inspection for completion of construction, fire control assessment and title certificates because such formalities for conversion cannot be rectified retrospectively. As a result, we may be subject to fines and may be required to vacate if the facilities are found to fall below the statutory standard for construction. Further, the relevant local authorities could prevent us from continuing to use the land for failing to fulfill the aforesaid formalities and we could be required to give up our school facilities. As of the date of this annual report, we are not aware of any government investigations related to our school facilities. However, if our school facilities are found to fall below the relevant statutory standards, we could be required to relocate Guangdong Country Garden School. Guangdong Country Garden School is our flagship school and alone generated 16.4% and 13.8% of our total revenues in the 2019 and 2020 fiscal years, respectively. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms or at all, and if we are unable to relocate our operations in a timely manner, our operations will be severely interrupted, which may materially and adversely affect our business, result of operations and financial condition.

If regulatory authorities challenge our curriculum or textbook practices, our business, results of operations and financial condition may be materially and adversely affected.

Under current PRC laws, all schools are required to offer sufficient government-mandated coursework to students eligible for compulsory education and may supplement their compulsory education with elective coursework. Private schools may offer education programs outside government-mandated curriculum so long as the local education authorities have approved such programs. We offer internationally-accredited courses to our students, primarily in our international schools. We may be deemed to offer insufficient government-mandated coursework to students enrolled in our international programs from grades one through nine. Additionally, we have not obtained the required government approval for providing non-government-mandated coursework in certain schools. Current PRC laws are not clear as to which government examination and approval process is required for such education programs. We make annual filings for our schools to the local education authorities when required, but it is uncertain whether we have satisfied the relevant government approval requirement in relation to government-mandated coursework and non-government mandated programs.

In addition, under current PRC laws, textbooks, including those for non-government-mandated coursework, must be examined and approved by the local education authorities. Fifteen of our schools use foreign textbooks without obtaining the required government approval. There is no clear or implemented guideline under the current PRC laws for obtaining such government approval.

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, or the State Council Opinions. The State Council Opinions emphasize enhancing the leadership of the Chinese Communist Party, or the CCP, over private schools and, in particular, furthering the theoretical system of Socialism with Chinese Characteristics by introducing such system into textbooks and teaching programs.

Furthermore, on June 23, 2019, the Central Committee of the Communist Party of China and the State Council promulgated the Opinions on Deepening the Reform of Educational Teaching and Thoroughly Enhancing the Quality of Compulsory Education (the “Opinion on Deepening the Reform”), which lays out more stringent requirements for textbooks that are permitted to be used in compulsory education.

On December 16, 2019, the MOE issued the Administrative Measures on Primary and Secondary School Textbooks, which details the regulations on the authoring, vetting, publication and schools’ selection of primary and secondary school textbooks.

It is not entirely clear under current PRC laws what penalties we may be subject to for non-compliant curriculum and textbook practice. The local education authorities have the right to prevent us from offering the non-government-mandated coursework or using the textbooks that have not been approved or permitted. As of the date of this annual report, we are not aware of any government investigation of our curriculum or textbook practices. We cannot guarantee, however, that more stringent rules regulating curriculum and textbook will not be promulgated following the implementation of the Opinion on Deepening the Reform and the Administrative Measures on Primary and Secondary School Textbooks. Neither can we assure you that enhancing the leadership of the CCP over private schools according to the State Council Opinions will not lead to more stringent administrative orders on or any penalty against our current practice. We may be ordered by the government to rectify our current practices, which may include ceasing to provide courses that are not government-mandated, if a subsequent government investigation concludes that our practices are not fully compliant with the laws. If regulatory authorities challenge our curriculum or textbook practices, our business, results of operations and financial condition may be materially and adversely affected.

Our business and future growth are affected by the residential communities developed by Country Garden.

We have launched, and expect to continue to launch, schools in collaboration with many of the residential properties developed and to be developed by Country Garden, and our business and future growth are, to a considerable extent, affected by Country Garden's ability to successfully develop and sell residential units in its existing and new property projects. We have experienced slow ramp-up in certain of our schools launched in collaboration with Country Garden. If any of the residential properties developed by Country Garden on which we operate or plan to operate our schools are underpopulated or otherwise unable to develop into substantial communities, the demand for private education in such areas may be lower than anticipated and we may be unable to enroll a sufficient number of students for our schools, which may adversely affect our business and results of operations. We cannot guarantee that we will be able to develop our schools independent of Country Garden's residential property projects. Seeking partnership with other property developers or procuring properties for construction of school facilities may be time-consuming and capital-intensive and may in turn affect our business growth. In addition, we cannot guarantee that we will be able to cost-effectively attract prospective students to our schools launched in cooperation with other property developers or on our own in a cost-effective manner.

The real estate market in China is sensitive to changes in government policies affecting the real estate and financial markets and related sectors. In recent years, the PRC government has implemented various administrative measures to curb what it has perceived as unsustainable growth in the real estate market, particularly when the real estate market in China experienced rapid and significant increases in home sales as well as prices. As Country Garden develops residential communities in prime areas in second- or third-tier cities or suburban areas in first-tier cities, any local economic downturn or changes in the real estate market policies may adversely affect Country Garden's business development or alter its business strategies, which may in turn adversely affect our business relationship with Country Garden and our business and future growth.

If we fail to help our students achieve their academic goals, student and parent satisfaction with our education services may decline.

The success of our business depends on our ability to deliver quality school experiences and help our students achieve their academic goals. Our schools may not be able to meet the expectations of our students and their parents in terms of students' academic performance. A student may not be able to attain the level of academic improvement that he or she seeks and his or her performance may otherwise not progress or decline due to reasons beyond our control. We may not be able to provide education that is satisfactory to all of our students and their parents, and student and parent satisfaction with our services may decline. In addition, we cannot guarantee that our students will be admitted to higher levels of education institutions of their choice. Any of the foregoing could result in a student's withdrawal from our schools, and dissatisfied students or their parents may attempt to persuade other students or prospective students not to attend our schools. If our ability to retain students decreases significantly or if we otherwise fail to continue to enroll and retain new students, our business, financial condition and results of operations may be materially and adversely affected.

If fewer Chinese students aspire to study abroad, especially in the United States, Australia and the United Kingdom, demand for our international schools may decline.

One of the principal drivers of the growth of our international schools has been the increasing number of Chinese students who aspire to study abroad, especially in the United States, Australia and the United Kingdom. As such, any adverse changes in immigration policy or political sentiments toward foreigners and immigrants, global or regional pandemics such as the outbreak of a new strain of coronavirus, COVID-19, terrorist attacks, geopolitical uncertainties such as the United Kingdom exiting the European Union and the associated effects, and any international conflicts involving these countries, in particular, economic, political or military tensions, or the emergence of a trade war or news or rumors of the escalation of a potential trade war between China and the United States or a more stringent visa policy towards Chinese students studying in science and technology fields, such as aeronautical engineering, robotics and biomedicine, in the United States, could increase the difficulty for Chinese students to study overseas, or lower the appeal of Chinese students in studying in such countries. Any significant change in admission standards adopted by overseas education institutions could also affect the demand for overseas education by Chinese students.

In addition, any fluctuation in the currency exchange rate could have a negative impact on the translation of Renminbi into other currencies, including U.S. dollars, Australian dollars and British pounds, which may increase the costs of living and tuition for Chinese students studying abroad. The attractiveness of pursuing an education at international schools in China may decrease accordingly, which could adversely affect our business and profitability.

Furthermore, Chinese students may also become less likely to study abroad due to other reasons, such as improving domestic education or employment opportunities associated with continued economic development in China or a changing attitude to the merits of education abroad. These factors could cause declines in the demand for our international schools, which may adversely affect our business and profitability.

Our business is subject to the risks of international operations.

We have entered into the overseas markets, such as United Kingdom and the United States, through acquisition of established overseas schools, and we may expand our operations in additional markets and regions in the future. We may have to adapt our business models to the local markets due to various legal requirements and market conditions. Our international operations and expansion efforts have resulted and may continue to result in increased costs and expenses and are subject to a variety of risks, including increased competition, uncertain enforcement of our intellectual property rights, changes and evolutions in overseas market conditions, and the complexity of compliance with the local laws and regulations.

In addition, compliance with applicable Chinese and foreign laws and regulations, such as education laws, anti-corruption laws, tax laws, foreign exchange controls and cash repatriation restrictions, data privacy requirements, labor laws, restrictions on foreign investment, and anti-competition regulations, increases the costs and risk exposure of doing business in foreign jurisdictions. Although we have implemented policies and procedures to comply with these laws and regulations, a violation by us or our employees, contractors or agents could nevertheless occur. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. Violations of these laws and regulations could materially and adversely affect our brand, international growth efforts and business.

We may be unable to recruit, train and retain a sufficient number of qualified and experienced teachers and principals.

Our teachers are critical to maintaining the quality of our education and services and our brand and reputation. Our principals are also instrumental to the successful operation of our schools. Our ability to continue to attract teachers and principals with the necessary experience and qualifications is therefore a critical contributing factor to the success of our operations. There are a limited number of teachers and principals in China with the necessary experience, expertise and qualifications that meet our requirements. Further, the Measures for Punishment for Violation of Professional Ethics of Primary and Secondary School Teachers, promulgated by the PRC Ministry of Education, or MOE, on January 11, 2014 and amended on November 8, 2018, prohibits teachers of primary and secondary schools from providing paid tutoring in schools or in out-of-school learning centers. Some provinces and cities where our schools are located have adopted more stringent stipulations which prohibit public school teachers from teaching on a part-time basis at private schools or learning centers. Public school teachers may join private schools only after ending their employment with public schools. Therefore, to recruit qualified and experienced teachers and principals, including those with public school experience, we must provide candidates with competitive compensation packages and offer attractive career development opportunities, especially when former public school teachers and principals may have to undergo major career changes. In addition, we strive to provide an immersive bilingual learning environment, particularly at our international schools, which requires a sizable pool of foreign teachers. As the market for qualified foreign teachers is extremely competitive and the attrition rate for foreign teacher is generally higher than that for Chinese teachers, we cannot guarantee that we can increase the number of our foreign teachers to meet the growing demand as our student enrollment increases. In addition, as government process for obtaining the work and residence permits for foreign teachers may be time-consuming, we may fail to apply for such permits for our foreign teachers before they join us. If we are unable to attract and retain qualified teachers and principals, we may experience a decrease in the quality of our education programs and services in one or more of our schools or incur an increase in hiring and labor costs, which may materially and adversely affect our business and results of our operations.

If we lose the accreditations, permits or licenses required to provide our education or complementary education services or operate our schools or if we fail to obtain the accreditations, permits or licenses for our new schools or complementary education services, our business could be materially and adversely affected.

In order to provide our education programs or operate our schools, we apply for and maintain various accreditations from curriculum providers and permits from examination boards, such as the IB Organization. To obtain or maintain our accreditations and permits, we must meet standards related to, among other things, performance, governance, institutional integrity, education quality, staff, administrative capability, resources and financial stability, on an ongoing basis. If any of our schools fails to meet these standards, it could fail to obtain or lose its existing accreditations or permits, or be unable to expand its offerings of internationally-accredited curricula that are popular among students and their parents, which could materially and adversely affect our business, results of operations and financial condition.

In addition, we must apply periodically to the local education bureaus and civil affairs bureaus to obtain or renew the permits or licenses to operate our schools and ancillary services, including room and board services and school bus services. While we believe that we will be able to obtain or renew such permits or licenses, we cannot assure you that such permits and licenses will be obtained or renewed in a timely manner, or at all or that new conditions will not be imposed. For example, we are in the process of obtaining certain licenses or permits for five of our existing schools and renewing certain licenses or permits for four of our existing schools, as of the date of this annual report. Any failure to obtain or renew the required permits or licenses to operate our schools could give rise to administrative penalties including rectification or suspension of operations in noncompliant schools or confiscation of profits derived from noncompliant operations, which could materially and adversely affect our business, results of operations and financial condition.

Competition in the private education market could reduce enrollment at our schools, increase our cost of recruiting and retaining students and teachers and put downward pressure on our tuition and profitability.

We may face competition from other existing or new schools that target the children of affluent local families in the locations in which we operate. Some of our existing and potential competitors may be able to devote greater resources than we can to the development and construction of private schools and respond more quickly to changes in demands of students and their parents, admissions standards, market needs or new technologies. Moreover, our competitors may increase capacity in any of the local markets to an extent that leads to an over-supply of placement positions at private schools and downward pressure on tuition prices. Our existing or potential competitors may also strategically price their tuition lower than ours to attract students and parents. The Amended Law may attract more private school operators to offer non-compulsory education and further increase competition in this market.

Our complementary businesses, including English proficiency training and extracurricular programs, may also face competition from other providers of comparable services that may have stronger financial resources, technology, service performance or brand recognition.

If we are unable to differentiate our services from those of our competitors and successfully market our services to students and their parents, we could face competitive pressures that reduce our student enrollment. If our student enrollment falls, we may be required to reduce our tuition or increase spending in order to attract and retain students, which could materially and adversely affect our business, prospects, results of operations and financial condition.

Our business and financial performance may suffer if we fail to successfully develop and launch new education services.

The future success of our business depends partly on our ability to develop new education services. The planned timing or launch of new education services is subject to risks and uncertainties. Actual timing may differ materially from any originally proposed timeframes. Unexpected operational, technical or other issues could delay or prevent the launch of one or more of our new education services or programs. In addition, significant investment of human capital, financial resources and management time and attention may be required to successfully launch features of our new education programs. For further details, see “Item 4. Information on the Company—B. Business Overview—Our Expansions and Investments.” However, we cannot assure you that our students will choose us over third party service providers or that we will be able to successfully integrate such services with our schools and other complementary businesses without expending significant financial resources on marketing and operational optimization. If we fail to manage the expansion of our portfolio of education services cost-effectively, our business could be negatively affected.

We cannot assure you that any of our new services will achieve market acceptance or generate incremental revenue or that our operation of such new services or programs will comply with our business scope or applicable licensing requirements. If our efforts to develop, market and sell our new education services and programs to the market are not successful, our business, financial position and results of operations could be materially and adversely affected.

Any deterioration in our relationships with providers of overseas education services may adversely affect our business.

We have business collaborations with various overseas schools and institutions to provide education resources for our international schools. We derive direct benefits from these relationships such as the ability to offer more diverse programs and classes, including summer and winter camps, and the ability to charge a premium for the programs we offer with other overseas education service providers. We also derive indirect benefits from these relationships, including enhancement of our brand and reputation and exposure to international education methods and experiences.

If our relationships with any of these overseas education service providers deteriorate or are otherwise damaged or terminated, or if the benefits we derive from these relationships diminishes, whether as a result of our own actions, actions of our partners, actions of any third party, including our competitors, or of regulatory authorities or other entities beyond our control, our business, prospects, financial condition and results of operations could be adversely affected.

Any damage to the reputation of any of our schools may adversely affect our overall business, prospects, results of operations and financial condition.

Our reputation could be adversely affected under many circumstances, including the following:

- accidents, epidemics or other events adversely affect our students;
- we fail to properly manage accidents or other events that injure our students;
- our staff behave or are perceived to behave inappropriately or illegally;
- our staff fail to appropriately supervise students under their care;
- we fail to conduct proper background checks on our staff;
- our third party business partners may commit misconduct or other improper activities that cause negative publicity concerning us or penalties from relevant authorities;
- we lose a license, permit, accreditation or other authorization to operate an education program, a school or a complementary education service;
- we do not maintain consistent education quality or fail to enable our students to achieve strong academic results;
- our school facilities do not meet the standards expected by parents and students for private education; and
- school operators of lower quality that abuse our brand name or those with brand names similar to ours conduct fraudulent activities and create confusion among students and their parents.

The likelihood that any of the foregoing may occur increases as we expand our school network. These events could influence the perception of our schools not only by our students and their parents, but also by other constituencies in the education sector and the general public. Moreover, an event that directly damages the reputation of one of our schools could adversely affect the reputation and operations of our other schools. If our reputation deteriorates, our overall business, prospects, results of operations and financial condition could be adversely affected.

Our business is subject to seasonal fluctuations, which may cause our results of operations to fluctuate from quarter to quarter, and in turn result in volatility in and adversely affect the price of our ADSs.

Our business is subject to seasonal fluctuations as our costs and expenses vary significantly during the fiscal year and do not necessarily correspond with the timing of recognition of our revenues. Our students enrolled in our schools that offer K-12 education services and their parents typically pay the tuition and other fees prior to the commencement of a semester, and we recognize revenues from the delivery of education services on a straight-line basis over the semester. For schools offering K-12 education services, we typically incur higher upfront operating expenses in the first fiscal quarter at the start of each school year, and also typically recognize more revenue in the second half of fiscal years due to higher revenues from complementary education services during the summer and, to a lesser extent, students who transfer into our schools for the second semester. As a result of the combination of the foregoing, we have historically incurred net loss or significantly lower net income in the second and fourth fiscal quarters, primarily due to our schools being closed due to the winter and summer holidays, when no revenue from

our school operations is recognized. We expect to continue to experience seasonal fluctuations in our results of operations. These fluctuations could result in volatility in and adversely affect the price of our ADSs.

Our business could be disrupted if we lose the services of members of our senior management team, key principals and teaching staff.

Our success depends in part on the continued application of skills, efforts and motivation of our officers and senior management team. We may in the future experience changes in our senior management for reasons beyond our control. In addition, key personnel could leave us to join our competitors. Losing the services of key members of senior management or experienced personnel may be disruptive to and cause uncertainty for our business. We depend upon the services of our senior management team, including our executive vice chairman, Mr. Junli He, who collectively has significant experience with our company and within the education industry. If one or more members of our senior management team are unable or unwilling to continue in their present positions for health, family or other reasons, we may not be able to replace them easily or at all. If we cannot attract and retain qualified senior management members, key principals and teaching staff in a timely manner, our business, results of operations and financial condition could be materially and adversely affected.

Failure to adequately protect our intellectual property could materially and adversely affect our business.

We have historically relied upon the brand name of “Country Garden” to market our schools. As we expand our schools beyond the network of Country Garden’s residential communities, we have created and begun to promote our own brands, including “Bright Scholar.” Since our inception, we have also created other intellectual property, including education materials developed by our teaching staff. Unauthorized use of any of our intellectual property may adversely affect our business and reputation. We rely on a combination of copyright, trademark and trade secrets laws to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without due authorization. The practice of intellectual property rights enforcement by the PRC regulatory authorities is in its early stage of development and is subject to significant uncertainty. We may also need to resort to litigation and other legal proceedings to enforce our intellectual property rights. Any such action, litigation or other legal proceedings could result in substantial costs and diversion of our management’s attention and resources and could disrupt our business. In addition, we cannot assure you that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorized use of our intellectual property. Failure to adequately protect our intellectual property could materially and adversely affect our business, financial condition and results of operations.

We operate schools and complementary education services under several brands, which may have a dilutive effect on brand recognition among our students and their parents.

We operate substantially all of our schools in China under the brand “Country Garden,” our English proficiency training under “élan,” overseas study counseling business under “Can-Achieve” and overseas career counseling business under “Dream Big Career.” We intend to otherwise promote a unified brand “Bright Scholar” as our corporate image, which represents the entire spectrum of education services we offer in China. We also acquired several overseas schools, such as BCS, BIC, St Michael’s School and CATS, which are operated under their current brands, and we intend to promote a unified brand for overseas operation in the near future. Maintaining multiple brands may have a dilutive effect on brand recognition among our students and their parents and increase our overall marketing expenses as we need to allocate resources among different brands. We may seek to transition our individual brands to “Bright Scholar” in the future if the market responds favorably to our new corporate image. We cannot assure you, however, that our prospective students will embrace our new brand given its limited market exposure and recognition. We may incur significant financial resources for, and divert considerable management attention to, the integration of our existing brands with our new corporate image, which may adversely affect our business, results of operation and financial condition.

We may be exposed to infringement claims by third parties, which, if successful, could cause us to pay significant damages.

We cannot assure you that education materials and content used in our schools and programs do not or will not infringe on intellectual property rights of third parties. As of the date of this annual report, we are not aware of any claims for intellectual property infringement with regard to the abovementioned education materials and content. However, we cannot guarantee that third parties will not claim that we have infringed on their proprietary rights in

the future. We may also use education materials designed in conjunction with our overseas associates and we cannot guarantee that disputes will not arise over the intellectual property rights associated with these materials.

Although we plan to defend ourselves vigorously in any such litigation or legal proceedings, we cannot assure you that we will prevail in these matters. Participation in such litigation and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. We may be required to pay damages or incur settlement expenses. In addition, in case we are required to pay any royalties or enter into any licensing agreements with the owners of intellectual property rights, we may find that the terms are not commercially acceptable and we may lose the ability to use the related materials or content, which in turn could adversely affect our education programs. Any similar claim against us, even without any merit, could also damage our reputation and brand image. Any such event could have a material adverse effect on our business, financial condition and results of operations.

Unauthorized disclosure of personal data that we collect and retain, whether due to a system failure or otherwise, could damage our business.

We maintain records that include personal data, such as academic and medical records, address and family information. Our online services may store and process certain personal and other sensitive data provided by students or their parents. There are numerous laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and data. Specifically, personally identifiable and other confidential information is increasingly subject to legislation and regulations in PRC and numerous foreign jurisdictions. PRC government authorities have enacted a series of laws and regulations relating to the protection of privacy and personal information, under which internet service providers and other network operators are required to clearly indicate the purposes, methods and scope of any information collection and usage, to obtain appropriate user consent and to establish user information protection systems with appropriate remedial measures. However, this regulatory framework for privacy issues in China and worldwide is currently evolving and is likely to remain uncertain for the foreseeable future. We cannot assure you that our existing privacy and personal protection system and technical measures will be considered sufficient under applicable laws and regulations. We could be adversely affected if legislation or regulations in China are expanded to require changes in business practices or privacy policies, or if the PRC governmental authorities interpret or implement their legislation or regulations in ways that negatively affect our business, financial condition and results of operations. In addition to laws, regulations and other applicable rules regarding privacy and privacy advocacy, industry groups or other private parties may propose new and different privacy standards. Because the interpretation and application of privacy and data protection laws and privacy standards are still uncertain, it is possible that these laws or privacy standards may be interpreted and applied in a manner that is inconsistent with our practices. Any inability to adequately address privacy concerns, even if unfounded, or to comply with applicable privacy or data protection laws, regulations and privacy standards, could result in additional cost and liability for us, damage our reputation, inhibit the use of our services and harm our business.

If we were found to be in breach of any privacy and data protection laws, we could incur significant expenses in connection with rectifying any security breaches, settling any resulting claims and providing enhanced protection to prevent additional breaches. In addition, any failure to protect personal information may adversely impact our ability to attract and retain students, harm our reputation and materially adversely affect our business, prospects and results of operations.

Failures or interruptions in our centralized data management system may adversely affect our operations.

We have established a centralized data management system, the Oracle ERP system, which collects and analyzes group-wide financial, procurement and student admission information and data. We are in the process of gradually refining the features and functionalities of such enterprise resource planning system (“ERP system”) to enhance its efficiency. We are also expanding the application of such ERP system into entities we newly acquired in order to streamline our data and information management system. However, we cannot assure you that such ERP system will not encounter technical failures and interruptions, leading to our management’s failure to timely access accurate key operating data, which may adversely affect our operation. We may encounter compatibility issues when incorporating newly acquired schools into our ERP system, which may compromise the overall accuracy and value of the operating information generated from such ERP system and adversely affect the implementation of our growth strategies as we expand our business and integrate new businesses.

We may fail to maintain the proper functioning of or improve our technology infrastructure.

Our online teaching facilities and internal systems rely on software that is highly technical and complex, and depend on the ability of such software to store, retrieve, process and manage immense amounts of data. Our systems are vulnerable to disruptions from design errors, execution errors, employee misconduct, external fraud, security breaches, capacity constraints, software flaws, computer viruses, cyberattacks, power outages and similar events. We cannot assure you that our information technology systems will always operate without interruptions. Some errors may only be discovered after the code has been released for external or internal use. Any errors, bugs or defects discovered in the software on which we rely could cause failures in our systems' performance and cause us to experience disruptions in operations, slower response time and delays in information processing, thereby compromising our ability to support our online teaching activities. If any of the above were to occur, our business, financial condition and results of operations may be adversely affected. In addition, some of our subsidiaries and affiliates have historically been targeted in cyberattacks. Although we have stepped up the protection of our information systems, we cannot assure you that we will not become a target in cyberattacks again.

We must also continue to upgrade and improve our information technology systems, software, mobile application and big data analytics in order to support our business growth and optimize our operating efficiency. Adopting new technologies and maintaining and upgrading our technology infrastructure require significant investment of time and resources, including adding new hardware, updating software and recruiting and training new engineering personnel. However, we cannot assure you that we will be successful in implementing these upgrades and improvement plans. New technologies may not be fully integrated with our existing systems on a timely basis, or at all, and our systems may experience slower response time and interruptions during upgrades, which could impair the experience of our students and business partners, delay the reporting of accurate operating and financial information, and result in material and adverse effects on our business, financial condition, results of operations and prospects.

In addition, the reliability and availability of our platform depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into and renew agreements with these providers on acceptable terms, if any of our existing agreements with such providers are terminated as a result of our breach or otherwise, or if these service providers themselves experience service disruptions or cessations, the proper functioning of our platform could be adversely affected.

We have limited insurance coverage with respect to our business and operations.

We are exposed to various risks associated with our business and operations, and we have limited insurance coverage. See "Item 4. Information on the Company—B. Business Overview—Insurance" for more information. We are exposed to risks including, among other things, accidents or injuries in our schools, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. The insurance industry in China is still at an early stage of development, and as a result insurance companies in China offer limited business related insurance products. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Any business disruption, legal proceeding or natural disaster or other events beyond our control could result in substantial costs and diversion of our resources, which may materially and adversely affect our business, financial condition and results of operations.

We face risks related to natural disasters, health epidemics or terrorist attacks in China.

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, tornados and tsunamis, outbreaks of health epidemics such as avian influenza and severe acute respiratory syndrome, or SARS, COVID-19 virus, and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the regions in which we operate or those generally affecting China. If any of these occur, our schools and facilities may be required to temporarily or permanently close and our business operations may be suspended or terminated. Our students, teachers and staff may also be negatively affected by such event. In addition, any of these could adversely affect the PRC economy and demographics of the affected region, which could cause significant declines in the number of our students in that region and could have a material adverse effect on our business, financial condition and results of operations.

An outbreak of COVID-19 was first reported in Wuhan, Hubei Province, the PRC in late 2019 and continues to spread within the PRC and globally. The new strain of coronavirus is considered highly contagious and may pose a serious public health threat. On January 30, 2020, the World Health Organization reportedly declared this COVID-19 outbreak a health emergency of international concern. In March 2020, the World Health Organization declared the COVID-19 a pandemic. Since the COVID-19 outbreak, the PRC government has imposed various strict measures with the aim to contain the virus including, but not limited to, travel restrictions, mandatory quarantine requirements, and postponed resumption of business operations. Our K-12 schools in China were mostly closed down from February to May, and we provided online education services to our students. After a closedown of approximately three to four months as required by local education regulatory authority, and following the directives of local governments, most of our K-12 schools in China had resumed operation by June 2020. Accelerated by the COVID-19 pandemic, we are also increasingly embracing the online-merge-offline, or OMO model, by launching our virtual online international school “3i Global Academy” and moving our complementary education services online. Our overseas operations were most negatively affected amid the COVID-19 pandemic. As a large number of students opted to return to their home countries during the pandemic, we partially refunded the accommodation fees to these students, which has adversely affected our business, financial performance and results of operations. We consolidated our offline teaching sites to accommodate certain boarding students in the UK, while the majority of the rest quickly shifted to online courses. As a resource conserving measure, we permanently ceased the operation of the four language training institutions in the United States. We also took this opportunity to reduce our cost structure, upgrade our IT and management systems, realign our sales and marketing strategies and improve our education outcome. We believe these measures will help put us in a more competitive position than our peers when students return to schools after the COVID-19 pandemic. We are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any further potential impact on our business, results of operations and financial condition, which we believe will depend on the duration and degree of the pandemic. If the outbreak persists or escalates, we may be subject to further negative impact on our business operations and financial condition.

Our business, financial performance and results of operations could be adversely affected by deterioration of the relation between China and the United States.

Recent international trade disputes, including those between China and the United States, and the uncertainties created by such disputes may disrupt the transnational flow of goods and significantly undermine the stability of the global and Chinese economy, thereby harming our business. International trade disputes could result in tariffs and other protectionist measures that could adversely affect our business. Any escalation in existing trade tensions or the advent of a trade war, or news and rumors of the escalation of a potential trade war, could affect consumer confidence and have a material adverse effect on our business, results of operations and, ultimately, the trading price of our ADSs.

Political tensions between the United States and China have escalated due to, among other things, the COVID-19 outbreak, the PRC National People's Congress' passage of Hong Kong national security legislation, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the central government of the PRC, and the executive orders issued by U.S. President in August 2020 that prohibit certain transactions with ByteDance Ltd., Tencent Holdings Ltd. and the respective subsidiaries of such companies. Rising political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our business, prospects, financial condition and results of operations. Furthermore, there have been 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 a material and adverse impact on the stock performance of China-based issuers listed in the United States. It is currently unclear whether the proposed or additional legislations would be enacted that would have the effect of potentially limiting or restricting China-based companies from accessing U.S. capital markets.

If we grant additional employees share options or other equity incentives in the future, our net income could be adversely affected.

We granted share options to purchase a total of 3,557,138 Class A ordinary shares to certain school principals and management team members pursuant to our 2017 Share Incentive Plan (the "2017 Plan") from 2017 to 2020. We may grant additional share options under the 2017 Plan in the future. We are required to account for share-based compensation in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation, which generally requires a company to recognize, as an expense, the fair value of share options and other equity incentives to employees based on the fair value of equity awards on the date of the grant, with the compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. If we grant options or other equity incentives in the future, we could incur significant compensation charges and our results of operations could be adversely affected.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our ADSs may be materially and adversely affected.

In the 2020 fiscal year, we and our independent registered public accounting firm identified one significant deficiency, together with other control deficiencies not identified as significant. The significant deficiency identified relates to insufficient review over underlying data supporting journal entries and account reconciliations due to the lack of segregation of duties in certain acquired overseas business. We implemented certain management compensating control, including financial analytical review, reconciliation of certain accounts and sample check the accuracy of the underlying information used in schedules. In recent years, we have expanded rapidly through acquisitions in China and overseas. For the fiscal year 2020, we have excluded the businesses acquired during the year from our assessment of the effectiveness of internal control over financial reporting as of August 31, 2020. We have implemented and are continuing to implement a number of measures to address our significant deficiency and other control deficiencies not identified as significant. See "Item 15. Controls and Procedures—Internal Control over Financial Reporting." We cannot assure you, however, that these measures will fully address the significant deficiency, together with other control deficiencies identified, in our internal control over financial reporting or that we will conclude that they have been fully remedied. Our failure to correct these control deficiencies or our failure to discover and address any other control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory

filings on a timely basis. As a result, our business oin

BGY Education Investment. We have been and expect to continue to be dependent on our affiliated entities to operate our private education business. See “Item 4. Information on the Company—C. Organizational Structure” for more information.

If our ownership structure and contractual arrangements are found to violate any PRC laws or regulations, including the Opinions on Deepening the Reform of Educational Teaching and Thoroughly Enhancing the Quality of Compulsory Education and any legislations to be enacted (such as the Preschool Education Law), or if we are found to be required but failed to obtain any of the permits or approvals for our private education business, the relevant PRC regulatory authorities, including the MOE, which regulates the education industry, the PRC Ministry of Commerce, or MOFCOM, which regulates foreign investments, the Civil Affairs Bureau, which regulates the registration of schools, and SAIC, which regulates the registration of for-profit schools, would have broad discretion in imposing fines or punishments upon us for such violations, including:

- revoking the business and operating licenses of our group and/or our affiliated entities;
- discontinuing or restricting any related-party transactions between our group and our affiliated entities;
- imposing fines and penalties, or imposing additional requirements for our operations with which we, or our affiliated entities may not be able to comply;
- requiring us to restructure the ownership and control structure of our current schools;
- restricting or prohibiting our use of the proceeds of our equity offerings to finance our business and operations in China, particularly the expansion of our business through strategic acquisitions; or
- restricting the use of financing sources by us or our affiliated entities or otherwise restricting our or their ability to conduct business.

As of August 31, 2020, similar ownership structure and contractual arrangements have been used by many China-based companies listed overseas, including a number of education companies listed in the United States. To our knowledge, none of the fines or punishments listed above has been imposed on any of these public companies, including companies in the education industry. However, we cannot assure you that such fines or punishments will not be imposed on us or any other companies in the future. If any of the above fines or punishments is imposed on us, our business, financial condition and results of operations could be materially and adversely affected. If any of these penalties results in our inability to direct the activities of BGY Education Investment and our schools and subsidiaries that most significantly impact their economic performance, and/or our failure to receive the economic benefits from BGY Education Investment and our schools and subsidiaries, we may not be able to consolidate BGY Education Investment and our schools and subsidiaries in our 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 BGY Education Investment or our schools or subsidiaries.

Uncertainties exist with respect to the interpretation and implementation of the newly enacted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law (“Foreign Investment Law”), which came into effect on January 1, 2020 and replaced the Law on Chinese-Foreign Equity Joint Ventures, the Law on Chinese-Foreign Contractual Joint Ventures, and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. On December 26, 2019, the State Council issued the Implementation Rules of the Foreign Investment Law to clarify and elaborate relevant provisions of the Foreign Investment Law, and the Supreme People’s Court of the PRC promulgated a judicial interpretation to address several issues concerning the application of the Foreign Investment Law. The above Implementation Rules and the judicial interpretation became effective as of January 1, 2020.

The Foreign Investment Law embodies 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. However, since it is relatively new,

uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, “foreign investment” refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors 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. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under PRC Laws. 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, 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 business, results of operations or financial position.

We rely on contractual arrangements with BGY Education Investment and its shareholders for our operations in China, which may not be as effective in providing control as direct ownership.

We have relied and expect to continue to rely on the contractual arrangements with BGY Education Investment and its shareholders, including Ms. Meirong Yang, one of our largest shareholders, to operate our private education business. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.” The revenue contribution of our affiliated entities accounted for 63.3% of our total revenues in the 2020 fiscal year. However, these contractual arrangements may not be as effective as direct equity ownership in providing us with control over BGY Education Investment and our schools. Any failure by our affiliated entities, including BGY Education Investment and our schools controlled and held by BGY Education Investment, and the shareholders of BGY Education Investment, to perform their obligations under the contractual arrangements would have a material adverse effect on the financial position and performance of our company. For example, the contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with arbitral procedures as contractually stipulated. The commercial arbitration system in China is not as developed as some other jurisdictions, such as the United States. As a result, uncertainties in the commercial arbitration system or legal system in China could limit our ability to enforce these contractual arrangements. In addition, if the legal structure and the contractual arrangements were found to violate any existing or future PRC laws and regulations, we may be subject to fines or other legal or administrative sanctions.

If the imposition of government actions causes us to lose our right to direct the activities of our affiliated entities or our right to receive substantially all the economic benefits and residual returns from our affiliated entities and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of our affiliated entities.

Any failure by our affiliated entities and their shareholders to perform their obligations under the Contractual Arrangement may have a material adverse effect on our business.

Our affiliated entities and their shareholders may fail to take certain actions required for our business, or to procure that newly established or acquired schools enter into the contractual arrangements in a timely manner, or to follow our instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective agreements with us, we may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, which may not be effective.

Our largest shareholders may have potential conflict of interest with us and not act in the best interests of our company.

Ms. Meirong Yang is the controlling shareholder and a director of BGY Education Investment. She and Ms. Huiyan Yang are also the largest shareholders of our company. We cannot assure you that Ms. Meirong Yang and Ms. Huiyan Yang will always act in the best interests of our company. In addition, Ms. Meirong Yang owes duties of loyalty and diligence to BGY Education Investment as its director pursuant to PRC law. However, she does not owe a fiduciary duty to our company as she is not an officer or director of our company. We provide no

incentives to encourage Ms. Meirong Yang to act in our best interest in her capacity as the shareholder of our affiliated entities. We rely on Ms. Meirong Yang to comply with the terms and conditions of the contractual arrangements. Although Ms. Meirong Yang is obligated to honor her contractual obligations with respect to our affiliated entities, she may nonetheless breach or cause our affiliated entities to breach or refuse to renew the existing contractual arrangements which allow us to effectively exercise control over our affiliated entities and to receive economic benefits from them. If Ms. Meirong Yang does not honor her contractual obligations with respect to our affiliated entities, we may exercise our exclusive option to purchase, or cause our designee to purchase, all or part of the equity interest in BGY Education Investment to the extent permitted by PRC law. If we cannot resolve any disputes between us and the shareholders of BGY Education Investment, we would have to rely on arbitration or legal proceedings, which could result in disruption of our business and substantial uncertainty as to the outcome of any such legal proceedings.

Contractual arrangements between our affiliated entities and us may be subject to scrutiny by the PRC tax authorities and a finding that we or our affiliated entities owe additional taxes could materially reduce our net income and the value of your investment.

Under PRC laws and regulations, transactions between related parties should be conducted on an arm's-length basis and may be subject to audit or challenge by the PRC tax authorities. We could face material adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our subsidiary in China, our affiliated entities and the shareholders of BGY Education Investment are not conducted on an arm's-length basis and adjust the income of our affiliated entities through the transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in, for PRC tax purposes, increased tax liabilities of our affiliated entities. In addition, the PRC tax authorities may require us to disgorge our prior tax benefits, and require us to pay additional taxes for prior tax years and impose late payment fees and other penalties on our affiliated entities for underpayment of prior taxes. To date, similar contractual arrangements have been used by many public companies, including companies listed in the United States, and, to our knowledge, the PRC tax authorities have not imposed any material penalties on those companies. However, we cannot assure you that such penalties will not be imposed on any other companies or us in the future. Our net income may be reduced if the tax liabilities of our affiliated entities materially increase or if they are found to be subject to additional tax obligations, late payment fees or other penalties.

If any of our affiliated entities becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy assets held by such entity, which could materially and adversely affect our business, financial condition and results of operations.

We currently conduct our operations in China through contractual arrangements with our affiliated entities and the shareholders of BGY Education Investment. As part of these arrangements, substantially all of our education-related assets that are critical to the operation of our business are held by our affiliated entities. If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our affiliated entities undergoes a voluntary or involuntary liquidation proceeding, its equity owner or unrelated third-party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our ADSs.

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 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 PRC industry and commerce authorities.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or affiliated entities. If any employee obtains, misuses or misappropriates 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 and divert management from our operations.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of our public offerings and other financing activities to make loans or additional capital contributions to our PRC subsidiaries and affiliated entities, which could harm our liquidity and our ability to fund and expand our business.

In utilizing the proceeds of our initial public offerings and other financing activities as an offshore holding company of our PRC subsidiaries and affiliated entities, we may (1) make loans to our PRC subsidiaries and affiliated entities, (2) make additional capital contributions to our PRC subsidiaries, (3) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, and (4) acquire offshore entities with business operations in China in an offshore transaction. For details on our use of offering proceeds, see “Item 14—Use of Proceeds.”

However, most of these uses are subject to PRC regulations and approvals. For example:

- loans by us to our wholly-owned subsidiaries in China, which are foreign-invested enterprises, cannot exceed statutory limits, which is the difference between the total investment amount and the registered capital of our wholly-owned subsidiaries, and must be registered with the State Administration of Foreign Exchange of the PRC, or SAFE, or its local counterparts;
- loans by us to our affiliated entities, which are domestic PRC entities, over a certain threshold must be approved by the relevant government authorities and must also be registered with SAFE or its local counterparts; and
- capital contributions to our wholly-owned subsidiaries in China must be filed with MOFCOM or its local counterparts and must also be registered with the local bank authorized by SAFE.

As a result of the requirements and limitations outlined above, the amount of funds that we can directly contribute to our operations in China through Zhuhai Bright Scholar, a foreign-invested enterprise indirectly held by us, is limited.

In addition, on March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (“Circular 19”), which came into effect from June 1, 2015. The notice requires that the capital of a foreign-invested company settled in Renminbi converted from foreign currencies shall be used only for purposes within the business scope as approved by the applicable government authorities and may not be used for equity investments in China unless such activity is set forth in the business scope or is otherwise permissible under PRC laws or regulations. Furthermore, SAFE strengthened its oversight of the flow and use of such capital of a foreign-invested company settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without SAFE’s approval, and may not in any case be used to repay Renminbi loans if the proceeds of such loans have not otherwise been used. On October 23, 2019, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment, which, among other things, expanded the use of foreign exchange capital in domestic equity investment. Non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments by using their capital on the premise without violation of prevailing special administrative measures for access of foreign investments (negative list) and the authenticity and compliance with the regulations of domestic investment projects. If our affiliated entity requires financial support from us or our wholly owned subsidiary in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our variable interest entity’s operations will be subject to statutory limits and restrictions, including those described above.

On February 13, 2015, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (“Circular 13”), which was implemented on June 1, 2015. Pursuant to Circular 13, the registration of existing equity is required in lieu of annual foreign exchange inspection of direct investment. Circular 13 also grants the authority to

banks to examine and process foreign exchange registration with respect to both domestic and overseas direct investments.

We expect that PRC laws and regulations may continue to limit our use of proceeds from our initial public offerings and other financing activities or from other financing sources. 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 future loans or capital contributions by us to our entities in China. If we fail to receive such registrations or approvals, our ability to use the proceeds of our initial public offerings and other financing activities and to capitalize our PRC operations may be hindered, which could adversely affect our liquidity and our ability to fund and expand our business.

Risks Related to Doing Business in China

PRC economic, political and social conditions, as well as changes in any government policies, laws and regulations, could adversely affect the overall economy in China or the education services market, which could harm our business.

The majority of our operations are conducted in China, and a significant portion of our revenues are derived from China. Accordingly, our business, prospects, financial condition and results of operations are subject, to a significant extent, to economic, political and legal developments in China.

The PRC economy differs from the economies of most developed countries in many respects. Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy since the late 1970s, the PRC government continues to play a significant role in regulating the industry. The PRC government continues to exercise significant control over China's economic growth through allocating resources, controlling the incurrence and payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Uncertainties or changes in any of these policies, laws and regulations, especially those affecting the private education industry in China, could adversely affect the economy in China or the market for education services, which could harm our business. For example, under the former Law on the Promotion of Private Education, as amended on June 29, 2013 and on December 29, 2018, and its implementation rules, a private school should elect to be either a school that does not require "reasonable returns" or a school that requires "reasonable returns." A private school must 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, the current PRC laws and regulations provide no clear guideline for determining "reasonable returns." In addition, the current PRC laws and regulations do not set forth any different requirements for the management and operation of private schools that elect to require reasonable returns as compared to those that do not.

On September 1, 2017, the Amended Law came into effect, under which the concept "reasonable returns" is no longer applicable and a private school should elect to be either a for-profit school or a non-profit school. Sponsors of for-profit schools may obtain operating profits, while sponsors of non-profit schools may not. As the implementation rules for the Amended Law are not yet available as of the date of the annual report, it remains uncertain how the relevant government authorities will implement the new laws and how long the grace period will be.

While the PRC economy has experienced significant growth in the past two to three decades, growth has been uneven, both geographically and among various sectors of the economy. Demand for our education services depends, in large part, on economic conditions in China and especially the regions where we operate, including Guangdong province. Any significant slowdown in China's economic growth may adversely affect the disposable income of the families of prospective students and cause prospective students to delay or cancel their plans to enroll in our schools, which in turn could reduce our revenues. In addition, any sudden changes to China's political system or the occurrence of social unrest could also have a material adverse effect on our business, prospects, financial condition and results of operations.

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 as reference but have limited precedential value. Since 1979, newly introduced PRC laws and regulations have significantly enhanced the protections of interests related to foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve rapidly, the interpretations of such laws and regulations may not always be consistent, and enforcement of these laws and regulations involves significant uncertainties, any of which could limit the available legal protections.

In addition, the PRC administrative and judicial authorities have significant discretion in interpreting, implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and judicial proceedings and the level of legal protection we may enjoy in the PRC than under some more developed legal systems. These uncertainties may affect our decisions on the policies and actions to be taken to comply with PRC laws and regulations, 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.

Any increase in applicable enterprise income tax rates or the discontinuation of any preferential tax treatments currently available to us may result in significantly higher tax burden or the disgorgement of any benefits we enjoyed in the past, which could in turn materially and adversely affect our business, financial condition and results of operations.

Under the former Law on the Promotion of Private Education, as amended on June 29, 2013 and on December 29, 2018, and its implementing rules as promulgated on March 5, 2004, private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. The implementing rules provide that private schools not requiring reasonable returns are eligible to enjoy the same preferential tax treatment as public schools and that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. To date, however, no separate policies, regulations or rules have been introduced by the authorities in this regard.

Preferential tax treatments granted to us by local government authorities are subject to review and may be adjusted or revoked at any time in the future. For example, three of our affiliate entities in Sichuan enjoy preferential enterprise income tax treatments. The discontinuation of any preferential tax treatments currently available to us will cause our effective tax rate to increase, which will increase our income tax expenses and in turn decrease our net income. In addition, we may not be granted preferential tax treatment by the local governments of additional regions into which we may expand. The Amended Law, which became effective on September 1, 2017, no longer uses the term “reasonable return.” Instead, under the Amended Law, sponsors of private schools may elect to register their schools as either non-profit or for-profit, with the exception that private schools in compulsory education must be registered as non-profit private schools. Pursuant to such Amended Law, non-profit private schools will be entitled to the same tax benefits as public schools, but taxation policies for for-profit private schools are still unclear. However, it is unclear how the Amended Law and its potential implementation rules would impact the tax treatment applicable to our schools and whether our schools would enjoy any preferential tax treatment in the future. Any negative development could have a material adverse effect on our business, financial condition and results of operations.

Under the PRC enterprise income tax law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our non-PRC shareholders.

The PRC enterprise income tax law and its implementing rules provide that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” under PRC tax laws. The implementing rules define the term “de facto management bodies” as a management body which substantially manages, or has control over the business, personnel, finance and assets of an enterprise. On April 22, 2009, the State Administration of Taxation issued Circular 82, which provides that a foreign enterprise controlled by a PRC company or a group of PRC companies will be classified as a “resident enterprise” with its “de facto management body” located within China if all of the following requirements are satisfied: (1) the senior management and core management departments in charge of its daily operations function are mainly in China; (2) its financial and human resources decisions are subject to determination or approval by persons or bodies in China; (3) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in China; and (4) at least half of the enterprise’s directors with voting right or senior management reside in China. The State Administration of Taxation issued a bulletin on August 3, 2011 to provide more guidance on the implementation of Circular 82. The bulletin clarifies certain matters relating to resident status determination, post-determination administration and competent tax authorities. 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 general position of the State Administration of Taxation on how the “de facto management body” test should be applied in determining the tax resident 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 State Administration of Taxation issued a bulletin on January 29, 2014 to provide more guidance on the implementation of Circular 82. This bulletin further provides 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 resident enterprise with the local tax authorities where its main domestic investors are registered.

As the tax resident status of an enterprise is subject to the determination by the PRC tax authorities, if we are deemed as a PRC “resident enterprise,” we will be subject to PRC enterprise income tax on our worldwide income at a uniform tax rate of 25.0%, although dividends distributed to us from our existing PRC subsidiaries and any other PRC subsidiaries which we may establish from time to time could be exempt from the PRC dividend withholding tax due to our PRC “resident recipient” status. This could have a material adverse effect on our overall effective tax rate, our income tax expenses and our net income. Furthermore, dividends, if any, paid to our shareholders and ADS holders may be decreased as a result of the decrease in distributable profits. In addition, if we were to be considered a PRC “resident enterprise,” dividends we pay with respect to our ADSs or ordinary shares and the gains realized from the transfer of our ADSs or ordinary shares may be considered income derived from sources within China and be subject to PRC withholding tax, which could have a material adverse effect on the value of your investment in us and the price of our ADSs.

There are significant uncertainties under the PRC enterprise income tax law relating to the withholding tax liabilities of our PRC subsidiaries, and dividends payable by our PRC subsidiaries to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.

Under the PRC enterprise income tax and its implementation rules, the profits of a foreign-invested enterprise generated through operations, which are distributed to its immediate holding company outside China, will be subject to a withholding tax rate of 10.0%. Pursuant to a special arrangement between Hong Kong and China, such rate may be reduced to 5.0% if a Hong Kong resident enterprise owns more than 25.0% of the equity interest in the PRC company. Our current PRC subsidiaries are wholly owned by our Hong Kong subsidiary. Moreover, under the Notice of the State Administration of Taxation on Issues regarding the Administration of the Dividend Provision in Tax Treaties promulgated on February 20, 2009, the taxpayer needs to satisfy certain conditions to enjoy the benefits under a tax treaty. These conditions include: (1) the taxpayer must be the beneficial owner of the relevant dividends, and (2) the corporate shareholder to receive dividends from the PRC subsidiaries must have continuously met the direct ownership thresholds during the 12 consecutive months preceding the receipt of the dividends. Further, the State Administration of Taxation promulgated the Notice on Issues Relating to “Beneficial Owner” in Tax Treaties, or Circular 9, which defines the “beneficial owner” as a party who holds ownership of and control over the income of the entity, or the rights or assets from which such income are derived, and sets forth certain detailed factors in determining the “beneficial owner” status.

Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is subject to inspection or approval of the relevant tax authorities. As a result, we cannot assure you that we will be entitled to any preferential withholding tax rate under tax treaties for dividends received from our PRC subsidiaries.

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

The State Administration of Taxation issued Bulletin on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises, or Bulletin 7, on February 3, 2015. Under Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment, the relevant gain is to be regarded as effectively connected with the PRC establishment and therefore included in its enterprise income tax filing, and would consequently be subject to PRC enterprise income tax at a rate of 25.0%. Where the underlying transfer relates to the immovable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment of a non-resident enterprise, a PRC enterprise income tax at 10.0% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of Bulletin 7. If Bulletin 7 was determined by the tax authorities to be applicable to some of our transactions involving PRC taxable assets, our offshore subsidiaries conducting the relevant transactions might be required to spend valuable resources to comply with Bulletin 7 or to establish that the relevant transactions should not be taxed under Bulletin 7.

On October 17, 2017, the State Administration of Taxation issued the Bulletin on Issues Concerning the Source-based Withholding of Enterprise Income Tax on Non-resident Enterprises, or Bulletin 37, which became effective on December 1, 2017. According to Bulletin 37, non-resident enterprises who voluntarily declare their enterprise income tax shall at the same time confirm when they would make payments for the declared amount of tax. If the withholding agent fails to or is unable to withhold the income tax in accordance with the law, the non-resident enterprise will be deemed to have cleared its tax payment on time if it voluntarily declares and pays the tax before or within the time limit the tax authority orders it to do so. If the taxable income before withholding on a source-basis falls within the form of dividends or any equity investment gains, the date of triggering obligations to settle such tax payments is the date of actual payment of the dividends or other equity investment gains. In addition, on December 1, 2017, Bulletin 37 repealed the Notice of the State Administration of Taxation on Strengthening the Administration over Enterprise Income Tax on Income of Non-resident Enterprises from Equity Transfer and Notice of the State Administration of Taxation on Issuing the Interim Measures for the Administration of Source-based Withholding of the Enterprise Income Tax of Non-resident Enterprises issued by the State Administration of Taxation on December 10, 2009 and January 1, 2009, respectively.

As a result, we and our non-PRC shareholders may have the risk of being taxed for the disposition of our ordinary shares or ADS and may be required to spend valuable resources to comply with Bulletin 7 and Bulletin 37 or to establish that we or our non-PRC shareholders should not be taxed as an indirect transfer, which may have a material adverse effect on our financial condition and results of operations or the investment by non-PRC investors in us.

Restrictions on currency exchange may limit our ability to receive and use our revenue effectively.

A majority of our revenue is denominated in Renminbi. As a result, restrictions on currency exchange may limit our ability to use revenue generated in Renminbi to fund any business activities we may have outside China in the future or to make dividend payments to our shareholders and ADS holders in U.S. dollars. Under current PRC laws and regulations, Renminbi is freely convertible for current account items, such as trade and service-related foreign exchange transactions and dividend distributions. However, Renminbi is not freely convertible for direct investment or loans or investments in securities outside China, unless such use is approved by SAFE. For example, foreign exchange transactions under our subsidiary's capital account, including principal payments in respect of foreign currency-denominated obligations, remain subject to significant foreign exchange controls and the approval requirement of SAFE. These limitations could affect our ability to obtain foreign exchange for capital expenditures.

Our PRC subsidiaries are permitted to declare dividends to our offshore subsidiary holding their equity interest, convert the dividends into a foreign currency and remit to its shareholder outside China. In addition, in the event that any of our PRC subsidiaries liquidates, proceeds from the liquidation may be converted into foreign currency and distributed outside China to our overseas subsidiary holding its equity interest. Furthermore, in the event that BGY Education Investment liquidates, our PRC subsidiary, Zhuhai Bright Scholar, may, pursuant to the power of attorneys respectively executed by Ms. Meirong Yang and Mr. Wenjie Yang, require BGY Education Investment to pay and remit the proceeds from such liquidation to Zhuhai Bright Scholar. Zhuhai Bright Scholar then may distribute such proceeds to us after converting them into foreign currency and remit them outside China in the form of dividends or other distributions. Once remitted outside China, dividends, distributions or other proceeds from liquidation paid to us will not be subject to restrictions under PRC regulations on its further transfer or use.

Other than the above distributions by and through our PRC subsidiaries which are permitted to be made without the necessity to obtain further approvals, any conversion of the Renminbi-denominated revenue generated by our affiliated entities for direct investment, loan or investment in securities outside China will be subject to the limitations discussed above. To the extent we need to convert and use any Renminbi-denominated revenue generated by our affiliated entities not paid to our PRC subsidiaries and revenue generated by our PRC subsidiaries not declared and paid as dividends, the limitations discussed above will restrict the convertibility of, and our ability to directly receive and use such revenue. As a result, our business and financial condition may be adversely affected. In addition, we cannot assure you that the PRC regulatory authorities will not impose more stringent restrictions on the convertibility of Renminbi in the future, especially with respect to foreign exchange transactions.

Our subsidiaries and affiliated entities in China are subject to restrictions on making dividends and other payments to us.

We are a holding company and rely principally on dividends paid by our subsidiaries in China for our cash needs, including paying dividends and other cash distributions to our shareholders to the extent we choose to do so, servicing any debt we may incur and paying our operating expenses. The income for our PRC subsidiaries, especially Zhuhai Bright Scholar, in turn depends on the service fees paid by our affiliated entities. Current PRC regulations permit our subsidiaries in China to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Under the applicable requirements of PRC law, our PRC subsidiaries may only distribute dividends after they have made allowances to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, at the end of each fiscal year, each of our schools that are private schools in China is required to allocate a certain amount to its development fund for the construction or maintenance of the school properties or purchase or upgrade of school facilities. In particular, our schools that require reasonable returns must allocate no less than 25.0% of their annual net income, and our schools that do not require reasonable returns must allocate no less than 25.0% of their annual increase in the net assets of the school for such purposes. Furthermore, if our subsidiaries or our 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. Any such restrictions may materially affect such entities' ability to make dividends or make payments, in service fees or otherwise, to us, which may materially and adversely affect our business, financial condition and results of operations.

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

The change in value of the Renminbi against the U.S. dollar and other currencies is affected by, various factors, such as changes in China's political and economic conditions. On July 21, 2005, the PRC government

changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under such policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Later on, the People's Bank of China has decided to further implement the reform of the RMB exchange regime and to enhance the flexibility of RMB exchange rates. Such changes in policy have resulted in a significant appreciation of the Renminbi against the U.S. dollar since 2005. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant adjustment of the Renminbi against the U.S. dollar.

Any significant appreciation or revaluation of the Renminbi may have a material adverse effect on the value of, and any dividends payable on, our ADSs in foreign currency terms. More specifically, if we decide to convert our Renminbi into U.S. dollars, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. To the extent that we need to convert U.S. dollars we receive from our initial public offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. In addition, appreciation or depreciation in the exchange rate of the Renminbi to the U.S. dollar could materially and adversely affect the price of our ADSs in U.S. dollars without giving effect to any underlying change in our business or results of operations.

Certain PRC regulations, including the M&A Rules and national security regulations, may require a complicated review and approval process which could make it more difficult for us to pursue growth through acquisitions in China.

The M&A Rules established additional procedures and requirements that could make merger and acquisition activities in China by foreign investors more time-consuming and complex. For example, MOFCOM must be notified in the event a foreign investor takes control of a PRC domestic enterprise. In addition, certain acquisitions of domestic companies by offshore companies that are related to or affiliated with the same entities or individuals of the domestic companies, are subject to approval by MOFCOM. In addition, the Implementing Rules Concerning Security Review on Mergers and Acquisitions by Foreign Investors of Domestic Enterprises, issued by MOFCOM in August 2011, require that mergers and acquisitions by foreign investors in "any industry with national security concerns" be subject to national security review by MOFCOM. In addition, any activities attempting to circumvent such review process, including structuring the transaction through a proxy or contractual control arrangement, are strictly prohibited.

There is significant uncertainty regarding the interpretation and implementation of these regulations relating to merger and acquisition activities in China. In addition, complying with these requirements could be time-consuming, and the required notification, review or approval process may materially delay or affect our ability to complete merger and acquisition transactions in China. As a result, our ability to seek growth through acquisitions may be materially and adversely affected.

In addition, if MOFCOM determines that we should have obtained its approval for our entry into contractual arrangements with our affiliated entities and the shareholders of BGY Education Investment, we may be required to file for remedial approvals. We cannot assure you that we would be able to obtain such approval from MOFCOM. We may also be subject to administrative fines or penalties by MOFCOM that may require us to limit our business operations in China, delay or restrict the conversion and remittance of our funds in foreign currencies into China or take other actions that could have material adverse effect on our business, financial condition and results of operations.

A failure by the beneficial owners of our shares who are PRC residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC law.

SAFE has promulgated regulations, including the Notice on Relevant Issues Relating to Foreign Exchange Control on Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or Circular 37, effective on July 4, 2014, and its appendices, that require PRC residents, including PRC institutions and individuals, 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 Circular 37 as a "special purpose vehicle." The term "control" under 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. Circular 37 further requires amendment to the registration in the event of 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. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Further, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for foreign exchange evasion.

These regulations apply to our direct and indirect shareholders who are PRC residents and may apply to any offshore acquisitions or share transfers that we make in the future if our shares are issued to PRC residents. However, in practice, different local SAFE branches may have different views and procedures on the application and implementation of SAFE regulations, and there remains uncertainty with respect to its implementation. As of the date of this annual report, all PRC residents known to us that currently hold direct or indirect interests in our company either have completed the necessary registrations or are in the process of updating their necessary registration, with SAFE as required by Circular 37. However, we cannot assure you that these individuals or any other direct or indirect shareholders or beneficial owners of our company who are PRC residents will be able to successfully complete the registration or update the registration of their direct and indirect equity interest as required in the future. If they fail to make or update the registration, our PRC subsidiaries could be subject to fines and legal penalties, and SAFE could restrict our cross-border investment activities and our foreign exchange activities, including restricting our PRC subsidiaries' ability to distribute dividends to, or obtain loans denominated in foreign currencies from, our company, or prevent us from contributing additional capital into our PRC subsidiaries. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

We face regulatory uncertainties in China that could restrict our ability to grant share incentive awards to our employees or consultants who are PRC citizens.

Pursuant to the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in a Stock Incentive Plan of an Overseas Publicly-Listed Company issued by SAFE on February 15, 2012, or Circular 7, 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 share incentive plan, an application with SAFE to conduct SAFE registration with respect to such share incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the share purchase or share option exercise. Such PRC individuals' foreign exchange income received from the sale of shares and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in China, which is 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 share options and their purchase and sale of shares. The PRC domestic agent also needs to update registration with SAFE within three months after the overseas-listed company materially changes its share incentive plan or make any new share incentive plans.

We have granted shares options under the 2017 Plan in the past and may continue to grant additional share options in the future. When we do, from time to time, we need to apply for or update our registration with SAFE or its local branches on behalf of our employees or consultants who receive options or other equity-based incentive grants under our share incentive plan or material changes in our share incentive plan. However, we may not always be able to make applications or update our registration on behalf of our employees or consultants who hold any type of share incentive awards in compliance with 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 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 share options or remit proceeds gained from sale of their shares into China, and we may be prevented from further granting share incentive awards under our share incentive plan to our employees or consultants who are PRC citizens.

Labor contract laws in China may adversely affect our results of operations.

The current PRC labor contract law imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations be based on the mandatory retirement age. In the event we decide to significantly change or decrease our workforce, the Labor Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, thus materially and adversely affecting our financial condition and results of operations.

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

The PRC economy has been experiencing significant growth, leading to inflation and increased labor costs. China's overall economy and the average wage in China are expected to continue to grow. 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 maternity insurance to designated government agencies for the benefit of our employees. It is subject to the determination of the relevant government agencies whether an employer has made adequate payments of the requisite statutory employee benefits, and employers that fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. Future increases in China's inflation and material increases in labor costs and employee benefits may materially and adversely affect our profitability and results of operations unless we are able pass on these costs to our students by increasing tuition.

Recent litigation and negative publicity surrounding China-based companies listed in the United States may negatively impact the trading price of our ADSs.

We believe that recent litigation and negative publicity surrounding companies with operations in China that are listed in the United States have negatively impacted stock prices of these companies. Certain politicians in the United States have publicly warned investors to shun China-based companies listed in the United States. The SEC and the Public Company Accounting Oversight Board (United States), or the PCAOB, also issued a joint statement on April 21, 2020, reiterating the disclosure, financial reporting and other risks involved in the investments in companies that are based in emerging markets, and the limited remedies thereof. Furthermore, various equity-based research organizations have recently published reports on China-based companies after examining their corporate governance practices, related party transactions, sales practices and financial statements, and these reports have led to special investigations and listing suspensions on U.S. national exchanges. Any similar scrutiny on us, regardless of its lack of merit, could cause the market price of our ADSs to fall, divert management resources and energy, cause us to incur expenses in defending ourselves against rumors, and increase the premiums we pay for director and officer insurance.

The audit report included in this annual report is prepared by an auditor who is not inspected by the PCAOB, and as such, our investors are deprived of the benefits of such inspection. Various proceedings and legislative and regulatory developments related to China-based accounting firms, including our independent registered public accounting firm, and other developments due to political tensions between the U.S. and China may have an adverse impact on our listing and trading in the U.S., including adverse impact on the trading prices of our ADSs and possible delisting.

Our independent registered public accounting firm issues audit report included in this annual report filed with the Securities and Exchange Commission, or SEC. As auditors of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), 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 Chinese authorities, our auditors are not currently inspected by the PCAOB.

In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which established a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC. The PCAOB continued to discuss with the CSRC and the PRC Ministry of Finance on joint inspections in the PRC of PCAOB-registered audit firms that provide auditing services to Chinese companies that trade on U.S. stock exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting the 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 risks of insufficient disclosures from companies in many emerging markets, including China, compared to those from U.S. domestic companies. In discussing the specific issues related to these risks, the statement again highlighted the PCAOB's inability to inspect audit work and practices of accounting firms in China with respect to U.S. reporting companies. On June 4, 2020, the U.S. President issued a memorandum ordering the President's Working Group on Financial Markets, or the PWG, to submit a report to the President within 60 days of the memorandum that includes recommendations for actions that can be taken by the executive branch and by the SEC or the PCAOB on Chinese companies listed on U.S. stock exchanges and their audit firms. On August 6, 2020, the PWG released the report. In particular, with respect to jurisdictions that do not grant the PCAOB sufficient access to fulfill its statutory mandate, or NCJs, the PWG recommended that enhanced listing standards be applied to companies from NCJs for seeking initial listing and remaining listed on U.S. stock exchanges. Under the enhanced listing standards, if the PCAOB does not have access to work papers of the principal audit firm located in a NCJ for the audit of a U.S.-listed company as a result of governmental restrictions, the U.S.-listed company may satisfy this standard by providing a co-audit from an audit firm with comparable resources and experience where the PCAOB determines that it has sufficient access to the firm's audit work papers and practices to inspect the co-audit. The report recommended a transition period until January 1, 2022 before the new listing standards apply to companies already listed on U.S. stock exchanges. Under the PWG recommendations, if we fail to meet the enhanced listing standards before January 1, 2022, we could face de-listing from the NYSE, deregistration from the SEC and/or other risks, which may materially and adversely affect, or effectively terminate, our ADS trading in the United States. There were recent media reports about the SEC's proposed rulemaking in this regard. It is uncertain whether the PWG recommendations will be adopted, in whole or in part, and the impact of any new rule on us cannot be estimated at this time.

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

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, which if passed, would require the SEC to maintain a list of issuers for which the

PCAOB is not able to inspect or investigate auditor reports issued by foreign public accounting firms. The proposed 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. stock exchanges 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, or the HFCAA. The HFCAA was approved by the U.S. House of Representatives on December 2, 2020 and signed into law by the U.S. President on December 18, 2020. In essence, the HFCAA requires the SEC to prohibit foreign companies from listing securities on U.S. securities exchanges or traded "over-the-counter" if a company retains a foreign accounting firm that cannot be inspected by the PCAOB for three consecutive years, beginning in 2021. The enactment of the HFCAA or any other similar legislations or efforts to increase U.S. regulatory access to audit information in China could cause investor uncertainty for affected SEC registrants, including us, the market price of our ADSs could be materially adversely affected, and we could be delisted if we are unable to meet the PCAOB inspection requirement in time.

If the settlement reached between the SEC and the big four PRC-based accounting firms, including the Chinese affiliate of our independent registered public accounting firm, concerning the manner in which the SEC may seek access to audit working papers from audits in China of US-listed companies, is not or cannot be performed in a manner acceptable to authorities in China and the US, we may be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

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 US 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 final ending of the proceedings, the presumption is that all parties will continue to apply the same procedures: i.e., 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 sanitization 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 may 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 the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these accounting firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If the Chinese affiliate of 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 the 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 Ordinary Shares and ADSs

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company until the fifth anniversary from the date of our initial listing. As we have elected not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

After we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC, which may adversely affect our financial condition and results of operations.

The trading price of our ADSs may be volatile, which could result in substantial losses to investors.

The trading prices of our ADSs may be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, akin to the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. A number of Chinese companies have listed or are in the process of listing their securities on U.S. stock markets. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of these Chinese companies’ securities after their offerings may affect the perception and attitudes of investors toward Chinese companies listed in the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the prices and trading volume for our ADSs may be highly volatile due to a number of factors, including the following:

- regulatory developments affecting us or our industry, and customers of our education services;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in the market condition, market potential and competition in education services;
- announcements by us or our competitors of new education services, expansions, investments, acquisitions, strategic partnerships or joint ventures;
- fluctuations in global and Chinese economies;
- changes in financial estimates by securities analysts;
- adverse publicity about us;
- additions or departures of our key personnel and senior management;

- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

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

Sales of substantial amounts of our ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of our ADSs. All of our outstanding ADSs are freely transferable without restriction or additional registration under the Securities Act. If any existing shareholder or shareholders sell a substantial amount of ADSs, the prevailing market price for our ADSs could be adversely affected. Such sales also might make it more difficult for us to sell in the future at a time and price that we deem appropriate.

Techniques employed by short sellers may drive down the market price of our ADSs.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies listed in the United States that have a substantial majority of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

We may be the subject of unfavorable allegations made by short sellers in the future. Any such allegations may be followed by periods of instability in the market price of our common shares and ADSs and negative publicity. If and when we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable federal or state law or issues of commercial confidentiality. Such a situation could be costly and timeconsuming and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations and shareholders' equity, and the value of any investment in our ADSs could be greatly reduced or rendered worthless.

Our dual-class share structure with different voting rights 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 ordinary shares and ADSs may view as beneficial.

As of December 15, 2020, Ms. Meirong Yang and Ms. Huiyan Yang together beneficially own approximately 92.5% of the aggregate voting power of our company, and Mr. Junli He beneficially own approximately 6.5% of the aggregate voting power of our company. See “Item 6. Directors, Senior Management And Employees—E. Share Ownership.” As a result of the dual-class share structure and the concentration of ownership, Ms. Meirong Yang, Ms. Huiyan Yang, and Mr. Junli He have considerable influence over matters such as decisions regarding mergers, consolidations, sale of all or substantially all of our assets, election of directors and other significant corporate actions. They may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. 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 ordinary shares and ADSs may view as beneficial.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our ADSs or publishes inaccurate or unfavorable research about our business, the market price for our ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ADSs for return on your investment.

We declared a cash dividend of US\$0.10 and US\$0.12 per ordinary share on September 18, 2019 and July 23, 2020, respectively. We do not currently expect to pay additional cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to applicable laws. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. We cannot guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the senior notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We may not have the ability to raise the funds necessary to repurchase the senior notes upon a change of control triggering event (as defined in the relevant note documents), and our future debt may contain limitations on our ability to repurchase the senior notes.

We will have to make an offer, and the holder of the outstanding senior notes will have the right to accept such offer, to repurchase their senior notes upon the occurrence of a change of control triggering event (as defined in the relevant note documents) at a repurchase price equal to 101% of the principal amount of the senior notes to be repurchased, plus accrued and unpaid interest. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor. In addition, our ability to repurchase the senior notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase senior notes at a time when the repurchase is required by the relevant note documents would constitute a default under such documents. A default under the relevant note documents or the fundamental change itself could also lead to a default under agreements governing any future indebtedness. If the repayment of any future indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the senior notes.

We may be classified as a passive foreign investment company for United States federal income tax purposes, which could result in adverse United States federal income tax consequences to United States investors in the ADSs or ordinary shares.

We will be classified as a “passive foreign investment company,” or PFIC, if, in the case of any particular taxable year, either (1) 75.0% or more of our gross income for such year consists of certain types of passive income, or (2) 50.0% or more of the average quarterly value of our assets during such year produce or are held for the production of passive income. Although the law in this regard is unclear, we treat our affiliated entities as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operation in our financial statements. Assuming that we are the owner of our affiliated entities for United States federal income tax purposes, and based upon our historical and current income and assets, we do not believe that we were classified as a PFIC for the taxable year ended August 31, 2020.

The determination of whether we are or will become a PFIC will depend upon the composition of our income (which may differ from our historical results and current projections) and assets and the value of our assets from time to time, including, in particular, the value of our goodwill and other unbooked intangibles (which may depend upon the market value of our ADSs or ordinary shares from time-to-time and may be volatile). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our anticipated market capitalization, which may fluctuate. Among other matters, if our market capitalization declines or does not increase, we may be classified as a PFIC for the current or future taxable years. It is also possible that the IRS may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being, or becoming classified as, a PFIC for the current or future taxable years.

The determination of whether we are or will be a PFIC may also depend, in part, on how, and how quickly, we use our liquid assets. Under circumstances where we retain significant amounts of liquid assets, or if our affiliated entities were not treated as owned by us for United States federal income tax purposes, our risk of being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, we cannot assure you that we will not be a PFIC for the current taxable year or any future taxable year.

If we are classified as a PFIC in any taxable year, a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations”) may incur significantly increased United States federal income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under the United States federal income tax rules, and such holders may be subject to burdensome reporting requirements. Further, if we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares. For more information, see “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations.”

Our memorandum and articles of association contains anti-takeover provisions that could have a material adverse effect on the rights of holders of our Class A ordinary shares and ADSs.

Our memorandum and articles of association contain provisions to 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 subject to any resolution of the shareholders to the contrary, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares, in the form of ADS or otherwise. Preferred shares 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 and other rights of the holders of our Class A ordinary shares and ADSs may be materially and adversely affected.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Cayman Islands Company Law (2018 Revision as amended) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

The Cayman Islands courts are also unlikely (1) to recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws, or (2) to impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

As a result of all of the above, our 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 large shareholders than they would as public shareholders of a company incorporated in the United States.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. The majority of our current operations are conducted in the United Kingdom and China, which is an emerging market. In addition, a majority of our current directors and officers are nationals and residents of countries other than the United States. Most of the assets of these persons are located outside the United States. The SEC, U.S. Department of Justice, or the DOJ, and other authorities often have substantial difficulties in bringing and enforcing actions against non-U.S. companies and non-U.S. persons, including company directors and officers, in certain emerging markets, including China. Additionally, our public shareholders may have limited rights and few practical remedies in emerging markets where we operate, as shareholder claims that are common in the United States, including class action securities law and fraud claims, generally are difficult or impossible to pursue as a matter of law or practicality in many emerging markets, including China. For example, in China, there are significant legal and other obstacles for the SEC, the DOJ and other U.S. authorities to obtaining information needed for shareholder investigations or litigation. Although the competent 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, the regulatory cooperation with the securities regulatory authorities in the United States has not been efficient in the absence of a mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law which became effective in March 2020, no foreign securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to foreign securities regulators. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We will be required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the New York Stock Exchange. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S.

domestic issuers. As a result, you may not be afforded the same protections or information, which would be made available to you, were you investing in a U.S. domestic issuer.

As a “controlled company” under the rules of the NYSE, we are exempt from certain corporate governance requirements that could adversely affect our public shareholders.

Under the rules of the NYSE, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including the requirement that a majority of our directors be independent, as defined in the NYSE rules, and the requirement that our compensation and nominating and corporate governance committees consist entirely of independent directors. In April 2017, Ms. Huiyan Yang and Ms. Meirong Yang entered into an acting-in-concert agreement by which Ms. Huiyan Yang agrees with Ms. Meirong Yang when voting and deciding on material matters in relation to the management of our company. Ms. Huiyan Yang and Ms. Meirong Yang are also joint settlors and members of the two-person investment committee of Yeung Family Trust V, which holds approximately 1.8% of the outstanding Class A ordinary shares and approximately 93.5% of the outstanding Class B ordinary shares as of December 15, 2020. As a result, Ms. Huiyan Yang and Ms. Meirong Yang collectively are the beneficial owners of a majority of the voting power of our issued and outstanding share capital as of December 15, 2020. Therefore, we qualify as a “controlled company” under the rules of the NYSE. We have elected to rely on certain exemptions under the NYSE rules available to controlled companies, including the exemption from having a majority of our directors be independent, and may continue to elect to do so as long as we remain a controlled company. As a result, you may not have the same protections afforded to shareholders of companies that are subject to all of the NYSE corporate governance requirements.

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from New York Stock Exchange corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with from New York Stock Exchange corporate governance listing standards.

As a Cayman Islands company listed on the New York Stock Exchange, we are subject to New York Stock Exchange corporate governance listing standards. However, the New York Stock Exchange rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from New York Stock Exchange corporate governance listing standards. Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. To the extent we choose to follow home country practice with respect to corporate governance matters, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote your Class A ordinary shares.

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the underlying Class A ordinary shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our memorandum and articles of association, the minimum notice period required for convening a general meeting is ten days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

The depositary for our ADSs will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for the ADSs, if you do not vote, the depositary will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs at shareholders' meetings unless:

- we have failed to timely provide the depositary with notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting; or
- a matter to be voted on at the meeting would have a material adverse impact on shareholders.

The effect of this discretionary proxy is that if you do not vote at shareholders' meetings, you cannot prevent our Class A ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

You may not receive dividends or other distributions on our Class A ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them 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 ordinary 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 ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful 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, ordinary 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, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our ordinary 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 experience dilution of your holdings due to inability to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a right offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is 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.

ITEM 4. INFORMATION ON THE COMPANY

A. *History and development of the company*

We are an exempted company with limited liability incorporated in the Cayman Islands. We conduct our business primarily through our subsidiaries and affiliated entities in China, the United Kingdom, the United States and Canada. As of the date of this annual report, we have a network of 94 schools in China that cover K-12 education and a number of learning centers for after-school programs through certain contractual arrangements with BGY Education Investment, which in turn controls and holds these schools and learning centers. As of the date of this annual report, we operate eight overseas schools and six language training institutions, which we may also refer to as international language schools, through Bright Scholar (UK) Holdings Limited, a wholly owned subsidiary of ours. We trace our history back to the founding of Guangdong Country Garden School, our first private school, in 1994. Over the past two decades, we have launched and acquired a number of schools, complementary education services and education technology services in China, the United Kingdom, the United States and Canada.

Beginning in 2016, we underwent a series of restructurings. In particular:

- *Incorporation of the listing entity.* In December 2016, Ms. Meirong Yang incorporated Bright Scholar Holdings in the Cayman Islands.
- *Acquisition of Impetus.* In January 2016, we acquired Impetus Investment Ltd., or Impetus, a Cayman Islands company from Mr. Junli He and other selling shareholders.
- *Incorporation of PRC subsidiary.* In January 2017, Time Education China Holdings Limited incorporated Zhuhai Bright Scholar, as our wholly-owned subsidiary in China.
- *Contractual arrangements.* In January 2017, we, through our PRC subsidiary, Zhuhai Bright Scholar, entered into a series of contractual arrangements with (1) our affiliated entities, including BGY Education Investment and the schools it owns and operates, and (2) Ms. Meirong Yang and Mr. Wenjie Yang, the shareholders of BGY Education Investment, to obtain effective control of our affiliated entities.

Foreign ownership in education services is subject to significant regulations in China. The PRC government regulates the provision of education services through strict licensing requirements. In particular, PRC laws and regulations prohibit foreign ownership of companies and institutions from providing compulsory education services at primary and middle school levels, and restrict foreign investment in education services at the kindergarten and high school level. We are a company incorporated in the Cayman Islands. Our PRC subsidiary, Zhuhai Bright Scholar, is a wholly foreign-owned enterprise and currently ineligible to apply for and hold licenses to operate, or otherwise own equity interests in our domestic schools.

Due to these restrictions, we, through our PRC subsidiary, Zhuhai Bright Scholar, have entered into a series of contractual arrangements with (1) our affiliated entities, including BGY Education Investment and the schools it owns and operates, and (2) the shareholders of BGY Education Investment, i.e., Ms. Meirong Yang and Mr. Wenjie Yang, which enable us to:

- exercise effective control over our affiliated entities;
- receive substantially all of the economic benefits of our affiliated entities in consideration for the services provided by us; and
- have an exclusive option to purchase all of the equity interests in our affiliated entities when and to the extent permitted under PRC law.

Ms. Meirong Yang is one of our founders and a relative of Ms. Huiyan Yang, our chairperson. Mr. Wenjie Yang is Ms. Meirong Yang's business partner. We do not have any equity interest in our affiliated entities. However, as a result of these contractual arrangements, we control our affiliated entities through our PRC subsidiary, Zhuhai Bright Scholar. We have consolidated the results of our affiliated entities in our consolidated financial statements included elsewhere in this annual report in accordance with U.S. GAAP. The contractual arrangements were executed and became effective on January 25, 2017. As of the date of this annual report, we are in the process of arranging the execution of Rights and Obligations Assumption Letters for our domestic schools newly launched and acquired in 2020 fiscal year. For a detailed description of the risks associated with our corporate structure, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure" and "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China."

We have been advised by our PRC legal counsel that the contractual arrangements among Zhuhai Bright Scholar, our affiliated entities, and Ms. Meirong Yang and Mr. Wenjie Yang as the shareholders of BGY Education Investment are valid, binding and enforceable under PRC laws and regulations, and are not in violation of PRC laws or regulations currently in effect. If our affiliated entities, Ms. Meirong Yang and Mr. Wenjie Yang fail to perform their obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that give us the effective control over our affiliated entities. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We rely on contractual arrangements with BGY Education Investment and its shareholders for our operations in China, which may not be as effective in providing control as director ownership."

We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the contractual arrangements that establish the structure for operating our education services business in China do not comply with relevant PRC government restrictions on foreign investment in the education services industry, we could be subject to severe penalties, including being prohibited from continuing operations. For a detailed description of the risks associated with our corporate structure, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure" and "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China."

If we are unable to maintain effective control over our affiliated entities, we will not be able to continue to consolidate the financial results of our affiliated entities into our financial results. The revenue contribution of our affiliated entities accounted for 94.4% of our total revenues in the 2018 fiscal year, 82.0% of our total revenues in the 2019 fiscal year, and 63.3% of our total revenues in the 2020 fiscal year. Further, as a holding company, our ability to generate profits, pay dividend and other cash distributions to our shareholders depends principally on our ability to receive dividends and other distributions from our PRC subsidiary, Zhuhai Bright Scholar, which in turn depends on the service fees paid to Zhuhai Bright Scholar from our schools and other affiliated entities. We, through our PRC subsidiary, Zhuhai Bright Scholar, have entered into an exclusive management services and business cooperation agreement with each of our affiliated entities, pursuant to which we provide service to our schools in exchange for the payment of service fees. The services fees we are entitled to collect under the agreement are calculated as the balance of general income less any costs, taxes and other reserved fees stipulated by laws and regulations. In practice, we evaluate on a case-by-case basis the performance and future plans of individual schools before determining the amount we collect from each school. We do not have unfettered access to the revenues from our PRC subsidiaries or affiliated entities due to the significant PRC legal restrictions on the payment of dividends by PRC companies, foreign exchange control restrictions, and the restrictions on foreign investment, among others. For example, under the applicable requirements of PRC law, our PRC subsidiaries may only distribute dividends after they have made allowances to fund certain statutory reserves and each private school in China is required to allocate a certain amount to its development fund prior to payments of dividend. In particular, our schools that require reasonable returns must allocate no less than 25.0% of their annual net income, and our schools that do not require reasonable returns must allocate no less than 25.0% of their annual increase in their net assets for such purposes. See “—D. Risk Factors—Risks Related to Doing Business in China—Our subsidiaries and affiliated entities in China are subject to restrictions on making dividends and other payments to us.”

We listed our ADSs on the New York Stock Exchange under the symbol “BEDU” on May 18, 2017 and completed an initial public offering of 17,250,000 ADSs on June 7, 2017, raising approximately US\$174.7 million in net proceeds after deducting underwriting commissions and the offering expenses payable by us. On March 2, 2018, we completed a follow-on public offering of 10,000,000 ADSs, raising approximately US\$181.4 million in net proceeds after deducting underwriting commissions and the offering expenses payable by us.

In April 2018, our board approved a share repurchase program (the “2018 Share Repurchase Program”) to repurchase up to US\$100.0 million worth of our outstanding ADSs within 12 months. The 2018 Share Repurchase Program has expired on April 30, 2019 and as of such date, we had repurchased 6,679,183 of our outstanding ADSs for an aggregate purchase price of approximately US\$77 million, pursuant to the 2018 Share Repurchase Program. In September 2019, our board approved a share repurchase program (the “2019 Share Repurchase Program”) to repurchase up to US\$30.0 million worth of our outstanding ADSs within 12 months. The 2019 Share Repurchase Program expired on November 19, 2020 and as of such date we had repurchased 1,200,000 of our outstanding ADSs for an aggregate purchase price of approximately US\$9.4 million pursuant to the program. In November 2020, our board approved a share repurchase program (the “2020 Share Repurchase Program”) to repurchase up to US\$50.0 million worth of our outstanding ADSs within 12 months.

In July 2019, we issued senior notes in the aggregate principal amount of US\$300.0 million, with interests of 7.45% per annum and maturing on July 31, 2022 at an issue price of 100.0% in reliance on Regulation S under the Securities Act. We listed such senior notes on the Stock Exchange of Hong Kong Limited by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) only.

Our principal executive office is located at No.1, Country Garden Road, Beijiao Town, Shunde District, Foshan, Guangdong, zip code 528300, China. Our principal phone number is (86) 757-6683-2507. Our registered office in the Cayman Islands is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Investors should submit any inquiries to the address and telephone number of our principal executive offices. Our website is www.brightscholar.com. The information contained on our website is not a part of this annual report. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 801 2nd Avenue, Suite 403, New York, New York 10017.

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

B. Business Overview

We are a global premier education service provider operating K-12 schools and complementary education services in China and overseas, and we were the largest operator of international and bilingual K-12 schools in China in terms of student enrollment as of August 31, 2020, according to the Frost & Sullivan report. We are dedicated to providing quality international education to Chinese students and equipping them with the critical academic foundation and skillsets necessary to succeed in the pursuit of higher education overseas. We also complement our international offerings with Chinese government-mandated curriculum for students who wish to maintain the option of pursuing higher education in China. We established one of the first private schools in China in 1994 and have since expanded our network to operate 94 schools as of the date of this annual report covering the breadth of K-12 academic needs of our students across twelve provinces in China. As part of our global expansion plan, we have been actively exploring mergers and acquisition opportunities abroad to expand our global school network, targeting quality K-12 private education providers and reputable schools in our targeted overseas countries and jurisdictions where students of our domestic school network would normally be interested in pursuing or continuing their education. As of the date of this annual report, we have eight overseas schools located in the United Kingdom and the United States. During the 2020 school year, we had an average of 51,825 students enrolled at our schools, representing an increase of 145.8 % from an average of 21,084 students enrolled during the 2015 school year. Bright Scholar Holdings, our ultimate Cayman Islands holding company, does not have any substantive operations other than indirectly controlling BGY Education Investment, our affiliated entity which controls and holds our domestic schools, through certain contractual arrangements, and indirectly holding Bright Scholar (UK) Holdings Limited, through which we operate our overseas schools.

Our business includes domestic K-12 schools, overseas schools, education technology, complementary education services and education technology services. Our schools for domestic K-12 education services consist of international schools, bilingual schools and kindergartens. We offer a broad range of internationally-accredited curricula at our international schools. We tailor the delivery of coursework to optimize learning outcomes for our students and prepare them for higher education overseas. According to the Frost & Sullivan report, we are among a select group of private school operators in China accredited to administer all major globally-recognized education programs, including Diploma Program, Advanced Placement and IGCSE/A-Level. We are also one of the first school operators in China accredited to administer the full set of IB curricula, including its Primary Years Program, Middle Years Program, and Diploma Program. Our bilingual schools place a specific emphasis on developing our students' English language proficiency and non-academic skillsets, offering elective classes in sports, arts and community service programs. Leveraging our experience and insights into learning needs at different stages, our kindergartens seek to lay the necessary foundation for our students' future studies. In addition, as a global premier education provider, we have built our global presence primarily through acquiring established overseas schools and language training institutions in countries such as the United Kingdom, the United States and Canada. We also offer a range of complementary education services, primarily including camp programs, after-school programs, through our network of learning centers in China, as well as international education consulting services.

Our schools have effectively enhanced our students' academic performance. Approximately 93.6% of the 2020 graduating class enrolled in our Diploma Program, Advance Placement or A-level curricula in our domestic K-12 schools that applied for overseas universities were admitted into global top 50 institutions, as ranked by either the QS World University Rankings or U.S. News, including University of Cambridge, University of Oxford, The University of Chicago, New York University, University of Toronto, The University of Sydney. Students in our 2020 graduating class have received more than 1,100 offers in total from global top 50 institutions by the same ranking as of August 31, 2020. Approximately 52.8% of our graduating students from our bilingual schools were admitted into top local high schools in the 2020 fiscal year. Approximately 55.0% and 62.1% of the 2020 graduating class from our two largest bilingual schools, Huanan Country Garden School and Phoenix City Bilingual School, respectively, were admitted into the top local high schools.

The effectiveness of our education, along with our state-of-the-art facilities, student- and parent-centric support services and our brand recognition, allow us to command premium pricing. The average tuition of our domestic K-12 schools for the 2020 school year was significantly higher than that of overall K-12 private schools in China, according to the Frost & Sullivan Report.

We collaborate closely with Country Garden, a related party of ours and a leading developer of residential properties in China, which has allowed us to operate a highly scalable business model and launch greenfield schools with significantly lower upfront capital expenditures. Substantially all of our existing domestic K-12 schools were developed in cooperation with Country Garden’s residential property projects, allowing Country Garden to meet local government requirements and the market needs for education facilities and services in its residential communities. The demand for convenient access to quality education from Country Garden’s homeowners, who are relatively affluent families, provides a large pool of students for our domestic K-12 schools, and at the same time drives sales of residential units in the vicinity of our schools. We believe we will continue to benefit from this synergistic relationship as we expand our school network in China.

We have experienced substantial growth in recent years. Our revenue increased from RMB1,718.9 million in the 2018 fiscal year to RMB2,563.0 million in the 2019 fiscal year, and further to RMB3,366.5 million (US\$ 491.6 million) in the 2020 fiscal year, representing a CAGR of 39.9%. We focus on providing quality education to our students and, since the beginning of the 2016 fiscal year, we have implemented various initiatives to improve operating efficiency and profitability. See “—Centralized Management.” We had net income of RMB248.9 million, RMB252.8 million and RMB164.2 million (US\$ 24.0 million) in the 2018, 2019 and 2020 fiscal years, respectively. We use adjusted net income, which excludes share-based compensation expense, amortization of intangible assets, tax effect of amortization of intangible assets, impairment loss on operating lease right-of-use assets and impairment loss on goodwill, in evaluating our ongoing results of operations. Our adjusted net income was RMB283.0 million, RMB322.6 million and RMB267.7 million (US\$ 39.1 million) for the 2018, 2019 and 2020 fiscal years, respectively. See “Item 5. Operating and Financial Review and Prospectus—A. Operating Results-Results of Operations—Non-GAAP measures” for details.

Our Domestic K-12 Schools

We offer education programs that cover K-12 education and integrate internationally-accredited curricula, government-mandated curricula and extracurricular activities that aim to develop well-rounded individuals through a network of 94 schools in 12 provinces in China as of the date of this annual report. We divide our schools in China broadly into international schools, bilingual schools and kindergartens.

- International schools. As of the date of this annual report, we have eight international schools in China, which focus on internationally-accredited curricula and offer extracurricular activities and programs that aim to develop well-rounded individuals.
- Bilingual schools. As of the date of this annual report, we have 15 bilingual schools in China, which provide government-mandated curricula. Our bilingual schools place an emphasis on developing students’ English proficiency and well-rounded individuals.
- Kindergartens. As of the date of this annual report, we have 71 kindergartens in China, including 11 kindergartens that deliver international curricula.

During the 2020 school year, we had an average of 48,613 students enrolled and employed an average of 5,496 teachers and instructors at our domestic K-12 schools. We have grown rapidly during the past three years, supported by strong demand for quality education in China and favorable policies promulgated by the PRC government and the nationwide expansion of Country Garden’s residential communities. The following table sets forth the average number of students enrolled at our domestic K-12 schools for the period indicated.

	2018 school year	2019 school year	2020 school year
Domestic K-12 schools			
International schools	7,366	9,350	10,584
Bilingual schools	15,620	18,132	20,189
Kindergartens	13,693	16,742	17,840
Total	36,679	44,224	48,613

An important element of our schools in China is to provide an immersive bilingual learning environment, with our English teachers and English-speaking staff. To help students master the English language, we design our English courses according to the specific linguistic needs of the students at each grade level, building their English language skills from kindergarten to high school.

Our domestic K-12 schools are also committed to developing well-rounded students. As a private school operator, we have more flexibility in offering courses based on students’ learning needs and in response to popular student and parent demand. We offer a broad range of courses, and students at our international schools may choose an individualized combination of courses. Some of the courses we offer, such as calligraphy, dance, debate and music, emphasize creativity, critical thinking and a deeper appreciation of traditional Chinese and international culture. Our domestic K-12 schools also offer students the opportunity to participate in a variety of after-school programs and club events, including sports and life skills development programs, such as first aid and disaster drills, to supplement classroom learning. This provides our students with opportunities to fully explore and pursue their individual interests and potential.

Our coverage of K-12 education allows us to instill our educational philosophy from the starting point of a student’s academic career. For our schools that cover the full spectrum of K-12 education, we believe we are able to minimize the need for our students to adapt for teaching methodologies and learning environments they may encounter when moving to the next level of education.

Most of our international and bilingual schools have boarding facilities, which allows students to focus on their studies and experience living independently before attending universities and allows us to recruit students from beyond Country Garden’s residential communities. While a majority of our domestic K-12 schools are located within or in the vicinity of the residential communities developed by Country Garden, students from families that have not purchased property from Country Garden are increasingly attracted by our reputation for quality education. Approximately 62.4 % of our students enrolled in the bilingual and international schools established by us in the 2020 fiscal year came from families who do not own Country Garden properties. All of our domestic K-12 schools also feature a comprehensive suite of sports and education facilities and on-campus catering facilities.

Our international schools

As of the date of this annual report, we have eight international schools in six provinces across China, including Guangdong, Jiangsu, Hunan, Guizhou, Hubei and Gansu. Our international schools offer a broad range of internationally-accredited education programs to accommodate the individual needs of our large student base seeking to pursue higher education overseas. Driven by the increasing appreciation for the quality of higher education overseas and our commitment to providing quality education, our international programs have proven to be an attractive option to an increasing number of Chinese students and their parents, allowing us to charge a premium in tuition compared to other international schools targeting Chinese students.

Our schools are among the first private schools in China to receive international accreditations for our programs. According to the Frost & Sullivan report, we are also among a select group of private school operators in China accredited to administer all major globally-recognized education programs. The following table sets forth certain information about the major international programs we offer.

Accreditation Institution	Program	Applicable Grades
IB Organization	Primary Years Program	1-5
	Middle Years Program	6-10
	Diploma Program	11-12
Cambridge International Examinations	IGCSE	9-10
	A-Level	11-12
U.S. College Board	Advanced Placement	9-12
NCC Education	International Foundation Year	11-12

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Programs administered by the IB Organization are generally recognized in all major English-speaking countries. IGCSE, A-Level and International Foundation Year are recognized primarily in the United Kingdom. Advanced Placement is recognized primarily in the United States and Canada. In addition, we offer joint diploma programs, including Sino-Canadian dual diploma, Sino-U.S. dual diploma and Sino-Australian dual diploma programs. Our students may switch from one program to another if they meet the applicable requirements.

We integrate classes under our international programs with government-mandated coursework to students from the first through ninth grades. In the event that our students under international programs elect to attend universities in China at any stage of their studies, they may switch to government-mandated curricula offered in some of our international schools.

The number of students enrolled at our international schools have increased rapidly in the last three school years, from an average of 7,366 for the 2018 school year to 10,584 in the 2020 school year. Students in the 2020 graduating class at our international schools were accepted to top colleges and universities in countries and regions such as the United States, the United Kingdom, Australia, New Zealand, Canada, Switzerland, France, Singapore, Hong Kong, Japan, Italy and the Netherlands. Approximately 93.6% of the 2020 graduating class enrolled in our Diploma Program, Advance Placement and A-Level curricula in our domestic K-12 schools who applied for overseas universities were admitted into global top 50 institutions, ranked by either the QS World University Rankings or U.S. News, including University of Oxford, University of Cambridge, The University of Chicago, New York University, University of Toronto, and The University of Sydney. As of August 31, 2020, students in our 2020 graduating class have received more than 1,100 offers in total from global top 50 institutions by the same rankings.

The following table sets forth certain information about each of our international schools.

Name	Location	Establishment	Grades	Average number of students enrolled during the 2019 school year	Average number of students enrolled during the 2020 school year	Capacity as of September 1, 2020
Guangdong Country Garden School	Shunde, Guangdong province	1994	1-12	3,987	4,297	3,940
Jurong Country Garden School	Jurong, Jiangsu province	2013	1-12	1,542	1,571	2,950
Ningxiang Country Garden School	Changsha, Hunan province	2014	1-12	745	944	2,100
Country Garden Silver Beach School	Huizhou, Guangdong province	2015	1-12	898	1,057	3,000
Huaxi Country Garden International School	Guiyang, Guizhou province	2015	1-9	468	503	798
Lanzhou Country Garden International School	Lanzhou, Gansu province	2016	1-12	1,356	1,910	2,472
Wuhan Sannew American Middle School	Wuhan, Hubei province	2016	7-12	354	302	1,200
Fettes College Experimental School of Zengcheng, Guangzhou	Guangzhou, Guangdong province	2020	1-9	—	—	1,350
Total				9,350	10,584	17,810

Guangdong Country Garden School (碧桂园学校)



Founded in 1994, Guangdong Country Garden School is our first international school that offers all three IB-accredited programs. It is also one of the few schools in China authorized to teach IGCSE and A-Level, Advance Placement, and International Foundation Year courses. Guangdong Country Garden School has become our flagship school due to its comprehensive set of internationally-accredited curricula, effective education services and long operating history. It is well known throughout China as the recipient of a number of recognitions such as being a First-Class School in Guangdong province and being part of the Advanced Group in National Private Education. It hosts a teacher training academy which serves as the hub for teacher training within our school network. We send veteran teachers at our Guangdong Country Garden School to our new schools to share teaching experiences with, and provide demonstration classes to the resident teachers at those schools and also allow such resident teachers to visit Guangdong Country Garden School for on-site training sessions. Guangdong Country Garden School is instrumental in establishing our brand recognition throughout China and setting the benchmark for our other international schools.

Our students in this school are regular winners of national and international competitions. During the 2020 school year, three students won a gold award in the UK Chemistry Olympiad 2020, one student won a gold award in the British Physics Olympiad 2019 Year 10 Physics Challenge, and five students won a gold award in the Canadian Chemistry Contest. Additionally, eleven students were award winners in the National Economics Challenge China Preliminary 2020, and five were award winners in the American Computer Science League. Among our 2020 graduating class enrolled in our Diploma Program, A-level or AP curricula at this school who applied for overseas universities, approximately 97.5 % of them were admitted into top 50 institutions, as ranked by either the QS World University Rankings or the U.S. News.

Jurong Country Garden School (碧桂园学校)



Founded in 2013, Jurong Country Garden School, our first international school outside Guangdong province, obtained authorization from the IB Organization to offer all three IB-accredited programs within three years of its establishment. The school is also authorized to offer IGCSE and A-Level courses and International Foundation Year courses. Among our 2020 graduating classes enrolled in our Diploma Program, A-Level or AP curricula at this school, who applied for overseas universities, approximately 92.9 % of them were admitted into top 50 institutions, as ranked by either the QS World University Rankings or the U.S. News.

Other international schools

Since 2014, we have established five international schools and acquired one international school, namely Ningxiang Country Garden School, Country Garden Silver Beach School, Huaxi Country Garden International School, Lanzhou Country Garden International School , Fettes College Experimental School of Zengcheng, Guangzhou and Wuhan Sannew American Middle School. We have replicated, and intend to continue to replicate, the success of Guangdong Country Garden School by leveraging the collective expertise and experiences accumulated by the teachers and management at Guangdong Country Garden School over the years. We believe the ample demand for international education, our education service quality, know-how and brand position us well to continue to ramp up the operation of each of these schools.

Our bilingual schools

As of the date of this annual report, we have 15 bilingual schools in five provinces in China. Our bilingual schools teach government-mandated curricula with an emphasis on English proficiency development. We supplement our academic offerings with activities for the well-balanced development of our students, such as arts-related and life skills building classes or club events, which are not generally available in public schools. The students enrolled at our bilingual schools have increased rapidly in the last three school years, from an average of 15,620 for the 2018 school year to an average of 20,189 in the 2020 school year.

Graduates from our bilingual schools generally take Zhongkao, the high school entrance examinations administered in China, and may pursue high school education in public or private schools. A number of our bilingual schools, including Phoenix City Bilingual School and Country Garden Huacheng School, also offer international courses to a small number of students in response to the local demands for further education at overseas universities. We generally allow our students to transfer from one program to another if they meet the relevant requirements.

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The following table sets forth certain information about each of our bilingual schools.

Name	Location	Establishment	Grades	Average number of students enrolled during the 2019 school year	Average number of students enrolled during the 2020 school year	Capacity as of September 1, 2020
Huanan Country Garden School	Guangzhou (Panyu), Guangdong province	2002	1-9	2,986	3,008	2,848
Phoenix City Bilingual School	Guangzhou (Zengcheng), Guangdong province	2003	1-9	4,306	4,477	4,438
Country Garden Huacheng School	Shunde, Guangdong province	2003	1-9	1,208	1,281	1,116
Country Garden Venice Bilingual School	Changsha, Hunan province	2007	1-9	1,813	1,853	1,728
Wuyi Country Garden Bilingual School	Jiangmen, Guangdong province	2009	1-9	922	944	1,008
Heshan Country Garden School	Heshan, Guangdong province	2010	1-9	1,246	1,336	1,296
Wuhan Country Garden School	Wuhan, Hubei province	2011	1-6	722	861	840
Zengcheng Country Garden School	Guangzhou (Zengcheng), Guangdong province	2013	1-9	1,311	1,520	1,512
Country Garden Experimental School*	Shunde, Guangdong province	2015	1-9	1,226	1,611	2,160
Laian Country Garden Foreign Language School	Chuzhou, Anhui province	2015	1-9	501	587	768
Taishan Country Garden School	Jiangmen, Guangdong province	2015	1-9	646	834	1,944
Chuzhou Country Garden Foreign Language School	Chuzhou, Anhui province	2017	1-9	240	388	2,392
Shaoguan Country Garden Foreign Language School	Shaoguan, Guangdong province	2017	1-9	454	673	1,296
Kaiping Country Garden School	Jiangmen, Guangdong province	2017	1-6	363	581	1,080
Shenghua Country Garden Bilingual School	Baoding, Hebei province	2017	1-9	188	235	1,296
Total				<u>18,132</u>	<u>20,189</u>	<u>25,722</u>

* Country Garden Experimental School was previously known as Country Garden Panpuwan School.

Approximately 52.8 % of graduating students from our bilingual schools have been accepted into top high schools in their respective regions in the 2020 school year. Approximately 55.0% and 62.1 % of the 2020 graduating class from our two largest bilingual schools, Huanan Country Garden School and Phoenix City Bilingual School, were admitted into the top local high schools, respectively.

Our kindergartens

As of the date of this annual report, we have 71 kindergartens in twelve provinces across China. A significant portion of our kindergartens are built adjacent to our primary, middle and high schools to share certain education resources and facilities and provide potential student sources to our schools. Our kindergartens are generally smaller in size compared with our international and bilingual schools. In the 2020 school year, our kindergartens had an average of 17,840 students.

Our kindergartens provide an active and healthy learning environment to help students develop their potential and personality, appreciate diverse cultures and lay the foundation to drive future success. In our kindergartens, we integrate elements of traditional Chinese culture with international cultural awareness through language classes and cultural activities. We have seven kindergartens that offer Primary Years Programs, four of which have received IB accreditations. Under the Primary Years Programs, we provide a foreign homeroom teacher to stay with our students throughout each school day and implement a holistic approach to English education including the adoption of English teaching materials. We believe that administering Primary Years Programs at our kindergartens helps our students move up seamlessly to other IB-accredited programs offered in the primary through high schools within our school network.

Our Overseas Schools

As of the date of this annual report, we have an overseas school network of eight schools, including seven schools in the United Kingdom and one in the United States, with an average of 3,212 enrolled students for the 2020 school year. As a global premier education provider, we have built our global presence primarily through overseas acquisition of schools and education services in countries such as the United Kingdom, the United States and Canada.

In December 2018, we acquired BCS, an established independent school located in the United Kingdom. BCS offers day and boarding education from two to 18 years of age, and has a strong global inclusive philosophy based on a traditional UK education.

In July 2019, we acquired CATS, which operates five overseas schools and ten language training institutions across the United Kingdom, the United States and Canada. In addition, we granted a third party the right to use the brands “CATS” and “Cambridge School of Visual & Performing Arts” for the operation of two campuses in Shanghai, China.

In September 2019, we acquired St. Michael’s School and BIC located in the United Kingdom. St. Michael’s School offers day and boarding education from three to 18 years of age, comprising predominantly day students and boarders from more than 15 countries. BIC provides independent boarding education to pupils from the United Kingdom and other countries from 13 to 19 years of age.

The following table sets forth certain information about each of our overseas schools.

Name*	Location	Acquisition Time	Average number of students enrolled during the 2019 school year	Average number of students enrolled during the 2020 school year	Capacity as of September 1, 2020
Bournemouth Collegiate School	the United Kingdom	December 2018	598	634	730
CATS London	the United Kingdom	July 2019	236	227	400
CATS Cambridge	the United Kingdom	July 2019	398	373	525
CATS Canterbury	the United Kingdom	July 2019	464	410	500
CATS Academy Boston	the United States	July 2019	441	466	700
Cambridge School of Visual & Performing Arts	the United Kingdom	July 2019	377	368	525
St. Michael’s School	the United Kingdom	September 2019	—	423	480
Bosworth Independent School	the United Kingdom	September 2019	—	311	562
Total			2,514	3,212	4,422

Bournemouth Collegiate School (BCS)

BCS is an established independent school located in Bournemouth, Dorset, England. It offers day and boarding education from age 2-18 on two campuses. It has a strong global inclusive philosophy based on a traditional UK education. The school has an average of 634 students enrolled for the 2020 school year, including local students and international boarders from 26 countries.

CATS Colleges

CATS Colleges is an international school network focused primarily on the provision of quality education services to international students with a globally integrated platform of campuses located across the United Kingdom, the United States and Canada. As of August 31, 2020, it comprised five schools in Cambridge, London, Canterbury and Boston as well as six language training institutions in the United Kingdom and Canada. It has a diverse mix of over 1,800 students from around 90 nationalities in the 2020 school year.

In July 2020, we decided to permanently cease the operation of the four language training institutions in the United States as a resource conserving measure in response to the challenges posed by the COVID-19 pandemic.

St. Michael's School

St. Michael's School is an established independent school in the United Kingdom. Located in Llanelli, Wales. It offers day and boarding education from age three to 18. Established in 1923, the school has an inclusive philosophy for all its students based on a traditional UK education, and was named Welsh Independent Secondary School of the Year 2019 in The Sunday Times Parent Power rankings and regularly ranking in the United Kingdom's top 30 Independent Schools for A level results. The school has an average of 423 students enrolled for the 2020 school year, comprised predominantly of day students as well as boarding students from more than 15 countries.

Bosworth Independent College (BIC)

BIC is a leading independent boarding college in the United Kingdom. Located in Northampton, England, it provides independent boarding education to pupils from the United Kingdom and abroad from 13 to 19 years of age. Established in 1977, it was ranked in the UK's Top 100 Coeducational Boarding Schools by A Level results in 2018. The school has an average of 311 students enrolled for the 2020 school year, including boarding students from 20 countries.

Our Complementary Education Services

We provide complementary education services to students from our schools and others. These complementary education services further enhance students' overall learning experience and generate synergies with our school operations.

Camp programs

We have organized summer and winter camp programs in certain countries, including the United Kingdom, the United States and Australia. We also offer summer school programs, which are more rigorous and allow our participants to study for specific courses or prepare for standardized tests. These summer and winter camp programs are primarily offered to students enrolled at our domestic K-12 schools, but are also open to other students.

As of the date of this annual report, we have developed business collaborations with a number of overseas universities and high schools as the local hosts of our camps or summer school programs. We work together with our partners to design programs and activities to improve the participants' English communication skills, expand their knowledge and develop a familiarity with college environments and international cultures.

Our overseas camp programs typically take place on university campuses and include various activities, such as classes and excursions. For high school students, we offer tours to different universities during our programs. These visits allow participants to become familiar with the overseas campuses, talk with admissions officers and spend time with our alumni currently studying at each university. Some of our camp programs include a homestay, which allows the participants to get an inside look at Western family dynamics and form supportive friendships in an immersive English-speaking environment. We send our teachers to escort the students during their tours. By participating in the summer and winter camps, we believe our students not only broaden their horizons and improve their English proficiency, but also clarify their academic goals and enhance their motivation to pursue overseas studies after graduating from our schools.

In addition to overseas camps, we have launched our domestic camp programs by opening our first campground, Lake Forest Camp, in Huizhou, Guangdong province at the beginning of 2019. Taking full advantage of its outdoor adventure facilities, we provide different kinds of activities on the land and in the water, which encourage personal growth, team cooperation and leadership. Lake Forest Camp targets students from both our own schools and schools outside our network. In June 2019, we acquired a 25% equity interest in Start Camp Education (“Start Camp”). Start Camp provides one-stop solution in camp layout and program design for education department of local governments, education groups and real estate developers. In September 2020, we entered into an agreement to acquire 60% equity interests in Jiangxi Leti Camp Education Technology Co., Ltd. (“Leti Camp”), which specializes in providing summer and winter camp activities for teenagers and owns a comprehensive product offering in Hands-on Inquiry Based Learning (HIBL) and camp business. We plan to launch our new camp programs in Ma’anshan, Anhui Province and Longli, Guizhou Province in May 2021. We have postponed the launch of our camp program in Shanghai due to the impact of the COVID-19 pandemic. In the future, we plan to launch more domestic summer and winter camp programs, which will target students enrolled in our schools as well as students outside our network and feature STEAM activities, i.e., activities related to science, technology, engineering, art and math.

Our overseas camp programs were adversely affected by the COVID-19 pandemic due to the global travel freeze resulted therefrom. In response, we developed domestic travel study programs, which are complementary to our students’ classroom education and allow students to study and explore humanities, history, technology, nature, etc., depending on the theme of each program. In the 2020 fiscal year, approximately 14,600 students participated in our domestic and overseas camp programs as well as domestic travel study programs.

After-school programs

English proficiency training

We offer English proficiency development courses to children aged from five to 15 through a network of 21 learning centers located in Beijing, Shanghai and Guangdong province under the brand of “élan.” Our goal is to help children improve their general English proficiency. To this end, we have adopted a holistic language learning approach, which immerses children in an English-speaking environment and requires them to think, learn and communicate with the mindset of native speakers. Our learning centers are staffed only by native English speakers as instructors and are equipped with libraries containing age-appropriate English-language books and audio materials suited to English learners of different proficiency levels. In the 2020 school year, we had an average of 109 instructors in our learning centers. In the 2020 fiscal year, we had an average student enrollment of 3,859 for English proficiency training.

Extracurricular programs

We offer a wide range of extracurricular programs primarily to children through one learning center located in Shunde, Guangdong province. Our programs encompass popular subjects, such as art, soccer, mathematics and programmable robotics. Our programs supplement in-classroom learning and promote the well-balanced development of children. Our programs also help children tap into their interests and potential that benefit their study or career goals. We work with our partners on these programs.

We have also strategically invested in the acquisition of equity interest in Hangzhou Impression Arts Training Co., Ltd. (“Hangzhou Impression”), a Zhejiang-based art training institution, to supplement the extracurricular programs we offer. See “—Our Expansions and Investments.”

Overseas Study Consulting Services

We offer overseas study education consulting services to better serve our students in and outside of our network of schools. As of the date of this annual report, we have strategically invested in the acquisitions of equity interests in several providers of education consulting services, including Can-achieve (Beijing) Education Consulting Co., Ltd. (“Can-achieve”) and FGE Holdings Limited and its subsidiaries (“FGE”). See “—Our Expansions and Investments.” Through these strategic acquisitions, we are able to provide a comprehensive range of services covering K-12 education as well as consulting services from application to overseas universities, which we believe will drive our future growth.

Education Technology Services

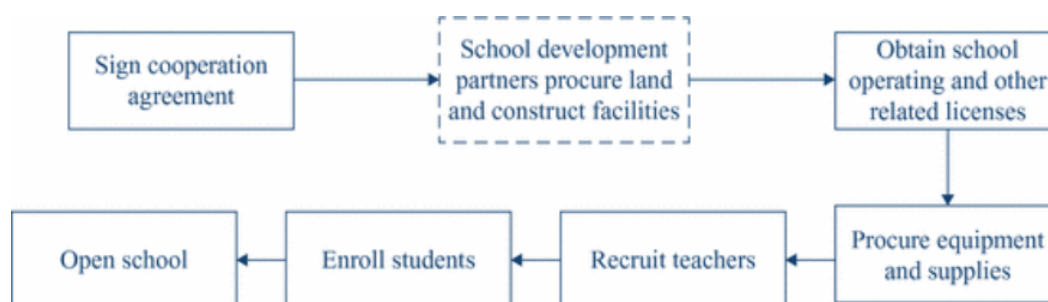
We offer education technology services to students. Our new education technology business comprises online career counselling, online Academic Olympiad training and an online international school, the 3i Global Academy. We have strategically invested in the acquisitions of equity interests in services provider for online career counselling and online Academic Olympiad training, such as Chengdu Yinzhe Education and Technology Co., Ltd. (“Chengdu Yinzhe”) and Shanghai Huodai Business Information Consulting Co., Ltd. (“Linstitute”). The launch of our 3i Global Academy in June represents a major milestone in utilizing technology in an online-merge-offline model to provide students around the globe with access to high quality education.

Schools under development

We intend to expand our global school network with a particular emphasis on developing international schools in selective areas in China as well as overseas schools in global select markets. When determining a new school location, we generally consider factors such as potential demand for quality private education, demographic background of prospective students and their families, household income level, level of local government support, availability of suitable sites and existing market competition.

We generally favor new domestic schools located within the residential communities developed by Country Garden to achieve cost savings and synergies in land procurement, facilities construction, marketing and student acquisition. Based on its residential property development plans, Country Garden has plans to develop several hundred sites in the next few years, presenting us with a large number of potential opportunities for expanding our domestic school network. We may also enter into agreements with third-party partners to expand our domestic school network. Under such agreements, we are primarily responsible for the day-to-day operation of the schools, and our partner is primarily responsible for land procurement and facilities construction. After we terminated our cooperation relationship with a third-party partner and ceased operations of Huaian Country Garden Tianshan Bilingual School and Tianshan Kindergarten in August 2018, we have not entered into such agreements with any third-party partners.

The following flowchart sets forth the major steps involved in launching a school with a partner.



As a majority of our existing domestic K-12 schools were established within or in the vicinity of Country Garden’s residential communities, the sales of Country Garden’s residential units have had an impact on the number of students enrolled at our schools. The number of residents typically increases within the first two to three years after the completion of Country Garden’s residential property development, and correspondingly, a school usually takes up to several years to ramp up its utilization rate and build its reputation.

We have added five kindergartens to our school network and acquired two overseas schools in the 2020 fiscal year, and expect to launch a total of 19 kindergartens in the 2021 fiscal year.

Centralized Management

We have established a centralized management system for our domestic school network, through which we manage and oversee certain aspects of our schools across our network, including school administration, supply procurement and sharing and development of teaching resources, to support and facilitate management of our schools as well as to ensure consistency in the quality of our education. For our overseas operations, we are in the process of establishing a center of excellence to centralize certain functions of management such as finance and IT, and will further progress into other areas including human resources, procurement, marketing and admissions.

Sharing and development of teaching resources

In order to maintain and improve our teaching quality, some of our schools share their teaching resources with each other and jointly hold teacher development workshops. For example, our flagship school, Guangdong Country Garden School, established a teacher training academy, which serves as the hub for teacher training within our school network. We send veteran teachers from Guangdong Country Garden School to our new schools to share teaching experiences with, and provide demonstration classes to, the resident teachers at these schools and also allow such resident teachers to visit Guangdong Country Garden School for training sessions. We also operate a centralized teaching staff recruitment program through which we hire and deploy teachers and educational staff within our school network based on each school's needs and teacher preferences. We intend to continue to leverage the availability of our teaching resources at different schools within our network to ensure consistency in teaching quality.

Education material and equipment procurement

We make procurement decisions regarding teaching materials and equipment and other education supplies for our schools in the same geographical areas to improve our operating efficiency, maximize economies of scale and enhance our overall bargaining power with suppliers. Such procurement choices include those for catering, textbooks, school uniforms, classroom furniture, computers, kitchen equipment, tableware and office appliances.

School administration

To improve our operating efficiency, we have centralized our finance, marketing, human resources, legal and information technology functions. We have adopted a series of policies and procedures relating to general corporate governance matters, which are aimed at strengthening the management and government of our company and our schools. For example, in the 2018 fiscal year, we implemented an ERP system where we centralize the collection and analysis of budgeting, procurement and financial information and data, which enhanced the efficiency of our data management processes, adding value to the overall operation of our business.

School marketing

While each of our schools conducts its own on-site promotional events to attract local students, we also organize group-wide marketing events to promote our brand and corporate image as one of China's leading private school operators. For details, see "—Marketing" below.

Our Expansions and Investments

In January 2016, we acquired élan, an English proficiency training business. In March 2018, we acquired a 75% equity interest in Wuhan Qiaosheng Education Investment Co., Ltd. and its subsidiaries (“Xinqiao”), which manages five kindergartens with a total capacity of 1,800 students in Hubei province. In March 2018, we acquired an additional 49% equity interest in Can-achieve to supplement our test preparation and college counseling business to improve our students’ university admission results. As of the date of this annual report, we hold a total of 70% equity interest in Can-achieve. In June 2018, we acquired a 75% equity interest in FGE, which is primarily engaged in providing overseas study consulting services. In December 2018, we acquired a 75% equity interest in Chengdu Yinzhe, which is primarily engaged in offering online career and education mentoring services to overseas Chinese students under the brand of “DreambigCareer.” In December 2018, we acquired BCS in the United Kingdom, which offers day and boarding education from ages two to 18. In March 2019, we acquired an 85% equity interest in Heze Qiqiaoban Education Technology Limited (“Qiqiaoban”), a company that manages a chain of eight kindergartens in Shandong province. In March 2019, we purchased a 70% equity interest in Hangzhou Impression, a Zhejiang-based art training institution. In May 2019, we acquired an 80% equity interest in Wuhan Sannew Education Development Co., Ltd. (“Sannew Education”), which operates a private boarding school in Wuhan. In June 2019, we acquired a 25% equity interest in Start Camp, which provides one-stop solution in camp layout and program design for education department of local governments, education groups and real estate developers in China. In July 2019, we acquired CATS, which operates five overseas schools and ten language training institutions across the United Kingdom, the United States and Canada. In September 2019, we acquired St. Michael’s School and BIC located in the United Kingdom. In July 2020, we acquired a 51% equity interest in Shanghai Huodai Business Information Consulting Co., Ltd. (“Linstitute”), which offers high-quality and outcomes-focused online training services including Academic Olympiad and other world-wide recognized international courses. In September 2020, we entered into an agreement to acquire a 60% equity interest in Leti Camp, which specializes in providing summer and winter camp activities for teenagers and owns a comprehensive product offering in Hands-on Inquiry Based Learning (HIBL) and camp business. We plan to continue to make strategic investments into and acquisitions of overseas schools and complementary businesses to better serve our students and drive our future growth.

In September 2018, we also entered into a partnership agreement with third-parties to establish an investment fund under which we agreed to invest a total of RMB999.8 million in promoting the establishment and operations of K-12 education centers, bilingual schools and international schools. However, due to uncertainties in government regulations, we have decided not to pursue the plan any further and have withdrawn substantially all of our investment in the fund.

Our Students

Student admission

Our students enrolled in our domestic K-12 schools are primarily Chinese nationals from relatively affluent families and aspire to pursue the next level of education overseas or gain a competitive advantage from bilingual education. Since a majority of our domestic K-12 schools were launched within or in the vicinity of the residential communities developed by Country Garden, our recruitment efforts were initially targeted at students from families who were Country Garden’s homeowners. As we have gradually forged a reputation for providing quality education through a proven track record of success over the years, we frequently attract prospective students from outside of Country Garden properties, largely through word-of-mouth referrals and marketing efforts. Approximately 62.4% of our students enrolled in our bilingual and international schools in the 2020 fiscal year came from families who do not own Country Garden properties. We believe that our schools are attractive to prospective students and their parents due to our reputation and the quality and breadth of our education programs.

We implement selective screening procedures for student admissions. We generally require middle school and high school applicants to take entry tests to assess their English proficiency and academic performance. We conduct admissions interviews with kindergarten and primary school applicants. As a result of the large number of students wishing to enroll in our schools, we are selective in accepting our students.

Our overseas schools recruit students from around the world, with a student body comprising over 90 different nationalities for the 2020 school year. The CATS Colleges recruit entirely international students, while the rest accept both international and domestic students. The majority of the students in our overseas schools are from 14 to 18 years old.

Student performance

Approximately 93.6% of the 2020 graduating class of our domestic K-12 schools who were enrolled in our Diploma Program, Advance Placement or A-Level curricula and applied for overseas universities were admitted into the global top 50 institutions, ranked by either the QS World University Rankings or U.S. News, including University of Oxford, University of Cambridge, The University of Chicago, New York University, University of Toronto, and The University of Sydney. Students in our 2020 graduating class have received more than 1,100 offers in total from global top 50 institutions by the same ranking as of August 31, 2020. Our 2020 graduating students of our domestic K-12 schools were admitted by 261 top institutions, which are located in over 12 countries or regions, including the United States, the United Kingdom, Australia, New Zealand, Canada, Switzerland, France, Singapore, Hong Kong, Japan, Italy and the Netherlands, of which over 55% are U.S.-based institutions. Approximately 52.8% of our graduating students from our bilingual schools were admitted into top local high schools in the 2020 fiscal year. Approximately 55.0% and 62.1% of the 2020 graduating class from our Huanan Country Garden School and Phoenix City Bilingual School were admitted into the top local high schools. For our overseas schools, approximately 67% of the students across the CATS schools progressed to Russel Group universities, and approximately 94%, 89% and 74% of the students in CATS Cambridge, CATS Canterbury and CATS London achieved three A*-C A-level results, respectively, and the results were equally strong for BIC, BCS and St Michael's School, reaching 95%, 99% and 72%, respectively.

As all of our programs place particular emphasis on developing students' English skills, our students are regular winners of regional and provincial rounds at national English skill competitions, such as the China Youth English Competence Contest and the China Central Television Star of Outlook Talent Competition. In addition to academic accomplishments, we also seek to promote the well-balanced development of our students through a wide range of extracurricular activities to tap into their interests and potential.

Student and parent support services

We generally have small class sizes across our domestic school network in order to provide each student with close and frequent teacher interactions and individual attention and support. Our teachers assist students through academic difficulties with personalized remedial measures, including additional practice materials and instructive sessions. We also provide counseling to help our students with university applications.

As a testament to the positive student experience we provide at our schools, we have historically maintained relatively high student retention rates in our schools in China. After our students complete their studies at our schools, we encourage them to advance their education within our school network if they meet the requisite academic requirements. For example, in our domestic K-12 schools offering both primary and middle school education, 55.7% of the 2020 primary school graduating class continued their next level of studies at the same school. Our average net annual student retention rate for all students in our domestic K-12 schools, which measures the percentage of students enrolled at the beginning of a school year who move on to the next grade level, was over 90.0% for each of the 2018, 2019 and 2020 school years.

We also maintain regular communication with the parents of our students and provide them with complementary seminars and training on education programs, university applications and parenting.

Our Teachers

Teacher qualifications

We have assembled a team of teachers with extensive experience in education. Our schools are staffed with different levels of teachers and educational staff. Certain senior teachers have managerial responsibilities in addition to their responsibilities as instructors. Educational staff include teaching assistants, librarians and medical staff. In the 2020 fiscal year, we had an average of 6,358 teachers and instructors globally.

We seek to employ teachers that have a passion for teaching, mastery of their subject areas, strong communication skills and proficiency in employing innovative and effective teaching methods. Our teachers for schools in China who are Chinese nationals have an average of approximately nine years of experience in teaching. Across our domestic school network, we also had an average of 302 foreign teachers, representing 5.5% of the teacher pool of our domestic K-12 schools in the 2020 school year. Foreign teachers of our international schools represented 8.8% of our teacher pool in international schools during the same period. We believe that foreign teachers are essential to providing an immersive bilingual environment and better preparing our students for the pursuit of the next level of education overseas.

We had 652 teachers, or 11.9% of our total teacher pool in our schools in China and 44.7% of our teacher pool in international schools, licensed with IB training certificates as of August 31, 2020. To stay current with the constant changes in the IB syllabus, we require all of our teachers to take regular IB training classes. We typically outsource instructors for our extracurricular programs.

Teacher recruitment

Our teachers are critical to maintaining the quality of our programs and services and in promoting our brand and reputation. We place particular importance on recruiting teachers who are appropriately qualified and experienced. For our overseas schools, we also expect teachers to have a wealth of international experience across the world of academia. We implement a centralized recruitment program that seeks to hire teachers and educational staff and deploy them across our domestic school network based on each school's needs and teacher preferences. We screen candidates for strong academic credentials, dedication and knowledge in the relevant teaching subjects, and commitment to serving students' needs. We require our teachers for schools in China to possess the appropriate qualifications required by PRC regulatory authorities, including the foreign expert certificate in the case of foreign teachers. We believe that teacher candidates are attracted to our schools because of our reputation, commitment to quality education, financial strength and competitive compensation package. To enhance our retention rate, we also allow our teachers to laterally transfer within our school network. We maintained teacher retention rates of above 87.0% for our domestic K-12 schools in each of the 2018, 2019 and 2020 school years. "Teacher retention rate" is calculated as 100.0% minus the quotient of the number of both our Chinese and foreign teachers that leave employment during a school year by the number of teachers at the beginning of that school year (not including teachers hired during that school year).

In May 2018, we entered into a strategic partnership agreement with Beijing Normal University ("BNU") pursuant to which we jointly established Huiyan International Education College, which aims to provide international education training for prospective and existing teachers, and which will form part of the Faculty of Education of BNU. Huiyan International Education College will primarily collaborate with overseas universities to introduce renowned education institution brands and resources into China, offering degree programs at different levels and establishing a platform for recruiting global teaching talents. It will also conduct training programs to provide career development growth opportunities for teachers. Through this partnership, we will jointly own the intellectual property of research in international education with BNU. By offering internship opportunities across our domestic school networks to prospective students of Huiyan International Education College, we will also obtain a stable and valuable source of future teachers for our schools. In 2019, we entered into strategic cooperation agreements with a number of well-known universities in China, such as Jinan University, Changchun Normal University, Shaanxi Normal University, Guizhou University, South China Normal University and Guangdong University of Foreign Studies. Under these agreements, we may provide internship and job opportunities to their students, design and conduct joint training programs for our teachers and conduct joint research projects.

Teacher training

We are committed to investing in our teachers and principals. Newly-hired teachers for our schools in China undergo a training program on teaching skills as well as our school culture. We also provide ongoing professional development for our teachers and principals, in the form of online, on-campus or one-on-one training and support sessions. Our flagship school, Guangdong Country Garden School, established a teacher training academy which organizes centralized teacher training activities. We also send veteran teachers to our new schools to share teaching experiences with, and provide demonstration classes to, the resident teachers at those schools and also allow such resident teachers to visit Guangdong Country Garden School for on-site training sessions. From time to time, we organize seminars on professional training in cooperation with prestigious institutions, such as the Institute of Education of University College London. We also invite veteran teachers to participate in school administration by offering them management training with the possibility of promotion to principal positions. The opportunity for ongoing professional training and career advancement is not always available at private schools in China and is a key differentiator in our ability to attract, develop and retain talented teachers.

Teachers in our overseas schools are continuously assessed under Continues Development, a program that measure the effectiveness and quality of their teaching and provide them with the right learning environment that enables them to adapt teaching methods and use innovative tools to delivery academic excellence.

Our Tuition

We charge our students tuition, boarding and textbook fees generally prior to the beginning of each semester. Tuition and fees being paid in arrears is subject to special approval. As a result, approximately 96.0% of our revenue from schools in China for the first semester of the 2020 school year was received in or before September 2019 and approximately 4.0% was received after September 2019. For the second semester of the 2020 school year, approximately 81.0% of our revenue from schools in China was received in or before March 2020 and approximately 19.0% was received after March 2020. We also accept monthly payment of fees at certain kindergartens we operate. We offer a partial refund if a student withdraws in the predetermined period. We may also offer tuition discounts to certain of Country Garden's homeowners, our employees and employees of Country Garden. Tuition refund or discounts did not materially and adversely affect our business, results of operations or financial position. We have limited discretion in determining the types and amounts of fees we charge under the current PRC regulatory regime. For example, in accordance with the relevant local regulations, if we increase the tuition at our schools in Guangdong province in a certain school year, such increase will generally not affect the existing students until they complete their current section of education at the same schools. In determining the amount of tuition we charge, we consider factors including the demand for our education programs, the cost of our operations, the geographic markets where our schools are located, the tuition charged by our competitors, our pricing strategy to gain market share and general economic conditions in China. For example, the average tuition and fees per student at Guangdong Country Garden School was RMB108,398 in the 2020 school year, compared to RMB69,387 and RMB70,899 at Country Garden Silver Beach School and Jurong Country Garden School, respectively, in the same period. Our tuition and fees charged for internationally-accredited programs are typically higher than that for government-mandated curricula, which reflects the additional educational and operational resources associated with administering the former. For the 2020 school year, we charged average tuition and fees of RMB82,469 for international schools, RMB35,782 for bilingual schools, RMB20,910 for kindergartens and RMB207,643 for overseas schools. Our average tuition for our kindergartens decreased from RMB30,424 in the 2019 fiscal year to RMB20,910 in the 2020 fiscal year primarily due to temporary shutdown of kindergartens caused by the COVID-19 pandemic.

Our Business Partners

We collaborate with a number of universities overseas, which enables our partner institutions to appreciate our strong academic programs and the English language proficiency of students from our schools in China and facilitates the early admissions process by encouraging early contact between our students and these institutions. In particular, we have formed strategic relationships with each of University of St. Andrews and Newcastle College in the area of international college admission tests such as the AP tests and the SAT, and our cooperations with East Sussex College on IELTS courses.

Over the years, our international schools have individually obtained authorization from the Cambridge International Examinations to administer education programs such as IGCSE and A-Level and the related

examinations. In May 2016, we became a Cambridge Associate, which allows us to review and self-approve the eligibility of all of our schools to administer such programs and the related examinations. Our status as a Cambridge Associate also allows us to deepen our cooperation with Cambridge International Examinations on teacher training, curriculum development and international exchange programs. On May 17, 2017, we cooperated with Columbia University and co-established the “Bright Scholar — Columbia Scholarship” program. On May 26, 2017, we co-established the “Bright Scholar — University of California — Berkley Scholarship.” In June 2018, we signed a collaboration agreement with Fettes College, a boarding and day school in Scotland, to jointly establish a school in China that features the campus design, curricular, management system and school traditions of Fettes College. In November 2018, in collaboration with BNU, we opened Huiyan International Education College aiming to strengthen BNU’s international collaborations with other educational institutions in the area of education training for teachers. In addition, we granted a third party the right to use the brands “CATS” and “Cambridge School of Visual & Performing Arts” for the operation of two campuses in Shanghai, China.

Research and Curriculum Development

We believe we have devoted significant resources to our research and curriculum development efforts which are reflected in our course materials and effective teaching methods. We encourage our teachers to develop, update and improve our curricula and course materials based upon our students’ needs and the latest official government curricula or course outlines issued by the relevant international programs. As our students’ academic ability levels vary, our curricula are designed with the flexibility to address a particular student’s strengths and weaknesses. Our teachers in charge of designing the curricula also work with other teachers to prepare or update such course curricula, and revise the curricula based on feedback from the classroom. To ensure our education quality can be upheld across our schools, we have dedicated a team of senior teaching staff to designing curricula for the programs implemented in our schools and to keep our teaching materials updated with reference to the latest educational trends. Our overseas schools are continuously developing curriculum and academic extension activities to prepare students for admission to top universities. For example, preparation for students applying to Oxbridge has included preparation for admissions tests, workshops with a drama specialist to prepare students for interview, and mock interviews with academics from the University of Cambridge. Additionally, our overseas schools develop curricula in specific subject areas, which focus on the skills needed for interested students' success at university.

In August 2019, we entered into an agreement with National Center for School Curriculum and Textbook Development (“NCCT”) and National Institute for Curriculum and Textbook Research (“NICTR”), to jointly establish a research base for fundamental education curriculum reform. Through this agreement, NCCT and NICTR will assist us in the development of a forward-looking and systematic five-year curriculum plan and annual curriculum reform guidance. In addition, they will also assist in the optimization of our current curriculum to advocate our core values in education.

Marketing

We historically market our schools in China primarily to students from families that purchased residential units developed by Country Garden. We distribute marketing brochures and offer site tours of our school to prospective home buyers visiting the sales centers for residential properties developed by Country Garden. Our relationship with Country Garden is synergistic because our schools enable Country Garden to meet the requisite local governmental requirements or market needs for schools in its residential communities and we may offer preferential student placements and tuition discounts as an incentive to prospective home buyers. We believe that the availability of and convenient access to quality education is a significant factor that drives home buying decisions.

As we have gradually forged a reputation for quality education through a proven track record of success over the years, we began to attract students from families other than Country Garden’s homeowners. We have also implemented a variety of marketing methods to enhance the brand recognition of our schools. By doing so, we intend to continue creating and implementing a standard corporate identity across all our schools. We take measures to increase word-of-mouth referrals which have been instrumental to attracting new students and building our brand. We have also strengthened our marketing strategy to drive student recruitment, and built up our marketing teams at both headquarters and regional levels to assist students recruitment, while allocating more marketing and promotional budgets for schools in the ramp-up stage.

- Referrals. Word-of-mouth referrals by former and current students and their families have been a significant source of our student enrollment. Recommendations made by our alumni who matriculated

into reputable overseas education institutions or excelled in Zhongkao or Gaokao provide convincing testimonials to prospective students. We actively work with our alumni and current students to encourage them to recommend our programs to prospective students.

- Promotional events. From time to time, we organize promotional and recruiting events to provide real-time, on-site opportunities for our prospective students to learn more about our services and programs, as well as to meet our teachers and staff. We also organize event-driven marketing campaigns such as seminars for our international schools so that prospective students interested in studying abroad can meet with teachers and recruiting personnel from overseas institutions and learn more about our international programs. For example, in November 2019, during the celebration of the 25th anniversary of Bright Scholar, we held three education forums, which attracted more than 1,600 guests to attend. We also joined SPBCN to hold an online English spelling contest with more than 3,300 registered contestants.
- Media advertising. From time to time, we may publish articles on popular local newspapers to promote our brand awareness and advocate for our education philosophy. We have also placed advertisements on searching engines and internet portals in China.

Our overseas schools depend on advertisements on related websites such as university targeted websites, generic campaigns on platforms such as Facebook and Instagram, and educational agencies to market themselves and recruit students. We have also assembled a team of specialists to offer support, training and guidance to the educational agencies and assist them in student recruitment.

Competition

The education service market in China is rapidly evolving, highly fragmented and competitive. We compete with a number of private K-12 school operators, including, among others, Maple Leaf schools, Nord Anglia schools, Hailiang schools, and Wisdom schools. We believe we can compete effectively because we have a track record of delivering quality education primarily to local Chinese students, while certain other market players primarily serve students from expatriate families. We may also compete with local private international and bilingual schools in each region we have a presence. Similarly, our overseas schools compete against large operators such as Nord Anglia and Alpha Plus in the UK, as well as standalone private schools in each region. We believe we are well-positioned to replicate our success and compete effectively based on the following factors:

- scalable business model;
- operating knowledge;
- reputation and brand recognition;
- teaching quality;
- ability to recruit and retain students;
- ability to recruit and retain principals and teaching staff;
- relationship with local education authorities, international program accreditors and overseas colleges and universities; and
- relationship with other key stakeholders, such as real estate developers.

Properties and Facilities

A significant portion of our properties are located in China. We currently occupy a total combined gross floor area of approximately 1.6 million square meters of facilities developed by Country Garden, substantially all of which is leased. By utilizing the properties developed by Country Garden we avoid significant capital expenditures

in connection with land procurement and facilities construction. We may also provide preferential student placements and tuition discounts to homeowners of the Country Garden properties. We are in the process of entering into school operation agreements to document our arrangements with Country Garden for the newly established schools. In recognition of our synergistic relationship, Country Garden adopted an internal policy that designates us as a preferred school operator partner, under which we are entitled to the right of first refusal on school development projects in connection with its new residential properties.

We also lease a total site area of approximately 172,240 square meters of land from a third party for Guangdong Country Garden School. This lease expires in 2063, and we pay annual rental charges, which are adjusted for annual changes in the cost of living index. The lessor may terminate the lease only for our material breach of contract. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We have certain property defects relating to our lease of the land occupied by Guangdong Country Garden School, which may adversely affect our operations.”

As of the date of this annual report, we also own 58 properties and lease 52 facilities in the United Kingdom, the United States and Canada for school campuses and office use.

Intellectual Property

We have obtained a license to use certain trademarks, including “Country Garden” from Country Garden free of charge for a term expiring in 2028 and 2030. We have applied for or registered trademarks relating to our logos and names, including “Bright Scholar” and “Bo Shi Le” in China. As of the date of this annual report, we have registered 65 trademarks including “élan,” with the PRC Trademark Office and major domain names used for our operation with the China Internet Network Information Center, including www.brightscholar.com, brightscholar.net, fettesgz.com, fetteschina.com, www.bgyedu.cn, 中国.中国 and 中国.com. As of the date of this annual report, we have registered a total of 71 trademarks and 71 domain names with relevant authorities in jurisdictions where we operate internationally. From time to time, we are required to obtain licenses with respect to course materials owned by third parties for our education services, in particular for our international program which requires foreign-language education materials. We own copyrights to the course content we developed in-house.

Our trademarks and other intellectual property rights distinguish our services and products from those of our competitors and contribute to our ability to compete in our target markets. To protect our intellectual properties, we rely on a combination of trademark, copyright and trade secret laws. We have confidentiality clauses in our employment agreements with our employees to protect our intellectual property rights, and also monitor any infringement or misappropriation of our intellectual property rights.

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We maintain insurance to cover students and teachers’ medical expenses for injuries they might sustain at our schools. We also maintain insurance to cover our liability should any injuries occur at our schools. In addition, we maintain property insurance for our vehicles. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We have limited insurance coverage with respect to our business and operations.” We consider our insurance coverage to be in line with that of other private K-12 education providers of a similar scale in China.

Legal Proceedings

From time to time, we are subject to legal proceedings, investigations and claims during the ordinary course of our business. We are not currently a party to any legal proceeding or investigation which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operations.

Regulations

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 Ministry of Industry and Information Technology, the State Administration for Market Regulation, the Ministry of

Civil Affairs and their respective local offices. The section summarizes the principal PRC regulations related to our business.

PRC Laws and Regulations Relating to Foreign Investment in Education

Special Administrative Measures for Access of Foreign Investment (2020 Version)

Pursuant to the Foreign Investment Industries Guidance Catalog (Amended in 2015), or the Foreign Investment Catalog, which was amended and promulgated by National Development and Reform Commission, or the NDRC, and the MOFCOM on March 10, 2015 and became effective on April 10, 2015, kindergarten education, high school education and higher education are restricted industries for foreign investors, and foreign investments are only allowed to invest in kindergarten education, high school education and higher education in cooperative ways and the domestic party shall play a dominant role in the cooperation. In addition, according to the Foreign Investment Catalog, foreign investors are prohibited from investing in compulsory education, i.e., primary school to middle school.

Sino-foreign cooperation in operating schools is specifically governed by the Regulation on Operating Sino-foreign Schools of the PRC, which was promulgated by the State Council on March 1, 2003 and became effective on September 1, 2003 and amended on July 18, 2013, the Law for Promoting Private Education of the PRC, and the Implementing Rules for the Regulations on Operating Sino-foreign Schools or the Implementing Rules, which were issued by the MOE on June 2, 2004 and became effective on July 1, 2004.

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a PRC-foreign education institute shall be less than 50%.

The Foreign Investment Industries Guidance Catalog (2017 Revision), or the 2017 Catalog, which was promulgated on June 28, 2017 and took effect on July 28, 2017 replacing the abovementioned Foreign Investment Industries Guidance Catalog (2015 Revision), contains the same types of industry categories.

The Special Administrative Measures for Access of Foreign Investment (Foreign Investment Access Negative List) set forth in the 2017 Catalog was replaced by the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Version), or the 2018 Negative List, promulgated on June 28, 2018 with effect on July 28, 2018, which imposes the same restriction and prohibition on foreign investors in the education sector besides one additional ban on religious education institutes. On June 30, 2019, the MOFCOM and the NDRC jointly released the Catalog of Industries Encouraging Foreign Investment (2019 Version), or the 2019 Encouraged Catalog, which became effective on July 30, 2019 and replaced the previous list of the industries in which foreign investment is encouraged to invest under the 2017 Catalog, and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Version), or the 2019 Negative List, which became effective on July 30, 2019 and replaced the 2018 Negative List. On June 23, 2020, the MOFCOM and the NDRC jointly released the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Version), or the 2020 Negative List, which superseded the 2019 Negative List on July 23, 2020. The 2020 Negative List remains unchanged with respect to the education industry.

As of the date of this annual report, our kindergartens and high schools fall within restricted industries for foreign investors, and our international schools and bilingual schools which cover compulsory education fall within prohibited industries for foreign investors.

Regulations on Private Education in the PRC

Education Law of the PRC

On March 18, 1995, the National People's Congress of the PRC, or the NPC, enacted the Education Law of the PRC, or the Education Law, which was amended on August 27, 2009. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising kindergarten education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The

Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other education institution. Furthermore, it provides that in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of education institutions in accordance with PRC laws and regulations. Meanwhile, no organization or individual may establish or operate a school or any other education institution for profit-making purposes. On December 27, 2015, the Education Law was amended, which became effective on June 1, 2016. The amended Education Law repudiates a specific paragraph of the old law, which 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 Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education

The Law for Promoting Private Education of the PRC became effective on September 1, 2003 and was amended on June 29, 2013 and on December 29, 2018, and the Implementation Rules for the Law for Promoting Private Education of the PRC became effective on April 1, 2004. Under these regulations, “private schools” are defined as schools established by social organizations or individuals using non-government funds. Private schools providing academic qualifications education, kindergarten education, education for self-study examination and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level. 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 of the PRC, or the MCA, or its local counterparts as a privately run non-enterprise institution. Each of our schools has obtained the Permit for Operating a Private School and has been registered with the relevant local counterpart of the MCA.

Under the above regulations, the operations of a private school are highly regulated. For example, the types and amounts of fees charged by a private school providing academic qualifications education shall be approved by relevant government authorities and publicly disclosed, and a private school that provides non-academic qualifications education shall file its pricing information with the relevant government authorities and publicly discloses such information.

According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as “sponsors” rather than “owners” or “shareholders.” The economic substance of “sponsorship” with respect to private schools is substantially similar to that of shareholder’s ownership with respect to companies in terms of legal, regulatory and tax matters. For example, the name of the sponsor shall be entered into the private schools’ articles of association and Permit for Operating a Private School, similar to that of shareholders where their names shall be entered into the company’s articles of associations and corporate records filed with relevant authority. From the perspective of control, the sponsor of a private school also has the right to exercise ultimate control over the school by means such as adopting the private school’s constitutional documents, electing the school’s decision-making bodies, including the school’s board of directors and principals. The sponsor can also profit from the private schools by receiving “reasonable returns,” as explained in detail below, or disposing its sponsorship interests in the schools for economic gains. However, the rights of sponsors vis-à-vis private schools also differ from the rights of shareholders vis-à-vis companies. For example, under the PRC laws, a company’s ultimate decision-making body is its shareholders meeting, while for private schools, it is the board of directors, though the members of which are substantially appointed by the sponsor. The sponsorship interest also differs from the ownership interests with regard to the right to the distribution of residual properties upon liquidation of a private school, mainly because private education is treated as a public welfare undertaking under the current regulations. While private education is treated as a public welfare undertaking under the current regulations, sponsors of a private school may choose to require “reasonable returns” from the annual net balance of the school after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. Private schools whose sponsor does 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 whose sponsor require reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. To date, however, no regulations have been promulgated by such authorities in this regard.

The Decision of the Standing Committee of the National People’s Congress on Amending the Law for Promoting Private Education of the PRC, or the Amendment, has been promulgated by Order No. 55 of the President of the PRC on November 7, 2016 and has come into force on September 1, 2017.

Under the Amendment, 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, while before the Amendment, all private schools shall not be established for for-profit purposes. Nonetheless, school sponsors are not allowed to establish for-profit private schools that are engaged in compulsory education. In other words, the schools engaged in compulsory education should retain their non-profit status after the Amendment comes into force.

For the registration status of our schools, see “Item 3. Key Information—D. Risk Factors—We may be subject to significant limitations on our ability to engage in the private for-profit education business and may otherwise be materially and adversely affected by changes in PRC laws and regulations.”

The Amendment further establishes a new classification system for private schools to be classified by whether they are established and operated for profit-making purposes.

According to the Amendment, the key features of the aforesaid new classification system for private schools 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;
- 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;
- for-profit private schools are entitled to set their own tuition and other miscellaneous fees without the need to seek prior approvals from or report to the relevant government authorities. The collection of fees by non-profit private schools, on the other hand, shall be regulated by the provincial, autonomous regional or municipal governments;

- private schools (for-profit and non-profit) may enjoy preferential tax treatments. Non-profit private schools will be entitled to the same tax benefits as public schools. Taxation policies for for-profit private schools after the Amendment taking effect are still unclear as more specific provisions are yet to be introduced;
- where there is construction or expansion of a non-profit private school, the school may acquire the required land use rights in the form of allocation by the government as a preferential treatment. Where there is construction or expansion of a for-profit private school, the school may 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. The remaining assets of for-profit private schools shall be distributed to the sponsors in accordance with the PRC Company Law; and
- people's governments at or above the county level may support private schools by subscribing to their services, provision of student loans and scholarships, and leases or transfers of unused state assets. The governments may further take such measures as government subsidies, bonus funds and incentives for donation in support of non-profit private schools.

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, or the State Council Opinions, which requires to ease the access to the operation of private schools and encourages social forces to enter the education industry. The State Council Opinions also provides that each level of the people's governments 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, protecting the rights of teachers and students etc. Further, the State Council Opinions require each level of the people's governments to improve its local policies on government support to for-profit and non-profit private schools by ways of preferential tax treatments etc. In addition, under the State Council Opinions, private schools shall strengthen its construction of the Chinese Communist Party, or the CCP, and further the theoretical system of Socialism with Chinese Characteristics by introducing such system into textbooks and teaching programs. The construction of the CCP's organizations by the private schools as well as the CCP's leadership to private schools shall constitute an important part of such schools annual inspection.

On December 30, 2016, the MOE, MCA, 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 Amendment. Generally, if a private school established before promulgation of the Amendment 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 registrations are yet to be introduced by people's governments at the provincial level.

On December 30, 2016, the MOE, 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 SAIC.

On September 1, 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.

On December 29, 2018, the Decision of the Standing Committee of the National People’s Congress on Amending the Seven Laws of the Labor Law of the People’s Republic of China was promulgated by Order No.24 of the President of the PRC and took effect on the same date, which made two minor adjustments to Article 26 and Article 64 of the Law for Promoting Private Education of the PRC. These minor adjustments do not materially affect our business and operations.

For a detailed discussion on how the Amendment and the above regulations will affect our schools, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We may be subject to significant limitations on our ability to engage in the private education business or make payments to our subsidiaries and may otherwise be materially and adversely affected by changes in PRC laws and regulations.”

Besides the Amendment and the above regulations, the other details of the operation requirement of non-profit schools and for-profit schools will further be provided in implementation regulations that are yet to be introduced:

- the amendment to the Implementation Rules for the Law for Promoting Private Education of the PRC;
- the local regulations relating to legal person registration of for-profit and non-profit private schools; and
- the 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 the specific measures for registration of pre-existing private schools, the 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 annual report, certain local governments, such as Jiangsu province and Hebei province, have promulgated their local regulations relating to legal person registration and administration for private schools and certain local governments, such as Guangdong province, Jiangsu province, Hubei province, Hebei province, Gansu province, and Anhui province, have promulgated general guidance to encourage the development of private schools. Among these local regulations and guidance, some local governments, such as Hubei province, Hebei province, and Anhui province, require the existing private schools to register either as for-profit or non-profit schools within a specific time period.

Regulations on compulsory education

According to the Law for Compulsory Education of the PRC, which was promulgated by the NPC on April 12, 1986 and was amended by the tenth Standing Committee of the NPC on June 29, 2006 and by the twelfth Standing Committee of the NPC on April 24, 2015, and by the thirteenth Standing Committee of the NPC on December 29, 2018, a nine-year system of compulsory education, including six years of primary school and three years of middle school, was adopted.

Further, the MOE issued the Reform Guideline on the Curriculum System of Compulsory Education (Trial) on June 8, 2001, which became effective on the same day, pursuant to which schools providing compulsory education shall follow a “state-local-school” three-tier curriculum system. In other words, schools must follow the state curriculum standard for state courses, while the local education authorities have the power to determine the curriculum standard for other courses, and schools may also develop curriculum that are suitable for their specific needs provided that the state curriculum shall be completely maintained.

On June 23, 2019, the Central Committee of the Communist Party of China and the State Council promulgated the Opinions on Deepening the Reform of Educational Teaching and Thoroughly Enhancing the Quality of Compulsory Education, which lays out more stringent requirements for textbooks that are permitted to be used in compulsory education.

On December 16, 2019, the MOE issued the Administrative Measures on Primary and Secondary School Textbooks, which details the regulations on the authoring, vetting, publication and schools' selection of primary and secondary school textbooks.

On May 6, 2020, the General Office of the MOE issued the Notice on Negative List of Excessive and Advanced Training in Six Subjects of Compulsory Education (Trial). According to the Notice, extracurricular training institutions are prohibited from providing for students in primary schools and middle schools excessive and advanced training relating to six subjects, namely, Chinese, Math, English, Physics, Chemistry and Biology. For example, the difficulties of education contents provided by extracurricular training institutions shall not exceed the difficulties of contents in textbooks used in corresponding compulsory education classes, and the extracurricular education targeting students in primary schools shall not include contents expected to be taught in middle schools, and the extracurricular education targeting students in middle schools shall not include contents expected to be taught in high schools.

Regulations on the operation of high schools

The MOE has promulgated several regulations on the operation of high schools, which mainly concern the choice of textbooks, the curriculum system and the graduation exam system.

According to the Circular of the Central Office of the MOE on the Selection of the Trial Textbooks for the Curriculum of High Schools promulgated on April 26, 2005 and the Interim Measures for the Management of the Selection of the Primary and Middle School Textbooks promulgated and came into effect on September 30, 2014, the textbooks used by the primary and middle schools can only be selected from the catalog issued by the MOE; and the provincial education authority is in charge of textbook selection within its relevant administrative jurisdiction and has the power to approve the curriculum system applied in the primary and middle schools within the province.

Further, the MOE issued the Notice on Developing Trial Curriculum System in High Schools, the Guidance on Strengthening Instruction on Developing Trial Curriculum System in High Schools, the Notice on Propelling 2006 Trial Curriculum System in High Schools and the Notice on Propelling 2007 Trial Curriculum System in High Schools from 2003 through 2007, pursuant to which the MOE developed a new curriculum system in high schools nationwide, and the implementation of such curriculum system is carried on mainly by the provincial education authorities while the MOE mainly provides guidance to its local counterparts. Under the guidelines of the MOE and subject to approval by the respective provincial education authorities, the high schools may adopt their own unique curriculum system.

Since we offer internationally-accredited courses to our students, primarily in our international schools, we may be deemed to offer insufficient government-mandated coursework to students enrolled in our international programs from grades one through nine. Additionally, we did not obtain the required government approval for providing non-government-mandated coursework and the use of foreign textbooks in certain schools. For a detailed description of the risk associated with these matters, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—If regulatory authorities challenge our curriculum or textbook practices, our business, results of operations and financial condition may be materially and adversely affected.”

Regulations on After-School Tutoring

The State Council issued an Opinion on Supervising After-School Tutoring Institutions (“Circular 80”) on August 22, 2018, which provides various guidance on regulating after-school tutoring institutions that target primary and secondary school students. Circular 80 requires that after-school tutoring institutions obtain school operating permits and other legally required licenses and permits, and instructs relevant governmental authorities to strengthen their supervisions and regulations on after-school tutoring institutions. Circular 80 also standardizes the approval and registration processes of after-school tutoring institutions. For a detailed description of the risks associated with these matters, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—A number of our learning centers do not possess the required educational permits and business licenses and are currently unable to obtain them, which may subject us to fines and other penalties, including the suspension of operations in noncompliant learning centers and confiscation of profits derived from noncompliant operations.”

Measures for Punishment for Violation of Professional Ethics of Primary and Secondary School Teachers

The Measures for Punishment for Violation of Professional Ethics of Primary and Secondary School Teachers as promulgated by MOE on January 11, 2014 and amended on November 8, 2018 prohibits teachers of primary and secondary schools from providing paid tutoring in schools or in out-of-school learning centers. Some provinces and cities where our schools are located have adopted more stringent regulations which prohibit public school teachers from teaching, on a part-time basis, at private schools or learning centers. For a detailed description of the risk associated with these matters, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We may be unable to recruit, train and retain a sufficient number of qualified and experienced teachers and principals.”

Opinions on Regulating the Development and Deepening of the Reform of Pre-school Education

On November 7, 2018, the Central Committee of the Communist Party of China and the State Council promulgated the Opinions on Regulating the Development and Deepening of the Reform of the Pre-School Education (the “Opinions”), which provides, among others, that (1) private kindergartens forming part or all of the assets of a listing vehicle are prohibited from listing on stock markets; (2) non-governmental capital is prohibited from controlling state-owned or collectively-owned kindergartens and non-profit kindergartens by ways of mergers and acquisitions, entrusted management, franchising, variable interest entities arrangements, or other forms of control agreements; (3) for-profit kindergartens which participate in acquisitions, franchising or chain operation shall file with education departments of the county level or above and make available to the public agreements entered into with relevant interested enterprises; (4) listed companies are prohibited from investing in for-profit kindergartens through financing through stock markets, and should not purchase assets of for-profit kindergartens by cash, issuance of shares or other similar means; and (5) provincial legislative bodies should promulgate implementing measures by June 2019 with regard to the election of private kindergartens to be registered as non-profit or for-profit schools and specify time-frame requirements for such registration. For a detailed description of the associated risks, see “Item 3. Key Information—Risks Factors—Risks Related to Our Business—We may be subject to significant limitations on our ability to engage in the private education business or make payments to our subsidiaries and may otherwise be materially and adversely affected by changes in PRC laws and regulations.” On September 7, 2020, the MOE published the Draft Preschool Education Law for public comments. The Draft Preschool Education Law is expected to tighten restrictions over kindergartens in pursuing profits and specify legal liabilities for the violation of such restrictions.

PRC Laws and Regulations Relating to Trademark and Domain Name

Trademark

Pursuant to the Trademark Law of the PRC, or the Trademark Law, which was revised on April 23, 2019 and with effect from November 1, 2019, registered trademarks refer to trademarks that have been approved and registered by the Trademark Office of the National Intellectual Property Administration, which include commodity trademarks, service trademarks, collective marks and certification marks. The trademark registrant shall enjoy an exclusive right to use the trademark, which shall be protected by law.

Domain name

Pursuant to the Measures for the Administration of Internet Domain Names of China, which was promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 and 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.

PRC Laws and Regulations Relating to Foreign Exchange

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC. These were promulgated by the State Council of the PRC on January 29, 1996 and with effect from April 1, 1996 and were amended on January 14, 1997 and August 5, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China, unless the prior approval of the SAFE or its local counterparts is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may, without the approval of SAFE, make a payment from their foreign exchange accounts at designated foreign exchange banks for paying dividends with certain evidencing documents (such as board resolutions, tax certificates), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with SAFE or its local counterparts and approval form or filling with the relevant PRC government authorities (if necessary).

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles, or Circular 37, which was promulgated on July 14, 2014 and with effect from the same day, before a domestic resident contributes its legally owned onshore or offshore assets and equity into a Special Purpose Vehicle, or SPV, the domestic resident shall be required to register with the local branch of SAFE for foreign exchange registration of overseas investments before contributing the domestic and overseas lawful assets or interests to a SPV, and to update such registration in the event of any change of basic information of the registered SPV or major change in the SPV's capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions. The SPV is defined as an "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing"; "Round Trip Investments" refer to "the direct investment activities carried out by a domestic resident directly or indirectly via an SPV, that is, establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests". In addition, according to the procedural guidelines as attached to the Circular 37, the principle of review has been changed to "the domestic individual resident is only required to register the SPV directly established or controlled (first level)".

Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies, or Circular 13, which was promulgated on February 13, 2015 and implemented June 1, 2015, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau, and the Circular 13 also simplifies some procedures relating to foreign exchange for direct investments.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises, or Circular 19, which came into effect from June 1, 2015. According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement. The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or Circular 16, on June 9, 2016, which became effective simultaneously. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. 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 self-discretionary basis which applies to all enterprises registered in the PRC. 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.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Authenticity and Compliance Verification, or Circular 3, which took effect on the same day. Circular 3 sets out various measures to tighten authenticity and compliance verification of cross-border transactions and cross-border capital flow, which include without limitation requiring banks to verify board resolutions, tax filing form, and audited financial statements before wiring foreign invested enterprises' foreign exchange distribution above US\$50,000, and strengthening genuineness and compliance verification of foreign direct investments.

As of the date of this annual report, all PRC residents known to us that currently have direct or indirect interests in our company have completed the necessary registrations, as required by Circular 37. For a detailed description of the risk associated with the non-completion of such process, see "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—A failure by the beneficial owners of our shares who are PRC residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC law."

Regulations on loans to and direct investment in the PRC entities by offshore holding companies

According to the Implementation Rules for the Provisional Regulations on Statistics and Supervision of Foreign Debt promulgated by SAFE on September 24, 1997 and the Interim Provisions on the Management of Foreign Debts promulgated by SAFE, the NDRC and the MOF and effective from March 1, 2003, loans by foreign companies to their subsidiaries in China, which accordingly are foreign-invested enterprises, are considered foreign debt, and such loans must be registered with the local branches of the SAFE. Under the provisions, the total amount of accumulated medium-term and long-term foreign debt and the balance of short-term debt borrowed by a foreign-invested enterprise is limited to the difference between the total investment and the registered capital of the foreign-invested enterprise.

According to the Provisional Regulations for the Proportion of Registered Capital to Total Amount of Investment of Joint Ventures Using Chinese and Foreign Investment issued by SAIC on February 17, 1987 and Decision on Amending the Provisions on the Merger or Acquisition of Domestic Enterprises by Foreign Investors issued by MOFCOM on August 8, 2006, if the registered capital of a foreign-invested enterprise is less than US\$2.1 million, its total investment amount may not exceed 1.4 times the registered capital; if the registered capital of a foreign-invested enterprise is more than US\$2.1 million but less than US\$5 million, its total investment amount may not exceed two times the registered capital; if the registered capital of a foreign-invested enterprise is more than US\$5 million but less than US\$12 million, its total investment amount may not exceed 2.5 times the registered capital; and if the registered capital of a foreign-invested enterprise is more than US\$12 million, its total investment amount may not exceed three times the registered capital.

According to the Measures for the Administration of Foreign Debt Registration issued by SAFE on April 28, 2013, the statutory limit on the amount of loans from an overseas shareholder to a foreign-invested enterprise is the difference between the total investment amount and the registered capital of the foreign-invested enterprise.

According to applicable PRC regulations on foreign-invested enterprises, including but not limited to the Interim Measures for the Administration of the Establishment and Alteration of Archival Filing of Foreign Funded Enterprises, effective on October 8, 2016 and revised on July 30, 2017 and June 29, 2018, capital contributions from a foreign holding company to its PRC subsidiaries, which are considered foreign-invested enterprises, may only be made when approval or filing by MOFCOM or its local counterpart has been obtained. In such approval and filing process of capital contributions, MOFCOM or its local counterpart examines the business scope of each foreign invested enterprise under review to ensure it complies with the Foreign Investment Access Special Management Measures. See “—PRC Laws and Regulations Relating to Foreign Investment in Education— Special Administrative Measures for Access of Foreign Investment (2020 Version).” The capital contribution of the foreign-invested enterprises falling in the scope of “restricted foreign investment industries” and “prohibited foreign investment industries” shall obtain approval from MOFCOM or its local counterpart, while the capital contribution of the foreign-invested enterprises falling outside such scopes may file with MOFCOM or its local counterpart.

On January 12, 2017, the People’s Bank of China 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, the People’s Bank of China establishes a cross-border financing regulation system and the legal entities and financial institutions established in PRC excluding government financing vehicles and real estate enterprise, may carry out cross-border financing of foreign currency in accordance with relevant regulations. 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.

The enterprise shall, after signing the cross-border financing contract, 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 starting from January 11, 2017, foreign-invested enterprises may choose one method to carry out cross-border 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-border financing in foreign currency will be determined by the People’s Bank of China and SAFE.

On September 14, 2015, the National Development and Reform Commission promulgated Notice on Promoting the Administrative Reform of the Filing and Registration System for Enterprises’ Issuance of Foreign Debts, or NDRC Circular 2044. According to NDRC Circular 2044, an enterprise that plans to issue foreign debts shall apply to the National Development and Reform Commission in advance for filing, registration, and report issuance information to the National Development and Reform Commission within 10 business days after the completion of such issuance. The National Development and Reform Commission shall determine whether to accept the application within five business days from the date of receipt of the application, and issue the Certificate on the Filing and Registration of Foreign Debts Issued by Enterprises within seven business days from the date of accepting the application.

Zhuhai Bright Scholar, a foreign-invested enterprise indirectly held by us, currently has a total investment amount of RMB14.0 million (approximately US\$2.0 million) and an initially subscribed registered capital RMB10.0 million (approximately US\$1.5 million). We may provide shareholder loans of up to the U.S. dollar equivalent of RMB4.0 million (approximately US\$0.6 million) to Zhuhai Bright Scholar, which is the difference between its total investment amount and registered capital. According to the Measures for the Reporting of Foreign Investment Information issued by MOFCOM and SAIC on December 30, 2019, which supersedes the Interim Measures for the Administration of the Establishment and Alteration of Archival Filing of Foreign Invested Enterprises, the increase of total investment amount and registered capital of a foreign-invested enterprise must be reported to commerce departments through the enterprise registration system and the National Enterprise Credit Information Publicity System, and market regulatory departments shall forward such investment information reported by foreign investors or foreign-invested enterprises to commerce departments in a timely manner.

According to applicable PRC regulations on foreign-invested enterprises, capital contributions from a foreign holding company to its PRC subsidiaries, which are considered foreign-invested enterprises, may only be made when approval by or registration with the MOFCOM or its local counterpart is obtained.

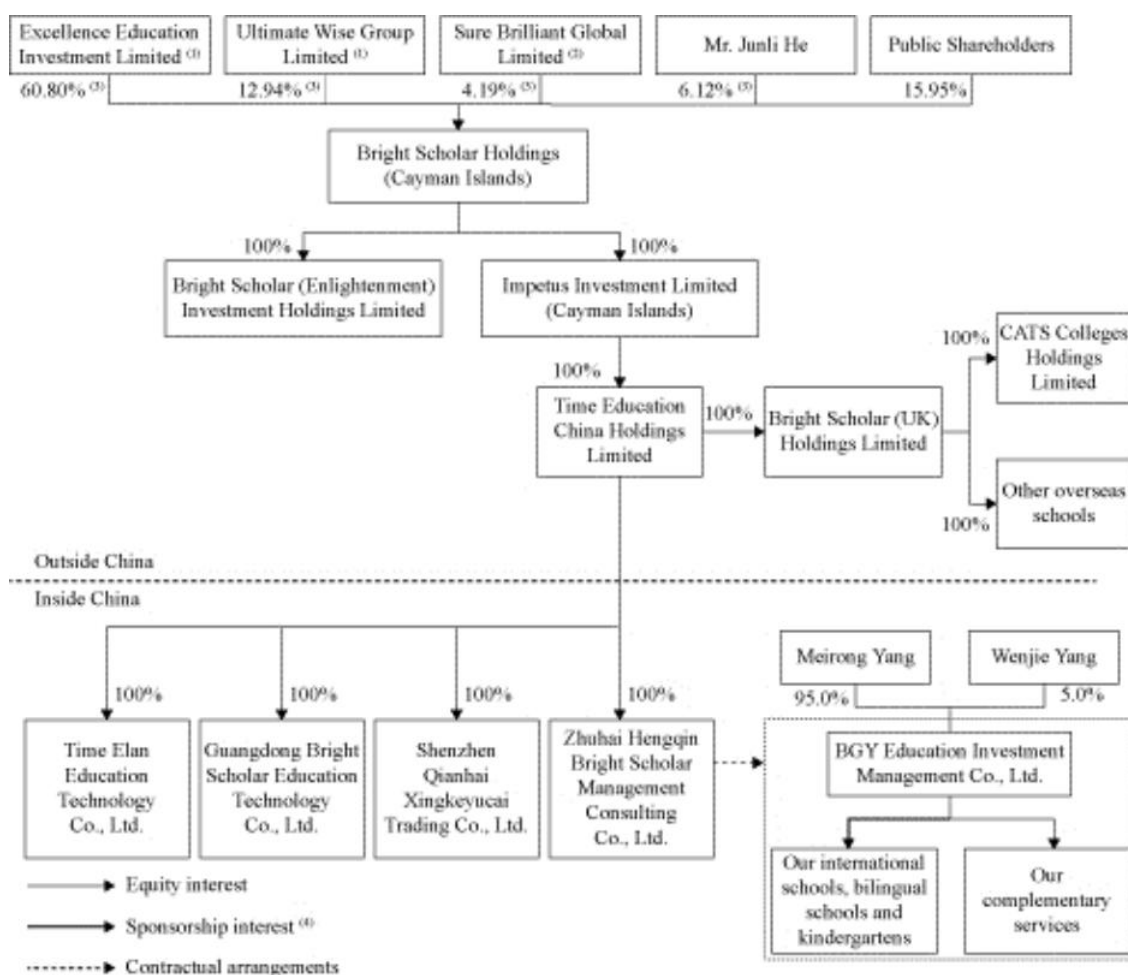
Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009)

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009), or the M&A Rules, a foreign investor is required to obtain necessary approvals when (1) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (2) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic company which is related to or connected with it/him/her, approval from the MOFCOM is required.

For a detailed description of the risk associated with the M&A Rules, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Certain PRC regulations, including the M&A Rules and national security regulations, may require a complicated review and approval process which could make it more difficult for us to pursue growth through acquisitions in China.”

C. Organizational Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries and affiliated entities, as of the date of this annual report.



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- (1) Ultimately owned by Ms. Meirong Yang and Ms. Huiyan Yang. See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.” Ms. Meirong Yang and Ms. Huiyan Yang have also entered into an acting-in-concert arrangement, pursuant to which they consult with each other before voting and deciding on material matters in relation to the management of our company. Under such arrangement, if no consensus could be reached through consultation, the decision made by Ms. Meirong Yang prevails. Furthermore, Ms. Huiyan Yang and Ms. Meirong Yang are joint settlors and members of the two-person investment committee of Yeung Family Trust V, which controls Excellence Education Investment Limited and Ultimate Wise Group Limited.
 - (2) Wholly owned by Ms. Huiyan Yang. See “Item 6. Directors, Senior Management and Employees—E. Share Ownership” for information.
 - (3) For the beneficial ownership of Ms. Meirong Yang, Ms. Huiyan Yang and Mr. Junli He, see “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”
 - (4) Under PRC law, entities and individuals who establish private schools are referred to as “sponsors” rather than “owners” or “shareholders.” The rights of sponsors vis-à-vis schools are similar to the rights of shareholders vis-à-vis companies with regard to legal, regulatory and tax matters, but differ with regard to the right of a sponsor to receive returns on investment and the right to the distribution of residual properties upon termination and liquidation. Each of our schools we currently operate is sponsored by BGY Education Investment or a school sponsored by it as registered pursuant to applicable PRC laws and regulations. For more information regarding school sponsorship and the difference between sponsorship and ownership under relevant laws and regulations, see “Item 4. Information on the Company—B. Business Overview— Regulations—Regulations on Private Education in the PRC.”

For a list of our significant subsidiaries, affiliated entity and schools/subsidiaries held by our affiliated entity, see Exhibit 8.1 to this annual report.

Our Contractual Arrangements

Foreign ownership in education services is subject to significant regulations in China. The PRC government regulates the provision of education services through strict licensing requirements. In particular, PRC laws and regulations currently prohibit foreign ownership of companies and institutions providing compulsory education services at primary and middle school levels, and restrict foreign investment in education services at the kindergarten and high school level. We are a company incorporated in the Cayman Islands. Our PRC subsidiary, Zhuhai Bright Scholar, is a wholly foreign-owned enterprise and currently ineligible to apply for and hold licenses to operate, or otherwise own equity interests in our schools.

Due to these restrictions, we, through our PRC subsidiary, Zhuhai Bright Scholar, have entered into a series of contractual arrangements with (1) our affiliated entities in China, including BGY Education Investment and the schools it owns and operates, and (2) the shareholders of BGY Education Investment, i.e., Ms. Meirong Yang and Mr. Wenjie Yang, which enable us to:

- exercise effective control over our affiliated entities;
- receive substantially all of the economic benefits of our affiliated entities in consideration for the services provided by us; and
- have an exclusive option to purchase all of the equity interests in our affiliated entities when and to the extent permitted under PRC law.

The following is a summary of the material provisions of these contractual arrangements with our affiliated entities and the shareholders of BGY Education Investment. We may not amend or terminate these agreements unless authorized by a majority vote of our board of directors.

Call Option Agreement. Pursuant to the call option agreement between Zhuhai Bright Scholar, Ms. Meirong Yang and Mr. Wenjie Yang, and BGY Education Investment, entered into in January 2017, Ms. Meirong Yang and Mr. Wenjie Yang unconditionally and irrevocably granted Zhuhai Bright Scholar or its designee an exclusive option to purchase, to the extent permitted under PRC laws and regulations, all or part of the equity interest in BGY Education Investment at nil consideration or the lowest consideration permitted by PRC laws and regulations under the circumstances where Zhuhai Bright Scholar or its designee is permitted under PRC laws and regulations to own all or part of the equity interests of BGY Education Investment or where we otherwise deem it necessary or appropriate to exercise the option. Zhuhai Bright Scholar has the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. Without Zhuhai Bright Scholar's written consent, Ms. Meirong Yang and Mr. Wenjie Yang may not sell, transfer, pledge or otherwise dispose of or create any encumbrance on any of BGY Education Investment's assets or equity interests. Without obtaining Zhuhai Bright Scholar's written consent, Ms. Meirong Yang and Mr. Wenjie Yang may not enter into any material contracts, incur any indebtedness, or alter the business scope of BGY Education Investment. The key factor for us to decide whether to exercise the option is whether the current regulatory restrictions on foreign investment in the education services business will be removed in the future, the likelihood of which we are not in a position to know or comment on.

Power of Attorney. In January 2017, Ms. Meirong Yang and Mr. Wenjie Yang each executed irrevocable powers of attorney, appointing Zhuhai Bright Scholar, or any person designated by Zhuhai Bright Scholar, as his/her attorney-in-fact to (1) call and attend shareholders meeting of BGY Education Investment and execute relevant shareholders resolutions, (2) exercise on his/her behalf all his/her rights as a shareholder of BGY Education Investment, including those rights under PRC laws and regulations and the articles of association of BGY Education Investment, such as voting, appointing, replacing or removing directors, (3) submit all documents as required by government authorities on behalf of BGY Education Investment, (4) assign Ms. Meirong Yang's and Mr. Wenjie Yang's shareholding rights to Zhuhai Bright Scholar, including the rights to receive dividends, dispose of equity interest and enjoy the rights and interests during and after liquidation, (5) review the resolutions, books and accounts of BGY Education Investment, and (6) exercise any other rights and benefits associated with shareholding that Ms. Meirong Yang or Mr. Wenjie Yang receive from BGY Education Investment.

Exclusive Management Services and Business Cooperation Agreement. Pursuant to the exclusive management services and business cooperation agreement among Zhuhai Bright Scholar, each of our affiliated entities, Ms. Meirong Yang and Mr. Wenjie Yang, as the shareholders of BGY Education Investment, entered into in January 2017, Zhuhai Bright Scholar has the exclusive right to provide comprehensive technical and business support services to our affiliated entities. Such services include conducting market research, offering strategic business advice and providing information technology services, advice on mergers and acquisitions, human resources management services, intellectual property licensing services, support for teaching activities and other services that the parties may mutually agree. Without the prior consent of Zhuhai Bright Scholar, none of our affiliated entities may accept such services from any third party. Zhuhai Bright Scholar owns the exclusive intellectual property rights created as a result of the performance of this agreement. Our affiliated entities agree to pay Zhuhai Bright Scholar service fees in an amount solely decided by Zhuhai Bright Scholar, but not to exceed the paying school's total revenues deducted by costs, taxes, mandatory reserve fund and other expenses. At the sole discretion of Zhuhai Bright Scholar, the calculation of the service fees should be determined based on the complexity of the services provided, the time and resources committed by Zhuhai Bright Scholar, the commercial value of the services, the market reference price and the operating condition of the paying school. As part of the exclusive management services and business cooperation agreement, Ms. Meirong Yang, Mr. Wenjie Yang and our affiliated entities agree that they will not take any action, such as incurring indebtedness, disposing of material assets, materially changing the scope or nature of the business of our affiliated entities, or disposing of their equity interests in our affiliated entities, without the written consent of Zhuhai Bright Scholar. The exclusive management services and business cooperation agreement may not be terminated by Ms. Meirong Yang, Mr. Wenjie Yang or any of our affiliated entities without the written consent of Zhuhai Bright Scholar.

Unless terminated, the agreement shall remain in full force and effect during the term of operations of Zhuhai Bright Scholar and our affiliated entities.

Equity Pledge Agreement. Pursuant to the equity pledge agreement among Zhuhai Bright Scholar, Ms. Meirong Yang, Mr. Wenjie Yang, BGY Education Investment entered into in January 2017, Ms. Meirong Yang and Mr. Wenjie Yang unconditionally and irrevocably pledged all of their respective equity interests in BGY Education Investment to Zhuhai Bright Scholar to guarantee performance of the obligations of our affiliated entities under the call option agreements, power of attorneys and exclusive management services and business cooperation agreements, each as described above. Ms. Meirong Yang and Mr. Wenjie Yang each agreed that without prior written consent of Zhuhai Bright Scholar, they shall not transfer or dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests. Unless terminated, the equity pledge agreement remains in full force and effect until all of the obligations of Ms. Meirong Yang, Mr. Wenjie Yang and our affiliated entities under the agreements described above have been duly performed and related payments are duly paid. The pledge of equity interests in BGY Education Investment has been duly registered with the local branch of SAIC and is effective upon such registration.

D. Property, plants and equipment

See “—B. Business Overview—Properties and Facilities.”

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included in this annual report. This report contains forward-looking statements. See “—G. Safe Harbor on Forward-Looking Statements.” In evaluating our business, you should carefully consider the information provided under the caption “Item 3. Key Information—D. Risk Factors” in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. **Operating Results**

Overview

Our business includes domestic K-12 schools, overseas schools and complementary education services. We operate three types of educational facilities for domestic K-12 schools, including international schools, bilingual schools and kindergartens. We offer a broad range of internationally-accredited curricula at our international schools. We tailor the delivery of coursework to optimize learning outcomes for our students and prepare them for higher education overseas. We also have an overseas school network of eight schools in the United Kingdom and the United States as of the date of this annual report. In the 2020 school year, an average of 51,825 students were enrolled in our schools. We have experienced significant growth in our business. In the 2020 fiscal year, our revenue increased to RMB3,366.5 million (US\$491.6 million) from RMB1,718.9 million in the 2018 fiscal year, representing an increase of 95.9%. We focus on providing quality education to our students and, since the beginning of the 2016 fiscal year, we have implemented various initiatives to improve operating efficiency and profitability. For example, in the 2018 fiscal year, we implemented an ERP system where we centralize the collection and analysis of budgeting, procurement and financial information and data, which enhanced the efficiency of our data management processes, adding value to the overall operation of our business. See “Item 4. Information on the Company—B. Business Overview—Centralized Management” for details. We had net income of RMB248.9 million and RMB252.8 million and RMB164.2 million (US\$24.0 million) in the 2018, 2019 and 2020 fiscal years, respectively. We use adjusted net income, which excludes share-based compensation, amortization of intangible assets, tax effect of amortization of intangible assets, impairment loss on operating lease right-of-use assets and impairment loss on goodwill, in evaluating our ongoing results of operation. Our adjusted net income was RMB283.0 million, RMB322.6 million and RMB267.7 million (US\$39.1 million) for the 2018, 2019 and 2020 fiscal years, respectively. Our share-based compensation was RMB29.1 million, RMB51.7 million and RMB(10.6) million (US\$(1.6) million) in the 2018, 2019 and 2020 fiscal years, respectively. Our amortization of intangible assets was RMB6.6 million, RMB23.3 million and RMB41.4 million (US\$6.1 million) for the 2018, 2019 and 2020 fiscal years, respectively. Our tax effect of amortization of intangible assets was RMB1.5 million, RMB5.1 million and RMB8.8 million (US\$1.3 million) for the 2018, 2019 and 2020 fiscal years, respectively. Our impairment loss on operating lease right-of-use assets was nil, nil and RMB12.8 million (US\$1.9 million) for the 2018, 2019 and 2020 fiscal years, respectively. Our impairment loss on goodwill was nil, nil and RMB68.7 million (US\$10.0 million) for the 2018, 2019 and 2020 fiscal years, respectively. See “—Results of Operations—Non-GAAP measures” for details.

Major Factors Affecting Our Results of Operations

We believe that our results of operations are affected by general factors affecting the private K-12 education industry in China and overseas and company-specific factors, including the following:

Demand for international and bilingual private K-12 education in China and overseas

We have benefited from the increasing demand for international and bilingual private K-12 education in China. Such demand is primarily driven by the increasing number of Chinese students who seek quality education and aspire to study abroad, which is in turn driven by an increasing number of affluent families in China, the rising recognition of the quality of higher education overseas, the emphasis placed by Chinese parents on the importance of enrollment in globally-recognized universities to improve their children’s career prospects, and various economic and political factors. Demand for private K-12 education in each respective overseas market is affected by, among many other factors, the general economic conditions and political trend, local policies and regulations on private education, and the quality of local public education. Material changes to these factors will affect our operation results.

Our student enrollment and mix

Our revenue primarily consists of tuition and fees from students enrolled at our schools. The level of students enrolled at our schools directly affects our revenue and profitability. The following table sets forth the average number of students enrolled at our schools for the school years indicated.

	2018 school year		2019 school year		2020 school year	
	Number	% of total	Number	% of total	Number	% of total
Domestic K-12 Schools						
International schools	7,366	20.1 %	9,350	20.0 %	10,584	20.4 %
Bilingual schools	15,620	42.6 %	18,132	38.8 %	20,189	39.0 %
Kindergartens	13,693	37.3 %	16,742	35.8 %	17,840	34.4 %
Overseas Schools (1)	—	—	2,514	5.4 %	3,212	6.2 %
Total	36,679	100.0 %	46,738	100.0 %	51,825	100.0 %

(1) For the purpose of calculating average number of students enrolled at our schools, we do not take into account students at our language training institutions.

Our total student enrollment increased from an average of 36,679 students for the 2018 school year, to an average of 46,738 students for the 2019 school year and further to an average of 51,825 students for the 2020 school year. Student enrollment is generally dependent on, among other things, the reputation of our schools, which is primarily driven by our education quality and our students' academic results, the ramp-up stage of our schools, the expansion of our school network as well as the population density in Country Garden's residential properties, which have served as a major source of students for our schools. An increase in the student contribution of our international schools also enhances our ability to increase revenue, because our international schools generally charge tuition and fees substantially higher than our bilingual schools and kindergartens do.

Student enrollment is also affected by the number and capacity of our schools. The following table sets forth the number and capacity of schools as of the dates indicated.

	As of September 1,					
	2018		2019		2020	
	Number of schools	Student capacity	Number of schools	Student capacity	Number of schools	Student capacity
Domestic K-12 Schools						
International schools	6	15,260	7	16,460	8	17,810
Bilingual schools (1)	15	23,210	15	23,210	15	25,722
Kindergartens (1)	44	19,009	58	23,127	71	27,357
Overseas Schools (2)	—	—	6	3,357	8	4,422
Total	65	57,479	86	66,154	102	75,311

We expanded our school network from 65 schools as of September 1, 2018 to 102 schools as of the date of this annual report, with our total student capacity increasing from 57,479 students as of September 1, 2018 to 75,311 students as of September 1, 2020. In August 2018, we ceased operations of Huaian Country Garden Tianshan Bilingual School and Tianshan Kindergarten because we terminated our cooperation relationship with a third-party partner. In December 2018, we acquired and commenced operation of BCS, being the first overseas school within our network. In July 2019, we acquired five overseas schools under the brand "CATS." In September 2019, we acquired St Michael's School and BIC located in the UK. In June 2020, we ceased our operation of Haiyang Country Garden Kindergarten out of operation efficiency concerns. As utilization rates are generally higher for schools that have been in operation for a longer period of time, the unutilized capacity at our recently-opened schools, which are still at the ramp-up stage, allows us to readily increase student enrollment without incurring significant additional investment. The utilization rate, defined as the average of monthly student enrollment at a school for a period divided by the school capacity as of the start of such period, at our schools in China that were in their sixth fiscal year or above since their launch as of September 1, 2020 remained at high levels of 84.7%, 87.6% and 83.1% on average for the 2018, 2019 and 2020 school years, respectively. The average utilization rate for schools that were within the first five fiscal years since their launch as of September 1, 2020 increased from 35.8% for the 2018 school year to 42.8% for the 2020 school year. In particular, the average utilization rate for our schools that opened on or

after September 1, 2016 was 15.0% in their first year of operation, 32.0% in their second year of operation and 40.2% in their third year of operation, demonstrating our ability to effectively ramp up individual new schools.

Our revenue generated from complementary education services was driven by the number of students enrolled in our complementary education services.

Our tuition and fees

Our results of operations are affected by the level of the tuition and fees we charge our students. We charge tuition and fees based on the type of school that the student is enrolled at, the location of the school and, in certain cases, the student's grade level. We generally seek to gradually increase our tuition and fee level without compromising our student enrollment. The tuition and fees we charge are subject to approval by the competent government pricing authorities. The government pricing authorities, at both the provincial and local levels, have broad powers to regulate the private education industry in China including the tuition, room and board fees and other fees charged by schools. The following table sets forth the average tuition and fees of our schools for the school years indicated.

	2018 school year	2019 school year	2020 school year	
	RMB	RMB	RMB	US\$
Domestic K-12 School				
International schools	80,048	83,555	82,469	12,044
Bilingual schools	34,187	35,872	35,782	5,226
Kindergartens	30,736	30,424	20,910	3,054
Average	42,108	43,891	40,489	5,913
Overseas Schools (1)	—	239,486	207,643	30,324

- (1) For the purpose of calculating average tuition and fees of our schools, we do not take into account students at our language training institutions.

For the 2018, 2019 and 2020 school years, our average tuition and fees across all of our domestic schools were RMB42,108, RMB43,891 and RMB40,489 respectively. Our tuition and fees charged for international schools are higher than that for our bilingual schools and kindergartens, which reflects the additional education and operating resources we provide and the premium that parents are willing to pay for international education. For the 2020 school year, we charged average tuition and fees of RMB82,469 per student for international schools, RMB35,782 per student for bilingual schools and RMB20,910 per student for kindergartens. Our tuition and fees charged for overseas schools take into consideration of market rates and consumption levels of the relevant countries and areas where our schools are located. For the 2019 and 2020 school years, our average tuition and fees per student for overseas schools were RMB239,486 and RMB207,643, respectively. The decline was largely attributable to the impact of the COVID-19 pandemic.

The tuition and fees we charge are also affected by the ramp-up stage of our schools. For our new schools in the initial ramp-up period, which are typically located at or in the vicinity of recently-completed properties of Country Garden, a related party, we may strategically price our tuition and fees to encourage student enrollment. For example, we charged an average tuition and fees of RMB80,048 per student for our international schools for the 2018 school year, which represented a slight decrease from the average tuition and fees of RMB80,478 per student for the 2017 school year due to such pricing strategies for our promotional efforts for schools in the ramp-up stage. We have greater leverage over the pricing of tuition and fees for our more established schools, such as Guangdong Country Garden School and Phoenix City Bilingual School.

In addition, the acquisition of schools may impact the tuition and fees we charge. For example, we charge an average tuition and fees of RMB30,424 per student for our kindergartens for the 2019 school year, which represents a slight decrease from the average tuition and fees of RMB30,736 per student for the 2018 school year, primarily due to the lower average fees charged at the newly added kindergartens in the 2019 fiscal year. We intend to maintain the tuition and fees in acquired schools for a smooth transition.

We have more discretion in determining the tuition levels for our complementary education services. We generally raise the tuition for our complementary education services based on factors including the demand for our services, the costs of offering our services, and the tuition and fees charged by our competitors.

Our ability to control our costs and expenses and improve our operating efficiency

Staff costs and administrative expenses have a direct impact on our profitability. The number of our staff, particularly our teachers, generally increases as our student base expands, while other expenses, particularly those in relation to administrative functions, are relatively fixed. Our ability to drive the productivity of our staff and enhance our operating efficiency affects our profitability. The ratio of the number of our students to the number of our teachers in our schools affects our margins, with higher student-to-teacher ratios generally representing higher operating efficiency and higher margins. Our student-to-teacher ratio for our schools in China in the 2020 school years was 8.9, which was generally lower than that seen amongst our industry peers for the same periods, according to the Frost & Sullivan report, and represents potential for us to increase this ratio in the future. Our operating margin was 15.8%, 11.7% and 9.1% in the 2018, 2019 and 2020 fiscal years, respectively. Our adjusted operating income margin, which excludes share-based compensation expenses, amortization of intangible assets, impairment loss on operating lease right-of-use assets and impairment loss on goodwill, was 17.9%, 14.6% and 12.5% in the 2018, 2019 and 2020 fiscal years, respectively. See “—Results of Operations—Non-GAAP measures.” The decline in our operating margin and adjusted operating income margin was primarily due to increased costs relating to campus and office space leasing largely as a result of our expansion overseas and launch of schools with school development partners other than Country Garden, and partially offset by the decrease in the compensation and benefits incurred from additional staff members as a percentage of revenue. The average number of our staff was 7,891, 10,366 and 11,499 in the 2018, 2019 and 2020 fiscal years, respectively, and our total staff costs as a percentage of revenue were 55.0%, 52.0% and 48.4% during the same periods, respectively.

We focus on providing quality education to our students and, since the beginning of the 2017 fiscal year, we have implemented various initiatives to improve operating efficiency and profitability through management centralization of certain operational aspects, those schools in our network with longer operating history have seen significant improvement in operating margin over time. Schools in our domestic network that were in their sixth fiscal year or above since their launch as of September 1, 2020 had, as a group, significantly improved their adjusted operating margin, calculated as the total adjusted operating income or loss of the concerned schools, which excludes share-based compensation expenses, amortization of intangible assets, impairment loss on operating lease right-of-use assets and impairment loss on goodwill, divided by total revenues of such schools, from 25.0% in the 2018 fiscal year to 28.7% in the 2020 fiscal year. See “—Results of Operations—Non-GAAP measures.”

Our newly-established schools have been able to grow rapidly during the ramp-up period following their establishment, as their brand value grows, student enrollment increases and capacity utilization improves. This has resulted in greater operating leverage and increasing profitability at these schools as well. Schools in our domestic network that were within the first five fiscal years of its launch as of September 1, 2020 had, as a group, significantly narrowed their adjusted operating margin, calculated as the total adjusted operating income or loss of the concerned schools, which excludes share-based compensation expenses, amortization of intangible assets, impairment loss on operating lease right-of-use assets and impairment loss on goodwill, divided by the total revenues of such schools, from an adjusted operating margin of negative 9.5% in the 2018 fiscal year to negative 4.8% in the 2020 fiscal year. See “—Results of Operations—Non-GAAP measures.” In addition, three out of the eight international schools we operate are within the first five fiscal years of their launch. The relatively higher fixed and variable costs and expenses for our international schools and the number of international schools at the ramp-up stage have affected the gross margin of our international schools segment historically. In the 2020 fiscal year, gross margin for our international schools segment was 42.5%, compared to 41.6% and 27.0% for bilingual schools and kindergartens, respectively.

A majority of our schools in operation are located within or in the vicinity of Country Garden’s residential communities. We did not pay fees for the facilities occupied by a majority of our existing schools. Going forward, for new schools launched in collaboration with Country Garden, we may pay fees to Country Garden for operating schools on their land and facilities, which may affect our profitability as we further expand our school network.

Our ability to expand our school network cost-efficiently

We operate a highly scalable model by leveraging our strong strategic relationship with Country Garden. A majority of our existing schools are located within or in the vicinity of Country Garden’s residential communities. Country Garden is generally responsible for land procurement and facilities construction, and we are responsible for the school operation. Our ability to maintain the collaboration with Country Garden or with other third parties in a similar manner will determine the speed and efficiency with which we expand our school network. In the case where we pursue a strategy to procure and build our schools independent of Country Garden and other third parties, our ability to efficiently procure land, construct school facilities and ramp up the school operation will impact our ability to expand our school network.

Strategic acquisitions and investments

In recent years, we have expanded rapidly through acquisitions and strategic investments in China and overseas. For details, see “Item 4. Information on the Company—B. Business Overview—Our Expansions and Investments.” We plan to continue to make strategic investments into and acquisitions of schools and complementary businesses to better serve our students, expand our global school network and drive our future growth. Our overall financial condition and profitability could be affected by the different levels of profitability of our acquisition targets.

Seasonality

Our business in China is subject to seasonal fluctuations as our costs and expenses vary significantly and do not necessarily correspond with our recognition of revenues. Our students enrolled in our schools offering K-12 education services and their parents typically pay the tuition and fees prior to the commencement of a semester, and we recognize revenues from the delivery of education services on a straight-line basis over the semester. For schools offering K-12 education services, we typically incur higher upfront operating expenses in the first fiscal quarter at the start of each school year. We also typically recognize more revenue in the second half of fiscal years due to higher revenues from complementary education services during the summer and, to a lesser extent, students who transfer into our schools for the second semester. As a result of the combination of the foregoing, we have historically incurred net loss or significantly lower net income in the second and fourth fiscal quarters, primarily due to our schools being closed due to the winter and summer holidays, when no revenue from our school operations is recognized.

Our overseas operations are subject to seasonal fluctuations similar to our domestic operations, with minimal school term revenue recognized typically in July and August.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. We continually evaluate these judgments and estimates based on our own experience, knowledge and assessment of current business and other conditions.

Our expectations regarding the future are based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur, could materially impact the combined and consolidated financial statements. We believe that the following accounting policies involve a higher degree of judgment and complexity in their application and require us to make significant accounting estimates.

Consolidation of Variable Interest Entity

PRC laws and regulations currently prohibit foreign ownership of companies and institutions providing compulsory education services at primary and middle school levels, and restrict foreign investment in education services at the kindergarten and high school level. In addition, the PRC government regulates the provision of education services through strict licensing requirements.

Accordingly, we, through our WFOE, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. ("Zhuhai Bright Scholar"), have entered into the following contractual arrangements with BGY Education Investment, BGY Education Investment's schools and subsidiaries and Guangdong Country Garden Education Investment Management Co., Ltd. ("BGY Education Investment")'s shareholders that enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of the VIE, and (2) receive the economic benefits of the VIE that could be significant to the VIE.

We believe we have the power to control BGY Education Investment. Specifically, we believe that the terms of the exclusive call option agreement are currently exercisable and legally enforceable under PRC laws and regulations. We also believe that the minimum amount of consideration permitted by the applicable PRC law to exercise the option does not represent a financial barrier or disincentive for us to exercise our rights under the exclusive call option agreement. To exercise our rights under the exclusive call option agreement does not require the consent of BGY Education Investment. Therefore, we believe this gives us the power to direct the activities that most significantly impact the economic performance of our affiliated entities. We believe that our ability to exercise effective control, together with the exclusive management services and business cooperation agreement and the equity pledge agreement, give us the rights to receive substantially all of the economic benefits from our affiliated entities in consideration for the services provided by our subsidiaries in China. Accordingly, as the primary beneficiary of the affiliated entities and in accordance with U.S. GAAP, we consolidate their financial results and assets and liabilities in our consolidated financial statements.

As advised by our PRC legal counsel, our corporate structure in China complies with all existing PRC laws and regulations. However, our PRC legal counsel has also advised us that as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, and we cannot assure you that the PRC government would agree that our corporate structure or any of the above contractual arrangements comply with current or future PRC laws or regulations. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities may have broad discretion in interpreting these laws and regulations.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. We have the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. We will perform the quantitative impairment test if we bypass the qualitative assessment, or based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount.

On September 1, 2019, we early adopted ASU No. 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. Under the new guidance, if the fair value of a reporting unit exceeds its carrying amount, goodwill is not impaired and no further testing is required. If the fair value of a reporting unit is less than the carrying value, an impairment charge is recognized 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.

For the year ended August 31, 2020, we have determined that the underperformance of the Wuhan Sannew reporting unit since the acquisition date, market conditions and other factors including the uncertainty in the Sino-US relationship and adverse impacts from COVID-19, it was more likely than not that there were indications of impairment. The Group utilized the discounted cash flow model to and concluded the carrying amount of Wuhan

Sannew reporting unit exceeded its fair value. Accordingly, the Group recorded RMB 68,723 as impairment loss on goodwill on the consolidated statement of operations for the year ended August 31, 2020. The impairment is recorded in international schools reportable segment.

In performing the quantitative impairment test, we estimate the fair value of the reporting unit based on income approach. Under the income-based approach, we determine fair value using a discounted cash flow model that requires significant judgment with respect to revenue growth rate and gross margin, based upon annual budgets and longer-range strategic plans, and the selection of an appropriate discount rate. These budgets and plans are used for internal purposes and are also the basis for communication with outside parties about future business trends.

Fair value estimates employed in our annual impairment review of goodwill and indefinite-lived intangible assets were determined using models involving several assumptions. Changes in our assumptions could materially impact our fair value estimates. Assumptions critical to our fair value estimates were: (i) discount rates used in determining the fair value of the reporting units and intangible assets; (ii) projected revenue growth rate and gross margin used in the reporting unit and intangible asset models. These and other assumptions are impacted by economic conditions and expectations of management and may change in the future based on period specific facts and circumstances. While we believe the assumptions we used to estimate future cash flows are reasonable, there can be no assurance that the expected future cash flows will be realized. As a result, impairment loss that possibly would have been recognized in earlier periods may not be recognized until later periods if actual results deviate unfavorably from earlier estimates. The use of different assumptions would increase or decrease discounted cash flows or earnings projections and, therefore, could change impairment determinations.

Leases

Before September 1, 2019, we adopted ASC Topic 840 (“ASC 840”), Leases, and each lease is classified at the inception date as either a capital lease or an operating lease. On September 1, 2019, we adopted the New Leasing Standard (“ASC 842”), using the modified retrospective transition method.

We determine if an arrangement is a lease or contains a lease at lease inception. Leases that transfer substantially all of the benefits and risks incidental to the ownership of assets are accounted for as finance leases as if there was an acquisition of an asset and incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases. As of August 31, 2020, we have no significant finance leases. Operating leases are required to be recorded in the balance sheets 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 account for the lease and non-lease components separately. Lastly, we also have elected to utilize the short-term lease recognition exemption and, for those leases that qualified, we did not recognize operating lease right-of-use (“ROU”) assets or operating lease liabilities.

As the rate implicit in the lease is not readily determinable, we estimate our 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. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expenses are recorded on a straight-line basis over the lease term.

We evaluate the carrying value of ROU assets, including the operating lease obligation of the asset group if there are indicators of impairment and reviews the recoverability of the related asset group. If the carrying value of the asset group determined to not be recoverable and is in excess of the estimated fair value, we record an impairment loss in the consolidated statement of operations. As a result of the adverse impacts of the COVID-19 pandemic on the economic environment and the Group's business strategy, the Group determined to close certain language training centers in the US resulting in four idled operating leases. The Group determine the fair value of the ROU assets based on the discounted value of estimated future cash flows including cash flows related to subleases, if any. For the year ended August 31, 2020, the Group recorded impairment loss of RMB 12,772 related to the ROU assets within the overseas schools reportable segment.

During the 2020 fiscal year, we received RMB2.7 million (US\$0.4 million) of COVID-19 related rent concessions. Consistent with updated guidance from the Financial Accounting Standards Board (“FASB”) in April 2020, we elected to treat COVID-19-related rent concessions as variable rent. Rent concessions were recognized as an offset to our rent expense within selling, general and administrative expenses and cost of revenue on our consolidated statement of operations.

Revenue recognition

As of September 1, 2018, we adopted ASU 2014-09, Revenue from Contracts with Customers (“Topic 606”) and all subsequent ASUs that modified ASC 606, using the modified retrospective method for all contracts not completed as of September 1, 2018. Results for reporting periods beginning on September 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 our customers in an amount of consideration to which we expect to be entitled to in exchange for those goods or services. We follow the five steps approach for revenue recognition under Topic 606: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) we satisfy a performance obligation. The primary sources of our revenues are as follows:

Income from educational programs and services

The educational programs and services consist of tuition, boarding and meal service from international schools, bilingual schools and kindergartens in the PRC and overseas schools in the UK, the US and Canada. Each contract of educational programs and services is accounted for as a single performance obligation which is satisfied proportionately over the service period. The program and service fee is generally collected in advance prior to the beginning of each semester, or prior to the beginning of the education programs, and is initially recorded as contract liabilities. Refunds are provided to students if they decide within the predetermined period that they no longer want to take the course or enroll in the program. After the predetermined period as agreed in the contract, if a student withdraws from the program, the program fee is no longer available for refund. We determine the transaction price to be earned based on the tuition fee and the estimated refund liability. The refund liability is determined based on historical refund ratio on a portfolio basis using the expected value method. Historically, we have not had material refunds in this respect.

During the year ended August 31, 2020, in response to the COVID-19 pandemic, we temporarily stopped providing offline tuition, boarding and meal services to students, instead it offered online tuition services to students during the school temporary closure period, except for kindergartens. The amount of considerations relating to boarding and meal services to all students and tuition service to the kindergarten students during the period, which were not provided, has been recorded as refund liability.

Complementary training course and program fees

We offer various types of after-school tutoring services and art training services, which primarily consist of after-school group class courses, personalized tutoring courses and art training courses. The tutoring services and art training services are accounted for as a single performance obligation. Tutoring services and art training service fees is recognized proportionately as the tutoring sessions and art training courses are delivered. The course fees are generally collected in advance and are initially recorded as contract liability. Tuition refunds are provided to students if they decide within the trial period that they no longer want to take the course. For certain courses, we also offer refunds for any unutilized classes for students who withdraw from the course. We determine the transaction price to be earned based on the tutoring services and art training service fees and the estimated refund liability. The refund liability is determined based on historical refund ratio on a portfolio basis using the expected value method.

Commission income

We earn commission revenue by providing referral services to overseas education universities and institutions. Students’ referral service is accounted for as a single performance obligation. Commission income is

recognized at the point in time when the referred students enrolled at the overseas education universities or institutions' program, with the tuition fees are paid and upon we are entitled to the commission income.

Consulting service fees

We offer study abroad consulting and career consulting services to students/candidates who intend to study abroad and to successfully obtain target job offer respectively. Study-abroad consulting services and career consulting services are accounted for as a single performance obligation respectively. We charge each student/candidate an up-front prepaid fee based on the scope of consulting services requested by the student/candidate. Portion of the prepaid services fee are refundable if the student/candidate does not successfully gain admission or obtain target job offer. We determine the transaction price to be earned based on service fees and the estimated refund liability. The refund liability is determined based on historical refund ratio on a portfolio basis using the expected value method. We have not experienced significant refunds in the past or in the current year. We recognize revenue over the consulting service period.

Camp service income

We offer camp services for students during school vacations. Camp service is accounted for as a single performance obligation. Camp service fees are generally collected upfront and are initially recorded as contract liability. Portion of the prepaid service fees are refundable if the student requests for refund prior to the camp starts. We determine the transaction price to be earned – based on services and the estimated refund liability. The refund liability is determined based on historical refund ratio on a portfolio basis using the expected value method. We have not experienced significant refunds in current year. We recognize revenue over the camping period.

Practical expedients and exemptions

We have applied the new revenue standard requirements to a portfolio of contracts (or performance obligations) with similar characteristics for transactions where it is expected that the effects on the financial statements of applying the revenue recognition guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. Therefore, we elect the portfolio approach in applying the new revenue guidance.

We have elected 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.

Purchase price allocation relating to business combination

We record acquisitions using the purchase method of accounting in accordance with ASC 805, Business Combinations. The identifiable tangible and intangible assets acquired and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. The excess of the purchase price over the estimated fair values of the net tangible and intangible assets acquired is recorded as goodwill. The application of the purchase method of accounting requires management to make significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed, in order to properly allocate purchase price consideration. These assumptions and estimates include a market participant's use of the asset and the appropriate discount rates for a market participant. Our estimates are based on historical experience, information obtained from the management of the acquired companies and with the assistance of independent third-party appraisal firms.

Critical estimates in valuing certain of the intangible assets include, but are not limited to, discount rates and expected future cash flows from and the economic lives of customer relationships, trademarks and brand names and other intangible assets. These estimates are inherently uncertain and unanticipated events and circumstances may occur which could affect the accuracy or validity of estimates used in purchase accounting. The purchase price allocation recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available.

Recent Accounting Pronouncements

For a summary of recent accounting pronouncements, see Note 2 to our consolidated financial statements pursuant to Item 17 of Part III of this annual report.

Key Components of Results of Operations**Revenue**

We derive our revenue from six operating segments, including international schools, bilingual schools, kindergartens, overseas schools, education technology and complementary education services. Our revenue increased during the 2018 and 2019 primarily due to increases in the average tuition and fees and the increased number of student enrollment, which is the result of the expansion of our school network and increasing utilization of existing schools. Our revenue further increased to RMB3,366.5 million (US\$491.6 million) in the 2020 fiscal year in spite of the impact from the COVID-19 pandemic primarily as a result of revenue contribution from acquired overseas schools as well as increase in the number of students in our domestic K-12 schools.

The following tables compare revenue generated from our schools and complementary education services and as a percentage of total revenues for the periods indicated.

	Year Ended August 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
Domestic K-12 Schools				
International schools	589,599	745,015	872,857	127,473
Tuition revenue (1)	513,493	652,307	789,510	115,301
Others (2)	76,106	92,708	83,347	12,172
Bilingual schools	534,008	650,433	722,396	105,499
Tuition revenue (1)	396,069	486,703	583,544	85,221
Others (2)	137,939	163,730	138,852	20,278
Kindergartens	399,249	495,024	373,028	54,477
Tuition revenue (1)	344,828	426,838	318,445	46,506
Others (2)	54,421	68,186	54,583	7,971
Overseas schools (6)	—	181,793	835,927	122,080
Tuition revenue (1)	—	123,897	518,660	75,746
Others (3)	—	57,896	317,267	46,334
Education technology (7)	—	69,980	103,327	15,090
Complementary education services	196,015	420,760	458,968	67,028
Tuition revenue (4)	85,098	123,895	126,258	18,439
Others (5)	110,917	296,865	332,710	48,589
Total	1,718,871	2,563,005	3,366,503	491,647

	Year Ended August 31,		
	2018	2019	2020
	%	%	%
Domestic K-12 School			
International schools	34.3 %	29.1 %	25.9 %
Tuition revenue (1)	29.9 %	25.5 %	23.5 %
Others (2)	4.4 %	3.6 %	2.4 %
Bilingual schools	31.1 %	25.4 %	21.5 %
Tuition revenue (1)	23.1 %	19.0 %	17.3 %
Others (2)	8.0 %	6.4 %	4.2 %
Kindergartens	23.2 %	19.3 %	11.1 %
Tuition revenue (1)	20.0 %	16.7 %	9.5 %
Others (2)	3.2 %	2.6 %	1.6 %
Overseas schools (6)	—	7.1 %	24.8 %
Tuition revenue (1)	—	4.8 %	15.4 %
Others (3)	—	2.3 %	9.4 %
Education technology (7)	—	2.7 %	3.1 %
Complementary education services	11.4 %	16.4 %	13.6 %
Tuition revenue (4)	5.0 %	4.8 %	3.8 %
Others (5)	6.4 %	11.6 %	9.8 %
Total	100.0 %	100.0 %	100.0 %

(1) Includes tuition from K-12 education programs and income from sales of education materials.

(2) Includes meal income, boarding income and others.

(3) Includes revenue from meal income, boarding income, language training services and others.

(4) Includes revenue from English proficiency training and art training services.

(5) Includes income from camps and other extracurricular programs and other educational services, net of sales tax.

(6) We acquired two overseas schools in the 2020 fiscal year, including St. Michael's School and BIC.

(7) Includes income from career counseling business and other educational services, net of sales tax.

We generally charge our students tuition and other fees prior to the beginning of each semester. We also accept monthly payment for fees at certain kindergartens. We offer a partial refund if a student withdraws during a semester and tuition discounts to certain of Country Garden's homeowners, our employees and Country Garden's employees.

Cost of revenue

Our cost of revenue primarily consists of staff costs, comprising primarily salaries and other benefits for teachers and educational staff, and other costs, comprising primarily expenses relating to room and board services, educational activities and utilities and maintenance of school facilities.

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The following tables set forth the components of our cost of revenue by amount and as a percentage of total business segment revenue for the periods indicated.

	Year Ended August 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
Domestic K-12 Schools				
International schools	373,391	456,003	502,186	73,339
Staff costs	286,004	340,592	386,874	56,499
Others (1)	87,387	115,411	115,312	16,840
Bilingual schools	346,868	400,043	421,894	61,614
Staff costs	242,572	279,596	308,522	45,057
Others (1)	104,296	120,447	113,372	16,557
Kindergartens	223,397	279,315	272,261	39,761
Staff costs	164,893	196,911	170,227	24,860
Others (1)	58,504	82,404	102,034	14,901
Overseas schools (2)	—	145,625	588,839	85,994
Staff costs	—	58,242	204,150	29,814
Others	—	87,383	384,689	56,180
Education Technology	—	18,103	38,517	5,625
Staff costs	—	—	5,474	799
Others (1)	—	18,103	33,043	4,826
Complementary education services	146,939	286,925	321,089	46,893
Staff costs	60,180	104,235	100,301	14,648
Others (1)	86,759	182,690	220,788	32,245
Total	<u>1,090,595</u>	<u>1,586,014</u>	<u>2,144,786</u>	<u>313,226</u>

	Year Ended August 31,		
	2018	2019	2020
	%	%	%
Domestic K-12 Schools			
International schools	63.3 %	61.2 %	57.5 %
Staff costs	48.5 %	45.7 %	44.3 %
Others (1)	14.8 %	15.5 %	13.2 %
Bilingual schools	65.0 %	61.5 %	58.4 %
Staff costs	45.5 %	43.0 %	42.7 %
Others (1)	19.5 %	18.5 %	15.7 %
Kindergartens	56.0 %	56.4 %	73.0 %
Staff costs	41.3 %	39.8 %	45.6 %
Others (1)	14.7 %	16.6 %	27.4 %
Overseas schools (2)	—	80.1 %	70.4 %
Staff costs	—	32.0 %	24.4 %
Others	—	48.1 %	46.0 %
Education Technology	—	25.9 %	37.3 %
Staff costs	—	—	5.3 %
Others (1)	—	25.9 %	32.0 %
Complementary education services	75.0 %	68.2 %	70.0 %
Staff costs	30.7 %	24.8 %	21.9 %
Others (1)	44.3 %	43.4 %	48.1 %
Total	<u>63.4 %</u>	<u>61.9 %</u>	<u>63.7 %</u>

(1) Includes primarily expenses relating to room and board services, depreciation and amortization and others.

(2) We acquired two overseas schools in the 2020 fiscal year, including St. Michael's School and BIC.

Selling, general and administrative expenses

Our selling, general and administrative expenses primarily consisted of salaries and other benefits for our administrative, management and marketing personnel, maintenance costs of our office facilities and teaching equipment, and share-based compensation expenses. Our selling, general and administrative expenses were RMB368.1 million, RMB691.9 million and RMB871.2 million (US\$127.2 million) in the 2018, 2019 and 2020 fiscal years, respectively, accounting 21.4%, 27.0% and 25.9% of our revenue for the same periods, respectively. Excluding the share-based compensation in the 2020 fiscal year, our selling, general and administrative expenses would have been RMB881.8 million, accounting for 26.2% of our revenue in the same fiscal year. See “A Operating Results—Results of Operations—Non-GAAP measures” for details.

Results of Operations

Reportable Segment

Prior to fiscal year 2020, our chief operating decision maker (“CODM”) had previously been identified as the Chief Executive Officer. Due to the reorganization of the business units and change in internal reporting, the CODM has been defined as the management committee.

In the fiscal year 2018, we have identified four reportable segments, including International Schools, Bilingual Schools, Kindergartens and Complementary Education Services. During the year ended August 31, 2019, we have acquired the overseas businesses and our CODM reviewed results in five reportable segments, including International Schools, Bilingual Schools, Kindergartens, Overseas Schools and Complementary Education Services. During the year ended August 31, 2020, we have changed our internal management structure and has expanded into service offerings in utilizing technology to deliver online study programs; therefore we have identified six reportable segments, including International Schools, Bilingual Schools, Kindergartens, Overseas Schools, Complementary Education Services and Education Technology. Given the change in the composition of our reportable segments, prior year segment information was recast to conform to the current year’s presentation.

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The following tables set forth a summary of our consolidated results of operations by amount and as a percentage of total revenues for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended August 31,			
	2018	2019	2020	US\$
	RMB	RMB	RMB	
	(in thousands, except for share and per share data)			
Revenue	1,718,871	2,563,005	3,366,503	491,647
Cost of revenue	(1,090,595)	(1,586,014)	(2,144,786)	(313,226)
Gross profit	628,276	976,991	1,221,717	178,421
Selling, general and administrative expenses	(368,141)	(691,900)	(871,154)	(127,224)
Other operating income	12,027	15,435	38,661	5,646
Impairment loss on operating lease right-of-use assets	—	—	(12,772)	(1,866)
Impairment loss on goodwill	—	—	(68,723)	(10,036)
Operating income	272,162	300,526	307,729	44,941
Interest income/(expenses), net	27,297	24,254	(159,352)	(23,272)
Investment income	21,669	17,414	106,675	15,579
Other expenses	(4,803)	(8,617)	(11,291)	(1,649)
Income before income taxes and share of equity in income of unconsolidated affiliates	316,325	333,577	243,761	35,599
Income tax expenses	(67,382)	(80,580)	(78,992)	(11,536)
Share of equity in income of unconsolidated affiliates	(40)	(239)	(595)	(87)
Net income	248,903	252,758	164,174	23,976
Net income attributable to non-controlling interests	1,934	11,659	3,169	463
Net income attributable to ordinary shareholders	246,969	241,099	161,005	23,513
Adjusted net income (1)	283,036	322,583	267,663	39,090
Net earnings per share attributable to ordinary shareholders				
Basic	2.02	1.97	1.34	0.20
Diluted	2.02	1.97	1.34	0.20
Weighted average shares used in calculating net earnings per ordinary share				
Basic	122,088,201	122,322,894	120,158,001	120,158,001
Diluted	122,186,796	122,430,457	120,158,001	120,158,001

(1) Represents net income before share-based compensation expenses, amortization of intangible assets, tax effect of amortization of intangible assets, impairment loss on operating lease right-of-use assets and impairment loss on goodwill. See “—Non-GAAP measures” for details.

Non-GAAP measures

In evaluating our business, we consider and use certain non-GAAP measures, including primarily adjusted EBITDA, adjusted net income/(loss), adjusted gross profit/(loss), adjusted SG&A, adjusted operating income/(loss), adjusted earnings/(loss) per share attributable to ordinary shareholders basic and diluted as supplemental measures to review and assess our operating performance. 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 U.S. GAAP. We define adjusted gross profit/(loss) as gross profit/(loss) excluding amortization of intangible assets and adjusted gross margin as adjusted gross profit/(loss) divided by revenue. We define adjusted EBITDA as net income/(loss) excluding interest income/(expense), net; income tax (expense)/benefit; depreciation and amortization; share-based compensation expense; impairment loss on operating lease right-of-use assets; impairment loss on goodwill, and adjusted EBITDA margin as adjusted EBITDA divided by revenue. We define adjusted net income/(loss) as net income/(loss) excluding share-based compensation expense; amortization of intangible assets; tax effect of amortization of intangible assets; impairment loss on operating lease right-of-use assets; impairment loss on goodwill, and adjusted net margin as adjusted net income/(loss) divided by revenue. We define adjusted SG&A as selling, general and administration expense excluding share-based compensation expense. We define adjusted operating income/(loss) as net operating income/(loss) excluding share-based compensation expense; amortization of intangible assets; impairment loss on operating lease right-of-use assets; impairment loss on goodwill and adjusted operating margin as adjusted operating income/(loss) divided by revenue. Additionally, we define adjusted earnings/(loss) per share attributable to ordinary shareholders, basic and diluted, as adjusted net income/(loss) attributable to ordinary shareholders (net income/(loss) to ordinary shareholders excluding share-based compensation expense; amortization of intangible assets; tax effect of amortization of intangible assets; impairment loss on operating lease right-of-use assets and impairment loss on goodwill) divided by the weighted average number of basic and diluted ordinary shares or American depositary shares (each an "ADS"), each representing one Class A ordinary share of the Company, on an as-converted basis.

We incur amortization expense of intangible assets related to various acquisitions that have been made in recent years. These intangible assets are valued at the time of acquisition and are then amortized over a period of several years after the acquisition. We believe that exclusion of these expenses allows greater comparability of operating results that are consistent over time for the Company's newly-acquired and long-held business as the related intangibles does not have significant connection to the growth of the business. Therefore, we provide exclusion of amortization of intangible assets to redefine adjusted operating income/(loss), adjusted net income/(loss), and adjusted earnings/(loss) per share attributable to ordinary shareholders, basic and diluted.

We present the non-GAAP financial measures because they are used by our management to evaluate our operating performance and formulate business plans. Such non-GAAP measures include adjusted EBITDA, adjusted net income/(loss), adjusted gross profit/(loss), adjusted SG&A, adjusted operating income/(loss), adjusted earnings/(loss) per share attributable to ordinary shareholders basic and diluted. Non-GAAP financial measures enable our management to assess our operating results without considering the impact of non-cash charges, including depreciation and amortization and share-based compensation expense, and without considering the impact of non-operating items such as interest income/(expense), net; income tax (expense)/benefit; share-based compensation expense; amortization of intangible assets; tax effect of amortization of intangible assets; impairment loss on operating lease right-of-use assets and impairment loss on goodwill. We also believe that the use of these non-GAAP measures facilitates investors' assessment of our operating performance.

The non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. The non-GAAP financial measures have limitations as analytical tools. One of the key limitations of using these non-GAAP financial measures is that they do not reflect all items of income and expense that affect our operations. Interest income/(expense), net; income tax (expense)/benefit; depreciation and amortization; and share-based compensation expense, have been and may continue to be incurred in our business and are not reflected in the presentation of these non-GAAP measures, including adjusted EBITDA or adjusted net income/(loss). Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore their comparability may be limited.

We reconcile the non-GAAP financial measures to the nearest U.S. GAAP performance measures, which should be considered when evaluating our performance. We encourage you to review our financial information in its entirety and not rely on a single financial measure.

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The following tables reconcile our adjusted EBITDA, adjusted net income/(loss), adjusted gross profit/(loss), adjusted SG&A, adjusted operating income/(loss), adjusted net earnings per share attributable to ordinary shareholders basic and diluted for the periods indicated to their respective most directly comparable financial measures calculated and presented in accordance with U.S. GAAP:

	Year Ended August 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands, except for share amounts and per share data)			
Reconciliation of gross profit to adjusted gross profit				
Gross profit	628,276	976,991	1,221,717	178,421
Add: amortization of intangible assets	6,621	23,284	41,447	6,053
Adjusted gross profit	634,897	1,000,275	1,263,164	184,474
Reconciliation of operating income to adjusted operating income				
Operating income	272,162	300,526	307,729	44,941
Add: share-based compensation expense	29,061	51,664	(10,631)	(1,553)
Add: amortization of intangible assets	6,621	23,284	41,447	6,053
Add: Impairment loss on operating lease right-of-use assets	—	—	12,772	1,866
Add: Impairment loss on goodwill	—	—	68,723	10,036
Adjusted operating income	307,844	375,474	420,040	61,343
Reconciliation of net income to adjusted net income				
Net income	248,903	252,758	164,174	23,976
Add: share-based compensation expense	29,061	51,664	(10,631)	(1,553)
Add: amortization of intangible assets	6,621	23,284	41,447	6,053
Add: Tax effect of amortization of intangible assets	(1,549)	(5,123)	(8,822)	(1,288)
Add: Impairment loss on operating lease right-of-use assets	—	—	12,772	1,866
Add: Impairment loss on goodwill	—	—	68,723	10,036
Adjusted net income	283,036	322,583	267,663	39,090
Reconciliation of net income attributable to ordinary shareholders to adjusted net income attributable to ordinary shareholders				
Net income attributable to ordinary shareholders	246,969	241,099	161,005	23,513
Add: Share-based compensation expense	29,061	51,664	(10,631)	(1,553)
Add: Amortization of intangible assets	6,621	23,284	41,447	6,053
Add: Tax effect of amortization of intangible assets	(1,549)	(5,123)	(8,822)	(1,288)
Add: Impairment loss on operating lease right-of-use assets	—	—	12,772	1,866
Add: Impairment loss on goodwill	—	—	68,723	10,036
Adjusted net income attributable to ordinary shareholders	281,102	310,924	264,494	38,627
Reconciliation of net income to EBITDA and adjusted EBITDA				
Net income	248,903	252,758	164,174	23,976
Less: interest income/(expense), net	27,297	24,254	(159,352)	(23,272)
Add: income tax expense	67,382	80,580	78,992	11,536
Add: depreciation and amortization	85,879	130,819	197,425	28,832
Add: share-based compensation expense	29,061	51,664	(10,631)	(1,553)
Add: foreign exchange loss (included in other expenses)	4,868	—	—	—
Add: Impairment loss on operating lease right-of-use assets	—	—	12,772	1,866
Add: Impairment loss on goodwill	—	—	68,723	10,036
Adjusted EBITDA	408,796	491,567	670,807	97,965
Reconciliation of selling, general and administrative expenses to adjusted SG&A				
Selling, general and administrative expenses	368,141	691,900	871,154	127,224
Less: share-based compensation expense	29,061	51,664	(10,631)	(1,553)
Adjusted SG&A	339,080	640,236	881,785	128,777
Weighted average shares used in calculating earnings per ordinary share				
Basic	122,088,201	122,322,894	120,158,001	120,158,001
Diluted	122,186,796	122,430,457	120,158,001	120,158,001
Adjusted net earnings per share attributable to ordinary shareholders				
Basic	2.30	2.54	2.20	0.32
Diluted	2.30	2.54	2.20	0.32

Segment information

The following tables set forth the net revenue, cost of revenue and gross profit of our six segments of business by amount and as a percentage of total segment revenue for the periods indicated:

	Year Ended August 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
Revenue	1,718,871	2,563,005	3,366,503	491,647
Domestic K-12 School				
International schools	589,599	745,015	872,857	127,473
Bilingual schools	534,008	650,433	722,396	105,499
Kindergartens	399,249	495,024	373,028	54,477
Overseas Schools (1)	—	181,793	835,927	122,079
Education Technology	—	69,980	103,327	15,090
Complementary Education Services	196,015	420,760	458,968	67,028
Cost of revenue	(1,090,595)	(1,586,014)	(2,144,786)	(313,226)
Domestic K-12 Schools				
International schools	(373,391)	(456,003)	(502,186)	(73,340)
Bilingual schools	(346,868)	(400,043)	(421,894)	(61,614)
Kindergartens	(223,397)	(279,315)	(272,261)	(39,761)
Overseas Schools (1)	—	(145,625)	(588,839)	(85,995)
Education Technology	—	(18,103)	(38,517)	(5,625)
Complementary Education Services	(146,939)	(286,925)	(321,089)	(46,892)
Gross profit	628,276	976,991	1,221,717	178,421
Domestic K-12 Schools				
International schools	216,208	289,012	370,671	54,133
Bilingual schools	187,140	250,390	300,502	43,886
Kindergartens	175,852	215,709	100,767	14,716
Overseas Schools (1)	—	36,168	247,088	36,085
Education Technology	—	51,877	64,810	9,465
Complementary Education Services	49,076	133,835	137,879	20,136

	Year Ended August 31,		
	2018	2019	2020
	(as a percentage of segment revenue)		
Revenue	100.0 %	100.0 %	100.0 %
Domestic K-12 Schools			
International schools	100.0 %	100.0 %	100.0 %
Bilingual schools	100.0 %	100.0 %	100.0 %
Kindergartens	100.0 %	100.0 %	100.0 %
Overseas Schools (1)	—	100.0 %	100.0 %
Education Technology	—	100.0 %	100.0 %
Complementary Education Services	100.0 %	100.0 %	100.0 %
Cost of revenue	(63.4)%	(61.9)%	(63.7)%
Domestic K-12 Schools			
International schools	(63.3)%	(61.2)%	(57.5)%
Bilingual schools	(65.0)%	(61.5)%	(58.4)%
Kindergartens	(56.0)%	(56.4)%	(73.0)%
Overseas Schools (1)	—	(80.1)%	(70.4)%
Education Technology	—	(25.9)%	(37.3)%
Complementary Education Services	(75.0)%	(68.2)%	(70.0)%
Gross profit	36.6 %	38.1 %	36.3 %
Domestic K-12 Schools			
International schools	36.7 %	38.8 %	42.5 %
Bilingual schools	35.0 %	38.5 %	41.6 %
Kindergartens	44.0 %	43.6 %	27.0 %
Overseas Schools (1)	—	19.9 %	29.6 %
Education Technology	—	74.1 %	62.7 %
Complementary Education Services	25.0 %	31.8 %	30.0 %

(1) We acquired two overseas schools in the 2020 fiscal year, including St. Michael's School and BIC.

Year ended August 31, 2019 compared to year ended August 31, 2020

Revenue. Our revenue increased by 31.3% from RMB2,563.0 million in the 2019 fiscal year to RMB3,366.5 million (US\$491.6 million) in the 2020 fiscal year, primarily due to (1) an increase in the total number of students enrolled at our domestic K-12 schools to 48,613 in the 2020 fiscal year from 44,224 in the 2019 fiscal year and (2) revenue contribution from acquired overseas schools.

- Domestic K-12 schools.

International schools. Our revenue from international schools increased by 17.2% from RMB745.0 million in the 2019 fiscal year to RMB872.9 million (US\$127.5 million) in the 2020 fiscal year, primarily due to an increase in the total number of students enrolled at our international schools to 10,584 in the 2020 fiscal year from 9,350 in the 2019 fiscal year.

Bilingual schools. Our revenue from bilingual schools increased by 11.1% from RMB650.4 million in the 2019 fiscal year to RMB722.4 million (US\$105.5 million) in the 2020 fiscal year, primarily due to an increase in the total number of students enrolled at our bilingual schools to 20,189 in the 2020 fiscal year from 18,132 in the 2019 fiscal year.

Kindergartens. Our revenue from kindergartens decreased by 24.6% from RMB495.0 million in the 2019 fiscal year to RMB373.0 million (US\$54.5 million) in the 2020 fiscal year, primarily due to temporary shutdowns of our kindergartens during the COVID-19 pandemic. The average tuition and fees decreased from RMB30,424 in the 2019 fiscal year to RMB20,910 in the 2020 fiscal year, primarily due to the temporary shutdowns during the COVID-19 pandemic.

- *Overseas schools.* Our revenue from overseas schools increased by 359.9% from RMB181.8 million in the 2019 fiscal year to RMB835.9 million (US\$122.1 million) in the 2020 fiscal year, primarily due to revenue contribution from acquired overseas schools. We acquired CATS in July 2019 and St. Michael's School and BIC in September 2019. For the 2019 and 2020 fiscal years, overseas schools had an average number of students of 2,514 and 3,212 and an average tuition and fees of RMB239,486 and RMB207,643, respectively.
- *Education technology.* Our revenue from education technology services increased by 47.7% from RMB70.0 million in the 2019 fiscal year to RMB103.3 million (US\$15.1 million) in the 2020 fiscal year, primarily due to revenue contribution from our acquired education technology services in the 2019 and 2020 fiscal years.
- *Complementary education services.* Our revenue from complementary education services increased by 9.1% from RMB420.8 million in the 2019 fiscal year to RMB459.0 million (US\$67.0 million) in the 2020 fiscal year, primarily due to (1) our swift response to the COVID-19 pandemic by launching new products and services that are less affected by the pandemic in the summer of 2020 and (2) revenue contribution from our acquired complementary education services.

Cost of revenue. Our cost of revenue increased by 35.2% from RMB1,586.0 million in the 2019 fiscal year to RMB2,144.8 million (US\$313.2 million) in the 2020 fiscal year, primarily due to an increase in the number of teachers and educational staff needed to support the expansion of our school network and the incremental cost from overseas schools. We added five kindergartens to our school network and acquired two overseas schools in the 2020 fiscal year. The average number of our teachers and instructors increased by 13.5% from 5,602 in the 2019 fiscal year to 6,358 in the 2020 fiscal year.

- Domestic K-12 schools.

International schools. Our cost of revenue incurred by international schools increased by 10.1% from RMB456.0 million in the 2019 fiscal year to RMB502.2 million (US\$73.3 million) in the 2020 fiscal year, primarily due to (1) the cost from Sannew Education, which we acquired in May 2019, and (2) an increase in the number of teachers and educational staff needed to support the ramp-up of schools.

Bilingual schools. Our cost of revenue incurred by bilingual schools increased by 5.5% from RMB400.0 million in the 2019 fiscal year to RMB421.9 million (US\$61.6 million) in the 2020 fiscal year, primarily due to an increase in the number of teachers and educational staff needed to support the ramp-up of schools.

Kindergartens. Our cost of revenue incurred by kindergartens decreased by 2.5% from RMB279.3 million in the 2019 fiscal year to RMB272.3 million (US\$39.8 million) in the 2020 fiscal year, primarily due to temporary shutdowns of our kindergartens during the COVID-19 pandemic, partially offset by an increase in the number of teachers and educational staff needed to support the ramp-up of kindergartens. We added five kindergartens to our school network during the 2020 fiscal year.

- *Overseas schools.* Our costs of revenue incurred by our overseas schools increased by 304.4% from RMB145.6 million in the 2019 fiscal year to RMB588.8 million (US\$86.0 million) in the 2020 fiscal year, primarily due to increased expenses from acquired overseas schools. We acquired CATS in July 2019 and St. Michael's School and BIC in September 2019.
- *Education technology.* Our cost of revenue from education technology services increased by 112.8% from RMB18.1 million in the 2019 fiscal year to RMB38.5 million (US\$5.6 million) in the 2020 fiscal year, primarily due to increased expenses from our acquired education technology services in the 2019 and 2020 fiscal years.

- *Complementary education services.* Our cost of revenue incurred by complementary education services increased from RMB287.0 million in the 2019 fiscal year to RMB321.1 million (US\$46.9 million) in the 2020 fiscal year, primarily due to the growth of our complementary education services in the 2020 fiscal year.

Gross profit. As a result of the foregoing, our gross profit increased by 25.0% from RMB977.0 million in the 2019 fiscal year to RMB1,221.7 million (US\$178.4 million) in the 2020 fiscal year. Our gross margin decreased slightly from 38.1% in the 2019 fiscal year to 36.3% in the 2020 fiscal year, primarily due to the impact from the COVID-19 pandemic. Since the beginning of the 2016 fiscal year, we have implemented various initiatives to improve operating efficiency and profitability, including budget control, improvement of teacher productivity and allocation of experienced teachers from mature schools to newer schools across our school network.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased by 25.9% from RMB691.9 million in the 2019 fiscal year to RMB871.2 million (US\$127.2 million) in the 2020 fiscal year. Our selling, general and administrative expenses as a percentage of our revenue decreased from 27.0% in the 2019 fiscal year to 25.9% in the 2020 fiscal year. The increase in selling, general and administrative expenses was primarily due to the increase in the compensation and benefits incurred from additional general and administrative staff members, as well as the incremental selling, general and administrative expenses incurred from the acquired businesses.

Operating income. As a result of the foregoing, we experienced an operating gain of RMB300.5 million in the 2019 fiscal year, and an operating gain of RMB307.7 million (US\$44.9 million) in the 2020 fiscal year.

Interest income/expense, net. We recorded a net interest expense of RMB159.4 million (US\$23.3 million) in the 2020 fiscal year as compared to a net interest income of RMB24.3 million in the 2019 fiscal year, primarily due to the increased interest expense as a result of senior note issuance.

Income tax expense. Our income tax expense was RMB79.0 million (US\$11.5 million) in the 2020 fiscal year. Our effective tax rate increased from 24.2% in the 2019 fiscal year to 32.4% in the 2020 fiscal year, primarily due to the increase of undeductible expenses and impairment loss on operating lease right-of-use assets and goodwill.

Income for the year. As a result of the foregoing, we experienced a net gain of RMB252.8 million for the 2019 fiscal year and a net gain of RMB164.2 million (US\$24.0 million) for the 2020 fiscal year.

Adjusted net income. We recorded an adjusted net income of RMB267.7 million (US\$39.1 million) for the 2020 fiscal year, compared to an adjusted net income of RMB322.6 million for the 2019 fiscal year. See “—Non-GAAP measures.”

Year ended August 31, 2018 compared to year ended August 31, 2019

Revenue. Our revenue increased by 49.1% from RMB1,718.9 million in the 2018 fiscal year to RMB2,563.0 million in the 2019 fiscal year, primarily due to a 27.4% increase in the average total number of students from 36,679, to 46,738, a 4.2% increase in the average tuition and fees for all of our domestic K-12 schools from RMB42,108 to RMB43,891, in part driven by the contribution of the newly-acquired overseas schools during the same periods. Our revenue from complementary education services also increased significantly from RMB196.1 million in the 2018 fiscal year to RMB420.8 million in the 2019 fiscal year, primarily due to revenue contribution from our acquired complementary education services, including Can-achieve, FGE and Hangzhou Impression.

- Domestic K-12 schools.

International schools. Our revenue from international schools increased by 26.4% from RMB589.6 million in the 2018 fiscal year to RMB745.0 million in the 2019 fiscal year, primarily due to a 26.9% increase in the average number of students from 7,366 to 9,350 and a 4.4% increase in the average tuition and fees from RMB80,048 to RMB83,555 during the same period. Revenue contribution from Sannew Education was RMB15.5 million for the 2019 fiscal year.

Bilingual schools. Our revenue from bilingual schools increased by 21.8% from RMB534.0 million in the 2018 fiscal year to RMB650.4 million in the 2019 fiscal year, primarily due to a 16.1% increase in the average number of students from 15,620 to 18,132 and a 4.9% increase in the average tuition and fees from RMB34,187 to RMB35,872 during the same period.

Kindergartens. Our revenue from kindergartens increased by 24.0% from RMB399.2 million in the 2018 fiscal year to RMB495.0 million in the 2019 fiscal year, primarily due to a 22.3% increase in the average number of students from 13,693 to 16,742. Revenue contribution from Xinqiao and Qiqiaoban kindergartens was RMB52.9 million for the 2019 fiscal year. The average tuition and fees decreased from RMB30,736 in the 2018 fiscal year to RMB30,424 in the 2019 fiscal year, primarily due to the lower average tuition and fees at our newly-added kindergartens.

- *Overseas schools.* We recorded revenue from overseas schools of RMB181.8 million in the 2019 fiscal year, accounted for 7.1% of the total revenues. For the 2019 fiscal year, overseas schools had an average number of students of 2,514 and an average tuition and fees of RMB239,486.
- *Education technology.* Our revenue from education technology services was RMB70.0 million in the 2019 fiscal year, contributed primarily by our acquired education technology service, Chengdu Yinzhe.
- *Complementary education services.* Our revenue from complementary education services increased by 114.7% from RMB196.1 million in the 2018 fiscal year to RMB420.8 million the 2019 fiscal year, primarily due to the revenue contribution from acquired businesses including Can-achieve, FGE and Hangzhou Impression of RMB215.0 million .

Cost of revenue. Our cost of revenue increased by 45.4% from RMB1,090.6 million in the 2018 fiscal year to RMB 1,586.0 million in the 2019 fiscal year, primarily due to an increase in staff costs from RMB753.7 million to RMB979.6 million during the same period as a result of an increase in the number of teachers and educational staff needed to support the expansion of our school network and the ramp-up of recently-opened or acquired schools. We opened three kindergartens in the 2019 fiscal year. We also added eight kindergartens to our school network and acquired one international school and six overseas schools in the 2019 fiscal year. The average number of our teachers and instructors increased by 30.4% from 4,297 in the 2018 fiscal year to 5,602 in the 2019 fiscal year.

- Domestic K-12 schools.

International schools. Our cost of revenue incurred by international schools increased by 22.1% from RMB373.4 million in the 2018 fiscal year to RMB456.0 million in the 2019 fiscal year, primarily due to a 19.1% increase in staff costs from RMB286.0 million to RMB340.6 million as a result of an increase in the number of teachers and educational staff needed to support the expansion of our school network and the ramp-up of schools. We acquired one international schools during the 2019 fiscal year.

Bilingual schools. Our cost of revenue incurred by bilingual schools increased by 15.3% from RMB346.9 million in the 2018 fiscal year to RMB400.0 million in the 2019 fiscal year, primarily due to a 15.3% increase in staff costs from RMB242.6 million to RMB279.6 million as a result of an increase in the number of teachers and educational staff to support the expansion of our school network.

Kindergartens. Our cost of revenue incurred by kindergartens increased by 25.0% from RMB223.4 million in the 2018 fiscal year to RMB279.3 million in the 2019 fiscal year, primarily due to a 19.4% increase in staff costs from RMB164.9 million to RMB196.9 million as a result of an increase in the number of teachers and educational staff to support the expansion of our school network and the ramp-up of recently-opened schools. We added 11 kindergartens to our school network during the 2019 fiscal year.

- *Overseas schools.* Our costs of revenue incurred by our overseas schools was RMB145.6 million in the 2019 fiscal year. We acquired six overseas schools during the 2019 fiscal year

- *Education technology.* Our cost of revenue from education technology services was RMB18.1 million in the 2019 fiscal year, primarily incurred by our acquired education technology services, Chengdu Yinzhe.
- *Complementary education services.* Our cost of revenue incurred by complementary education services increased significantly from RMB146.9 million in the 2018 fiscal year to RMB287.0 million in the 2019 fiscal year, primarily due to the increased expenses from our acquired complementary education services, including Can-achieve, FGE and Hangzhou Impression.

Gross profit. As a result of the foregoing, our gross profit increased by 55.5% from RMB628.3 million in the 2018 fiscal year to RMB977.0 million in the 2019 fiscal year. Our gross margin increased from 36.6% in the 2018 fiscal year to 38.1% in the 2019 fiscal year, primarily due to our improved operating efficiency and the increased average tuition and fees. Since the beginning of the 2016 fiscal year, we have implemented various initiatives to improve operating efficiency and profitability, including budget control, improvement of teacher productivity and allocation of experienced teachers from mature schools to newer schools across our school network.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased by 87.9% from RMB368.1 million in the 2018 fiscal year to RMB691.9 million in the 2019 fiscal year. Our selling, general and administrative expenses as a percentage of our revenue increased from 21.4% in the 2018 fiscal year to 27.0% in the 2019 fiscal year. The increase in selling, general and administrative expenses was primarily due to the increase in the compensation and benefits incurred from additional general and administrative staff members, equity incentive award-related expenses to retain talents, the increase in marketing expenses for brand promotion, the costs associated with acquisitions and other professional services to support the business growth as a listed company as well as the incremental selling, general and administrative expenses incurred from the acquired businesses.

Operating income. As a result of the foregoing, we experienced an operating gain of RMB272.2 million in the 2018 fiscal year, and an operating gain of RMB300.5 million in the 2019 fiscal year.

Interest income, net. Our net interest income decreased by 11.1% from RMB27.3 million in the 2018 fiscal year to RMB24.3 million in the 2019 fiscal year, primarily due to the increased interest expense as a result of senior note issuance.

Income tax expense. Our income tax expense was RMB80.6 million in the 2019 fiscal year, and our effective tax rate was 24.2%, lower than the statutory rate of 25.0%, primarily due to the utilization of net operating losses carry-forwards. Our effective tax rate increased from 21.3% in the 2018 fiscal year to 24.2% in the 2019 fiscal year, primarily due to (1) the increase in the number of schools that began to generate net profits in the 2019 fiscal year, and (2) the increase of undeductible expenses.

Income for the year. As a result of the foregoing, we experienced a net gain of RMB248.9 million for the 2018 fiscal year and a net gain of RMB252.8 million for the 2019 fiscal year.

Adjusted net income. We recorded an adjusted net income of RMB322.6 million for the 2019 fiscal year, compared to an adjusted net income of RMB283.0 million for the 2018 fiscal year. See “—Non-GAAP measures.”

B. Liquidity and Capital Resources

Historically, we have financed our operations primarily through cash generated from our operating activities and proceeds from our financing activities. As of August 31, 2018, 2019 and 2020, we had RMB3,164.1 million, RMB3,265.0 million and RMB4,423.9 million (US\$646.1 million), respectively, in cash and cash equivalents and restricted cash. Approximately 67.4% of our cash and cash equivalents and restricted cash as of August 31, 2020 were held in China. Our cash primarily consists of cash on hand and interest-bearing financial instruments which are unrestricted as to withdrawal or use. We intend to finance our future working capital requirements and capital expenditures primarily from cash generated from operating activities, and to a lesser extent, from debt and equity financing activities.

Although we combine the results of our affiliated entities and their respective subsidiaries, we do not have direct access to the cash and cash equivalents or future earnings of our affiliated entities or their respective subsidiaries. However, a portion of the cash balances of our affiliated entities and their respective subsidiaries will be paid to us pursuant to our contractual arrangements with our affiliated entities and their respective subsidiaries. For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Holding Company Structure.”

We have not encountered any difficulties in meeting our cash obligations to date. When considering our liquidity position and our future capital resources and needs, we take into account price controls set by local governments that may affect the tuition and fees we are able to charge to students in our schools, annual enrollment numbers approved for our schools, the economic benefits we have received from our subsidiaries and affiliated entities attributable to the provision of services to these entities and the economic benefits we may receive from our subsidiaries and affiliated entities directly through payments under our exclusive management services and business cooperation agreement. We believe that our current cash and cash equivalents and anticipated cash flow from operations, will be sufficient to meet our anticipated cash needs for longer than the next twelve months.

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

	Year Ended August 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash generated from operating activities	554,216	864,988	491,227	71,739
Net cash (used in)/generated from investing activities	(472,460)	(2,256,009)	72,567	10,598
Net cash generated from financing activities	1,092,604	1,479,533	675,703	98,680
Net increase in cash and cash equivalents, and restricted cash	1,174,360	88,512	1,239,497	181,017
Cash and cash equivalents, and restricted cash at beginning of the year	1,896,662	3,164,081	3,265,014	476,825
Effect of exchange rate change	93,059	12,421	(80,574)	(11,767)
Cash and cash equivalents, and restricted cash at end of the year	<u>3,164,081</u>	<u>3,265,014</u>	<u>4,423,937</u>	<u>646,075</u>

Operating activities

We generate cash from operating activities primarily from tuition and fees for our schools and fees for our complementary education services, all of which are typically paid in advance before the respective services are rendered. Tuition and fees for schools and fees for our complementary education services are initially recorded under deferred revenue. We recognize such amounts received as revenue proportionately over the relevant period in which the students attend the applicable programs.

For the 2020 fiscal year, we had net cash generated from operating activities of RMB491.2 million (US\$71.7 million). This amount represents our net income of RMB164.2 million (US\$24.0 million), adjusted primarily for (1) depreciation of RMB153.9 million (US\$22.5 million), (2) noncash lease expenses of RMB142.5 million (US\$20.8 million), (3) impairment loss on goodwill of RMB68.7 million (US\$10.0 million), (4) amortization of intangible assets of RMB41.4 million (US\$6.1 million), and (4) changes in working capital. Adjustment for changes in working capital primarily consisted of (1) an increase of RMB109.5 million (US\$16.0 million) in lease liabilities and (2) an increase of RMB25.2 million (US\$3.7 million) in contract liabilities.

For the 2019 fiscal year, we had net cash generated from operating activities of RMB865.0 million. This amount represents our net income of RMB252.8 million, adjusted primarily for (1) contract liability of RMB293.3 million due to increased enrollment of students and increase in our average tuitions, (2) depreciation of RMB106.1 million relating primarily to our school facilities capitalized renovation construction, (3) accrued expenses and other current liabilities of RMB104.5 million, and (4) share-based compensation of RMB51.7 million.

For the 2018 fiscal year, we had net cash generated from operating activities of RMB554.2 million. This amount represents our net income of RMB248.9 million, adjusted primarily for (1) deferred revenue of RMB190.6 million due to increased enrollment of students and increase in our average tuitions, (2) depreciation of RMB78.3 million relating primarily to our school facilities capitalized renovation construction, (3) accrued expenses and other current liabilities of RMB50.9 million, and (4) share-based compensation of RMB29.1 million.

Investing activities

For the 2020 fiscal year, we had net cash generated from investing activities of RMB72.6 million (US\$10.6 million), primarily attributable to proceeds from redemption of short-term investments upon maturity of RMB2,390.0 million (US\$349.0 million), partially offset by (1) purchase of short-term investments of RMB2,156.6 million (US\$314.9 million), (2) additions of property and equipment and intangible assets of RMB 149.8 million (US\$21.9 million). For details on our acquisitions, see “Item 4. Information on the Company—B. Business Overview—Our Expansions and Investments.”

For the 2019 fiscal year, we had net cash used in investing activities of RMB2,256.0 million, primarily attributable to (1) acquisition of subsidiaries of RMB1,721.1 million, (2) purchase of short-term investments of RMB688.4 million, (3) payment for acquisition deposits of RMB338.6 million, and (4) additions of property and equipment of RMB155.2 million, partially offset by proceeds from redemption of short-term investments upon maturity of RMB669.1 million.

For the 2018 fiscal year, we had net cash used in investing activities of RMB472.5 million, primarily attributable to (1) purchase of short-term investments of RMB1,897.0 million, (2) purchase of long-term investments of RMB190.9 million, (3) acquisition of subsidiaries of RMB179.6 million, and (4) additions of property and equipment of RMB117.6 million, partially offset by proceeds from redemption of short-term investments upon maturity of RMB1,922.6 million.

Financing activities

For the 2020 fiscal year, we had net cash generated from financing activities of RMB675.7 million (US\$98.7 million), representing proceeds from bank loan of RMB1,016.2 million (US\$148.4 million), partially offset by (1) dividend payment to shareholders of RMB184.2 million (US\$26.9 million), (2) repurchase of ordinary shares of RMB56.1 million (US\$8.2 million) and (3) repayment of bank loans of RMB50.0 million (US\$7.3 million).

For the 2019 fiscal year, we had net cash generated from financing activities of RMB1,479.5 million, representing (1) proceeds from the issuance of senior notes in July 2019 of RMB2,069.2 million, and (2) proceeds from bank borrowings of RMB50.0 million, partially offset by repurchase of ordinary shares of RMB417.1 million.

For the 2018 fiscal year, we had net cash from generated financing activities of RMB1,092.6 million, primarily due to (1) net proceeds from our follow-on offering (net of offering cost paid RMB6.0 million) of RMB1,151.7 million, and (2) proceeds from bank borrowings of RMB49.8 million, partially offset by repurchase of ordinary shares of RMB108.9 million.

For the translations of our net proceeds from our initial public offering and follow-on offering as well as proceeds from issuance of senior notes, we used the foreign exchange rates on the dates of closing of the initial public offering, follow-on offering and issuance of senior notes, respectively.

Capital Expenditures

We incurred capital expenditures of RMB117.6 million, RMB155.2 million and RMB149.8 million (US\$21.9 million) in the 2018, 2019 and 2020 fiscal years, respectively, primarily in connection with the construction, maintenance and renovation of school facilities and purchase of educational equipment. We intend to fund our future capital expenditures with our existing cash balance, proceeds from our offering and other financing alternatives. We will continue to incur capital expenditures to support the growth of our business.

Holding Company Structure

We are a holding company with no material operations of our own. We conduct our operations primarily through our subsidiaries and affiliated entities in China, the United Kingdom, the United States and Canada. As a result, our ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our PRC subsidiaries or any newly formed subsidiaries incur any debt in the future, the instruments governing their debt may restrict their ability to pay dividends to us. Our PRC subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and affiliated entities is required to set aside at least 10.0% of its after-tax profits each year, if any, to fund a statutory surplus reserve until such reserve reaches 50.0% of its registered capital. In addition, each of our PRC subsidiaries may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion fund and staff bonus and welfare fund at its discretion. Each of our affiliated entities may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. Although the statutory surplus reserves can be used 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. Furthermore, at the end of each fiscal year, each of our schools that are private school in China is required to allocate a certain amount to its development fund for the construction or maintenance of the school properties or purchase or upgrade of school facilities. In particular, our schools that require reasonable returns must allocate no less than 25.0% of their annual net income, and our schools that do not require reasonable returns must allocate no less than 25.0% of their annual increase in the net assets of the school for such purposes. For the 2018, 2019 and 2020 fiscal years, our PRC subsidiaries and affiliated entities made apportions of nil, nil and RMB0.6 million (US\$0.1 million) to the statutory surplus reserve fund, and our schools made no apportions to the development fund. Our PRC subsidiaries have not historically paid any dividends to our offshore entities until they generate accumulated profits and meet the requirements for statutory reserve funds.

The following table sets forth the respective revenue contributions of (1) our affiliated entities and (2) our subsidiaries for the periods indicated as a percentage of total revenues:

	As of August 31,					
	2018		2019		2020	
	RMB	% of total revenues	RMB	% of total revenues	RMB	US\$
	(in thousands, except percentages)					
Our affiliated entities	1,621,872	94.4 %	2,102,396	82.0 %	2,130,124	311,085
Our subsidiaries	96,999	5.6 %	460,609	18.0 %	1,236,379	180,562
Total revenues	1,718,871	100.0 %	2,563,005	100.0 %	3,366,503	491,647

The following table sets forth the respective asset contributions of (1) our affiliated entities and (2) our subsidiaries as of the date indicated as a percentage of total assets:

	As of August 31,					
	2018		2019		2020	
	RMB	% of total assets	RMB	% of total assets	RMB	US\$
	(in thousands, except percentages)					
Our affiliated entities	1,690,615	36.2 %	2,405,769	30.9 %	4,151,628	606,307
Our subsidiaries	2,975,866	63.8 %	5,381,868	69.1 %	6,671,681	974,336
Total assets	4,666,481	100.0 %	7,787,637	100.0 %	10,823,309	1,580,643

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

See “Item 4. Information on the Company—B. Business Overview—Research and Curriculum Development.”

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 2020 fiscal year that are reasonably likely to have a material adverse effect on our net revenue, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

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. In addition, 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. Moreover, 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.

We do not currently have any outstanding off-balance sheet arrangements or commitments. We have no plans to enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships established for the purpose of facilitating off-balance sheet arrangements or commitments.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of August 31, 2020.

	Payment Due by Period					
	Total		Less than one year	One to three years	Three to five years	More than five years
	RMB	US\$	RMB	RMB	RMB	RMB
Operating lease payment	2,799,128	408,787	211,907	385,714	344,372	1,857,135
Senior notes	2,348,497	342,977	152,274	2,196,223	—	—
Short-term loans	924,475	135,011	924,475	—	—	—
Long-term borrowing	420,186	61,364	11,638	35,221	351,518	21,809

We lease certain school and office premises under non-cancellable operating leases that expire at various dates. We incurred rental expenses under operating leases of RMB28.1 million, RMB107.9 million and RMB272.0 million (US\$39.7 million) in the 2018, 2019 and 2020 fiscal years, respectively.

We also have certain capital commitments that primarily related to commitments for construction of schools and investment in an equity method investment. Total capital commitments contracted but not yet reflected in the consolidated financial statement was RMB246.5 million (US\$36.0 million) as of August 31, 2020. All of these capital commitments will be fulfilled in the future according to the construction progress and the investment payment schedule.

In July 2019, we issued senior notes in the aggregate principal amount of US\$300.0 million, with interests of 7.45% per annum and maturing on July 31, 2022.

From time to time, we take out loans with commercial banks to provide for our working capital for daily operation.

G. Safe Harbor on Forward-Looking Statements

This annual report contains forward-looking statements that reflect our current expectations and projections of future events. You can identify these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections of future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our goals and strategies;
- growth of the private education market in China;
- our expectations regarding demand for our services;
- our future business development, results of operations and financial condition;
- trends and competition in the private education industry in China;
- relevant government policies and regulations governing our corporate structure, business and industry;
- our use of proceeds from the offering;
- general economic and business condition in China and elsewhere; and
- assumptions underlying or related to any of the foregoing.

You should read this annual report and the documents that we refer to in this annual report and have filed as exhibits to the registration statement, of which this annual report is a part, completely and with the understanding that our actual future results may be materially different from and worse than what we expect. Moreover, new risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, 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. We qualify all of our forward-looking statements by these cautionary statements.

This annual report also contains certain data and information that we obtained from various government and private publications, including the Frost & Sullivan report. Statistical data in these publications also include projections based on a number of assumptions. The private education industry in China may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have a material adverse effect on our business and the market price of our ADSs. In addition, due to the rapidly evolving nature of the private education industry, projections or estimates about our business and financial prospects involve significant risks and uncertainties. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**A. Directors and Executive Officers**

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

Directors and Executive Officers	Age	Position/Title
Huiyan Yang	39	Chairperson of the Board of Director
Junli He	46	Director and Executive Vice Chairman
Shuting Zhou	36	Director
Peter Andrew Schloss	60	Director
Jun Zhao	58	Director
Ronald J. Packard	57	Director
Wanmei Li	46	Co-Chief Executive Officer
Zi Chen	38	Co-Chief Executive Officer
Dongmei Li	52	Chief Financial Officer
Jinsheng Cheng	57	Vice President

Huiyan Yang is a co-founder of certain of our schools and has served as a director and the chairperson of Bright Scholar Holdings since our inception. Ms. Yang joined Country Garden Holdings Company Limited, a related party, which is a HKSE-listed Chinese residential property developer, in 2005, as the manager of its procurement department. Ms. Yang has served as a director of Country Garden since December 2006, its vice chairperson since March 2012, and its co-chairperson since December 2018. Ms. Yang graduated from Ohio State University with a bachelor degree in marketing and logistics. Ms. Yang received her middle school education from Guangdong Country Garden School. She received the “China Charity Award Special Contribution Award” in 2008.

Junli He has served as the executive vice chairman of Bright Scholar Holdings since February 2019 and as a director of our company since October 2015. Prior to January 2019, Mr. He was the chief executive officer of our company since October 2015. Before joining us, Mr. He was a managing director of TStone Fund from June 2012 to June 2015. He had served as the chief financial officer, chief executive officer and a director of Noah Education Holdings Ltd., a former NYSE-listed private education services provider in China, from July 2009 to December 2011. Mr. He was a portfolio manager at Morgan Stanley Global Wealth Management from June 2008 to June 2009 and had served as a vice president at Bear Stearns from June 2006 to May 2008. Mr. He obtained a bachelor in chemistry science from Peking University and an MBA with Honors from the University of Chicago, Booth School of Business. Mr. He is also a CFA charter holder.

Shuting Zhou became a director of Bright Scholar Holdings in May 2017. Ms. Zhou has served as the general manager of new business department finance branch at Country Garden Holdings Company Limited since November 2019. Ms. Zhou has been a deputy financial controller of Guangdong Country Garden Property Management Co., Ltd., a subsidiary of Country Garden Holdings Company Limited, since May 2016. Ms. Zhou held various managerial positions at Guangdong Country Garden Property Management Co., Ltd. from February 2009 to April 2016. From March 2007 to January 2009, Ms. Zhou served as an accounting manager at Gaoyao Biyi Property Development Co., Ltd. and Shaoguan Country Garden Property Development Co., Ltd., both of which are subsidiaries of Country Garden Holdings Company Limited. Ms. Zhou obtained a bachelor degree in financial management from Guangdong University of Finance & Economics.

Peter Andrew Schloss became a director of Bright Scholar Holdings in May 2017. Mr. Schloss has served as the managing partner and chief executive officer of CastleHill Partners since November 2015. Mr. Schloss is also a director and the audit committee chairman of YY, Inc., an interactive social platform listed on the NASDAQ Stock Market, since 2012. Mr. Schloss was a director and the audit committee chairman of Giant Interactive Group Inc., a China-based online game developer and operator, from 2007 to 2015, and a partner at Phoenix Media Fund L.P., a private equity fund established by Phoenix Television Group, from 2012 to May 2016. From 2009 to 2012, Mr. Schloss served as the founder and chief executive officer of Allied Pacific Sports Network Limited, a leading over-the-top provider of live and on-demand sports in Asia. Prior to joining Allied Pacific Sports Network Limited, Mr. Schloss worked at TOM Online Inc., serving as the chief financial officer from 2003 to 2005, as an executive director from 2004 to 2007 and as the chief legal officer from 2005 to 2007. Mr. Schloss obtained a bachelor degree in political science and a juris doctor degree from Tulane University.

Jun Zhao became a director of Bright Scholar Holdings in May 2017. Mr. Zhao has served as the chairman of Beijing Fellow Partners Investment Management Ltd. since October 2014 and an independent director of China Merchants Bank Co., Ltd., a company listed on Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, since January 2015. Mr. Zhao served as a managing partner at DT Capital Partners from July 2005 to September 2014. From May 2000 to July 2005, he served as a managing director of ChinaVest, Ltd. Mr. Zhao obtained a bachelor degree in shipbuilding engineering from Harbin Engineering University, a master degree in ocean engineering from Shanghai Jiao Tong University, a doctor degree in civil engineering from University of Houston and a MBA from Yale University.

Ronald J. Packard became a director of Bright Scholar Holdings in May 2018. Mr. Packard is the CEO and Founder of Pansophic Learning, a global technology based education company. He was previously the long-time CEO and founder of K12 Inc. Prior to K12 Inc., Mr. Packard was the Vice President of Knowledge Universe and CEO of Knowledge Schools, one of the nation's largest early childhood education companies. Mr. Packard also previously worked for McKinsey & Company and for Goldman Sachs and earned the Chartered Financial Analyst (CFA) designation in 1992. Mr. Packard holds a B.A. degree from the University of California at Berkeley and an M.B.A. from the University of Chicago, both with honors.

Wanmei Li has served as the co-chief executive officer of Bright Scholar Holdings since May 2020. Ms. Li joined the Company in January 2018 as a vice president and general manager of business development center. She is also a special assistant to co-chairs of Country Garden Holdings Co., Ltd. Prior to that, she was the general manager of Guangzhou Country Garden Business Management Co., Ltd. from 2013 to 2017, and executive deputy general manager of Country Garden Marketing Center from 2005 to 2012. From 1998 to 2004, Ms. Li was the general manager of Country Garden Hong Kong Exhibition Sales Center. Ms. Li holds a bachelor's degree in international economics and trade from Guangdong University of Finance and Economics.

Zi Chen has served as the co-chief executive officer of Bright Scholar Holdings since May 2020. Mr. Chen joined the Company in June 2018 as general manager of Elan. Prior to that, he was an assistant to the general manager in the new business department of the Country Garden Group from November 2016 to June 2018. Prior to that, Mr. Chen was the director of strategy in China Resources SZITIC Trust Co., Ltd from April 2012 to March 2016. He was a consultant in strategy for Roland Berger from April 2011 to April 2012, and Cambridge Group for November 2010 to April 2011. Prior to that, he was an assistant vice president in HSBC Broking Services (U.S.) from January 2007 to January 2010. Mr. Chen holds a bachelor's degree in information management and system from Fudan University and a master's degree in management science and engineering from Stanford University.

Dongmei Li has served as the chief financial officer of Bright Scholar Holdings since February 2017. Prior to joining us, Ms. Li served as financial controller, vice president of finance and chief financial officer of Noah Education Holdings Ltd. from December 2007. Previously, Ms. Li served as the financial controller and the head of investor relations of China GrenTech, a NASDAQ-listed company, from April 2007 to November 2007. From February 1999 to March 2007, Ms. Li served as a senior finance manager at Conair Corp., a Fortune 500 company. Ms. Li obtained a bachelor degree in business administration and tourism management from the Beijing Second Foreign Language Institute, and a master degree in business administration from the Arizona State University, Thunderbird School of Global Management. She is a certified master financial manager from the American Academy of Financial Management and is also a member of the Institute of Management Accountants.

Jinsheng Cheng has served as a vice president of Bright Scholar Holdings since November 2015 and the principal of Guangdong Country Garden School since January 2017. Mr. Cheng joined Guangdong Country Garden School since its establishment in 1994. He served as the principal of Guangdong Country Garden School from July 2003 to May 2005 and the principal of Phoenix City Bilingual School from May 2005 to January 2017. Mr. Cheng has served as the vice president of BGY Education Investment, our affiliated entity, since September 2016 and he has over 30 years' education experience. Mr. Cheng obtained a bachelor degree in science from Anhui Normal University and completed master course in Beijing Normal University.

B. Compensation**Compensation of Directors and Executive Officers**

For the fiscal year ended August 31, 2020, we paid an aggregate of approximately RMB20.8 million (US\$3.0 million) in cash to our officers and directors. Other than the statutory benefits that we are required by the PRC law to contribute for each employee, including pension insurance, we have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors.

Share Incentive Plan

In February 2017, our board of directors approved the 2017 Share Incentive Plan (the “2017 Plan”) to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. Under the 2017 Plan, the maximum aggregate number of shares which may be issued pursuant to all awards under the 2017 Plan shall be 5,263,158 ordinary shares, which constitutes 5.0% of the total outstanding shares of our company on an as-converted basis as of the date of adoption of the 2017 Plan, after giving effect to a ten-for-one share split effected on April 26, 2017. In December 2017, we granted share options to purchase a total of 845,000 Class A ordinary shares to certain school principals and management team members at an exercise price of US\$8.74 per share with vesting period varying from three to five years. In September 2018, we granted options to purchase 167,138 Class A ordinary shares to certain members of the senior management team of Can-achieve pursuant to the 2017 Plan at an exercise price of US\$8.74 per share with vesting periods ending on December 31, 2018, 2019 and 2020. In January 2019, we granted options to purchase 2,545,000 Class A ordinary shares to a certain member of our senior management team pursuant to the 2017 plan at an exercise price of US\$8.74 per share.

In the 2018 fiscal year, our share-based payment expenses were RMB29.1 million in connection with the share options granted to employees. In the 2019 fiscal year, our share-based payment expenses were RMB51.7 million in connection with the share options granted to employees. In the 2020 fiscal year, we recorded share-based payment expenses of negative RMB10.6 million (negative US\$1.6 million) primarily due to the reverse of share-based payment expenses in previous years in connection with the cancellation of share options due to certain employees’ failure to meet the performance conditions under their share options.

The following table summarizes, as of December 15, 2020, the outstanding options we have granted to our directors, officers and other individuals under the 2017 Plan:

<u>Name</u>	<u>Options</u>	<u>Exercise Price (US\$/Share)</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>
Dongmei Li	*	US\$ 8.74	December 15, 2017	December 14, 2027
Jinsheng Cheng	*	US\$ 8.74	December 15, 2017	December 14, 2027
Senior management members of Can-achieve	93,503	US\$ 8.74	September 1, 2018	December 14, 2027
Other individuals as a group	525,607	US\$ 8.74	December 15, 2017	December 14, 2027

* Less than 1% of our total outstanding shares on an as-converted basis or voting power assuming full exercise of the options.

The following table sets forth the number of options that have been granted, exercised, and forfeited or cancelled as of December 15, 2020.

	<u>Options</u>
Granted	3,557,138
Exercised	14,457
Forfeited/Cancelled	2,724,648
Outstanding	818,033

The following paragraphs describe the principal terms of the 2017 Plan.

Types of awards. The 2017 Plan permits the awards of options, restricted shares or restricted share units.

Plan administration. Our board of directors or a committee of one or more members of the board of directors will administer the 2017 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 grant.

Award agreement. Awards granted under the 2017 Plan are 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 of 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, and other individuals, as determined by the plan administrator. However, we may grant options that are intended to qualify as incentive share options only to our employees and employees of our parent companies and subsidiaries.

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

Exercise of options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option 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 10 years from the date of a grant.

Transfer restrictions. Awards may not be transferred in any manner by the recipient except under limited circumstances, including by will or the laws of descent and distribution, unless otherwise provided by the plan administrator.

Termination and amendment of the 2017 Plan. Unless terminated earlier, the 2017 Plan has a term of 10 years. 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 prior written consent of the recipient.

C. Board Practices

Board of Directors

Our board of directors consists of six directors. A director is not required to hold any shares in our company. A director may vote with respect to any contract, proposed contract, or arrangement in which he or she is materially interested provided (1) such director, if his interest in such contract or arrangement is material, has declared the nature of his interest at the earliest meeting of the board at which it is practicable for him to do so, either specifically or by way of a general notice and (2) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee. A director may exercise all the powers of the company to borrow money, mortgage its business, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. None of our directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee and 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 Mr. Peter Andrew Schloss, Mr. Jun Zhao and Mr. Ronald J. Packard, and is chaired by Mr. Schloss. Mr. Schloss, Mr. Zhao and Mr. Packard satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange and meet the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Mr. Schloss qualifies as an “audit committee financial expert.” The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management’s response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- reviewing and reassessing annually the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; 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. Jun Zhao, Mr. Peter Andrew Schloss and Ms. Huiyan Yang, and is chaired by Mr. Zhao. Mr. Zhao and Mr. Schloss satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. 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 their compensation is deliberated upon. 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;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Mr. Jun Zhao, Mr. Peter Andrew Schloss and Ms. Huiyan Yang, and is chaired by Mr. Zhao. Messrs Zhao and Schloss satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The nominating and corporate governance committee assists the board 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:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating and corporate governance committee itself;
- developing and reviewing the corporate governance principles adopted by the board and advising the board with respect to significant developments in the law and practice of corporate governance and our compliance with such laws and practices; and
- evaluating the performance and effectiveness of the board as a whole.

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 actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our company may have the right to seek damages if a duty owed by our directors is breached.

Terms of Directors and Officers

Pursuant to the amended and restated memorandum and articles of association, our officers are elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they resign or are removed from office by ordinary resolution of our shareholders. A director will be removed from office automatically if, among other things, the director (1) becomes bankrupt or has a receiving order made against him or her or suspends payment or compounds with his or her creditors; or (2) dies or becomes of unsound mind.

Employment Agreements

We have entered into employment agreements with our executive officers. Each of our executive officers is employed for a specified time period, which will be automatically extended for successive one-year terms unless either party gives the other party a prior written notice to terminate employment. We may terminate the employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, including conviction or pleading of guilty to a felony, fraud, misappropriation or embezzlement; negligent or dishonest act to our detriment; misconduct or failure to perform his or her duty; disability; or death. An executive officer may terminate his or her employment at any time with a one-month prior written notice if there is a material and substantial reduction in such executive officer’s existing authority and responsibilities or at any time if the termination is approved by our board of directors.

Each executive officer has agreed to hold, both during and after the employment agreement expires, in strict confidence and not to use or disclose to any person, corporation or other entity without written consent, any confidential information. Each executive officer has also agreed to assign to us all his or her all inventions, improvements, designs, original works of authorship, formulas, processes, compositions of matter, computer software programs, databases, mask works and trade secrets.

D. Employees

We had 7,891 employees in 2018 fiscal year, 10,366 in 2019 fiscal year and 11,499 in 2020 fiscal year. The majority of our employees are full-time and have signed employment agreements for one year, renewable with substantially same terms on mutual agreements. In addition to teachers, we also have supporting staff such as security guards, chefs, electricians and chauffeurs, and educational and administrative staff including teaching assistants, librarians, medical staff, and employees in sales and marketing, finance and general administration. In the 2018 fiscal year, we began to classify certain nursery staff as teachers, and we retrospectively made the reclassification for the 2016 and 2017 fiscal years. The following table sets forth the average numbers of our employees, categorized by function for the period indicated.

	2018 fiscal year	2019 fiscal year	2020 fiscal year
Teachers and instructors	4,297	5,602	6,358
Managerial staff	469	660	1,062
Educational and administrative staff	1,012	1,629	1,403
Supporting staff	2,113	2,475	2,676
Total	<u>7,891</u>	<u>10,366</u>	<u>11,499</u>

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local PRC governments, including housing, pension, medical insurance and unemployment insurance. We compensate our employees with basic salaries and performance-based bonuses. None of our employees is represented by any collective bargaining arrangements. We believe we have maintained good relationship with our employees.

E. Share Ownership

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of December 15, 2020 by:

- each of our directors and executive officers; and
- each person known to us to beneficially own more than 5.0% of our ordinary shares.

The calculations in the table below are based on the fact that there are 119,385,274 ordinary shares outstanding, including 25,695,274 Class A ordinary shares and 93,690,000 Class B ordinary shares outstanding as of December 15, 2020.

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

	Ordinary Shares Beneficially Owned			% of aggregate ordinary shares***	% of aggregate voting power†***
	Class A ordinary shares	Class B ordinary shares	Total ordinary shares on an as-converted basis		
Directors and Executive Officers: **					
Ms. Huiyan Yang (1)	5,451,559	87,590,000	93,041,559	77.93 %	92.51 %
Mr. Junli He (2)	1,209,934	6,100,000	7,309,934	6.12 %	6.49 %
Ms. Shuting Zhou	—	—	—	—	—
Mr. Peter Andrew Schloss	—	—	—	—	—
Mr. Ronald J. Packard	*	—	*	*	*
Ms. Wanmei Li	—	—	—	—	—
Mr. Zi Chen	—	—	—	—	—
Mr. Jun Zhao	—	—	—	—	—
Ms. Dongmei Li	*	—	*	*	*
Mr. Jinsheng Cheng	*	—	*	*	*
Directors and executive officers as a group	6,864,416	93,690,000	100,554,416	84.10 %	99.00 %
Principal Shareholders:					
Excellence Education Investment Limited (3)	—	72,590,000	72,590,000	60.80 %	76.43 %
Ultimate Wise Group Limited (4)	451,559	15,000,000	15,451,559	12.94 %	15.82 %
Mr. Junli He (5)	1,209,934	6,100,000	7,309,934	6.12 %	6.49 %
Sure Brilliant Global Limited (6)	5,000,000	—	5,000,000	4.19 %	0.26 %
Serenity Capital LLC (7)	2,195,075	—	2,195,075	1.84 %	0.12 %
Hillhouse Capital Advisors , Ltd. (8)	3,985,797	—	3,985,797	3.34 %	0.21 %
Indus Capital Partners, LLC (9)	4,696,558	—	4,696,558	3.93 %	0.25 %

† For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to 20 votes per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary 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 ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

* Less than 1% of our total outstanding share on an as-converted basis or voting power.

** The business address of our directors and executive officers is No. 1, Country Garden Road, Beijiao Town, Shunde District, Foshan, Guangdong 528300, China.

*** The calculation of percentage of aggregate ordinary shares and aggregate voting power does not take into account the 235,022 Class A ordinary shares issued to The Bank of New York Mellon and reserved for further issuance to beneficiaries under the 2017 Plan. We have, however, included the 14,457 Class A ordinary shares already issued upon exercise of options under the 2017 Plan as of December 15, 2020. We have also included Class A ordinary shares that may be issued for options exercisable within 60 days from the date of this annual report, provided that these shares are not included in the computation of the percentage ownership or voting power of any other person. The calculation of percentage of aggregate ordinary shares and aggregate voting power also does not take into account the 630,268 Class A ordinary shares we repurchased but not cancelled as of December 15, 2020.

- (1) Represents 5,000,000 Class A ordinary shares directly held by Sure Brilliant Global Limited (“Sure Brilliant”) wholly owned by Ms. Huiyan Yang, and 451,559 Class A ordinary shares and 15,000,000 Class B ordinary shares directly held by Ultimate Wise Group Limited (“Ultimate Wise”) and 72,590,000 Class B Ordinary Shares directly held by Excellence Education Investment Limited (“Excellence Education”), both of which are wholly owned subsidiaries of Noble Pride Global Limited (“Noble Pride”). The sole shareholder of Noble Pride is TMF Trust (HK) Limited (“TMF Trust”), which acts as the trustee for Yeung Family Trust V, in which Ms. Huiyan Yang is a joint settlor and a member of the two-person investment committee. Sure Brilliant, Noble Pride, Ultimate Wise and Excellence Education are all British Virgin Islands companies. TMF Trust is incorporated and existing under the laws of Hong Kong, with its principal business address at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Yeung Family Trust V is an irrevocable discretionary trust established under the laws of Jersey. Ms. Huiyan Yang and Ms. Meirong Yang, a relative of hers, are the joint settlors and the members of the two-person investment committee of Yeung Family Trust V. The investment committee retains the sole right to vote the ordinary shares beneficially owned by Yeung Family Trust V in our company. Ms. Meirong Yang has two votes and Ms. Huiyan Yang has one vote on the investment committee. In addition, according to an acting-in-concert agreement entered into in February 2017, Ms. Huiyan Yang agreed to consult and agree with Ms. Meirong Yang when voting and deciding on material matters in relation to the management of our company. See the Schedule 13D and Schedule 13D/A jointly filed by Ms. Huiyan Yang, Sure Brilliant, Ultimate Wise, Excellence Education, Noble Pride, TMF Trust and Yeung Family Trust V on December 31, 2018 and February 19, 2019, respectively, for further details.
- (2) Includes 199,934 Class A ordinary shares in the form of ADSs, 4,000,000 Class B ordinary shares and 1,010,000 Class A ordinary shares directly held by Mr. He and 2,100,000 Class B ordinary shares held in an irrevocable discretionary trust established by Mr. He.
- (3) Represents 72,590,000 Class B ordinary shares directly held by Excellence Education, a British Virgin Islands company with its registered office located at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands. See also footnote (1) above.
- (4) Represents 451,559 Class A ordinary shares in the form of ADSs and 15,000,000 Class B ordinary shares directly held by Ultimate Wise, a British Virgin Islands company with its registered office located at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands. See also footnote (1) above.
- (5) In his capacity as an individual principal shareholder. See also footnote (2) above.
- (6) Represent 5,000,000 Class A ordinary shares in the form of ADSs directly held by Sure Brilliant which is wholly-owned by Ms. Huiyan Yang. Sure Brilliant is a British Virgin Islands company with its registered address located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands. See also footnote (1) above.
- (7) Represents 2,195,075 Class A ordinary shares in the form of ADSs beneficially owned by Serenity Capital LLC as reported in Form 13F-HR filed by Serenity Capital LLC on November 16, 2020. Serenity Capital LLC is a company incorporated in Delaware, United States with its business address at Suite 200, 530 Lytton Avenue, Palo Alto, California 94301.
- (8) Represents 3,985,797 Class A ordinary shares in the form of ADSs beneficially owned by Hillhouse Capital Advisors, Ltd. as reported in Form 13F-HR filed by Hillhouse Capital Advisors, Ltd. on November 16, 2020. Hillhouse Capital Advisors, Ltd. is a company incorporated in the Cayman Islands with its business address at C/O DMS House, 20 Genesis Close PO Box 2587, George Town, Grand Cayman, E9 KY1-1103.
- (9) Represents 4,696,558 Class A ordinary shares in the form of ADSs beneficially owned by Indus Capital Partners, LLC as reported in Form 13F-HR filed by Indus Capital Partners, LLC on November 13, 2020. Indus Capital Partners, LLC is a company incorporated in Delaware, United States with its business address at 888 Seventh Avenue, 26th Floor, New York, New York 10019.

On February 8, 2017, Ms. Meirong Yang and Ms. Huiyan Yang, who together beneficially own approximately 92.5% of the aggregate voting power of our company, entered into an acting-in-concert agreement. According to the acting-in-concert agreement, Ms. Huiyan Yang and Ms. Meirong Yang must consult with each other before voting and deciding on material matters in relation to the management of our company, including matters subject to approvals by board or shareholders' meetings, such as appointment of directors and officers and adoption of key group-level policies. If no consensus could be reached through consultation, the decision made by Ms. Meirong Yang prevails. Ms. Huiyan Yang and Ms. Meirong Yang retrospectively confirmed in the acting-in-concert agreement that they have been acting-in-concert since 2008. The acting-in-concert agreement will continue until (1) such agreement is terminated by the parties thereto or (2) the disposal of all of either party's interests in our company and affiliated entities and termination of either party's employment or directorship with our company and affiliated entities. In 2018, Ms. Huiyan Yang and Ms. Meirong Yang further set up Yeung Family Trust V, an irrevocable discretionary trust established under the laws of Jersey with TMF Trust, a company incorporated and existing under the laws of Hong Kong, acting as its trustee. Ms. Huiyan Yang and Ms. Meirong Yang are the joint settlors and the members of the two-person investment committee of Yeung Family Trust V. The investment committee retains the sole right to vote the ordinary shares beneficially owned by Yeung Family Trust V in our company. Ms. Meirong Yang has two votes and Ms. Huiyan Yang has one vote on the investment committee. Yeung Family Trust V was established for succession planning purposes.

To our knowledge, as of August 31, 2020, the record holders of our Class A ordinary shares in the United States include Mr. Junli He and The Bank of New York Mellon, the depository 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 ordinary shares in the United States.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party Transactions

Contractual Arrangements with Our Affiliated Entities and Their Shareholders

We entered into a series of contractual arrangements with our affiliated entities, including our schools, and Ms. Meirong Yang, and Mr. Wenjie Yang, the shareholders of our affiliated entities, in January 2017. Such contractual arrangements enable us to (1) has the power to direct the activities that most significantly affects the economic performance of the affiliated entities; (2) bear the obligation to absorb losses of our affiliated entities that could potentially be significant to the affiliated entities or to receive benefits from the affiliated entities that could potentially be significant to the affiliated entities; and (3) have an exclusive option to purchase all of the equity interests in our affiliated entities when and to the extent permitted under PRC law. Therefore, we control our affiliated entities, including our schools. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Our Contractual Arrangements."

All of our newly launched and acquired schools have executed Rights and Obligations Assumption Letters to enjoy the rights and perform the obligations under the contractual arrangements.

School Operation Agreements with Country Garden

As of August 31, 2020, substantially all of our schools in China, other than those that do not operate on Country Garden properties, had entered into an operation agreement with Country Garden. Under these agreements, Country Garden provides the premises and facilities for us to operate these schools, while we are responsible for the operation and management of these schools. We may also provide preferential student placements and tuition discounts to Country Garden's homeowners and employees. We are in the process of arranging the execution of such school operation agreements with Country Garden for our domestic K-12 schools established after August 31, 2020.

Trademark Licensing Agreements with Country Garden

As of August 31, 2020, all of our schools in China had entered into a trademark licensing agreement with Country Garden, pursuant to which Country Garden agreed to grant BGY Education Investment, its subsidiaries and schools controlled and held by it the right to use certain trademarks, including “Country Garden,” free of charge for a term expiring in 2028 or 2030.

Transactions with Certain Related Parties

Purchase of services and materials

We purchase services and materials, which include mechanics and electricians engineering services, construction services, shuttle bus services and furniture, from other entities controlled by Ms. Huiyan Yang, our chairperson, including Country Garden. In the 2018, 2019 and 2020 fiscal years, we entered into various agreements with certain entities controlled by Ms. Huiyan Yang or her affiliates, including primarily the following:

- Country Garden Intelligent Services Group Co., Ltd.
- Guangdong Phoenix Holiday International Travel Service Co., Ltd.
- Guangdong Shunde Chuang Xi Bang Sheng Furniture Co., Ltd.
- Foshan Shunde Country Garden Property Development Co., Ltd.
- Zengcheng Crystal Water Plant Co., Ltd.
- Guangdong Shunde Phoenix Optimal Commercial Co., Ltd.
- Guangzhou Country Garden Shuttle Bus Services Limited
- Huidong Country Garden Real Estate Development Co., Ltd.
- Zhaoqing Contemporary Zhumei Furnishing Co., Ltd.
- Dongguan Country Garden Real Estate Development Co., Ltd.

For the 2018, 2019 and 2020 fiscal years, we entered into transactions of an aggregate of approximately RMB16.8 million, RMB19.4 million and RMB11.2 million (US\$1.6 million), respectively, to purchase materials, construction services and other services from such related parties.

Advances and loans from and to related parties

The following table presents amounts owed from and to our related parties as of August 31, 2019 and 2020:

	As of August 31,		
	2019	2020	
	RMB	RMB	US\$
	(in thousands)		
Amounts due from related parties			
Foshan Shunde Country Garden Property Development Co., Ltd. (1)	3,576	—	—
Shaoguan Shunhong Real Estate Development Co., Ltd.(5)	—	10,000	1,460
Changsha Ningxiang Country Garden Property Development Co., Ltd. (2)	474	1,172	171
Kaiping Country Garden Property Development Co., Ltd. (3)	1,590	1,607	235
Can-Achieve Global Edutour Co., Ltd. (4)	3,144	3,915	572
Others (1)	1,868	1,827	267
Total	10,652	18,521	2,705

- (1) The amounts mainly represent the advance payment for purchasing services and materials or construction services provided by the entities controlled by Ms. Ms. Huiyan Yang.
- (2) The amounts mainly represent the receivables of the enrolment tuition discount provided to the owners of properties which were subsidized by real estate entities controlled by Ms. Huiyan Yang.
- (3) The amounts mainly represent the receivables of providing consulting services on pre-opening schools to Kaiping Country Garden Property Development Co., Ltd.
- (4) The amounts mainly represents the receivables from the entity in which consists of expense was paid on behalf of the entity controlled by a non-controlling interest holder.
- (5) The amounts mainly represents the receivables from the entity in which consists of expense was paid on behalf of the entity controlled by Ms. Huiyan Yang.

	As of August 31,		
	2019	2020	
	RMB	RMB	US\$
	(in thousand)		
Amounts due to related parties			
Laian Country Garden Property Development Co., Ltd.(1)	11,550	11,550	1,687
Changsha Ningxiang Country Garden Property Development Co., Ltd. (1)	8,732	—	—
Chuzhou Country Garden Property Development Co., Ltd. (1)	30,769	30,769	4,494
Wuhan Country Garden Property Management Co., Ltd. (1)	3,154	3,154	461
Guangdong Teng An Mechanics and Electrics Engineering Co., Ltd. (2)	6,515	4,076	595
Guangdong Giant Leap Construction Co., Ltd. (2)	10,166	10,166	1,485
Baoding Baigou New Town Honghua Eaton Commerce Co., Ltd. (3)	3,000	6,000	876
Shanghai Hanlue Information Technology Center Limited Partnership (6)	—	11,573	1,690
Huaihua Zhiyi Network Technology Limited Partnership (4)	18,335	—	—
Huaihua Yimeng Network Technology Limited Partnership (4)	9,167	—	—
Huidong Country Garden Real Estate Development Co., Ltd. (5)	3,110	3,515	513
Others	5,540	5,760	841
Total	110,038	86,563	12,642

Amounts due to related parties are non-interest bearing, unsecured, and due on demand.

	As of August 31,		
	2019	2020	
	RMB	RMB	US\$
Other non-current liability due to related parties		(in thousand)	
Huaihua Zhiyi Network Technology Limited Partnership (4)	14,490	14,490	2,116
Huaihua Yimeng Network Technology Limited Partnership (4)	7,246	7,246	1,058
Shanghai Hanlue Information Technology Center Limited Partnership (6)	—	5,107	746
Total	21,736	26,843	3,920

Other non-current liabilities due to related parties are non-interest bearing and unsecured.

- (1) The amounts mainly represent financing funds for maintaining daily operation of schools held by subsidiaries and the VIEs from other entities controlled by Ms. Huiyan Yang.
- (2) The amounts mainly represent construction services provided by other entities controlled by Ms. Huiyan Yang.
- (3) The amounts represent the financing funds for maintaining daily operation from Baoding BaiGou, the non-controlling interest shareholder.
- (4) The amounts represent the acquisition payables to Huaihua Zhiyi Network Technology Limited Partnership and Huaihua Yimeng Network Technology Limited Partnership for the acquisition of Chengdu Yinzhe Group in fiscal year 2019.
- (5) The amount mainly represents the advance payment from Huidong Country Garden Real Estate Development Co., Ltd., the entities controlled by Ms. Huiyan Yang, as the enrolment tuition discount to the owners of properties. We utilize facilities and equipment provided by other real-estate subsidiaries controlled by Ms. Huiyan Yang. In return, we give enrolment priorities to the owners of properties with these affiliated companies when providing its educational services.
- (6) The amounts represent the acquisition payables to Shanghai Hanlue Information Technology Center Limited Partnership for the acquisition of Linstitute in the fiscal year 2020.

Employment Agreements

See “Item 6. Directors, Senior Management and Employees—C. Board Practices—Employment Agreements.”

Share Incentive Plan

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan.”

C. Interests of Experts and Counsels

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

B. Legal Proceedings

See “Item 4. Information on the Company—B. Business Overview—Legal Proceedings.”

C. Dividend Policy

On September 18, 2019, we declared a cash dividend of US\$0.10 per ordinary share, and on July 23, 2020, we declared a cash dividend of US\$0.12 per ordinary share. We currently have no further plan to declare or pay any dividends in the near future on our shares or ADSs. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. Under Cayman Islands law, a Cayman Islands company may pay a dividend on its shares out of its profits, realized or unrealized, or from any reserve set aside from profits which its directors determine is no longer required or out of the share premium account or any other fund or account that can be authorized for this purpose in accordance with the Companies Act (2020 Revision) of the Cayman Islands, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts due in the ordinary course of business. Even if our board of directors decides to pay dividends, the 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 our board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our Class A ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. dollars.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our Hong Kong and PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Our subsidiaries and affiliated entities in China are subject to restrictions on making dividends and other payments to us.”

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. Offer and Listing Details

Our ADSs are listed on the New York Stock Exchange under the symbol “BEDU.” Each ADS represents one Class A ordinary share (or right to receive one Class A ordinary share) of our ordinary shares.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed for trading on the New York Stock Exchange under the symbol “BEDU” since May 18, 2017.

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 incorporate by reference into this annual report our amended and restated memorandum of association and our amended and restated articles of association filed as Exhibit 3.2 to our F-1 registration statement (File No. 333-217359), as amended, initially filed with the SEC on April 18, 2017.

C. Material Contracts

Material contracts other than in the ordinary course of business are described in Item 4 and Item 7 or elsewhere in this annual report.

D. Exchange Controls

See “Item 4. Information on the Company—B. Business Overview—Regulations—PRC Laws and Regulations Relating to Foreign Exchange.”

E. Taxation

The following discussion of material Cayman Islands, PRC and United States federal income tax consequences of an investment in our ADSs or Class A ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This discussion does not deal with all possible tax consequences relating to an investment in our ADSs or Class A ordinary shares, such as the tax consequences under state, local and other tax laws.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands.

The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet that:

- no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and
- the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of 20 years from January 10, 2017.

People's Republic of China Taxation

Bright Scholar Holdings is a holding company incorporated in the Cayman Islands and its income depends primarily on dividends from our PRC subsidiaries. The PRC enterprise income tax law and its implementation rules provide that an income tax rate of 10.0% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprise shareholders unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions. Under the Double Tax Avoidance Arrangement, dividends paid by a foreign-invested enterprise in the PRC to its direct holding company, which is considered a Hong Kong tax resident and is determined by the PRC tax authority to have satisfied relevant requirements under the Double Tax Avoidance Arrangement between China and Hong Kong and other applicable PRC laws, will be subject to withholding tax at the rate of 5.0%. Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is subject to inspection or approval of the relevant tax authorities. Furthermore, the State Administration of Taxation promulgated Circular 9 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 of and control over the income of the entity, or the rights or assets from which such income is derived. The test to determine whether a resident of the other contracting party to the double taxation treaty or arrangement is a beneficial owner shall focus on several factors including, among others, (1) whether the applicant is under the obligation to pay 50% or more of the income received to any resident of any third country or region within 12 months upon receipt of the income; and (2) whether the business activities carried out by the applicant constitutes substantive business activities, which include substantive manufacturing, distribution, management and other activities. See “Item 3. Key Information—D. Risk Factors—Risk Related to Doing Business in China—There are significant uncertainties under the PRC enterprise income tax law relating to the withholding tax liabilities of our PRC subsidiaries, and dividends payable by our PRC subsidiaries to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.”

Under the PRC enterprise income tax law, enterprises established under the laws of jurisdictions outside China with their “de facto management body” located within China may be considered to be PRC tax resident enterprises for tax purposes and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The implementation rules of the PRC enterprise income tax law define the term “de facto management body” as a management body which substantially manages, or has control over the business, personnel, finance and assets of an enterprise. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in China, which include all of the following conditions: (1) the senior management and core management departments in charge of daily operations are located mainly within China, (2) financial and human resources decision are subject to determination or approval by persons or bodies in China, (3) major assets, accounting books, company seals and minutes and files of board and shareholders’ meeting are located or kept within China, and (4) at least half of the enterprise’s directors with voting rights or senior management reside within China. The State Administration of Taxation issued a bulletin on August 3, 2011 to provide more guidance on the implementation of Circular 82. The bulletin clarifies certain matters relating to resident status determination, post-determination administration and competent tax authorities. 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 general position of the State Administration of Taxation on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals. See “Item 3. Key Information—D. Risk Factors—Risk Related to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our non-PRC shareholders.”

United States Federal Income Tax Considerations

The following discussion is a summary of United States federal income tax considerations relating to the ownership and disposition of our ADSs or Class A ordinary shares by a U.S. Holder, as defined below, who holds our ADSs or Class A ordinary shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the Internal Revenue Service, or the IRS, with respect to any United States federal

income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This discussion does not address all aspects of United States federal income taxation that may be important to particular investors in light of their individual circumstances, including investors subject to special tax rules (such as, for example, financial institutions, insurance companies, regulated investment companies, real estate investment trusts, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships or other pass-through entities and their partners or investors, tax-exempt organizations (including private foundations)), investors who are not U.S. Holders, investors subject to special accounting rules under Section 451(b) of the Code, investors that own (directly, indirectly, or constructively) 10% or more of our stock by vote or by value, investors that hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction, or investors that have a functional currency other than the U.S. dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this discussion does not address any state, local, alternative minimum tax, or non-United States tax considerations, or the Medicare contribution tax on net investment income. Each potential investor is urged to consult its tax advisor regarding the United States federal, state, local and non-United States income and other tax considerations of an investment in our ADSs or ordinary shares.

General

For purposes of this discussion or arrangement, a “U.S. Holder” is a beneficial owner of our ADSs or Class A ordinary shares that is, for United States federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the laws of, the United States or any state thereof or the District of Columbia, (3) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (4) a trust (a) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (b) that has otherwise elected to be treated as a United States person under the Code.

If a partnership (or other entity or arrangement treated as a partnership for United States federal income tax purposes) is a beneficial owner of our ADSs or Class A ordinary shares, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. Partnerships and partners of a partnership holding our ADSs or Class A ordinary shares are urged to consult their tax advisors regarding an investment in our ADSs or Class A ordinary shares.

For United States federal income tax purposes, a U.S. Holder of ADSs will generally be treated as the beneficial owner of the underlying shares represented by the ADSs. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will generally not be subject to United States federal income tax.

Passive foreign investment company considerations

A non-United States corporation, such as our company, will be classified as a “passive foreign investment company,” or PFIC, for United States federal income tax purposes, if, in the case of any particular taxable year, either (1) 75% or more of its gross income for such year consists of certain types of “passive” income or (2) 50% or more of its average quarterly assets during such year produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company’s unbooked intangibles associated with active business activities may generally be classified as active assets. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other non-U.S. corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Although the law in this regard is unclear, we treat our affiliated entities as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their operating results in our consolidated financial statements. Assuming that we are the owner of our affiliated entities for United States federal income tax purposes, based upon our historical and current income and assets, we do not believe that we were classified as a PFIC for the taxable year ending August 31, 2020.

While we do not expect to become a PFIC in the current or future taxable years, the determination of whether we are or will become a PFIC will depend upon the composition of our income (which may differ from our historical results and current projections) and assets and the value of our assets from time to time, including, in particular the value of our goodwill and other unbooked intangibles (which may depend upon the market value of our ADSs or Class A ordinary shares from time-to-time and may be volatile). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization, which may fluctuate. If our market capitalization declines or does not increase, we may be classified as a PFIC for the current or future taxable years. It is also possible that the IRS may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being, or becoming classified as, a PFIC for the current or one or more future taxable years.

The determination of whether we are or will be a PFIC may also depend, in part, on how, and how quickly, we use our liquid assets, including cash. Under circumstances where we retain significant amounts of liquid assets including cash, or if our affiliated entities were not treated as owned by us for United States federal income tax purposes, our risk of being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year. If we are classified as a PFIC for any year during which a U.S. holder holds our ADSs or Class A ordinary 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 Class A ordinary shares.

The discussion below under “Dividends” and “Sale or Other Disposition of ADSs or Ordinary Shares” is written on the basis that we will not be classified as a PFIC for United States federal income tax purposes. The United States federal income tax rules that apply if we are classified as a PFIC for the current taxable year or any subsequent taxable year are discussed below under “Passive Foreign Investment Company Rules.”

Dividends

Subject to the PFIC rules described below, any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or Class A ordinary shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of Class A ordinary shares, or by the depository bank, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution will generally be treated as a “dividend” for United States federal income tax purposes. Under current law, a non-corporate recipient of dividend income will generally be subject to tax on dividend income from a “qualified foreign corporation” at the lower applicable net capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period and other requirements are met.

A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (1) 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 (2) 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. Accordingly, we believe that the ADSs are readily tradable on an established securities market in the United States and that we will be a qualified foreign corporation with respect to dividends paid on the ADSs. Since we do not expect that our Class A ordinary shares will be listed on established securities markets, it is unclear whether dividends that we pay on our Class A ordinary shares that are not backed by ADSs currently meet the conditions required for the reduced tax rate. There can be no assurance that our ADSs will continue to be considered readily tradable on an established securities market in later years. In the event we are deemed to be a PRC resident enterprise under the EIT Law, we may be eligible for the benefits of the Agreement Between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income (the “United States-PRC income tax treaty”) (which the Secretary of the Treasury of the United States has determined is satisfactory for this purpose), in which case we would be treated as a qualified foreign corporation with respect to dividends paid on our Class A ordinary shares or ADSs. 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 received

on our ADSs or Class A ordinary shares will not be eligible for the dividends received deduction allowed to corporate shareholders of a domestic corporation.

For United States foreign tax credit purposes, dividends paid on our ADSs or Class A ordinary shares will generally be treated as income from foreign sources and will generally 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 Class A ordinary shares. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or Class A ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction for United States federal income tax purposes in respect of such withholding, 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. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or other disposition of ADSs or ordinary shares

Subject to the PFIC rules discussed below, a U.S. Holder will generally recognize capital gain or loss, if any, upon the sale or other disposition of ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ADSs or Class A ordinary shares. Any capital gain or loss will be long-term gain or loss if the ADSs or Class A ordinary shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. Long-term capital gains of non-corporate tax payers are currently eligible for reduced rates of taxation. In the event that we are treated as a PRC resident enterprise under the EIT Law, and gain from the disposition of the ADSs or Class A ordinary shares is subject to tax in the PRC, such gain may be treated as PRC source gain for foreign tax credit purposes under the United States-PRC income tax treaty. The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or Class A ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will, except as discussed below, be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (1) 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 Class A ordinary shares), and (2) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of ADSs or Class A ordinary 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 Class A ordinary 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, or a pre-PFIC year, will be taxable as ordinary income; and
- the amount allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the individuals or corporations, as appropriate, for that year, and will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to each such other taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our non-United States subsidiaries is also a 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 application of these rules. Each U.S. Holder is advised 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, provided that the ADSs are “regularly traded” (as specially defined) on the New York Stock Exchange. No assurances may be given regarding whether our ADSs will continue to qualify as being regularly traded in this regard. If a mark-to-market election is made, the U.S. Holder will generally (1) 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 (2) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes an effective mark-to-market election, in each year that we are a PFIC any gain recognized upon the sale or other disposition of the ADSs will be treated as ordinary income and loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Because our ordinary shares are not listed on a stock exchange, U.S. Holders will not be able to make a mark-to-market election with respect to our ordinary shares.

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.

Because a mark-to-market election cannot be made for any lower-tier PFICs that a PFIC may own, a U.S. Holder who makes a mark-to-market election with respect to our ADSs may continue to be subject to the general PFIC rules with respect to such U.S. Holder’s indirect interest in any of our non-United States subsidiaries that is classified as a PFIC.

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.

As discussed above under “Dividends,” dividends that we pay on our ADSs or Class A ordinary shares will not be eligible for the reduced tax rate that applies to qualified dividend income if we are classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year. In addition, if a U.S. Holder owns our ADSs or Class A ordinary shares during any taxable year that we are a PFIC, the holder must file an annual information return with the IRS. Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of purchasing, holding, and disposing ADSs or Class A ordinary shares if we are or become a PFIC, including the possibility of making a mark-to-market election and the unavailability of the qualified electing fund election.

Information reporting and backup withholding

Certain U.S. Holders are required to report information to the IRS relating to an interest in “specified foreign financial assets,” including shares issued by a non-United States corporation, for any year in which the aggregate value of all specified foreign financial assets exceeds \$50,000 (or a higher dollar amount prescribed by the IRS), subject to certain exceptions (including an exception for shares held in custodial accounts maintained with a United States financial institution). These rules also impose penalties if a U.S. Holder is required to submit such information to the IRS and fails to do so.

In addition, U.S. Holders may be subject to information reporting to the IRS and backup withholding with respect to dividends on and proceeds from the sale or other disposition of our ADSs or ordinary shares. Information reporting will apply to payments of dividends on, and to proceeds from the sale or other disposition of, ordinary shares or ADSs by a paying agent within the United States to a U.S. Holder, other than U.S. Holders that are exempt from information reporting and properly certify their exemption. A paying agent within the United States will be required to withhold at the applicable statutory rate, currently 24%, in respect of any payments of dividends on, and the proceeds from the disposition of, ordinary shares or ADSs within the United States to a U.S. Holder (other than U.S. Holders that are exempt from backup withholding and properly certify their exemption) if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements. U.S. Holders who are required to establish their exempt status generally must provide a properly completed IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability. A U.S. Holder generally may obtain a refund of any amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS in a timely manner and furnishing any required information. Each U.S. Holder is advised to consult with its tax advisor regarding the application of the United States information reporting rules to their particular circumstances.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on display

We have previously filed with the SEC our registration statement on Form F-1 (File Number 333-217359), as amended and our registration statement on Form F-1 (File Number 333-223193), as amended.

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. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year. Copies of reports and other information, when so filed, may 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. The SEC also maintains a web site 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.

As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will furnish The Bank of New York Mellon, 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.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign currency risk

Our revenues, expenses and assets and liabilities are primarily denominated in Renminbi. Renminbi is not freely convertible into foreign currencies for capital account transactions. 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. In July 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation subsided and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. On March 17, 2014, the PRC government announced a policy to further expand the maximum daily floating range of Renminbi trading prices against the U.S. dollar in the inter-bank spot foreign exchange market to 2.0%. On August 10, 2015, the PRC government announced that it had changed the calculation method for Renminbi's daily central parity exchange rate against the U.S. dollar, which resulted in an approximately 2.0% depreciation of Renminbi on that day. We expect Renminbi to fluctuate more significantly in value against the U.S. dollar or other foreign currencies in the future, depending on the market supply and demand with reference to a basket of major foreign currencies. 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.

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. To the extent that we need to convert U.S. dollars we received from the offering into Renminbi for our operations or capital expenditures, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

In addition, very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. 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.

Concentration of credit risk

Financial instruments that potentially subject us to significant concentration of credit risk consist primarily of cash and cash equivalents and restricted cash. As of August 31, 2020, substantially all of our cash and cash equivalents and term deposits were deposited with financial institutions with high-credit ratings and quality.

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 Expenses

Our ADS holders are required to pay the following service fees to the depositary bank, the Bank of New York Mellon, and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs):

Persons depositing or withdrawing shares or ADS holders must pay :	For :
US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
US\$0.05 (or less) per ADS	Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Any cash distribution to ADS holders
US\$0.05 (or less) per ADS per calendar year	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
Registration or transfer fees	Depository services
Expenses of the depositary	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) converting foreign currency to U.S. dollars
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary
	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File Number 333-217359) in relation to our initial public offering of 17,250,000 ADSs representing 17,250,000 Class A ordinary shares, at an initial offering price of US\$10.50 per ADS, and the F-1 Registration Statement (File Number 333-223193) in relation to our follow-on public offering of 10,000,000 ADSs representing 10,000,000 Class A ordinary shares at US\$19.00 per ADS. Our initial public offering closed in June 2017, and our follow-on offering closed in March 2018. Morgan Stanley & Co. International plc and Deutsche Bank Securities Inc. were the representatives of the underwriters for our initial public offering, and Deutsche Bank Securities Inc. and Goldman Sachs (Asian) LLC were the representatives of the underwriters for our follow-on public offering.

The F-1 registration statement for our initial public offering was declared effective by the SEC on May 17, 2017. For the period from the effective date of the F-1 registration statement to August 31, 2017, the total expenses incurred for our company’s account in connection with our initial public offering was approximately US\$0.6 million. We received net proceeds of approximately US\$174.7 million from our initial public offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

The F-1 registration statement for our follow-on public offering was declared effective by the SEC on February 27, 2018. For the period from the effective date of the F-1 registration statement to August 31, 2018, the total expenses incurred for our company’s account in connection with our follow-on public offering was approximately US\$1.0 million. We received net proceeds of approximately US\$181.4 million from our follow-on offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the follow-on offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

For the period from May 17, 2017, the date that the F-1 registration statement in connection with our initial public offering was declared effective by the SEC, to the date of this annual report, we have used (1) approximately US\$50.0 million as the registered capital of Guangdong Bright Scholar Education Technology Co., Ltd., (2) approximately US\$77.4 million for the repurchase of our ADSs, and (3) approximately US\$228.7 million for overseas acquisitions, of the net proceeds received from our public offerings.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e) of the Exchange Act, as of August 31, 2020. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures as of August 31, 2020 were effective.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our 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 U.S. GAAP. 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 because the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of August 31, 2020. We have excluded the businesses acquired in the 2020 fiscal year from our assessment of the effectiveness of internal control over financial reporting as of August 31, 2020, which are listed in Note 3 of our consolidated financial statements. The businesses that we acquired represented 2.6% of our total assets as of August 31, 2020, and 3.3% of our revenues and 4.78% of our net income for the 2020 fiscal year, which mainly relate to the acquisition completed in September 2019. The assessment was based on criteria established in the framework Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management will include the business acquired in the 2020 fiscal year in the assessment of the effectiveness of internal control over financial reporting at the conclusion of the 2021 fiscal year. Based on this assessment, management concluded that our internal control over financial reporting was effective as of August 31, 2020.

Attestation Report of the Registered Public Accounting Firm

This annual report on Form 20 F does not include an attestation report of our registered public accounting firm due to rules of the SEC where domestic and foreign registrants that are “emerging growth companies” which we are, are not required to provide the auditor attestation report.

Changes in Internal Control over Financial Reporting

We have implemented remediation measures to address the significant deficiency related to lack of comprehensive documentation on assessment on transition and implementation of new accounting standards/pronouncements as of and for the year ended August 31, 2019 by enhancing the implementation a set of internal control policies that include detailed procedures and guidance on assessment on transition and implementation of new Accounting Standards Updates, which will enable us to complete and document a comprehensive assessment of the impact arise from the adoption of new accounting standards/pronouncements to our consolidated financial statements. Our historical significant deficiency of lack of comprehensive documentation on assessment on transition and implementation of new accounting standards/pronouncements has been remediated during the year ended August 31, 2020.

As permitted by the SEC, companies are allowed to exclude acquired businesses from management’s assessment of the effectiveness of internal control over financial reporting for the year in which the acquisition is completed. In the 2020 fiscal year, we identified a significant deficiency within our internal control over financial reporting (excluding the newly acquired business in the 2020 fiscal year). The significant deficiency identified relates to insufficient review over underlying data supporting journal entries and account reconciliations due to the lack of segregation of duties in certain acquired overseas business. We implemented certain management compensating control, including financial analytical review, reconciliation of certain accounts and sample check the accuracy of the underlying information used in schedules.

Having identified such significant deficiency, we are in the process of enhancing the implementation of a set of internal control policies that include recruiting more qualified financial and accounting professionals, establishing an ongoing program to provide sufficient and appropriate training for financial reporting and accounting personnel, engaging external consultants to evaluate the acquired overseas business’s internal controls over financial reporting procedures to ensure compliance with U.S. securities laws and regulations, establishing an UK based share service center to unify business operation processes cross oversea schools, including finance, human resources, IT, marketing etc., and enhancing and revising design of information technology applications and procedures.

However, we cannot assure you that we will not identify material weaknesses or significant deficiencies in the future. In addition, the process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to employ significant resources to maintain a financial reporting system that satisfies our reporting obligations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our ADSs may be materially and adversely affected.” As a result, we may be subject to a number of risks, including increased risks that we have or may not file our financial statements and related reports with the SEC on a timely basis and that there are errors in our reported financial statements and material misstatements in our reports and other documents filed with the SEC.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Peter Andrew Schloss, 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) and the chairman of our audit committee, is our audit committee financial expert.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted our code of conduct and ethics, a code that applies to members of the board of directors including its chairman and other senior officers, including the chief executive officer, the chief financial officer and the chief operations officer. This code is publicly available on our website at <http://ir.brightscholar.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 (“Deloitte”), our independent registered public accounting firm, its member firms of Deloitte Touche Tohmatsu Limited, and their respective affiliates (“Deloitte Entities”), for the periods indicated. We did not pay any other fees to the Deloitte Entities during the periods indicated below.

	2019 Fiscal Year	2020 Fiscal Year (in thousands)	
Audit fees (1)	RMB 6,726	RMB 11,411	US\$ 1,667
Audit-related fee (2)	RMB 2,242	—	—
All other fees (3)	RMB 1,038	—	—

- (1) Audit fees represent the aggregate fees billed for each of the fiscal years listed for professional services rendered by our principal accountant for the audit of our annual consolidated financial statements, review of quarterly financial information, and audit services that are normally provided by the principal accountant in connection with regulatory filings or engagements for those fiscal years.
- (2) Audit-related fees represent the aggregate fees billed in each of the fiscal years listed for assurance and related services by our principal accountant that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees.
- (3) All other fees represent the aggregate fees billed in each of the fiscal years listed for products and services provided by our principal accountant, other than the services reported in (1) and (2).

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In April 2018, our board of directors announced a share repurchase program pursuant to which we would repurchase up to US\$100 million worth of our ADSs. The 2018 share repurchase program expired on April 30, 2019 and as of such date we had repurchased 6,679,183 of our outstanding ADSs for an aggregate purchase price of approximately US\$77 million pursuant to the program.

In September 2019, our board of directors announced a new share repurchase program pursuant to which we would repurchase up to US\$30 million worth of our ADSs. The 2019 Share Repurchase Program expired on November 29, 2020 and as of such date we had repurchased 1.2 million of our outstanding ADSs for an aggregate purchase price of approximately US\$9.4 million pursuant to the program.

The table below is a summary of the shares repurchased by us during the 2020 fiscal year and up to December 15, 2020. All ADSs were repurchased in the open market pursuant to the applicable share repurchase programs.

	Total Number of ADSs Purchased	Average Price Paid per ADS(US\$)	Total Number of ADSs Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Programs(US\$)
September 2019	—	—	—	—
October 2019	—	—	—	—
November 2019	14,373	9.29	14,373	29,866,540
December 2019	55,981	9.23	55,981	29,349,941
January 2020	153,153	9.08	153,153	27,959,477
February 2020	157,072	8.93	157,072	26,557,368
March 2020	189,153	7.21	189,153	25,194,218
April 2020	100,150	6.59	100,150	24,534,280
May 2020	104,368	6.84	104,368	23,820,673
June 2020	116,164	7.82	116,164	22,912,283
July 2020	116,815	8.05	116,815	21,972,404
August 2020	89,083	7.60	89,083	21,294,968
September 2020	56,619	6.98	56,619	20,899,990
October 2020	47,069	6.57	47,069	20,590,596
November 2020	—	—	—	—
December 2020	—	—	—	—

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the New York Stock Exchange, we are subject to New York Stock Exchange corporate governance listing standards. However, the New York Stock Exchange rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from New York Stock Exchange corporate governance listing standards. Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. To the extent we choose to follow home country practice with respect to corporate governance matters, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Ordinary Shares and ADSs—As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from New York Stock Exchange corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with New York Stock Exchange corporate governance listing standards.”

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

Our consolidated financial statements are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit No.	Description of Exhibit
1.1	Amended and Restated Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)
2.1	Registrant’s specimen American depository receipt (included in Exhibit 2.3)
2.2	Registrant’s specimen certificate for ordinary shares (incorporated by reference to Exhibit 4.2 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on May 5, 2017)
2.3	Form of deposit agreement by and among the Registrant, the depository and holders of the American Depository Receipts (incorporated by reference to Exhibit 4.3 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on May 5, 2017)
2.4	Indenture, dated as of July 31, 2019, among Bright Scholar Education Holdings Limited, its Subsidiary Guarantors and The Bank of New York Mellon, London Branch, as the Trustee (incorporated by reference to Exhibit 2.4 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 23, 2019)
2.5*	Description of Securities
3.1	English translation of acting-in-concert agreement between Ms. Meirong Yang and Ms. Huiyan Yang dated February 8, 2017 (incorporated by reference to Exhibit 4.4 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)
4.1	Form of employment agreement between the Registrant and the executive officers of the Registrant (incorporated by reference to Exhibit 10.1 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)

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Exhibit No.	Description of Exhibit
4.2	Form of indemnification agreement by and between the Registrant and its directors and executive officers (incorporated by reference to Exhibit 10.2 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)
4.3	English translation of exclusive management service and business cooperation agreement among Zhuhai Bright Scholar, our affiliated entities, and Ms. Meirong Yang and Mr. Wenjie Yang, dated January 25, 2017 (incorporated by reference to Exhibit 10.3 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)
4.4	English translation of exclusive call option agreement among Zhuhai Bright Scholar, Ms. Meirong Yang and Mr. Wenjie Yang, and BGY Education Investment dated January 25, 2017 (incorporated by reference to Exhibit 10.4 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017).
4.5	English translation of power of attorney granted by BGY Education Investment dated January 25, 2017 (incorporated by reference to Exhibit 10.5 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)
4.6	English translation of power of attorney granted by Ms. Meirong Yang dated January 25, 2017 (incorporated by reference to Exhibit 10.6 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)
4.7	English translation of power of attorney granted by Mr. Wenjie Yang dated January 25, 2017. (incorporated by reference to Exhibit 10.7 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)
4.8	English translation of equity pledge agreement among Zhuhai Bright Scholar, Ms. Meirong Yang and Mr. Wenjie Yang, and BGY Education Investment dated January 25, 2017 (incorporated by reference to Exhibit 10.8 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017).
4.9	2017 Share Incentive Plan (incorporated by reference to Exhibit 10.9 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)
4.10	English Translation of Rights and Obligations Assumption Letter executed by Baoding Baigou New City Bright Scholar Shenghua Education Consulting Co., Ltd. dated June 14, 2017 (incorporated by reference to Exhibit 4.10 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017)
4.11	English Translation of Rights and Obligations Assumption Letter executed by Chuzhou Country Garden Kindergarten dated August 30, 2017 (incorporated by reference to Exhibit 4.12 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017)
4.12	English Translation of Rights and Obligations Assumption Letter executed by Chuzhou Country Garden Foreign Language School dated October 13, 2017 (incorporated by reference to Exhibit 4.13 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017)
4.13	English Translation of Rights and Obligations Assumption Letter executed by Kaiping Country Garden Jade Bay Kindergarten dated July 5, 2017 (incorporated by reference to Exhibit 4.14 of our

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
	<u>Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017)</u>
4.14	<u>English Translation of Rights and Obligations Assumption Letter executed by Shaoguan Country Garden English Foreign Language School dated September 3, 2017 (incorporated by reference to Exhibit 4.15 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017)</u>
4.15	<u>English Translation of Rights and Obligations Assumption Letter executed by Shenghua Country Garden Bilingual School dated October 10, 2017 (incorporated by reference to Exhibit 4.16 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017)</u>
4.16	<u>English Translation of Rights and Obligations Assumption Letter executed by Kaiping Country Garden School dated September 25, 2017 (incorporated by reference to Exhibit 4.17 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017)</u>
4.17	<u>English Translation of Rights and Obligations Assumption Letter executed by Wuhan East Lake High-tech Development Zone Xinqiao-Jinxiu Longcheng Kindergarten dated October 22, 2018 (incorporated by reference to Exhibit 4.17 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018)</u>
4.18	<u>English Translation of Rights and Obligations Assumption Letter executed by Wuhan East Lake High-tech Development Zone Xinqiao Kindergarten dated October 22, 2018 (incorporated by reference to Exhibit 4.18 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018)</u>
4.19	<u>English Translation of Rights and Obligations Assumption Letter executed by Wuhan Dongxihu District Dongqiao Kindergarten dated October 22, 2018 (incorporated by reference to Exhibit 4.19 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018)</u>
4.20	<u>English Translation of Rights and Obligations Assumption Letter executed by Wuhan Hongshan District Xinqiao Aijia Kindergarten dated October 22, 2018 (incorporated by reference to Exhibit 4.20 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018)</u>
4.21	<u>English Translation of Rights and Obligations Assumption Letter executed by Wuhan Qingshan District Xinqiao Bilingual Kindergarten dated October 22, 2018 (incorporated by reference to Exhibit 4.21 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018)</u>
4.22	<u>English Translation of Rights and Obligations Assumption Letter executed by Wuhan Qiaosheng Education Investment Co., Ltd. dated October 23, 2018 (incorporated by reference to Exhibit 4.22 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018)</u>
4.23	<u>English Translation of Rights and Obligations Assumption Letter executed by Foshan Shunde Beijiao Country Garden Guilanshan Kindergarten Co., Ltd. dated November 3, 2018 (incorporated by reference to Exhibit 4.23 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018)</u>
4.24	<u>English Translation of Rights and Obligations Assumption Letter executed by Chengdu Yinzhe Education and Technology Co., Ltd. dated December 13, 2018 (incorporated by reference to</u>

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
	<u>Exhibit 4.24 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018)</u>
4.25	<u>English Translation of Rights and Obligations Assumption Letter executed by Chengdu Laizhe Education and Technology Co., Ltd. dated December 13, 2018 (incorporated by reference to Exhibit 4.25 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018)</u>
4.26	<u>Business and Asset Sale and Purchase Agreement in relation to the sale and purchase of the Business and Asset of Bournemouth Collegiate School dated October 1, 2018 (incorporated by reference to Exhibit 4.26 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018)</u>
4.27	<u>English Translation of Rights and Obligations Assumption Letter executed by Hubei Sannew Education Development Limited dated December 15, 2019 (incorporated by reference to Exhibit 4.27 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 23, 2019)</u>
4.28	<u>English Translation of Rights and Obligations Assumption Letter executed by Sannew American Middle School dated December 20, 2019 (incorporated by reference to Exhibit 4.28 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 23, 2019)</u>
4.29	<u>English Translation of Rights and Obligations Assumption Letter executed by Wuhan Mierdun Education Technology Limited dated December 10, 2019 (incorporated by reference to Exhibit 4.29 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 23, 2019)</u>
4.30	<u>English Translation of Rights and Obligations Assumption Letter executed by Heze Qiqiaoban Education Technology Limited dated December 10, 2019 (incorporated by reference to Exhibit 4.30 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 23, 2019)</u>
4.31	<u>English Translation of Rights and Obligations Assumption Letter executed by Heze Development Zone Electric Kindergarten dated December 9, 2019 (incorporated by reference to Exhibit 4.31 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 23, 2019)</u>
4.32	<u>English Translation of Rights and Obligations Assumption Letter executed by HeZe Qiqiaoban Juancheng Kindergarten dated December 10, 2019 (incorporated by reference to Exhibit 4.32 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 23, 2019)</u>
4.33	<u>English Translation of Rights and Obligations Assumption Letter executed by Beijing Huanxue International Travel Limited dated December 12, 2019 (incorporated by reference to Exhibit 4.33 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 23, 2019)</u>
4.34	<u>English Translation of Rights and Obligations Assumption Letter executed by Guangzhou Huihua Education Consulting Co., Ltd. dated December 12, 2019 (incorporated by reference to Exhibit 4.34 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 23, 2019)</u>
4.35	<u>Purchase Agreement in relation to the issuance and sales of US\$300,000,000 7.45% Senior Notes due 2022 to the Initial Purchaser dated July 24, 2019 (incorporated by reference to Exhibit 4.35 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 23, 2019)</u>

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Exhibit No.	Description of Exhibit
4.36	Sale and Purchase Agreement relating to CATS Colleges Holdings Limited dated July 5, 2019 (incorporated by reference to Exhibit 4.36 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 23, 2019).
4.37*	English translation of exclusive management service and business cooperation agreement among Zhuhai Bright Scholar, our affiliated entities, Beijing Haidian Bright Scholar Training School and Beijing Elib Technology Co., Ltd., dated November 26, 2019
4.38*	English Translation of Rights and Obligations Assumption Letter executed by Baoding Baigou New City Shenghua Country Garden Kindergarten Co., Ltd. dated August 31, 2019
4.39*	English Translation of Rights and Obligations Assumption Letter executed by Heze Economic Development Zone Qiqiaoban -OTC Kindergarten dated September 30, 2020
4.40*	English Translation of Rights and Obligations Assumption Letter executed by Cao xian Qiqiaoban Kindergarten dated December 15, 2020
4.41*	English Translation of Rights and Obligations Assumption Letter executed by Guangyuan Lizhou Kasjia Kindergarten dated August 31, 2019
4.42*	English Translation of Rights and Obligations Assumption Letter executed by Beijing Huanxue Tianxia International Travel Limited dated January 31, 2020
4.43*	English Translation of Rights and Obligations Assumption Letter executed by Chengdu Zhiyimeng Software Technology Co., Ltd. dated July 25, 2019
4.44*	English Translation of Rights and Obligations Assumption Letter executed by Guangzhou Xingzhu Information Technology Co., Ltd. dated August 31, 2019
4.45*	English Translation of Rights and Obligations Assumption Letter executed by Dongguan Humen Bright Scholar Country Garden Kindergarten dated December 2, 2020
4.46*	English Translation of Rights and Obligations Assumption Letter executed by Foshan Shunde Ronggui Street Country Garden Kindergarten dated June 16, 2020
4.47*	English Translation of Rights and Obligations Assumption Letter executed by Dongguan Dongcheng Bright Scholar Kindergarten Co., Ltd. dated March 31, 2020
4.48*	English Translation of Rights and Obligations Assumption Letter executed by Huizhou Huiyang Lelebao Shenhui City Kindergarten Co., Ltd. dated December 10, 2020
4.49*	English Translation of Rights and Obligations Assumption Letter executed by Chengdu Pidu Bright Scholar Kindergarten Co., Ltd. dated December 3, 2020
4.50*	English Translation of Rights and Obligations Assumption Letter executed by Tianjin Beichen Lelebao Kindergarten dated August 30, 2020
4.51*	English Translation of Rights and Obligations Assumption Letter executed by Guangzhou Zengcheng Fettes College Kindergarten Co., Ltd. dated June 15, 2020
4.52*	English Translation of Rights and Obligations Assumption Letter executed by Guigang Gangbei Country Garden Lelebao Kindergarten dated October 21, 2020

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
4.53*	<u>English Translation of Rights and Obligations Assumption Letter executed by Jinan Zhangqiu Phoenix City Lelebao Kindergarten dated December 14, 2020</u>
4.54*	<u>English Translation of Rights and Obligations Assumption Letter executed by Heze Mudan District Cultural City Kindergarten dated December 17, 2020</u>
4.55*	<u>English Translation of Rights and Obligations Assumption Letter executed by Fettes College Experimental School of Zengcheng, Guangzhou dated June 15, 2020</u>
4.56*	<u>English Translation of Rights and Obligations Assumption Letter executed by Shanghai Huodai Commercial Information Consulting Co., Ltd. dated July 20, 2020</u>
4.57*	<u>English Translation of Rights and Obligations Assumption Letter executed by Shanghai Youxun Education Technology Co., Ltd. dated May 26, 2020</u>
4.58*	<u>English Translation of Rights and Obligations Assumption Letter executed by Shanghai Hanlin Education Technology Co., Ltd. dated July 20, 2020</u>
4.59*	<u>English Translation of Rights and Obligations Assumption Letter executed by Guangdong Lebeimeng Education Consulting Co., Ltd. dated November 29, 2019</u>
4.60*	<u>English Translation of Rights and Obligations Assumption Letter executed by Guangdong Lelebao Education Technology Co., Ltd. dated November 30, 2019</u>
4.61*	<u>English Translation of Rights and Obligations Assumption Letter executed by Jinan Boshixin Education Consulting Co., Ltd. dated January 27, 2020</u>
4.62*	<u>English Translation of Rights and Obligations Assumption Letter executed by Jining Boshiwei Education Consulting Limited dated October 29, 2019</u>
4.63*	<u>English Translation of Rights and Obligations Assumption Letter executed by Taishan Lebeimeng Education Consulting Co., Ltd. dated December 26, 2019</u>
4.64*	<u>English Translation of Rights and Obligations Assumption Letter executed by Weifang Boshixin Education Consulting Co., Ltd. dated March 29, 2020</u>
4.65*	<u>English Translation of Rights and Obligations Assumption Letter executed by Foshan Shunde Beijiao Town Country Garden Ivy League Education Training Centre Co., Ltd. dated December 7, 2020</u>
4.66*	<u>English Translation of Rights and Obligations Assumption Letter executed by Guangdong Bright Scholar Ivy League Education Science Research Institute Co., Ltd. dated December 7, 2020</u>
4.67*	<u>English Translation of Rights and Obligations Assumption Letter executed by Shanghai Bolai Training Center Co., Ltd. dated December 7, 2020</u>
4.68*	<u>English Translation of Rights and Obligations Assumption Letter executed by Wuhan Qiaokou Mierdun Training School Limited dated November 20, 2019</u>
8.1*	<u>List of subsidiaries and affiliated entities of the Registrant</u>
11.1	<u>Code of business conduct and ethics (incorporated by reference to Exhibit 99.1 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)</u>

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Exhibit No.	Description of Exhibit
12.1*	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Frost & Sullivan
15.2*	Consent of JunHe LLP
15.3*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed with this annual report on Form 20-F
** Furnished with this annual report on Form 20-F
† Portions of the exhibit have been omitted

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**BRIGHT SCHOLAR EDUCATION HOLDINGS
LIMITED**

By: /s/ Dongmei Li

Name: Dongmei Li

Title: Chief Financial Officer

Date: December 23, 2020

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Bright Scholar Education Holdings Limited

Opinion of the Financial Statements

We have audited the accompanying consolidated balance sheets of Bright Scholar Education Limited and its subsidiaries (the "Company") as of August 31, 2019 and 2020, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended August 31, 2020, and the related notes and the schedule (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 August 31, 2019 and 2020, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Convenience Translation

Our audits also comprehended the translation of Renminbi amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2(g). Such United States dollar amounts are presented solely for the convenience of the readers.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for leases on September 1, 2019 due to the adoption of ASU2016-02, Leases (Topic 842), and related ASUs using a modified retrospective approach.

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 Public Company Accounting Oversight Board (United States) (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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Guangzhou, China
December 23, 2020

We have served as the Company's auditor since 2016.

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except shares and par value data)

	Note	As of August 31,		As of August 31,	
		2019		2020	
		RMB	USD	RMB	USD
Note 2(g)					
ASSETS					
Current assets					
Cash and cash equivalents	27	3,246,995	3,377,684	493,280	
Restricted cash	27	18,019	1,044,853	152,591	
Short-term investments	4	241,270	13,695	2,000	
Accounts receivable, net of allowance of RMB 7,772 and RMB 15,433 as of August 31, 2019 and 2020, respectively	17	21,528	19,271	2,814	
Amounts due from related parties	21	10,652	18,521	2,705	
Other receivables, deposits and other assets	5	177,150	198,593	29,003	
Inventories		26,234	28,013	4,091	
Total current assets		3,741,848	4,700,630	686,484	
Restricted cash – non current	27	—	1,400	204	
Property and equipment, net	6	899,510	1,076,590	157,226	
Land use rights, net	7	88,204	86,076	12,571	
Intangible assets, net	8	552,011	597,527	87,263	
Goodwill, net	11	2,090,078	2,284,109	333,573	
Long-term investments	10	28,455	55,137	8,052	
Prepayments for construction contract		5,251	4,822	704	
Deferred tax assets, net	19	30,333	35,678	5,210	
Deposits for acquisition	9	338,585	—	—	
Other non-current assets		13,362	16,654	2,432	
Operating lease right-of-use assets – non current	15	—	1,964,686	286,924	
Total non-current assets		4,045,789	6,122,679	894,159	
TOTAL ASSETS		7,787,637	10,823,309	1,580,643	
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable (including accounts payable of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 32,842 and RMB 28,691 as of August 31, 2019 and 2020, respectively)		94,295	93,090	13,595	
Amounts due to related parties (including amounts due to related parties of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 76,117 and RMB 52,567 as of August 31, 2019 and 2020, respectively)	21	110,038	86,563	12,642	
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 364,734 and RMB 394,880 as of August 31, 2019 and 2020, respectively)	13	615,082	633,397	92,500	
Short term loan (including short term loan of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of nil and 7,500 as of August 31, 2019 and 2020, respectively)	14	50,000	938,300	137,030	
Income tax payable (including income tax payable of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 50,968 and RMB 34,992 as of August 31, 2019 and 2020, respectively)		93,479	118,716	17,337	
Contract liabilities (including contract liabilities of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 1,157,774 and RMB 1,291,781 as of August 31, 2019 and 2020, respectively)	17	1,529,137	1,544,184	225,514	
Refund liabilities (including refund liabilities of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 19,132 and RMB 23,804 as of August 31, 2019 and 2020, respectively)	17	20,259	70,711	10,327	
Operating lease liabilities (including operating lease liabilities of the consolidated VIEs without recourse to Bright Scholar Education of nil and RMB 30,601 as of August 31, 2019 and August 31, 2020, respectively)	15	—	210,082	30,681	
Total current liabilities		2,512,290	3,695,043	539,626	
Non-current contract liabilities (including non-current portion of contract liabilities of the consolidated VIEs without recourse to Bright Scholar Education of nil and RMB 1,772 as of August 31, 2019 and August 31, 2020, respectively)		—	1,772	259	
Deferred tax liabilities, net (including deferred tax liabilities, net of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 35,895 and RMB 34,641 as of August 31, 2019 and 2020, respectively)	19	53,689	57,826	8,445	
Bond payable	12	2,106,000	2,017,369	294,618	
Other non-current liabilities due to related parties (including non-current liabilities due to related parties of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 21,736 and RMB 26,843 as of August 31, 2019 and 2020, respectively)	21	21,736	26,843	3,920	
Other non-current liabilities (including other non-current liabilities of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 7,621 and RMB 11,364 as of August 31, 2019 and 2020, respectively)		10,654	19,612	2,864	
Long term loan (including long term loan of the consolidated VIEs without recourse to Bright Scholar Education of nil and RMB 77,500 as of August 31, 2019 and August 31, 2020, respectively)	14	—	77,919	11,379	
Operating lease liabilities – non current (including operating lease liabilities – non current of the consolidated VIEs without recourse to Bright Scholar Education of nil and RMB 222,693 as of August 31, 2019 and August 31, 2020, respectively)	15	—	1,802,544	263,245	
Total non-current liabilities		2,192,079	4,003,885	584,730	
TOTAL LIABILITIES		4,704,369	7,698,928	1,124,356	
Commitments and Contingencies	22				
EQUITY					
Share capital (US\$0.00001 par value; 120,585,274 shares issued and outstanding as of August 31, 2019, 119,488,962 shares issued and outstanding as of August 31, 2020)	16	8	8	1	
Additional paid-in capital		2,105,189	1,854,262	270,798	
Statutory reserves		64,945	65,567	9,575	
Accumulated other comprehensive income		78,955	185,371	27,072	
Accumulated retained earnings		472,339	632,722	92,403	
Shareholders' equity		2,721,436	2,737,930	399,849	
Non-controlling interests	23	361,832	386,451	56,438	
Total equity		3,083,268	3,124,381	456,287	
TOTAL LIABILITIES AND EQUITY		7,787,637	10,823,309	1,580,643	

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

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED AUGUST 31, 2018, 2019 AND 2020
(Amounts in thousands, except for share and per share data)

	Note	2018	2019	2020	
		RMB	RMB	RMB	USD Note 2(g)
Revenue	17	1,718,871	2,563,005	3,366,503	491,647
Cost of revenue		(1,090,595)	(1,586,014)	(2,144,786)	(313,226)
Gross profit		628,276	976,991	1,221,717	178,421
Selling, general and administrative expenses		(368,141)	(691,900)	(871,154)	(127,224)
Other operating income		12,027	15,435	38,661	5,646
Impairment loss on operating lease right-of-use assets		—	—	(12,772)	(1,866)
Impairment loss on goodwill		—	—	(68,723)	(10,036)
Operating income		272,162	300,526	307,729	44,941
Interest income/ (expense), net		27,297	24,254	(159,352)	(23,272)
Investment income		21,669	17,414	106,675	15,579
Other expenses		(4,803)	(8,617)	(11,291)	(1,649)
Income before income taxes and share of equity in income of unconsolidated affiliates		316,325	333,577	243,761	35,599
Income tax expense	19	(67,382)	(80,580)	(78,992)	(11,536)
Share of equity in loss of unconsolidated affiliates		(40)	(239)	(595)	(87)
Net income		248,903	252,758	164,174	23,976
Net income attributable to non-controlling interests	23	1,934	11,659	3,169	463
Net income attributable to ordinary shareholders		246,969	241,099	161,005	23,513
Net earnings per share attributable to ordinary Shareholders					
Basic	20	2.02	1.97	1.34	0.20
Diluted	20	2.02	1.97	1.34	0.20
Weighted average shares used in calculating net earnings per ordinary share:					
Basic	20	122,088,201	122,322,894	120,158,001	120,158,001
Diluted	20	122,186,796	122,430,457	120,158,001	120,158,001

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

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED AUGUST 31, 2018, 2019 AND 2020
(Amounts in thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>USD</u>
				<u>Note 2(g)</u>
Net income	248,903	252,758	164,174	23,976
Other comprehensive income, net of tax				
Foreign currency translation adjustment	112,264	3,247	106,387	15,537
Other comprehensive income	112,264	3,247	106,387	15,537
Comprehensive income	361,167	256,005	270,561	39,513
Less: comprehensive income attributable to non-controlling interests	1,934	11,721	3,140	458
Comprehensive income attributable to ordinary shareholders	<u>359,233</u>	<u>244,284</u>	<u>267,421</u>	<u>39,055</u>

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

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in thousands, except for share data)

	Share capital		Additional paid-in capital	Statutory reserves	Accumulated (deficit)/retained earnings	Accumulated other comprehensive (loss)/income	Total	Non-controlling interests	Total equity
	Number of shares	RMB							
Balance at August 31, 2017	117,250,000	7	1,403,608	64,945	(15,933)	(36,494)	1,416,133	3,325	1,419,458
Net income for the year	—	—	—	—	246,969	—	246,969	1,934	248,903
Acquisition of subsidiaries (Note 23)	—	—	—	—	—	—	—	166,718	166,718
Issuance of ordinary shares upon follow on offering, net of offering cost	10,000,000	2	1,151,700	—	—	—	1,151,702	—	1,151,702
Foreign currency translation adjustment	—	—	—	—	—	112,264	112,264	—	112,264
Repurchase of ordinary shares*	—	—	(114,554)	—	—	—	(114,554)	—	(114,554)
Share-based compensation (Note 18)	—	—	29,061	—	—	—	29,061	—	29,061
Disposal of a subsidiary	—	—	—	—	—	—	—	(1,953)	(1,953)
Balance at August 31, 2018	127,250,000	9	2,469,815	64,945	231,036	75,770	2,841,575	170,024	3,011,599
Net income for the year	—	—	—	—	241,099	—	241,099	11,659	252,758
Acquisition of subsidiaries (Note 23)	—	—	—	—	—	—	—	179,429	179,429
Capital injection	—	—	—	—	—	—	—	500	500
Foreign currency translation adjustment	—	—	—	—	—	3,185	3,185	62	3,247
Repurchase of ordinary shares*	—	—	(417,149)	—	—	—	(417,149)	—	(417,149)
Cancellation of treasury stock*	(6,679,183)	(1)	1	—	—	—	—	—	—
Share-based compensation (Note 18)	—	—	51,664	—	—	—	51,664	—	51,664
Issuance of ordinary shares upon vesting of shares option (Note 18)	14,457	—	858	—	—	—	858	—	858
Cumulative-effect adjustment upon of ASC606 (Note 2)	—	—	—	—	204	—	204	158	362
Balance at August 31, 2019	120,585,274	8	2,105,189	64,945	472,339	78,955	2,721,436	361,832	3,083,268
Net income for the year	—	—	—	—	161,005	—	161,005	3,169	164,174
Acquisition of subsidiaries (Note 23)	—	—	—	—	—	—	—	27,583	27,583
Capital injection	—	—	—	—	—	—	—	2,650	2,650
Foreign currency translation adjustment	—	—	—	—	—	106,416	106,416	(29)	106,387
Repurchase of ordinary shares*	—	—	(56,058)	—	—	—	(56,058)	—	(56,058)
Cancellation of Treasury Stock*	(569,732)	—	—	—	—	—	—	—	—
Share-based compensation (Note 18)	—	—	(10,631)	—	—	—	(10,631)	—	(10,631)
Provision for statutory reserves	—	—	—	622	(622)	—	—	—	—
Distribution of dividends to shareholders**	—	—	(184,238)	—	—	—	(184,238)	—	(184,238)
Distribution of dividends to non-controlling shareholders	—	—	—	—	—	—	—	(3,104)	(3,104)
Disposal of a subsidiary (Note 23)	—	—	—	—	—	—	—	(5,650)	(5,650)
Balance at August 31, 2020 in RMB	120,015,542	8	1,854,262	65,567	632,722	185,371	2,737,930	386,451	3,124,381
Balance at August 31, 2020 in USD	120,015,542	1	270,798	9,575	92,403	27,072	399,849	56,438	456,287

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

Note*: The repurchase of ordinary shares is accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. During the years ended August 31, 2018, 2019 and 2020, the Group repurchased a total of 1,207,465, 5,471,718 and 1,096,312 shares from the market for a cash consideration of RMB 114,554, RMB 417,149 and RMB 56,058, respectively. Total of 6,679,183 and 569,732 shares have been cancelled by the Group during the years ended August 31, 2019 and 2020, respectively. As of August 31, 2020, the number of treasury stock is 526,580.

Note**: Board of directors (the "Board") has approved and declared a cash dividend of US\$0.10 and US\$0.12 per ordinary shares in September 2019 and July 2020, respectively. The total amount of cash dividends distributed is US\$26,000 (equivalents to RMB 184,238). The cash dividend has been fully paid as of August 31, 2020.

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2018, 2019 AND 2020
(Amounts in thousands)

Note	2018	2019	2020	
	RMB	RMB	RMB	USD
				Note 2(g)
<i>Cash flows from operating activities</i>				
Net income for the year	248,903	252,758	164,174	23,976
<i>Adjustments to reconcile net cash flows from operating activities:</i>				
Depreciation	78,286	106,107	153,850	22,468
Amortization of land use rights	973	1,357	2,128	311
Amortization of intangible assets	6,620	23,355	41,447	6,053
Noncash lease expense	—	—	142,519	20,814
Impairment loss on goodwill	—	—	68,723	10,036
Impairment loss on operating lease right-of-use assets	—	—	12,772	1,866
Finance costs	—	19,089	15,161	2,214
Loss on disposal of property and equipment	117	2,945	438	63
Share of equity in loss of unconsolidated affiliates	40	239	595	87
Share-based compensation	29,061	51,664	(10,631)	(1,553)
Gain on disposal of a subsidiary	(2,443)	—	(14,865)	(2,171)
Investment income	(19,226)	(7,373)	(211)	(31)
Deferred income taxes	6,691	(4,549)	(12,971)	(1,894)
<i>Changes in operating assets and liabilities and other, net:</i>				
Accounts receivable	(424)	1,564	5,467	798
Inventories	(468)	(14,723)	(1,345)	(196)
Amounts due from related parties	(7,674)	6,573	(7,868)	(1,149)
Other receivables, deposits and other assets	(13,948)	(10,516)	9,973	1,456
Accounts payable	(2,738)	(3,477)	(7,876)	(1,150)
Amounts due to related parties	(5,865)	16,955	3,605	526
Accrued expenses and other current liabilities	50,920	104,458	6,256	914
Contract liabilities	—	293,322	(25,249)	(3,687)
Deferred revenue	190,575	—	—	—
Refund liabilities	—	6,309	23,802	3,476
Other assets and liabilities	(5,184)	18,931	30,847	4,506
Lease liabilities	—	—	(109,514)	(15,994)
Net cash provided by operating activities	554,216	864,988	491,227	71,739
<i>Cash flows from investing activities</i>				
Purchase of short-term investments	4	(1,897,000)	(688,360)	(314,944)
Purchase of long-term investments	—	(190,920)	(13,416)	—
Proceed from redemption of short-term investments upon maturity	4	1,922,616	669,127	349,039
Additions of property and equipment and intangible assets	—	(117,556)	(155,204)	(21,872)
Proceeds from sale of property and equipment	—	859	1,539	226
Acquisition of subsidiaries, net of cash acquired of RMB 60,155, RMB 185,106 and RMB 41,413 in 2018, 2019 and 2020, respectively	—	(179,571)	(1,721,123)	756
Payment for acquisition deposits	—	(8,854)	(338,585)	—
Payment for an equity method investment	—	—	(10,000)	(6,134)
Disposal of a subsidiary, net of cash disposed of RMB 9,034, nil and RMB 6,192 in 2018, 2019 and 2020, respectively	—	(2,034)	—	3,527
Net cash (used in) provided by investing activities	(472,460)	(2,256,009)	72,567	10,598
<i>Cash flows from financing activities</i>				
Proceeds from follow-on offering, net of offering cost paid of RMB 5,996 in 2018	1,151,702	—	—	—
Advances from related parties	—	694,751	—	—
Repayments to related parties	—	(694,751)	(8,732)	(1,275)
Repurchase of ordinary shares	(108,938)	(417,149)	(56,058)	(8,187)
Dividend to shareholders	—	—	(184,238)	(26,906)
Dividend to non-controlling interests	—	—	(3,104)	(454)
Proceeds from bank loan	49,840	50,000	1,016,219	148,410
Repayment to bank loan	—	(50,021)	(50,000)	(7,302)
Proceeds from issuance of bonds	—	2,069,160	—	—
Issuance cost of bonds	—	(32,971)	—	—
Repurchase of bonds	—	—	(10,659)	(1,557)
Capital injection from non-controlling interests	—	500	2,650	387
Proceeds on exercise of stock options	—	858	—	—
Payment for acquisition of Hangzhou Impression	—	(21,000)	—	—
Payment for acquisition of Chengdu Yinzhe	—	(30,375)	(30,375)	(4,436)
Payment for acquisition of Xinqiao Group	—	(89,469)	—	—
Net cash provided by financing activities	1,092,604	1,479,533	675,703	98,680
Net increase in cash and cash equivalents, and restricted cash	1,174,360	88,512	1,239,497	181,017
Cash and cash equivalents and restricted cash at beginning of the year	1,896,662	3,164,081	3,265,014	476,825
Effect of exchange rate changes on cash and cash equivalents and restricted cash	93,059	12,421	(80,574)	(11,767)
Cash and cash equivalents and restricted cash at end of the year	27	3,164,081	3,265,014	4,423,937
<i>Supplemental disclosure of cash flow information:</i>				
Income tax paid	65,136	56,472	67,869	9,912
<i>Non-cash investing activities:</i>				
<i>For the year ended of August 31, 2018, 2019 and 2020</i>				
Acquisition of subsidiaries	—	49,238	38,416	5,610
Other payable related to stock repurchase	(5,616)	—	—	—
Accounts payable balance for acquisition of property and equipment	(5,751)	(8,738)	(13,038)	(1,904)
Amounts due to related parties balance for acquisition of property and equipment	(27,869)	(16,909)	(15,545)	(2,270)
Right-of-use assets obtained in exchange for the new operating lease liabilities (Note 15)	—	—	75,752	11,063
Decrease of Right-of-use assets for early termination	—	—	14,019	2,047

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

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except for share and per share data, unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Bright Scholar Education Holdings Limited (the "Company") was incorporated under the laws of Cayman Islands on December 16, 2016. The Company, its subsidiaries, schools, its variable interest entities (the "VIE"s) and its VIEs' subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of full spectrum private fundamental education and complementary education services including kindergarten, primary, middle, high school and international schools in the People's Republic of China (the "PRC"), and education programs and services including independent schools and colleges in United Kingdom (the "UK"), the United States (the "US") and Canada.

As of August 31, 2020, details of the material Company's subsidiaries, its VIEs and the VIE's major subsidiaries and schools were as follows:

Name	Place of establishment	Date of establishment	Equity interest attributed to the Group as of August 31, 2020	Principal activities
Major wholly owned subsidiaries:				
Impetus Investment Limited ("Impetus")	Cayman	April 1, 2014	100 %	Investment holding
Zhuhai Hengqin Bright Scholar Management Consulting Co. Ltd ("Zhuhai Bright Scholar")	The PRC	January 24, 2017	100 %	Management consulting service
Time Education China Holdings Limited	Hong Kong	August 16, 2013	100 %	Investment holding
Bright Scholar (Enlightenment) Investment Holdings Limited	Cayman	December 27, 2017	100 %	Investment holding
Time Elan Education Technology Co., Ltd.	The PRC	December 6, 2013	100 %	Complementary education services
Shenzhen Qianhai Xingkeyucai Trading Co., Ltd.	The PRC	December 15, 2016	100 %	Complementary education services
Guangdong Bright Scholar Education Technology Co., Ltd.	The PRC	September 26, 2017	100 %	Complementary education services
Bright Scholar (UK) Holdings Limited	The UK	July 31, 2018	100 %	Investment holding
CATS Colleges Holdings Limited	The UK	March 13, 2019	100 %	Investment holding
Cambridge Arts and Science Limited	The UK	October 23, 1997	100 %	Overseas School
CATS Canterbury Limited	The UK	August 29, 2007	100 %	Overseas School
CATS College London Limited	The UK	November 17, 2010	100 %	Overseas School
CATS Academy Boston Inc.	The US	July 5, 2012	100 %	Overseas School
Major subsidiaries and schools of VIE				
Guangdong Country Garden Education Investment Management Co., Ltd. ("BGY Education Investment")	The PRC	October 16, 2014	100 %	Investment holding
Guangdong Country Garden School ("GCGS")	The PRC	January 3, 1994	100 %	Kindergarten and formal education services*
Huanan Country Garden School ("HCGS")	The PRC	June 2, 2004	100 %	Formal education services*
Huanan Country Garden Bilingual Kindergarten	The PRC	June 22, 2004	100 %	Kindergarten education services
Phoenix City Bilingual School ("PCBS")	The PRC	April 1, 2004	100 %	Formal education services*
Phoenix City Bilingual Kindergarten	The PRC	April 16, 2008	100 %	Kindergarten education services
Jurong Country Garden School	The PRC	September 1, 2013	100 %	Kindergarten and formal education services*
Country Garden Venice Bilingual School ("CGBS")	The PRC	September 1, 2007	100 %	Formal education services*
Lanzhou Country Garden School	The PRC	September 1, 2016	100 %	Kindergarten and formal education services*

* Formal education services includes primary, middle, high and international school services in the PRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, schools, its VIEs and the VIEs' subsidiaries and schools. All inter-company transactions and balances have been eliminated upon consolidation.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

(b) Principles of consolidation - continued

Consolidation of VIEs

PRC laws and regulations currently prohibit foreign ownership of companies and institutions providing compulsory education services at primary and middle school levels, and restrict foreign investment in education services at the kindergarten and high school level. In addition, the PRC government regulates the provision of education services through strict licensing requirements.

Accordingly, the Company, through its WFOE, Zhuhai Bright Scholar, have entered into the following contractual arrangements with BGY Education Investment, BGY Education Investment's schools and subsidiaries and BGY Education Investment's shareholders that enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of the VIE, and (2) receive the economic benefits of the VIE that could be significant to the VIE.

Agreements that provide the Group with effective control over the VIEs include:

Voting Rights Proxy Agreement & Irrevocable Power of Attorney

Under voting right proxy agreement and irrevocable power of attorney, each of the shareholders of BGY Education Investment has executed a power of attorney to grant Zhuhai Bright Scholar the power of attorney to act on his or her behalf on all matters pertaining to the BGY Education Investment and to exercise all of his or her rights as a shareholder of BGY Education Investment, including but not limited to convene, attend and vote at shareholders' meetings, designate and appoint directors and senior management members. The proxy agreement will remain in effect unless Zhuhai Bright Scholar terminates the agreement by giving a prior written notice or gives its consent to the termination by BGY Education Investment.

Exclusive Call Option Agreement

Under the exclusive call option agreement, each of the shareholders of BGY Education Investment granted Zhuhai Bright Scholar or its designated representative(s) an irrevocable and exclusive option to purchase their equity interests in BGY Education Investment when and to the extent permitted by PRC law. Zhuhai Bright Scholar or its designated representative(s) has sole discretion as to when to exercise such options, either in part or in full. Without Zhuhai Bright Scholar's written consent, the shareholders of BGY Education Investment shall not transfer, donate, pledge, or otherwise dispose any equity interests of BGY Education Investment in any way. The acquisition price for the shares or assets will be the minimum amount of consideration permitted under the PRC law at the time when the option is exercised. The agreement cannot be terminated by BGY Education Investment or their shareholders.

Equity Pledge Agreement

Under the equity pledge agreement, each of the shareholders pledged all of their equity interests in BGY Education Investment to Zhuhai Bright Scholar as collateral to secure their obligations under the equity pledge agreements. If the shareholders of BGY Education Investment breach their respective contractual obligations, Zhuhai Bright Scholar, as pledgee, will be entitled to certain rights, including the right to dispose the pledged equity interests. Pursuant to the agreement, the shareholders of BGY Education Investment shall not transfer, assign or otherwise create any new encumbrance on their respective equity interest in BGY Education Investment without prior written consent of Zhuhai Bright Scholar. The equity pledge right held by Zhuhai Bright Scholar will expire when the shareholders of BGY Education Investment and Zhuhai Bright Scholar have fully performed their respective obligations under the Consulting Services Agreement and Operating Agreement, or the shareholder is no longer a shareholder of BGY Education Investment or the satisfaction of all its obligations by BGY Education Investment under the VIE contractual arrangements.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

(b) Principles of consolidation - continued

The agreements that transfer economic benefits of BGY Education Investment to the Group include:

Exclusive Management Services and Business Cooperation Agreement

Under the exclusive management services and business cooperation agreement, BGY Education Investment engages Zhuhai Bright Scholar as its exclusive technical and operational consultant and under which Zhuhai Bright Scholar agrees to assist in business development and related services necessary to conduct BGY Education Investment's operational activities. BGY Education Investment shall not seek or accept similar services from other providers without the prior written approval of Zhuhai Bright Scholar. The agreements will be effective as long as BGY Education Investment exists. Zhuhai Bright Scholar may terminate this agreement at any time by giving a prior written notice to BGY Education Investment.

Under the above agreements, the shareholders of BGY Education Investment irrevocably granted Zhuhai Bright Scholar the power to exercise all voting rights to which they were entitled. In addition, Zhuhai Bright Scholar has the option to acquire all of the equity interests in BGY Education Investment, to the extent permitted by the then-effective PRC laws and regulations, for nominal consideration. Finally, Zhuhai Bright Scholar is entitled to receive service fees for certain services to be provided to BGY Education Investment.

The Call Option Agreement and Voting Rights Proxy Agreement provide the Group with effective control over the BGY Education Investment, while the Equity Pledge Agreements secure the obligations of the shareholders of BGY Education Investment under the relevant agreements. Because the Group, through Zhuhai Bright Scholar, has (i) the power to direct the activities of BGY Education Investment, that most significantly affect the entity's economic performance and (ii) the right to receive substantially all of the benefits from BGY Education Investment, the Group is deemed the primary beneficiary of BGY Education Investment. Accordingly, the Company consolidates BGY Education Investment's financial results of operations, assets and liabilities in the Group's consolidated financial statements.

The Group believes that the contractual arrangements with the VIEs are in compliance with the PRC law and regulations and are legally enforceable. However, the contractual arrangements are subject to risks and uncertainties, including:

- BGY Education Investment and their shareholders may have or develop interests that conflict with the Group's interests, which may lead them to pursue opportunities in violation of the aforementioned contractual arrangements. If the Group cannot resolve any conflicts of interest or disputes between the Group and the shareholders of BGY Education Investment, the Group would have to rely on legal proceedings, which could result in disruption of its business, and there may be substantial uncertainty as to the outcome of any such legal proceedings.
- BGY Education Investment and their shareholders could fail to obtain the proper operating licenses or fail to comply with other regulatory requirements. As a result, the PRC government could impose fines, new requirements or other penalties on the VIEs or the Group, mandate a change in ownership structure or operations for the VIEs or the Group, restrict the VIEs or the Group's use of financing sources or otherwise restrict the VIEs or the Group's ability to conduct business.
- The PRC government may declare the aforementioned contractual arrangements invalid. They may modify the relevant regulations, have a different interpretation of such regulations, or otherwise determine that the Group or the VIEs have failed to comply with the legal obligations required to effectuate such contractual arrangements.
- If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government may restrict or prohibit the Group's use of the proceeds of the additional public offering to finance the Group's business and operations in China.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(b) Principles of consolidation - continued

The Group's ability to conduct its business may be negatively affected if the PRC government were to carry out of any of the aforementioned actions. As a result, the Group may not be able to consolidate BGY Education Investment in its consolidated financial statements as it may lose the ability to exert effective control over BGY Education Investment and their shareholders, and it may lose the ability to receive economic benefits from BGY Education Investment.

The following amounts and balances of BGY Education Investment were included in the Group's consolidated financial statements after the elimination of intercompany balances and transactions.

	As of August 31	
	2019	2020
	RMB	RMB
ASSETS		
Current assets		
Cash and cash equivalents	975,513	2,516,494
Restricted cash	17,670	9,917
Short term investments	19,600	—
Accounts receivable, net of allowance of nil and nil as of August 31, 2019 and 2020, respectively	802	5,181
Amounts due from related parties	5,479	2,126
Other receivables, deposits and other assets	42,551	33,508
Inventories	25,324	25,544
Total current assets	1,086,939	2,592,770
Restricted cash - non current	—	1,400
Property and equipment, net	538,683	548,113
Land use rights, net	88,204	86,076
Intangible assets, net	143,993	127,907
Goodwill	505,392	473,398
Long-term investments	11,401	53,130
Prepayments for construction contract	380	2,096
Deferred tax assets, net	16,797	4,277
Deposits for acquisition	5,137	—
Operating lease right-of-use assets non-current	—	249,864
Other non-current assets	8,843	12,597
Total non-current assets	1,318,830	1,558,858
TOTAL ASSETS	2,405,769	4,151,628
LIABILITIES		
Current liabilities		
Accounts payable	32,842	28,691
Amounts due to related parties	76,117	52,567
Accrued expenses and other current liabilities	364,734	394,880
Short-term loan	—	7,500
Income tax payable	50,968	34,992
Contract liabilities	1,157,774	1,291,781
Refund liabilities	19,132	23,804
Operating lease liabilities	—	30,601
Total current liabilities	1,701,567	1,864,816
Deferred tax liabilities, net	35,895	34,641
Long-term loan	—	77,500
Operating lease liabilities – non current	—	222,693
Non-current portion of contract liabilities	—	1,772
Other non-current liabilities due to related parties	21,736	26,843
Other non-current liabilities due to third parties	7,621	11,364
Total non-current liabilities	65,252	374,813
TOTAL LIABILITIES	1,766,819	2,239,629

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**(b) Principles of consolidation - continued**

	For the year ended August 31,		
	2018	2019	2020
	RMB	RMB	RMB
Total revenue	1,621,872	2,102,396	2,130,124
Net income	67,224	47,898	23,698
Net cash provided by operating activities	192,745	730,145	1,534,031
Net cash used in investing activities	(82,407)	(519,082)	(47,946)
Net cash (used in)/ provided by financing activities	—	(119,844)	48,543
Net increase in cash and cash equivalents and restricted cash	110,338	91,219	1,534,628
Cash and cash equivalents and restricted cash at beginning of year	791,626	901,964	993,183
Cash and cash equivalents and restricted cash at end of year	901,964	993,183	2,527,811

BGY Education Investment contributed an aggregate of 94.4%, 82.0% and 63.3% of the consolidated revenue for the three years ended August 31, 2018, 2019 and 2020, respectively. As of August 31, 2019 and 2020, BGY Education Investment accounted for an aggregate of 30.9% and 38.4%, respectively, of the consolidated total assets, and 37.6% and 29.1%, respectively, of the consolidated total liabilities.

There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Company or its subsidiaries to provide financial support to BGY Education Investment. However, if BGY Education Investment were ever to need financial support, the Group may, at its option and subject to statutory limits and restrictions, provide financial support to its VIEs through loans to the shareholders of BGY Education Investment or entrustment loans to BGY Education Investment.

The Group believes that there are no assets held in the BGY Education Investment that can be used only to settle obligations of BGY Education Investment, except for registered capital and the PRC statutory reserves. As the BGY Education Investment is incorporated as a limited liability company under the PRC Company Law, creditors of the BGY Education Investment do not have recourse to the general credit of the Company for any of the liabilities of the BGY Education Investment. Relevant PRC laws and regulations restrict BGY Education Investment from transferring a portion of their net assets, equivalent to the balance of its statutory reserve and its share capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 26 for disclosure of restricted net assets.

(c) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The Group bases its estimates on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Significant accounting estimates reflected in the Group's financial statements include purchase price allocation relating to business combination, assessment of realization of deferred tax assets, impairment assessment of goodwill and long-lived assets, impairment assessment on investments, valuation of share-based compensation and discount rate for leases. Actual results may differ materially from those estimates.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

(d) Fair value

Fair value is considered to be 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 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 asset or liability 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. The Group has short-term investment and long-term investment in USD fund-linked notes that are measured at fair value with different maturity date and classified as level 2 fair value measurements (see Note 4 and Note 10). Various inputs for the investment valuation, including time value, volatility factors, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures, substantially are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

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.

The carrying values of financial instruments, which consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, amounts due from related parties, other receivables, deposits, accounts payable, amounts due to related parties, short-term loan and other current liabilities are recorded at cost which approximates their fair value due to the short-term nature of these instruments.

(e) Foreign currency translation

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the affiliates incorporated outside of mainland China includes the United States dollar ("US dollar" or "US\$"), Great Britain Pound ("GBP"), Hong Kong dollar ("HKD" or "HK\$"), and Canadian dollar ("CAD"). The functional currency of all the other subsidiaries and the VIEs is RMB.

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Exchange gains and losses are recognized in the consolidated statement of operation. All assets and liabilities are translated at exchange rates at the balance sheet date and revenue and expenses are translated at the average yearly exchange rates and equity is translated at historical exchange rate. Any translation adjustments are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

(f) Foreign currency risk

The 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, international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. The Group's cash and cash equivalents and restricted cash denominated in RMB amounted to RMB 1,418,745 and RMB 2,915,649 as of August 31, 2019 and 2020, respectively.

(g) Convenience translation

The Group's reporting currency is RMB. However, periodic reports made to shareholders will include current period amounts translated into US dollars using the then current exchange rates, for the convenience of the readers. Translations of balances in the consolidated balance sheets, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows from RMB into US dollars as of and for the year ended August 31, 2020 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB 6.8474, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on August 31, 2020. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on August 31, 2020, or at any other rate.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and highly liquid investments which are unrestricted as to withdrawal or use, and which have original maturities of three months or less when purchased.

(i) Restricted cash

The Group's restricted cash mainly represents (a) deposit held in a designated bank account for the sole purpose of business operation including the establishment of new schools and subsidiaries; (b) deposit restricted as to withdrawal or use under government regulations; and (c) deposits in connection with the long-term loan disclosed in note 14.

(j) Investments

Short-term investments primarily consist of wealth management products, which are certain deposits with different interest rates and fixed maturity dates ranging from three months to one year.

The Group reviews its short-term investments for other-than-temporary impairment ("OTTI") based on the specific identification method. The Group considers available quantitative and qualitative evidence in evaluating the potential impairment of its short-term investments. If the cost of an investment exceeds the investments fair value, the Group considers, among other factors, general market conditions, expected future performance of the investees, the duration and the extent to which the fair value of the investment is less than the cost, and the Groups intent and ability to hold the investments. OTTI is recognized as a loss in the consolidated statements of operations.

Long-term investments include held-to-maturity investment with maturity date which is longer than one year, equity securities without readily determinable fair values and equity method investments.

- Equity securities without readily determinable fair values

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

(j) Investments - continued

Starting on September 1, 2018, with the adoption of ASU 2016-01 Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), the Group elected a practicability exception to fair value measurement for the equity securities without readily determinable fair values, under which these investments are measured at cost, less impairment, plus or minus observable price changes of an identical or similar investment of the same issuer with fair value change recorded in the consolidated statements of operations.

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 ASU 2011-4: Fair Value Measurement (ASC 820). If the fair value is less than the investment's carrying value, the Group recognizes an impairment loss equal to the difference between the carrying value and fair value in the consolidated statements of operations.

● 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.

The Group reviews its equity method investments for impairment whenever an event or circumstance indicates that an OTTI 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.

(k) Inventories

Inventories are stated at the lower of cost or net realizable value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(l) Property and equipment, net

Property and equipment is generally stated at historical cost and depreciated on a straight-line basis over the estimated useful lives of the assets. Depreciation expense is included in either cost of revenue or selling, general and administrative expenses, as appropriate. Property and equipment consist of the following and depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings	20 - 50 years
Leasehold improvement	3 – 20 years or the lesser of remaining life of lease
Motor vehicles	4 - 10 years
Electronic equipment	4 - 10 years
Office equipment	3 - 5 years
Furniture and other equipment	3 - 5 years
Others	3 years
Construction in progress	*

Note*: The Group constructs certain of its property. In addition to cost under the construction contracts, external costs, including consulting fee directly related to the construction of such facilities, are capitalized. Depreciation is recorded at the time assets are ready for the intended use.

The Group assesses lands with indefinite life for impairment periodically.

(m) Land use rights, net

Land use right represents the amount paid and relevant costs incurred for the Group's leases for the right of use of land located in PRC and is recorded at cost less accumulated amortization. Amortization is provided over the term of the land use right agreement on a straight-line basis over the term of the agreement, which is 40-50 years.

(n) Impairment of long-lived assets

The Group evaluates the recoverability of long-lived assets with determinable useful lives whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. The Group measures the carrying amount of long-lived asset against the estimated undiscounted future cash flows associated with it. Impairment exists when the sum of the expected future net cash flows is less than the carrying value of the asset being evaluated. Impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. Fair value is estimated based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Group to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require judgment and actual results may differ from assumed and estimated amounts. The Group recorded nil, nil and RMB 12,772 impairment loss on operating lease right-of-use assets during the year ended August 31, 2018, 2019 and 2020, respectively (Note 15).

(o) Goodwill, net

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortized but is tested for impairment on an annual basis as of August 31, or more frequently if events or changes in circumstances indicate that it might be impaired. The Group has the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. The Group will perform the quantitative impairment test if the Group bypasses the qualitative assessment, or based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(o) Goodwill, net - continued

On September 1, 2019, the Group early adopted ASU No. 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. Under the new guidance, if the fair value of a reporting unit exceeds its carrying amount, goodwill is not impaired and no further testing is required. If the fair value of a reporting unit is less than the carrying value, an impairment charge is recognized 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 recorded nil, nil and RMB 68,723 impairment loss on goodwill during the years ended August 31, 2018, 2019 and 2020, respectively (Note 11).

(p) Intangible assets

Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows. Intangible assets with indefinite lives consist of overseas schools' brand name and is tested for impairment annually, or whenever events are indicators of impairment occur between annual impairment tests. Management expects to use the brand name indefinitely.

Acquired intangible assets, other than goodwill, consist of trademarks and brand names, customer relationship, backlog and student base, non-compete agreements and core curriculum are carried at cost, less accumulated amortization and impairment. The amortization periods by major intangible asset classes are as follows:

Trademarks and brand names	10 years-indefinite
Core curriculum	10 years
Customer relationship, backlog and student base	0.6-7 years
Non-compete agreements	4-8 years
Software	5 years
License	3 years

The Group did not recognize any impairment loss on intangible assets during the years ended August 31, 2018, 2019 and 2020.

(q) Leases

Before September 1, 2019, the Group applies ASC Topic 840 ("ASC 840"), Leases, and each lease is classified at the inception date as either a capital lease or an operating lease.

On September 1, 2019, the Group adopted the New Leasing Standard ("ASC 842"), using the modified retrospective transition method resulting in the recording of operating lease right-of-use (ROU) assets of RMB1,906,562 and operating lease liabilities of RMB 1,902,180 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 August 31, 2020, the Group recognized operating lease ROU assets of RMB 1,964,686 and total lease liabilities RMB 2,012,626, including non-current portion at the amount of RMB 1,802,544.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

(q) Leases - continued

The Group determines if an arrangement is a lease or contains a lease at lease inception. Operating leases are required to be recorded in the balance sheets as ROU 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 adopts the practical expedient to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. Lastly, the Company also has elected to utilize the short-term lease recognition exemption and, for those leases that qualified, the Group did not recognize operating lease ROU assets or operating lease liabilities.

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. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option. Lease expenses are recorded on a straight-line basis over the lease term.

The Group evaluates the carrying value of right-of-use assets, including the operating lease obligation of the asset group if there are indicators of impairment and reviews the recoverability of the related asset group. If the carrying value of the asset group determined to not be recoverable and is in excess of the estimated fair value, the Group records an impairment loss in the consolidated statement of operations. Based on the impairment assessments of the ROU assets, the Group recognized impairments of RMB 12,772 related to the value of certain operating lease right-of-use assets as of August 31, 2020.

During the fiscal year ended August 31, 2020, the Group received Coronavirus Disease 2019 ("COVID-19") related rent concessions. Consistent with updated guidance from the Financial Accounting Standards Board ("FASB") in April 2020, the Group elected to treat COVID-19-related rental discount as variable rent and applied payable approach to COVID-19 related deferral of rent payment. Rental discount, amounting to RMB 2,719, were recognized as an offset to rent expense within selling, general and administrative expenses and cost of revenue on the Group's consolidated statement of operations. Deferral payments, amounting to approximately RMB 16,448, were recognized as concession payable within accrued expenses and other current liabilities on the Group's consolidated balance sheets.

(r) Revenue recognition

As of September 1, 2018, the Group adopted ASU 2014-09, Revenue from Contracts with Customers ("Topic 606") and all subsequent ASUs that modified ASC 606, using the modified retrospective method for all contracts not completed as of September 1, 2018. Results for reporting periods beginning on September 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 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 primary sources of the Group's revenues are as follows:

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

(r) Revenue recognition - continued

Income from educational programs and services

The educational programs and services consist of tuition, boarding and meal service from international schools, bilingual schools and kindergartens in the PRC and overseas schools in the UK, the US and Canada. Each contract of educational programs and services is accounted for as a single performance obligation which is satisfied proportionately over the service period. The program and service fee is generally collected in advance prior to the beginning of each semester, or prior to the beginning of the education programs, and is initially recorded as contract liabilities. Refunds are provided to students if they decide within the predetermined period that they no longer want to take the course or enroll in the program. After the predetermined period as agreed in the contract, if a student withdraws from the program, the program fee is no longer available for refund. The Group determines the transaction price to be earned based on the tuition fee and the estimated refund liability. The refund liability is determined based on historical refund ratio on a portfolio basis using the expected value method. Historically, the Group has not had material refunds in this respect.

During the year ended August 31, 2020, in response to the COVID-19 pandemic, the Group temporarily stopped providing offline tuition, boarding and meal services to students, instead it offered online tuition services to students during the schools' temporary closure period, except for kindergartens. The amount of considerations relating to boarding and meal services to all oversea schools students in which service have not been provided amount to RMB 45,833 are recognized as refund liability. The Company has refunded an insignificant amount of tuition service related to the kindergarten students during the period, which were not provided. As of August 31, 2020, the Group recorded RMB 14,078 refund liability related to the educational programs and services fee in the PRC.

Complementary training course and program fees

The Group offers various types of after-school tutoring services and art training services, which primarily consist of after-school group class courses, personalized tutoring courses and art training courses. The tutoring services and art training services are accounted for as a single performance obligation. Tutoring services and art training service fees is recognized proportionately as the tutoring sessions and art training courses are delivered. The course fees are generally collected in advance and are initially recorded as contract liability. Tuition refunds are provided to students if they decide within the trial period that they no longer want to take the course. For certain courses, the Group also offers refunds for any unutilized classes for students who withdraw from the course. The Group determines the transaction price to be earned based on the tutoring services and art training service fees and the estimated refund liability. The refund liability is determined based on historical refund ratio on a portfolio basis using the expected value method.

Commission income

The Group earns commission revenue by providing referral services to overseas education universities and institutions. Students' referral service is accounted for as a single performance obligation. Commission income is recognized at the point in time when the referred students enrolled at the overseas education universities or institutions' program, with the tuition fees are paid and upon the Group is entitled to the commission income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(r) Revenue recognition - continued

Consulting service fees

The Group offers study abroad consulting and career consulting services to students/candidates who intend to study abroad and to successfully obtain target job offer respectively. Study-abroad consulting services and career consulting services are accounted for as a single performance obligation respectively. The Group charges each student/candidate an up-front prepaid fee based on the scope of consulting services requested by the student/candidate. Portion of the prepaid services fee are refundable if the student/candidate does not successfully gain admission or obtain target job offer. The Group determines the transaction price to be earned based on the consulting service fees and the estimated refund liability. The refund liability is determined based on historical refund ratio on a portfolio basis using the expected value method. The Group has not experienced significant refunds in the past or in the current year. The Group recognizes revenue over the consulting service period.

Camp service income

The Group offers camp services for students during school vacations. Camp service is accounted for as a single performance obligation. Camp service fees are generally collected upfront and are initially recorded as contract liability. Portion of the prepaid service fees are refundable if the student requests for refund prior to the camp starts. The Group determines the transaction price to be earned based on the camp service fee and the estimated refund liability. The refund liability is determined based on historical refund ratio on a portfolio basis using the expected value method. The Group has not experienced significant refunds in current year. The Group recognizes revenue over the camping period.

Practical expedients and exemptions

The Group has applied the new revenue standard requirements to a portfolio of contracts (or performance obligations) with similar characteristics for transactions where it is expected that the effects on the financial statements of applying the revenue recognition guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. Therefore, the Group elects the portfolio approach in applying the new revenue guidance.

The Group has elected 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.

(s) Cost of revenues

Cost of revenues consists of the following:

- staff costs, which primarily consist of salaries and other benefits for the teachers,
- education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses and student activity expenses,
- utilities and maintenance costs for the schools,
- cost of goods sold for ancillary services, which primarily consist of cost of goods sold at the on-campus canteens,
- commission expenses to agents in relation to referral services and overseas school enrollment.

(t) Government Subsidies

The Group recognizes government subsidies as other operating income when they are received because they are not subject to any past or future conditions, there are no performance conditions or conditions of use, and they are not subject to future refunds. Government subsidies received and recognized as other operating income totaled RMB 9,088, RMB 9,419 and RMB 28,249 for the years ended August 31, 2018, 2019 and 2020, respectively. The government subsidies income recognized for the year ended August 31, 2020 were primarily from the remuneration compensation plan executed by UK government due to COVID-19.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

(u) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets for amounts more likely than not to be realized.

The determination of Group's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items.

The Group record unrecognized tax benefit liabilities for known or anticipated tax issues based on the Group's analysis of whether, and the extent to which, additional taxes will be due. The Group accrues interest and penalties related to unrecognized tax benefits in other liabilities and recognizes the related expense in income tax expense.

(v) Employee Benefits

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the period during which services are rendered by employees. Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organized by the relevant local government authorities for its eligible employees whereby the Group is required to make contributions to the Schemes at certain percentages of the deemed salary rate announced annually by the local government authorities.

The Group provides housing subsidies benefit for certain employees of GCGS. In June 2018, the Group canceled the housing subsidies benefit program, however, the employees who were entitled to the subsidy prior to the cancelation are still eligible to claim the payments. The Group estimates the expenses and related costs on the basis of the probability of GCGS' entitled employees' claiming for payment taking into consideration of assumptions including the employees' turnover rate and historical rate of claiming for payments.

The Company also makes payments to other defined contribution plans for the benefit of employees employed by subsidiaries outside of the PRC (see Note 25).

The Group has no other material obligation for payment of pension benefits associated with those schemes beyond the annual contributions described above.

(w) Share-based compensation

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument issued and recognized as compensation expense net of a forfeiture rate on a straight-line basis, over the requisite service period, with a corresponding impact reflected in additional paid-in capital.

For the share option with both service condition and performance condition, the Group recognizes the compensation cost, net of estimated forfeitures, if it is probable that the performance condition will be achieved at the end of each reporting period.

The Group will reassess the probability of achieving the performance conditions at each reporting period and record a cumulative catch-up adjustment for any changes to its assessment.

For the share option with service condition only, changes in estimated forfeiture rate will be adjusted on a prospective basis. The estimate of forfeiture rate will be adjusted over the requisite service period to the extent that actual forfeiture rate differs, or is expected to differ, from such estimates.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

(x) Comprehensive income

Comprehensive income is defined to include all changes in equity from transactions and other events and circumstances from non-owner sources. For the years presented, the Group's comprehensive income includes net income and foreign currency translation adjustments and is presented in the consolidated statements of comprehensive income.

(y) Segment

The Group uses management approach to determine operating segment. The management approach considers the internal organization and reporting used by the Group's chief operating decision maker ("CODM") for making decisions, allocation of resource and assessing performance. The CODM had previously been identified as the Chief Executive Officer. Due to the reorganization of the business units and change in internal reporting, the CODM has been defined as the management committee who reviews the financial information of the six operating and reportable segments when making decisions about allocation of resources and assessing performance. The Group operates in six reportable segments, including International Schools, Bilingual Schools, Kindergartens, Overseas Schools, Education technology and Complementary Education Services. The change in segment reporting was reflected retrospectively and is presented in Note 24 of the Notes to the consolidated financial statements.

(z) Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investments and long-term investments. As of August 31, 2020, substantially all of the Group's cash and cash equivalents, term deposits, short-term investments and long-term investments were deposited with financial institutions with high-credit ratings.

(aa) Earnings per Share

Basic earnings per share are computed by dividing earning attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised into common shares. The Group had share options which could potentially dilute basic earnings per ordinary share in the future. To calculate the number of shares for diluted earnings per ordinary shares, the effect of the share options is computed using the treasury stock method.

(ab) Recent accounting pronouncements adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, Leases (ASC 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The Group adopted this standard on September 1, 2019 and elected not to recast the comparative periods presented. In addition, the Group accounts for lease and non-lease components separately. The consolidated balance sheets and the consolidated statements of operations and cash flows for reporting periods beginning after September 1, 2019 are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under ASC 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 ASC 842 did not result in a cumulative-effect adjustment to the opening balance of retained earnings. Further information is disclosed in Note 15.

In January 2017, the FASB issued ASU 2017-04: Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. Under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity 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 update also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The update should be applied 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 that is a SEC filer 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 on September 1, 2019.

(ac) 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 Instrument. This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace today's incurred loss approach with an expected loss model for instruments measured at amortized cost. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. In April 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, which clarifies the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments, among other things. In addition, in May 2019, the FASB issued ASU 2019-05, Financial Instruments: Credit Losses (Topic 326), Targeted Transition Relief. The ASU provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. The ASUs are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. The Group is in the process of completing the assessment of the impact on its consolidated financial statements from the adoption of the new guidance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(ac)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 Measurement. The amendments in this ASU improve the effectiveness of fair value measurement disclosures and modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, including the consideration of costs and benefits. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. The Group does not expect any material impact on its consolidated financial statements and related disclosures as a result of adopting this standard.

In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to the Related Party Guidance for Variable Interest Entities. ASU 2018-17 changes how entities evaluate decision-making fees under the variable interest entity guidance. To determine whether decision-making fees represent a variable interest, an entity considers indirect interests held through related parties under common control on a proportional basis, rather than in their entirety. The amendments in this ASU are effective for public business entities with fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. All entities are required to apply the amendments in this ASU retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The Group is in the process of evaluating the impact of the adoption of this pronouncement on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU is intended to simplify various aspects related to accounting for income taxes by eliminating certain exceptions to the guidance in ASC740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition for deferred tax liabilities for outside basis differences. ASU 2019-12 is effective for annual periods beginning after December 15, 2020 and interim periods within those annual periods, with early adoption permitted. The Group is in the process of evaluating the impact of the adoption of this pronouncement on its consolidated financial statements.

3. BUSINESS COMBINATION

Business combinations in fiscal year 2019:

Acquisition of Chengdu Yinzhe

On December 1, 2018, the Group acquired 75% equity interest of Chengdu Yinzhe Education and Technology Co., Ltd. and its subsidiaries ("Chengdu Yinzhe") with a total consideration of approximately RMB 188,299. As of August 31, 2019, the total unpaid discounted consideration was RMB 49,238, which will be paid in 2.5 years and recorded in amounts due to related parties and other non-current liability due to related parties (non-controlling shareholder of Chengdu Yinzhe) in the consolidated balance sheets. In fiscal year 2020, the Company paid cash consideration RMB 30,375 according to the share purchase agreement. As of August 31, 2020, the unpaid discounted consideration was RMB 21,736, which will be paid in 1.5 years and recorded in amounts due to related parties and other non-current liability due to related parties in the consolidated balance sheets. Chengdu Yinzhe is primarily engaged in offering online career and education counselling services to Chinese students overseas.

3. BUSINESS COMBINATION - continued

In addition, certain retained management team members of Chengdu Yinzhe have the right to receive up to an additional RMB 6,464 in cash, based upon continued employment and financial performance condition of Chengdu Yinzhe. Payouts under the agreements are contingent upon the future employment of these management team members with the Company and achievement of the financial performance condition, and therefore were not included as consideration in recording the business combination but will be recorded as compensation expense as earned. During the year ended August 31, 2019 and 2020, the Company has accrued RMB 1,616 and RMB 2,155 as expenses based on the estimated probability of meeting such conditions. The unpaid amounts due to the retained management team members are recorded in other non-current liabilities in the consolidated balance sheets.

The acquisition of 75% equity interest of Chengdu Yinzhe has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired and liabilities assumed was recorded as goodwill, which is not tax deductible. The results of these acquired entities' operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of December 1, 2018, the date of acquisition, as follows:

	RMB	Amortization period
Cash and cash equivalents	81,197	
Other current assets	920	
Property and equipment, net	551	3-5 years
Intangible assets		
Software	2,600	5 years
Non-compete agreement	4,000	6 years
Trademark	32,000	10 years
Goodwill	192,510	
Other investment	1,500	
Account payables	(2,766)	
Other current liabilities	(5,695)	
Deferred tax liabilities	(5,674)	
Contract liabilities	(50,078)	
Non-controlling interests	(62,766)	
Total consideration and value to be allocated to net assets	<u>188,299</u>	

The identifiable tangible and intangible assets acquired and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. Fair value of fixed assets acquired approximates the net book value of these assets. The goodwill was assigned to the complementary education services segment as a result of these acquisitions. The goodwill was primarily attributable to the synergy from growth in the student base, program designing, developing and marketing and the optimization of IT system.

Acquisition of Hangzhou Impression

On December 1, 2018, the Group acquired 70% equity interest of Hangzhou Impression Arts Training Limited Co., Ltd. ("Hangzhou Impression") with a total cash consideration of RMB 70,000, which has been fully paid as of August 31, 2019. Hangzhou Impression is a Zhejiang-based art training institution providing training services to art students.

3. BUSINESS COMBINATION - continued

The acquisition of 70% equity interest of Hangzhou Impression has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired was recorded as goodwill which is not tax deductible. The results of these acquired entities' operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of December 1, 2018, the date of acquisition, as follows:

	<u>RMB</u>	<u>Amortization period</u>
Cash and cash equivalents	24,224	
Other current assets	533	
Property and equipment, net	1,059	3-5 years
Intangible assets		
Brand name	17,100	20 years
Backlog	1,800	0.6 year
Non-compete agreement	3,300	4 years
Goodwill	76,766	
Other current liabilities	(9,510)	
Contract liabilities	(9,722)	
Deferred tax liabilities	(5,550)	
Non-controlling interests	(30,000)	
Total consideration and value to be allocated to net assets	<u>70,000</u>	

The identifiable tangible and intangible assets acquired and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. Fair value of fixed assets acquired approximates the net book value of these assets. The goodwill was assigned to the complementary education services segment as a result of these acquisitions. The goodwill was primarily attributable to the synergy from the joint students recruiting events and channel.

Acquisition of Shandong-based Qiqiaoban

On March 1, 2019, the Group acquired 85% equity interest of Heze Qiqiaoban Education Technology Limited and its eight kindergartens ("Shandong-based Qiqiaoban") with a total cash consideration of RMB 70,550, which has been paid in full as of August 31, 2019. Shandong-based Qiqiaoban operates eight kindergartens under the brand name of "Qiqiaoban" in Heze, the PRC.

3. BUSINESS COMBINATION - continued

The acquisition of 85% equity interest of Shandong-based Qiqiaoban has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired was recorded as goodwill which is not tax deductible. The results of these acquired entities' operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of March 1, 2019, the date of acquisition, as follows:

	<u>RMB</u>	<u>Amortization period</u>
Cash and cash equivalents	5,250	
Other current assets	2,010	
Property and equipment, net	12,817	3-50 years
Intangible assets		
Brand name	13,600	20 years
Customer relationship	6,200	3.5 years
Non-compete agreement	3,200	4.8 years
Goodwill	52,514	
Other current liabilities	(2,706)	
Contract liabilities	(4,135)	
Deferred tax liabilities	(5,750)	
Non-controlling interests	(12,450)	
Total consideration and value to be allocated to net assets	<u>70,550</u>	

The identifiable tangible and intangible assets and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. Fair value of fixed assets acquired approximates the net book value of these assets. The goodwill was assigned to the domestic kindergarten segment as a result of these acquisitions.

Acquisition of Wuhan Sannew

On May 1, 2019, the Group acquired 80% equity interest of Wuhan Sannew Education Development Co., Ltd. and its subsidiaries ("Wuhan Sannew") with a total cash consideration of RMB 296,850, which has been fully paid as of August 31, 2019. Wuhan Sannew operates an American style private boarding school in Wuhan.

3. BUSINESS COMBINATION - continued

The acquisition of 80% equity interest of Wuhan Sannew has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired was recorded as goodwill which is not tax deductible. The results of these acquired entities' operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of May 1, 2019, the date of acquisition, as follows:

	<u>RMB</u>	<u>Amortization period</u>
Cash and cash equivalents	5,559	
Other current assets	2,614	
Property and equipment, net	177,754	3-50 years
Land use rights	55,840	50 years
Intangible assets		
Brand name	25,700	20 years
Customer relationship	10,900	5 years
Non-compete agreement	18,100	7.7 years
Goodwill	125,155	
Other current liabilities	(16,001)	
Contract liabilities	(17,295)	
Deferred tax liabilities	(17,263)	
Non-controlling interests	(74,213)	
Total consideration and value to be allocated to net assets	<u>296,850</u>	

3. BUSINESS COMBINATION - continued

The identifiable tangible and intangible assets acquired and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. The goodwill was assigned to the domestic international schools segment as a result of these acquisitions.

Acquisition of CATS

On July 12, 2019, the Group acquired 100% equity interest of CATS Colleges Holdings Limited and its subsidiaries ("CATS"), with a total consideration of GBP 150,460 (with equivalent to RMB 1,299,365), including GBP 40,208 cash consideration and GBP 110,252 of debt settlement on behalf of CATS. Total consideration has been fully paid as of August 31, 2019. CATS provides education services to international students with global campuses located across the United Kingdom, the United States, and Canada.

The acquisition of 100% equity interest of CATS has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired was recorded as goodwill which is not tax deductible. The results of these acquired entities' operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of July 12, 2019, the date of acquisition, as follows:

	RMB	Amortization Period
Cash and cash equivalents	68,616	
Account receivable, net	22,044	
Other current assets	80,684	
Property and equipment, net	116,911	3 years- indefinite or the lesser of remaining of life of lease
Deferred tax assets	12,875	
Intangible assets		
Brand name	342,925	Indefinite
Student base	16,348	1 year
Goodwill	1,025,504	
Other current liabilities	(179,214)	
Contract liabilities	(200,098)	
Deferred tax liabilities	(7,230)	
Total consideration and value to be allocated to net assets	<u>1,299,365</u>	

The identifiable tangible and intangible assets and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. The goodwill was assigned to the overseas schools segment as a result of these acquisitions. The goodwill was primarily attributable to the synergy from the joint students recruiting events and channel, program designing, developing and marketing, and teacher training and recruiting opportunities.

Other acquisitions

On December 1, 2018, the Group acquired 100% equity interest of Bournemouth Collegiate School ("BCS") with a total cash consideration of approximately RMB 91,958, which has been fully paid as of August 31, 2019. BCS is an independent co-educational day and boarding school for pupils aged 2 to 18, located in Bournemouth, Dorset, England. The goodwill acquired from the acquisition was insignificant.

3. BUSINESS COMBINATION - continued

Pro forma results of acquisitions (unaudited)

The following table summarizes unaudited pro forma results of operations for the years ended August 31, 2018 and 2019, assuming that these acquisitions occurred as of the beginning of the comparable annual reporting period. These pro forma results have been prepared for comparative purpose only based on management's best estimate and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred as of the beginning of period:

Pro forma for the year ended August 31, 2018 and 2019

	2018 Unaudited	2019 Unaudited
Pro forma revenue	2,567,416	3,262,903
Pro forma income from operations	309,667	378,279
Pro forma net income attributable to the Group	263,314	299,833

Business combinations in fiscal year 2020:

Acquisition of St. Michael's School ("STM") and Bosworth Independent School ("BIC")

On September 2, 2019, the Group acquired 100% equity interest of STM and BIC, with a total consideration of GBP 40,730 (with equivalent to RMB 352,699). Prior to fiscal year 2020, the Group has made a deposit of GBP 38,310 (approximately RMB 333,348), and remaining consideration has been fully paid as of August 31, 2020. STM and BIC provide independent boarding education services to students from the UK and abroad in the UK.

The acquisition of 100% equity interest of STM and BIC has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired was recorded as goodwill which is not tax deductible. The results of these acquired entities' operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of September 2, 2019, the date of acquisition, as follows:

	RMB	Amortization period
Cash and cash equivalents	18,076	
Account receivable, net	737	
Other current assets	21,474	
Property and equipment, net	149,635	4-50 years
Intangible assets		
Brand names	45,063	Indefinite
Student base	5,509	7 years
Goodwill	161,831	
Other current liabilities	(8,232)	
Contract liabilities	(32,324)	
Deferred tax liabilities	(9,070)	
Total consideration and value to be allocated to net assets	<u>352,699</u>	

The identifiable tangible and intangible assets and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. The goodwill was assigned to the overseas schools segment as a result of these acquisitions. The goodwill was primarily attributable to the synergy from the joint students recruiting events and channel, program design, development and marketing, and teacher training and recruitment opportunities.

3. BUSINESS COMBINATION - continued

Other acquisitions

During the year ended August 31, 2020, the Group made two other business acquisitions.

The Group acquired 51% equity interest of Shanghai Huodai Business Information Consulting Co., Ltd. ("Linstitute") with a total consideration of approximately RMB 28,709. As of August 31, 2020, the total unpaid consideration was RMB 16,469, at present value, which will be paid in 2.75 years and recorded in amounts due to related parties and other non-current liability due to related parties (non-controlling shareholder of Linstitute) in the consolidated balance sheets. The goodwill and non-controlling interests acquired from the acquisition were approximately RMB 47,799 and RMB 27,583, respectively. The Group also has options to purchase additional 29% equity interest in Linstitute if certain performance condition are met.

The Group acquired 100% equity interest of a company, which is primarily engaged in education services in China, for which the cash consideration of approximately RMB 5,500 was paid in full as of August 31, 2020. The goodwill acquired from the acquisition was insignificant.

Pro forma results of acquisitions (unaudited)

The following table summarizes the unaudited pro forma results of operations for the years ended August 31, 2019 and 2020, assuming that these acquisitions occurred as of the beginning of the comparable annual reporting period. These pro forma results have been prepared for comparative purpose only based on management's best estimate and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred as of the beginning of period:

Pro forma for the year ended August 31, 2019 and 2020

	<u>2019 Unaudited</u>	<u>2020 Unaudited</u>
Pro forma revenue	3,380,844	3,397,563
Pro forma income from operations	380,311	308,057
Pro forma net income attributable to the Group	305,239	161,251

4. SHORT-TERM INVESTMENTS

Short-term investments consist primarily of wealth management products, which are certain deposits with different interest rates and fixed maturity dates ranging from three months to one year. The Group has the positive intent and ability to hold the investments to maturity. There has been no impairment recognized and no sales of any short term investments before maturities during the periods presented. Due to the short term nature of investments, the carrying amount approximates its fair value.

As of August 31, 2019, the balance of short-term investments amount to RMB 241,270, which consists of investment in a USD fund-linked note with a maturity date on May 28, 2020 (the "Notes"), representing approximately RMB 221,670, and a PRC bank wealth management product with an aggregate amount of RMB 19,600. The Notes was redeemed at the maturity date at the amount of its notional amount of USD 30,000 in the year ended August 31, 2020.

As of August 31, 2020, the balance of short-term investments pertains to investments in a USD Global Medium Term Note (the "GMT Note") with a maturity date on May 4, 2021 with an aggregate notional amount of USD 2,000 (approximately RMB 13,695).

5. OTHER RECEIVABLES, DEPOSITS AND OTHER ASSETS

Other receivables, deposits and other assets consisted of the following:

	As of August 31,	
	2019	2020
	RMB	RMB
Other receivables from third parties (a)	69,857	70,452
Advances to employees	10,207	17,027
Deposits	11,914	16,977
Interest receivable	1,830	4,517
Prepaid tax and deductible value-added tax-in	8,929	16,811
Rental prepayment (b)	20,108	6,375
Prepayment for suppliers	36,351	43,308
Others	17,954	23,126
Total	177,150	198,593

(a) Other receivables from third parties includes USD 8,711 (approximately RMB 59,648) deposit paid for acquisition of equity interest of an US education group. The deposit was expected to be repaid in August of 2020 and was classified as current asset in prior year due to the termination agreed by contract parties. As of the date of this financial statements, the Company is in active negotiation on the repayment arrangement with the seller.

(b) Rental prepayment represents the prepayment of rent related to leases less than 12 months.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following:

	As of August 31,	
	2019	2020
	RMB	RMB
Lands	60,142	66,467
Buildings	750,458	912,986
Leasehold improvement	342,860	435,153
Motor vehicles	13,449	15,660
Electronic equipment	49,744	59,266
Office equipment	101,401	123,915
Furniture and other equipment	114,421	124,810
Others	51,191	84,529
Less: accumulated depreciation	613,913	767,368
Construction in progress	29,757	21,172
Property and equipment, net	899,510	1,076,590

For the years ended August 31, 2018, 2019 and 2020, depreciation expenses were RMB 78,286, RMB 106,107 and RMB 153,850 respectively.

7. LAND USE RIGHTS, NET

Land use rights, net, consisted of the following:

	As of August 31,	
	2019	2020
	RMB	RMB
Cost	94,760	94,760
Less: accumulated amortization	6,556	8,684
Land use rights, net	88,204	86,076

7. LAND USE RIGHTS, NET - continued

The lease period of the land use rights in PRC is 40-50 years. For the years ended August 31, 2018, 2019 and 2020, amortization expenses were RMB 973, RMB 1,357, and RMB 2,128 respectively.

8. INTANGIBLE ASSETS, NET

Intangible assets, net, consisted of the following:

	As of August 31,	
	2019	2020
	RMB	RMB
Brand names		
with indefinite lives	345,624	411,240
with definite lives	104,586	113,786
Trademarks	32,016	32,016
Customer relationship	35,100	35,100
Non-compete agreements	45,700	49,100
Student base	16,476	23,152
Others*	6,500	9,190
Total costs	586,002	673,584
Less: accumulated amortization	33,991	76,057
Intangible assets, net	552,011	597,527

* Others include core curriculum, software, backlog and license.

Amortization expenses for the intangible assets for the years ended August 31, 2018, 2019 and 2020 were RMB 6,620, RMB 23,355 and RMB 41,447 respectively. As of August 31, 2020, the estimated amortization expenses related to intangible assets for each of the next five years is expected to be RMB 29,087, RMB 26,715, RMB 21,535, RMB 19,172, and RMB 15,199 respectively.

9. DEPOSITS FOR ACQUISITION

On May 20, 2019, The Group entered into an agreement to acquire the equity interests in a company engaged in education services for a total consideration of RMB 5,500. As of August 31, 2019, the Group paid RMB 5,137 as the deposit for the acquisition. The acquisition was completed during the year ended August 31, 2020 and the deposit paid was applied to the total purchase price (see Note 3 for details).

During the year ended August 31, 2019, the Group made a deposit of GBP 38,310 (approximately RMB 333,448) relating to the acquisition of 100% equity interests of STM and BIC in the UK. The acquisition was completed during the year ended August 31, 2020 and the deposit paid was applied to the total purchase price (see Note 3 for details).

10. LONG-TERM INVESTMENTS

Long-term investments, consisted of the following:

	<u>As of August 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB</u>	<u>RMB</u>
Equity method investments:		
Foshan Yingrui Gaoze Equity Investment Partnership (Limited Partnership) ("Gaoze Partnership") (a)	—	42,000
Startcamp Education Technology Limited ("Startcamp") (b)	9,901	9,362
BOTO Academic English Co., Ltd. ("BOTO") (c)	1,483	1,468
Other investments (d)	777	724
Equity securities without readily determinable fair value (e)	1,583	1,583
Held-to-maturity investments (f)	14,711	—
Total	<u>28,455</u>	<u>55,137</u>

- (a) In June 1, 2020, Gaoze Partnership was established with the total committed capital of RMB 1,270,000. The Group participates in Gaoze Partnership as a limited partner and invested RMB 42,000 as of August 31, 2020. The Group accounts for the investment under the equity method in accordance with ASC 323 because the Group is a limited partner and owns 19.84% interest in Gaoze Partnership.
- (b) The Group acquired 25% equity interest in Startcamp for total cash consideration RMB 10,000 in the year ended August 31, 2019. The Group accounts for the investment under the equity method because the Group has the ability to exercise significant influence but does not have control over the investee. Loss of RMB 99 and RMB 539 was recorded for the year ended August 31, 2019 and 2020, respectively.
- (c) The Group holds 30% equity interest in BOTO through acquisition of Can-achieve group. The Group accounts for the investment under the equity method because the Group has the ability to exercise significant influence but does not have control over the investee. Loss of RMB 25, RMB 21 and RMB 15 were recorded for the years ended August 31, 2019 and 2020, respectively.
- (d) The other investments include 46% equity interest in Beijing Cloud Apply Co., Ltd. through the acquisition of Can-achieve Group and 50% equity interest in Sanli Foundation Education Limited through the acquisition of FGE Group. 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. Loss of RMB 18, RMB 32 and RMB 53 were recorded for the years ended August 31, 2019 and 2020, respectively.
- (e) 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. No impairment loss was recorded during the years ended August 31, 2018, 2019 and 2020, respectively.
- (f) Held-to-maturity investments primarily consist of wealth management products, which are certain deposits with different interest rates and fixed maturity dates of more than one year. As of August 31, 2019, the Group's long-term investments pertains to investments in the GMT Note with a maturity date of May 4, 2021 and an aggregate notional amount of USD 2,000 (approximately RMB 13,695). The GMT Note will be redeemed at the maturity date at an amount determined by reference to the performance of the underlying fund and such performance will therefore affect the nature and value of the investment return on the GMT Note. As of August 31, 2019, the carrying amount of the GMT Note was RMB 14,711; and it has been reclassified as short-term investments as of August 31, 2020.

11. Goodwill

The following table summarizes the change in the carrying amount of goodwill by segment for the years ended August 31, 2020 and 2019:

	<u>International Schools</u> RMB	<u>Kindergartens</u> RMB	<u>Overseas Schools</u> RMB	<u>Complementary Education Services</u> RMB	<u>Education Technology</u> RMB	<u>Total</u> RMB
Balance as of August 31, 2018	—	119,735	—	489,776	—	609,511
Additions (a)	125,155	52,514	1,025,504	76,766	192,510	1,472,449
Exchange realignment	—	—	8,118	—	—	8,118
Balance as of August 31, 2019	<u>125,155</u>	<u>172,249</u>	<u>1,033,622</u>	<u>566,542</u>	<u>192,510</u>	<u>2,090,078</u>
Additions (a)	—	2,704	161,831	—	47,799	212,334
Disposal (b)	—	—	—	(13,774)	—	(13,774)
Impairment (c)	(68,723)	—	—	—	—	(68,723)
Exchange realignment	—	—	64,194	—	—	64,194
Balance as of August 31, 2020	<u>56,432</u>	<u>174,953</u>	<u>1,259,647</u>	<u>552,768</u>	<u>240,309</u>	<u>2,284,109</u>

Note:

- (a) For the year ended August 31, 2019, the addition to goodwill reflects the excess of the consideration paid over the fair values of the identifiable net assets acquired of Chengdu Yinzhe, Hangzhou Impression, Shandong-based Qiqiaoban, Wuhan Sannew and CATS acquisitions (Note 3).

For the year ended August 31, 2020, the additions to goodwill reflects the excess of the consideration paid over the fair values of the identifiable net assets acquired of STM and BIC, Linstitute and an education service provider (Note 3).

- (b) During the year ended August 31, 2020, the Company disposed its 60.46% equity interest in a subsidiary, Guangzhou Zangxing Network Technology Co., Ltd. ("Zangxing") with a total cash consideration of RMB 30,344, resulting in the derecognition of goodwill RMB 13,774. Gain on disposal of Zangxing amounted to RMB 14,865 was recognized for the year ended August 31, 2020.
- (c) For each of the years ended August 31, 2018, 2019 and 2020, the Company performed impairment test of its goodwill. The impairment test performed during fiscal years ended August 31, 2018 and 2019 did not result in the fair value exceeding the carrying value; therefore, the Group recorded nil impairment loss on goodwill for the respective years. For the year ended August 31, 2020, the Group has determined that the underperformance of the Wuhan Sannew reporting unit since the acquisition date, market conditions and other factors including the uncertainty in the Sino-US relationship and adverse impacts from COVID-19, it was more likely than not that there were indications of impairment. The Group utilized the discounted cash flow model to and concluded the carrying amount of Wuhan Sannew reporting unit exceeded its fair value. Accordingly, the Group recorded RMB 68,723 as impairment loss on goodwill on the consolidated statement of operations for the year ended August 31, 2020. The impairment is recorded in international schools reportable segment.

12. BOND PAYABLE

On July 31, 2019, the Company issued USD 300,000 (approximately RMB 2,146,190) in aggregate principal amount of bond due on July 31, 2022 (the "Bond"), unless earlier redeemed by the company. The Bond bears interest at a rate of 7.45% per year, payable semi-annually in arrears on the business day on or nearest to January 31 and July 31 of each year, beginning on January 31, 2020.

The net proceeds from the Bond, after deducting the issuance costs, were USD 294,224 (approximately RMB 2,104,964). 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.

The Company may at its option redeem the Bond, in whole but not in part, at any time prior to July 31, 2022, at a redemption price equal to 100% of the principal amount of the Bond plus the premium defined in the Bond terms, and accrued and unpaid interest, if any, to (but not including), the redemption date. The premium is the greater of (1) 1.00% of the principal amount of the Bond or (2) the excess of (A) the present value at the redemption date of the redemption price of the Bond at July 31, 2022 plus all required remaining scheduled interest payments due on the Bond (but excluding accrued and unpaid interest to the redemption date) through July 31, 2022 computed using a discount rate defined in the Bond terms, over (B) the principal amount of such Bond on such redemption date.

At any time and from time to time prior to July 31, 2022, the Company may at its option redeem up to 35% of the aggregate principal amount of the Bond at a redemption price of 107.45% of the principal amount of the Bond, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

During the year ended August 31, 2020, the Group repurchased principal amount of USD 1,500 Bond in the open market with cash payment of RMB 10,659. As of August 31, 2019 and 2020, the carrying amount of the bond payable is USD 294,368 (approximately RMB 2,106,000) and USD 294,618 (approximately RMB 2,017,369), respectively. For the year ended August 31, 2019 and 2020, the Group recognized interest expense of USD 2,007 (approximately RMB 14,361) and USD 24,057 (approximately RMB 169,143) respectively. The effective interest rate is 8.35% and 8.37% per annum before and after the date of repurchase, respectively.

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	As of August 31,	
	2019	2020
	RMB	RMB
Payroll and related benefits	247,459	255,674
Temporary receipt from students	149,408	124,248
Deposits received	71,075	62,506
Education subsidy	6,540	7,339
Loan payables	13,325	35,656
Accrual rental expense	20,757	1,430
Concession payable (b)	—	16,448
Professional fee	34,898	18,929
Commission fee	11,462	7,455
Housing subsidies-current	4,818	3,006
Offering subsidies-current	1,733	1,659
Other tax payable	13,448	14,593
Restructuring cost (a)	—	12,596
Accrual utilities expense	6,622	10,745
Others	33,537	61,113
Total	615,082	633,397

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES - continued

Note:

- (a) For the Group's overseas schools operation, the Group is in the process of establishing a center of excellence to centralize certain functions of management, such as finance and IT. The restructuring cost primarily includes the compensation for the contract termination during the year ended August 31, 2020.
- (b) Concession payable represents the deferred rent payments related to COVID-19.

14. SHORT-TERM AND LONG-TERM LOAN

During the year ended August 31, 2019, the Group entered into a 6-month loan agreement of RMB 50,000 with China Merchants Bank - Foshan Branch with an annual interest rate of 4.35%. As of August 31, 2020, principal of RMB 50,000 has been fully repaid.

In September 2019, the Group entered into a seven-year loan agreement of RMB121,500 with SPD Bank with an annual interest rate of 4.90%. Under the agreement, the Group is able to draw down up to RMB 121,500 from SPD Bank for the acquisition of Chengdu Yinzhe during the period from September 30, 2019 to September 30, 2021. Refer to Note 3 for details regarding business combination of Chengdu Yinzhe. The loan facility is secured by the Group's equity interest in Chengdu Yinzhe. As of August 31, 2020, the Group drew down RMB 85,000 from SPD Bank, of which, RMB 7,500 is to be repaid within one year as of August 31, 2020 and classified as short-term loan.

In January 2020, the Group entered into a banking facility agreement of RMB 930,800 with Agricultural Bank of China with a fixed interest rate of Loan Prime Rate (released by the National Inter-Bank Funding Center of the PRC) plus 20 basis points. The term of the loan agreement is one year with a maturity date of January 18, 2021. The loan is intended for general working capital purposes. The loan facility is secured by a bank deposit pledge of USD 150,000 (approximately RMB 1,027,110) which is recorded as restricted cash on the consolidated balance sheet as of August 31, 2020.

In April 2020, one of the Canadian subsidiary of the Group received an interest free loan amounted to CAD 80 (approximately RMB 419) from the government of Canada under the program named Canada Emergency Business Account due on or before December 31, 2022. The program intends to support small businesses during the COVID-19 pandemic.

15. LEASES

The Group has operating leases mainly for campuses, office space and learning centers, the lease term ranges from less than 12 months to 28 years. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Group does not have options to extend or terminate leases, as the renewals or terminations of these leases are on negotiation basis. None of these leases contain material residual value guarantees or material restrictive covenants.

Supplemental balance sheet information related to the leases are as follows:

	<u>As of August 31, 2020</u>
	<u>RMB</u>
ROU assets	1,964,686
Operating lease liabilities—current	210,082
Operating lease liabilities—non - current	1,802,544
Weighted-average remaining lease term	15.91 years
Weight-average discount rate	4.31 %

15. LEASES - continued

The components of lease costs of these operating leases for the year ended August 31, 2020 are as follow:

	<u>For the Year Ended August 31, 2020</u>
	<u>RMB</u>
Operating lease cost for fixed payments	221,337
Short - term lease costs	53,421
Variable lease costs	(2,719)
Total lease costs	272,039

Supplemental cash flow information related to the operating leases is as follows:

	<u>For the Year Ended August 31, 2020</u>
	<u>RMB</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	194,524
Supplemental noncash information:	
ROU assets obtained in exchange for new operating lease liabilities	75,752
Decrease of ROU assets for early terminations	(14,019)

The following table provides the maturities of the operating lease liabilities as of August 31, 2020:

	<u>Operating leases</u>
Fiscal year ending	
August 2021	211,907
August 2022	205,739
August 2023	179,975
August 2024	178,055
August 2025	166,317
August 2026 and thereafter	1,857,135
Total future undiscounted lease payments	2,799,128
Less : imputed interest	786,502
Total present value of operating lease liabilities	2,012,626

The future minimum lease payments under the Group's non-cancelable operating lease agreements based on ASC 840 as of August 31, 2019 are as follows:

	<u>RMB</u>
Fiscal year ending:	
August 2020	194,285
August 2021	185,839
August 2022	179,723
August 2023	158,329
August 2024	158,339
August 2025 and thereafter	2,030,659
	<u>2,907,174</u>

Impairment loss on operating lease right-of-use assets

The Group tests its long-lived assets for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. As a result of the adverse impacts of the COVID-19 pandemic on the economic environment and the Group's business strategy, the Group determined to close certain language training centers in the US resulting in four idled operating leases. The Group determine the fair value of the ROU assets based on the discounted value of estimated future cash flows including cash flows related to subleases, if any. For the year ended August 31, 2020, the Group recorded impairment loss of RMB 12,772 related to the ROU assets within the overseas schools reportable segment.

16. SHARE CAPITAL

Holders of Class A Ordinary Shares and Class B Ordinary Shares are entitled to the same rights except for voting and conversion rights. In respect of matters requiring a shareholder's vote, each Class A Ordinary Share is entitled to one vote and each Class B Ordinary Share is entitled to 20 votes. Class B Ordinary Shares are convertible at any time by the holder thereof into Class A Ordinary Shares on a one-for-one basis.

The Company was incorporated on December 16, 2016. As of the incorporation date, the total issued share capital of the Company is USD 0.0001 consisting of 10 ordinary shares with a par value of USD 0.00001 and total authorized share capital is USD 50 divided into 5,000,000,000 shares.

The Company completed a follow-on public offering of American Depositary Shares ("ADSs") priced at US\$19.00 per ADS on March 2, 2018. The Company issued and sold 10,000,000 ADSs, each representing one Class A Ordinary Share of the Company.

In April 2018, the Board of Directors approved a stock repurchase program (the "2018 Repurchase Program") which authorized the repurchase of up to US\$100,000 of the Company's common stock. Under the 2018 Repurchase Program, the Group repurchased 1,207,465 and 5,471,718 shares during the year ended August 31, 2018 and the year ended August 31, 2019, respectively with a cost of US\$16,822 (approximately RMB 114,554) and US\$60,539 (approximately RMB 417,149), respectively. For the year ended August 31, 2019, the Board of Directors approved to cancel and retire all these repurchased shares.

In September 2019, the Board of Directors approved a US\$30,000 share repurchase program (the "2019 Repurchase Program"). Under the 2019 Repurchase Program, the Group repurchased 1,096,312 shares during the year ended August 31, 2020 with a cost of US\$ 8,721 (approximately RMB 56,058). For the year ended August 31, 2020, the Board of Directors approved to cancel and retire 569,732 shares that were repurchased.

17. REVENUE

The Group provides domestic K-12 and international education program in PRC and overseas. Overseas business includes arts programs, language programs and university foundation programs. The Group's revenue includes tuition income from education programs, meal income, boarding income, commission income, study-abroad and career consulting service income, camp service and other education services related revenue. Revenue for the years ended August 31, 2018, 2019 and 2020 were primarily generated in the PRC, Hong Kong, Canada, the UK and US. Please refer to Note 24 for disaggregation of Revenue by geographical areas. The Group recognized majority of its revenue over time and have insignificant amount of revenue recognized at a point in time.

(a) Disaggregation of revenue

	For the year ended August 31,		
	2018	2019	2020
	RMB	RMB	RMB
Tuition income from education programs	1,254,390	1,689,952	2,210,159
Tuition income from complementary training institutes	85,098	123,895	137,083
Meal income	187,307	225,665	251,572
Boarding income	72,357	118,723	262,145
Commission income	50,236	138,587	142,856
Consulting service income	18,987	124,072	160,469
Other revenues	53,191	145,703	206,025
Less: sales tax	2,695	3,592	3,806
Total	<u>1,718,871</u>	<u>2,563,005</u>	<u>3,366,503</u>

17. REVENUE - continued

(b) Contract balances

	As of August 31,	
	2019	2020
	RMB	RMB
Account receivable	21,528	19,271
Contract liabilities - Current	1,529,137	1,544,184
Non-current contract liabilities	—	1,772
Refund liabilities	20,259	70,711

Contract liabilities principally relate to customer advances received prior to performance of services. Substantially all contract liabilities at the beginning of the year ended August 31, 2020 were recognized as revenue during the year ended August 31, 2020.

Refund liabilities mainly related to the estimated refunds that are expected to be provided to students if they decide they no longer want to take the course. Refund liabilities estimates are based on historical refund ratio on a portfolio basis using the expected value method.

18. SHARE-BASED COMPENSATION

Share incentive plan

On December 15, 2017, the Company adopted the Bright Scholar Education Holdings Limited 2017 Share Incentive Plan (the “2017 Plan”). In 2017, the Company provided up to an aggregate of 845,000 Class A ordinary shares of the Company as stock based compensation to school principals and management team members with vesting period varying from 3 to 5 years.

On September 1, 2018, the Company granted 167,138 Class A ordinary shares to management of Can-achieve Group per ordinary share pursuant to the 2017 Plan. The vesting period of option is 3 year, and the vesting is subject to the performance indicator of the option holders. During any authorized leave of absence, the vesting of the option shall be suspended after the leave of absence exceeds a period of 90 days.

On January 18, 2019, the Company granted 2,545,000 Class A ordinary shares to certain member of the Company’s senior management team, pursuant to the Company’s 2017 plan, in which, one tenth was vested and exercisable on grant date and the remaining options will vest over 6 years from grant date. Vesting is subject to the continuous services of the option holders to the Company and the financial and operating performance of the Group. During any authorized leave of absence, the vesting of the option shall be suspended after the leave of absence exceeds a period of 90 days.

In the event of termination of the option holders' continuous service for cause, the option holders' right to exercise the option shall terminate concurrently, except otherwise determined by the plan administrator, and the Group shall have the rights to repurchase all vested options purchased by the option holders. The Company uses the Binomial tree of lattice pricing model to determine the estimated fair value for each option granted below with the assistance of an independent valuation firm. The post-vesting forfeiture rate is estimated by the Group at the range of 0%-15% by different level of principals and management team members.

The assumptions used in determining the fair value of the share options on the grant date were as follows:

Assumptions	2018	2019
Expected dividend yield	0%	0%
Risk-free interest rate	1.84%-2.35%	2.75%-2.85%
Expected volatility	42%-51%	50%-51%
Expected life	2 or 10 years	8.90 or 9.29 years
Exercise multiples	2.20-2.80 times	2.20-2.80 times
Fair value of underlying ordinary shares (US\$/share)	9.29-12.25	6.28-6.83

18. SHARE-BASED COMPENSATION - continued

Notes:

- (1) The expected dividend yield was estimated by the Company based on its dividend policy over the expected life of the options.
- (2) The risk-free interest rate was estimated based on the US Government Bond yield with the maturity commensurate with the expected life.
- (3) The expected volatility of the underlying ordinary shares was estimated based on historical volatility of the Company for the period before the valuation date with length commensurate to expected life of the options.
- (4) The expected life was the contractual life of the share options.
- (5) The Company estimated the exercise multiple based on a consideration of various research studies regarding exercise pattern from historical statistical data.
- (6) The fair values of ordinary shares were determined based on the closing price in the market.

For the year ended August 31, 2018, 2019 and 2020, the share options movement were as follows:

	Number of share options	Weighted average exercise price US\$	Weighted average remaining contractual years	Weighted average fair value at grant date US\$	Aggregate intrinsic value US\$
As of August 31, 2017	—	—	—		
Granted	845,000	8.74	8.63		
Exercised	—	—	—		
Forfeited/Cancelled	(47,896)	8.74	8.21		
As of August 31, 2018	797,104	8.74	8.66	11.4	2,630,442
Granted	2,712,138	8.74	8.29		
Exercised	(14,457)	8.74	—		
Forfeited/Cancelled	(421,471)	8.74	8.30		
As of August 31, 2019	3,073,314	8.74	8.33	7.98	(1,407,301)
Granted	—	—	—		
Forfeited/Cancelled	(2,232,547)	8.74	7.29		
Outstanding as of August 31, 2020	840,767	8.74	7.29	10.73	(823,950)
Vested and exercisable as of August 31, 2020	471,200	8.74	7.29	10.13	(461,776)

For the year ended August 31, 2018, 2019 and 2020, the Group recognized share-based payment expenses of RMB 29,061, RMB 51,664 and RMB (10,631), respectively, in connection with the share options granted to employees. The share-based award granted to members of senior management requires both a performance condition and service condition. During the fiscal year ended August 31, 2020, the Group assessed that the performance condition of certain employees is not probable of being met and recorded a reversal of share-based compensation amounting to RMB 34,252. The total fair value of share options vested was RMB 3,712, RMB 32,276 and RMB 32,851, respectively.

The total compensation expense is recognized on a straight-line basis over the respective vesting periods. As of August 31, 2018, 2019 and 2020, there was RMB 31,586, RMB 91,147 and RMB 4,098 unrecognized compensation expense, respectively, related to un-vested share options granted to executive and employees of the Group. As of August 31, 2019 and 2020, the unvested share options expense relating to the share options of the Group is expected to be recognized over a weighted average vesting period of 2.94 years and 1.39 years, respectively.

19. INCOME TAX EXPENSE

Income tax expense consisted of the following:

	For the year ended August 31,		
	2018	2019	2020
	RMB	RMB	RMB
Current income tax expense (benefit):			
The PRC	60,278	73,142	85,668
Canada	170	—	—
Hong Kong	243	11,225	(897)
The US	—	379	4,192
The UK	—	411	1,629
Deferred income tax expense (benefit):			
PRC	6,599	(3,446)	5,841
Canada	92	(144)	(178)
The US	—	(514)	(4,605)
The UK	—	(473)	(12,658)
Total income tax expense:	<u>67,382</u>	<u>80,580</u>	<u>78,992</u>

Cayman Islands

The Company and Impetus are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the Company and Impetus are not subject to income or capital gains taxes. In addition, dividend payments are not subject to withholdings tax in the Cayman Islands.

The US

Can-achieve Global Education, Inc. (Los Angeles), Cambridge Education Group Holding Inc.(US) and its subsidiaries are located in US and are subject to an income tax rate of 21% for taxable income earned in the US.

The UK

The Company's subsidiaries operating in UK are subjected to income tax rate at 19%.

Canada

Can-Achieve International Education Limited (Vancouver) operating in Vancouver , Can-Achieve Academy Limited and CEG Holdings Canada Inc. and its subsidiaries operating in Toronto are subject to income tax rate ranging from 26% to 26.5% according to the province tax rates.

Hong Kong

The Group's subsidiaries operating in Hong Kong 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%.

The PRC

The subsidiaries and VIEs incorporated in the PRC were generally subject to a corporate income tax rate of 25%.

Effective from January 1, 2008, a new Enterprise Income Tax Law, or (“the New EIT Law”), consolidated the previous income tax laws for foreign invested and domestic invested enterprises in the PRC by the adoption a unified tax rate of 25% for most enterprises with the following exceptions.

19. INCOME TAX EXPENSE - continued

Zhuhai Bright Scholar is a company registered in Hengqin New Area whose main business, providing outsourcing consulting services, falls within the preferential enterprise income tax (“EIT”) catalogue of Hengqin New Area in Zhuhai and whose revenue derived from its main business accounts for more than 70% of its total revenue. Zhuhai Bright Scholar was classified as a domestically-owned enterprise in Hengqin New Area, Zhuhai in an encouraged industry sector, and was approved by the PRC tax authorities to enjoy a preferential EIT rate of 15% from January 24, 2017 (date of incorporation). If Zhuhai Bright Scholar continues to meet the relevant requirements, it may be eligible for the preferential EIT rate until December 31, 2020.

Chengdu Yinzhe Education and Technology Co., Ltd. and Chengdu Laizhe Education and Technology Co., Ltd. established in the western development area of the PRC were subject to preferential tax rate of 15% of taxable profit for the year ended August 31, 2020.

Entities qualified as Software Enterprises (“SEs”) enjoy EIT exemption for two years starting from its first profitable calendar year, followed by a 50% reduction for the subsequent three calendar years. Chengdu Zhi Yi Meng Software Technology Co., Ltd. was qualified as SEs and enjoyed the zero preferential tax rate in calendar year 2019 and 2020.

Further, according to Guoshui [2019]13 No.2, certain subsidiaries in the PRC qualified as “small-scaled minimal profit enterprise”. The first RMB 1 million of taxable income earned by a qualified company is subject to preferential income tax rate of 5%, while the remaining profits will be subject to income tax rate of 10%.

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. The Group's deferred tax assets and liabilities were as follows:

	<u>As of August 31,</u>	
	<u>2019</u>	<u>2020</u>
	<u>RMB</u>	<u>RMB</u>
Deferred tax assets:		
Net operating loss carry-forward	54,697	132,609
Others	5,409	3,231
Less: valuation allowance	29,773	100,162
Total deferred tax assets	<u>30,333</u>	<u>35,678</u>
Deferred tax liabilities:		
Intangible assets	53,689	57,826
Total deferred tax liabilities	<u>53,689</u>	<u>57,826</u>

Movement in valuation allowance is as follows:

	<u>For the year ended August 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Beginning balance	12,283	18,164	29,773
Additions from acquisition	370	—	18,580
Additions	8,963	14,025	67,706
Reversal	(3,395)	(2,268)	(13,751)
Expired	(57)	(148)	(2,146)
Ending balance	<u>18,164</u>	<u>29,773</u>	<u>100,162</u>

19. INCOME TAX EXPENSE - continued

As of August 31, 2018, 2019 and 2020, the tax loss carry-forward in the PRC amounted to RMB 143,424, RMB 179,400 and RMB 562,244, respectively, which would expire by the end of calendar year 2023, 2024 and 2025. During the year ended August 31, 2020, the Group acquired an international education services provider and an online international courses training company with the accumulated tax loss carry-forward of approximately RMB 74,320 in the UK and the PRC, in which the UK accumulated tax loss can be carried forward indefinitely to offset future taxable income. The Group operates its business through its subsidiaries and VIEs. The Group does not file consolidated tax returns, therefore, losses from individual subsidiaries or the VIEs may not be used to offset other subsidiaries' or VIEs' earnings within the Group. Valuation allowance is considered on each individual subsidiary and VIE basis. A valuation allowance of RMB 18,164, RMB 29,773 and RMB 100,162 had been established as of August 31, 2018, 2019 and 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.

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 considered to be indefinitely reinvested and thus would not be subject to income tax.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Group has concluded that there are no significant uncertain tax positions requiring recognition in consolidated financial statements for the years ended August 31, 2018, 2019 and 2020. The Group did not incur any interest and penalties related to potential underpaid income tax expenses and also does not anticipate any significant increases or decreases in unrecognized tax benefits in the next 12 months. The Group has no material unrecognized tax benefits which would favorably affect the effective income tax rate in future periods.

According to PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or withholding agent. The statute of limitations will be extended five years under special circumstances, which are not clearly defined (but an underpayment of tax liability exceeding RMB 1 million is specifically listed as a special circumstance). In the case of a related party transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. From inception to 2020, the Group is subject to examination of the PRC tax authorities.

19. INCOME TAX EXPENSE - continued

Reconciliation between the provision for income taxes computed by applying the PRC EIT rates of 25% in year 2018, 2019 and 2020 to income before income taxes and the actual provision for income tax were as follows:

	For the year ended August 31,		
	2018	2019	2020
	RMB	RMB	RMB
Net income before provision for income tax	316,325	333,577	243,761
PRC statutory tax rate	25 %	25 %	25 %
Income tax at statutory tax rate	79,081	83,394	60,940
Effect of expenses that are not deductible in determining taxable profit	8,238	13,481	17,323
Unrecognized tax losses	8,963	14,025	67,706
Utilization of tax losses previously not recognized	(3,395)	(2,268)	(13,751)
Expiration of tax losses previously recognized	—	—	1,721
Utilization of tax losses against pre-acquisition profits	—	8,837	—
Effect of tax rate difference from tax holiday and statutory rate in other jurisdictions	(25,497)	(36,889)	(54,286)
Others	(8)	—	(661)
Income tax expense recognized in profit or loss	<u>67,382</u>	<u>80,580</u>	<u>78,992</u>

If the tax holidays granted to certain schools and entities of the Group were not available, the Group's income tax expense would have increased by RMB 25,497, RMB 33,127 and RMB 47,597 for the years ended August 31, 2018, 2019 and 2020, respectively. The basic net earnings per share attributable to the Company would decrease by RMB 0.21, RMB 0.27 and RMB 0.40 for the years ended August 31, 2018, 2019 and 2020, respectively.

20. EARNINGS PER SHARE

	For the year ended August 31,		
	2018	2019	2020
	RMB	RMB	RMB
Numerator used in basic and diluted earnings per share:			
Net earnings attributable to Bright Scholar Education Holdings Limited	246,969	241,099	161,005
Earnings available for future distribution	<u>246,969</u>	<u>241,099</u>	<u>161,005</u>
Shares (denominator):			
Weighted average common shares outstanding used in computing basic earnings per share	122,088,201	122,322,894	120,158,001
Weighted average common shares outstanding used in computing diluted earnings per share	122,186,796	122,430,457	120,158,001
Net earnings per share			
Basic	2.02	1.97	1.34
Diluted	<u>2.02</u>	<u>1.97</u>	<u>1.34</u>

As of August 31, 2018, 2019 and 2020, there are 361,307, 2,318,716 and 840,767 employee stock options or non-vested ordinary shares, were excluded from the computation of diluted net earnings per share in the periods presented, as their inclusion would have been anti-dilutive for the years presented.

21. RELATED PARTY TRANSACTIONS

The table below sets forth the major related parties and their relationships with the Group:

Name of related parties	Relationship with the group
Country Garden Intelligent Services Group Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Phoenix Holiday International Travel Service Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Shunde Chuang Xi Bang Sheng Furniture Co., Ltd.	Entities controlled by the chairperson of the Group
Foshan Shunde Country Garden Property Development Co., Ltd.	Entities controlled by the chairperson of the Group
Zengcheng Crystal Water Plant Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Shunde Phoenix Optimal Commercial Co., Ltd.	Entities controlled by the chairperson of the Group
Huidong Country Garden Real Estate Development Co., Ltd.	Entities controlled by the chairperson of the Group
Zhaoqing Contemporary Zhumei Furnishing Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Elite Architectural Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Teng An Mechanics and Electrics Engineering Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Giant Leap Construction Co., Ltd.	Entities controlled by the chairperson of the Group
Dongguan Country Garden Real Estate Development Co., Ltd.	Entities controlled by the chairperson of the Group
Kaiping Country Garden Property Development Co., Ltd.	Entities controlled by the chairperson of the Group
Changsha Ningxiang Country Garden Property Development Co., Ltd.	Entities controlled by the chairperson of the Group
Can-Achieve Global Edutour Co., Ltd.	Entities controlled by non-controlling interest shareholder
Guangzhou Biyouwei Catering Co., Ltd.	Entities controlled by the chairperson of the Group
Laian Country Garden Property Development Co., Ltd.	Entities controlled by the chairperson of the Group
Chuzhou Country Garden Property Development Co., Ltd.	Entities controlled by the chairperson of the Group
Wuhan Country Garden Property Management Co., Ltd.	Entities controlled by the chairperson of the Group
Baoding Baigou New town Honghua Eaton commerce co., Ltd.("Baoding Baigou")	Non-controlling interests shareholder of a subsidiary of the Group
Shaoguan Shunhong Real Estate Development Co., Ltd.	Entities controlled by the chairperson of the Group
Guangzhou Country Garden Shuttle Bus Services Limited	Entities controlled by the chairperson of the Group
Huaihua Zhiyi Network Technology Limited Partnership	Entities controlled by non-controlling interest shareholder
Huaihua Yimeng Network Technology Limited Partnership	Non-controlling interests shareholder of a subsidiary of the Group
Fine Nation Group Limited	Entities controlled by the immediate family of the chairperson of the Group
Shanghai Hanlue Information Technology Center Limited Partnership	Non-controlling interests shareholder of a subsidiary of the Group

The Group entered into the following transactions with its related parties:

	For the year ended August 31,		
	2018	2019	2020
	RMB	RMB	RMB
Purchases of services and materials provided by other entities controlled by the chairperson are as below			
Country Garden Intelligent Services Group Co., Ltd.	328	5,982	3,801
Guangdong Phoenix Holiday International Travel Service Co., Ltd.	2,446	3,209	548
Guangdong Shunde Chuang Xi Bang Sheng Furniture Co., Ltd.	2,069	2,063	358
Foshan Shunde Country Garden Property Development Co., Ltd.	1,532	1,543	2,026
Zengcheng Crystal Water Plant Co., Ltd.	1,296	1,386	944
Guangdong Shunde Phoenix Optimal Commercial Co., Ltd.	—	999	893
Guangzhou Country Garden Shuttle Bus Services Limited	760	727	155
Huidong Country Garden Real Estate Development Co., Ltd.	814	200	—
Zhaoqing Contemporary Zhumei Furnishing Co., Ltd.	—	47	327
Dongguan Country Garden Real Estate Development Co., Ltd.	—	—	988
Others	1,872	1,663	1,175
Total	11,117	17,819	11,215

21. RELATED PARTY TRANSACTIONS - continued

	For the year ended August 31,		
	2018	2019	2020
	RMB	RMB	RMB
Construction services provided by other entities controlled by the chairperson are as below			
Guangdong Elite Architectural Co., Ltd.	—	817	—
Guangdong Teng An Mechanics and Electrics Engineering Co., Ltd.	—	791	—
Guangdong Giant Leap Construction Co., Ltd.	5,728	—	—
Total	5,728	1,608	—

	For the year ended August 31,		
	2018	2019	2020
	RMB	RMB	RMB
Services provided to other entities controlled by the chairperson are as below			
Huidong Country Garden Real Estate Development Co., Ltd.	3,445	1,595	2,024
Kaiping Country Garden Property Development Co., Ltd.	1,500	—	353
Changsha Ningxiang Country Garden Property Development Co., Ltd.	2,186	848	356
Guangzhou Biyouwei Catering Co., Ltd.	—	—	348
Others	37	—	117
Total	7,168	2,443	3,198

During fiscal year 2019, Fine Nation Group Limited issued a promissory note with a principal amount of USD 100,000 to the Company, which has been fully paid as of August 31, 2019 with an interest expense of RMB 4,547.

The following table presents amounts owed from and to related parties as of August 31, 2019 and 2020:

	As of August 31,	
	2019	2020
	RMB	RMB
Amounts due from related parties		
Foshan Shunde Country Garden Property Development Co., Ltd. (1)	3,576	—
Shaoguan Shunhong Real Estate Development Co., Ltd.(4)	—	10,000
Changsha Ningxiang Country Garden Property Development Co., Ltd. (2)	474	1,172
Kaiping Country Garden Property Development Co., Ltd. (3)	1,590	1,607
Can-Achieve Global Edutour Co., Ltd. (4)	3,144	3,915
Others	1,868	1,827
Total	10,652	18,521

Amounts due from related parties are non-interest bearing, unsecured, and due on demand.

- (1) The amount mainly represents the advance payment for purchasing services and materials or construction services provided by the entity controlled by Ms. Huiyan Yang("Ms. H"), chairperson of the Group.
- (2) The amounts mainly represent the receivables of the enrolment tuition discount provided to the owners of properties which were subsidized by real estate entities controlled by Ms. H.
- (3) The amounts mainly represent the receivables of providing consulting services on pre-opening schools to Kaiping Country Garden Property Development Co., Ltd.
- (4) The amounts mainly represent the receivables from the respective entities in which consist of expense were paid on behalf of entities controlled by Ms.H. and a non-controlling interest shareholder, respectively.

21. RELATED PARTY TRANSACTIONS - continued

	As of August 31,	
	2019	2020
	RMB	RMB
Amounts due to related parties		
Laian Country Garden Property Development Co., Ltd.(1)	11,550	11,550
Changsha Ningxiang Country Garden Property Development Co., Ltd. (1)	8,732	—
Chuzhou Country Garden Property Development Co., Ltd. (1)	30,769	30,769
Wuhan Country Garden Property Management Co., Ltd. (1)	3,154	3,154
Guangdong Teng An Mechanics and Electrics Engineering Co., Ltd. (2)	6,515	4,076
Guangdong Giant Leap Construction Co., Ltd. (2)	10,166	10,166
Baoding Baigou New Town Honghua Eaton Commerce Co., Ltd. (3)	3,000	6,000
Shanghai Hanlue Information Technology Center Limited Partnership (6)	—	11,573
Huaihua Zhiyi Network Technology Limited Partnership (4)	18,335	—
Huaihua Yimeng Network Technology Limited Partnership (4)	9,167	—
Huidong Country Garden Real Estate Development Co., Ltd. (5)	3,110	3,515
Others	5,540	5,760
Total	110,038	86,563

Amounts due to related parties are non-interest bearing, unsecured, and due on demand.

	As of August 31,	
	2019	2020
	RMB	RMB
Other non-current liabilities due to related parties		
Huaihua Zhiyi Network Technology Limited Partnership (4)	14,490	14,490
Huaihua Yimeng Network Technology Limited Partnership (4)	7,246	7,246
Shanghai Hanlue Information Technology Center Limited Partnership (6)	—	5,107
Total	21,736	26,843

Other non-current liabilities due to related parties are non-interest bearing and unsecured.

- (1) The amounts mainly represent financing funds for maintaining daily operation of schools held by subsidiaries and the VIEs from other entities controlled by Ms. H, Chairperson of the Group.
- (2) The amounts mainly represent construction services provided by other entities controlled by Ms. H, Chairperson of the Group.
- (3) The amounts represent the financing funds for maintaining daily operation from Baoding BaiGou, the non-controlling interest shareholder.
- (4) The amounts represent the acquisition payables due to Huaihua Zhiyi Network Technology Limited Partnership and Huaihua Yimeng Network Technology Limited Partnership for the acquisition of Chengdu Yinzhe in fiscal year 2019.
- (5) The amount mainly represents the advance payment from Huidong Country Garden Real Estate Development Co., Ltd., the entities controlled by Ms.H, as the enrolment tuition discount to the owners of properties. The Group utilizes facilities and equipment provided by other real-estate subsidiaries controlled by Ms. H. In return, the Group gives enrolment priorities to the owners of properties with these affiliated companies when providing its educational services.
- (6) The amounts represent the acquisition payables to Shanghai Hanlue Information Technology Center Limited Partnership for the acquisition of Linstitute in fiscal year 2020.

22. COMMITMENTS AND CONTINGENCIES

Capital commitment

As of August 31, 2020, future minimum capital commitments under non-cancelable contracts were as follows:

	<u>RMB</u>
Capital commitment for construction of schools	36,466
Capital commitment for an equity method investment	210,000
Total	<u>246,466</u>

23. NON-CONTROLLING INTERESTS

The following table summarizes the changes in non-controlling interests from August 31, 2017 through August 31, 2020.

	<u>Can-achieve</u>	<u>Xinqiao</u>	<u>Chengdu</u>	<u>Wuhan</u>	<u>Hangzhou</u>	<u>Linstitute</u>	<u>Others</u>	<u>Total</u>
	<u>RMB</u>	<u>Group</u>	<u>Yinzhe</u>	<u>Sannew</u>	<u>Impression</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Balance at August 31, 2017	—	—	—	—	—	—	3,325	3,325
Income attributable to non-controlling interests	2,338	1,276	—	—	—	—	(1,680)	1,934
Disposal of a subsidiary*	—	—	—	—	—	—	(1,953)	(1,953)
Acquisition of subsidiaries	113,288	38,156	—	—	—	—	15,274	166,718
Balance at August 31, 2018	<u>115,626</u>	<u>39,432</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,966</u>	<u>170,024</u>
Capital injection from non-controlling interest shareholders	—	—	—	—	—	—	500	500
Income attributable to non-controlling interests	10,176	(1,518)	5,919	(1,135)	119	—	(1,902)	11,659
Effect of ASC606 new revenue standard	164	—	—	—	—	—	(6)	158
Foreign currency translation	(25)	—	—	—	—	—	87	62
Acquisition of subsidiaries	—	—	62,766	74,213	30,000	—	12,450	179,429
Balance at August 31, 2019	<u>125,941</u>	<u>37,914</u>	<u>68,685</u>	<u>73,078</u>	<u>30,119</u>	<u>—</u>	<u>26,095</u>	<u>361,832</u>
Capital injection from non-controlling interest shareholders	—	—	—	—	—	—	2,650	2,650
Income attributable to non-controlling interests	(4,017)	(3,875)	5,750	(84)	123	990	4,282	3,169
Foreign currency translation	(54)	—	—	—	—	—	25	(29)
Acquisition of subsidiaries (Note 3)	—	—	—	—	—	27,583	—	27,583
Disposal of a subsidiary*	—	—	—	—	—	—	(5,650)	(5,650)
Distribution of dividends to shareholders	—	—	—	—	(3,104)	—	—	(3,104)
Balance at August 31, 2020	<u>121,870</u>	<u>34,039</u>	<u>74,435</u>	<u>72,994</u>	<u>27,138</u>	<u>28,573</u>	<u>27,402</u>	<u>386,451</u>

Note*: During the year ended August 31, 2018, the Company disposed its equity interest in a subsidiary with a total consideration of RMB 7,000, and the carrying amount of the non-controlling interests of the disposed subsidiary as of the disposal date was RMB 1,953.

During the year ended August 31, 2020, the Company disposed its equity interest in a subsidiary with a total consideration of RMB 30,344, and the carrying amount of the non-controlling interests of the disposed subsidiary as of the disposal date was RMB 5,650.

24. SEGMENT INFORMATION

The CODM reviews financial information of operating segments based on internal management report when making decisions about allocating resources and assessing the performance of the Group.

In the fiscal year 2018, the Group identified four reportable segments, including International Schools, Bilingual Schools, Kindergartens and Complementary Education Services. During the year ended August 31, 2019, the Group acquired the overseas businesses and has assessed these businesses as one additional reportable segment. As of August 31, 2019, the Group has five reportable segments, including International Schools, Bilingual Schools, Kindergartens, Overseas Schools and Complementary Education Services. During the year ended August 31, 2020, the Group changed its internal management structure and has expanded the service offerings in utilizing technology to deliver online study programs, which forms an additional reportable segment called, Education Technology.

24. SEGMENT INFORMATION - continued

The Group's CODM evaluates performance based on the operating segment's revenue and their operating results. The revenue and operating results by segments were as follows:

For the year ended August 31, 2018

	Domestic K-12 Schools			Overseas Schools	Complementary Education Services	Education Technology	Consolidated
	International Schools	Bilingual Schools	Kindergartens				
	RMB	RMB	RMB				
Revenue	589,599	534,008	399,249	—	196,015	—	1,718,871
Costs of revenue	(373,391)	(346,868)	(223,397)	—	(146,939)	—	(1,090,595)
Gross profit	216,208	187,140	175,852	—	49,076	—	628,276

For the year ended August 31, 2019

	Domestic K-12 Schools			Overseas Schools	Complementary Education Services	Education Technology	Consolidated
	International Schools	Bilingual Schools	Kindergartens				
	RMB	RMB	RMB				
Revenue	745,015	650,433	495,024	181,793	420,760	69,980	2,563,005
Costs of revenue	(456,003)	(400,043)	(279,315)	(145,625)	(286,925)	(18,103)	(1,586,014)
Gross profit	289,012	250,390	215,709	36,168	133,835	51,877	976,991

For the year ended August 31, 2020

	Domestic K-12 Schools			Overseas Schools	Complementary Education Services	Education Technology	Consolidated
	International Schools	Bilingual Schools	Kindergartens				
	RMB	RMB	RMB				
Revenue	872,857	722,396	373,028	835,927	458,968	103,327	3,366,503
Costs of revenue	(502,186)	(421,894)	(272,261)	(588,839)	(321,089)	(38,517)	(2,144,786)
Gross profit	370,671	300,502	100,767	247,088	137,879	64,810	1,221,717

The Group's CODM review the financial position at consolidated level, thus total assets of each operating segment is not presented.

GEOGRAPHIC INFORMATION

The Group's revenues are attributed to geographic areas based on the selling location.

The following table presents total revenues for the years ended August 31, 2018, 2019 and 2020 from a geographical perspective:

	For the year ended August 31,		
	2018	2019	2020
Revenues from sales originated:			
China **	1,710,756	2,366,078	2,528,591
Canada	3,668	10,226	16,914
The US	4,447	24,977	188,111
The UK	—	161,724	632,887
Total	1,718,871	2,563,005	3,366,503

The following table presents long-lived assets including property and equipment, net, land use rights, net and operating and finance lease right-of-use assets as of August 31, 2019 and 2020 from a geographical perspective:

	As of August 31,	
	2019	2020
China **	776,483	1,107,759
Canada	3,013	12,918
The US	52,184	440,053
The UK	156,034	1,566,622
Total	987,714	3,127,352

** Includes mainland China and Hong Kong.

25. CONTRIBUTION PLAN

In mainland China, full-time employees of the Group in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The PRC labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. Total contributions for such employee benefits were RMB 118,864, RMB 165,472 and RMB 138,235 for the years ended August 31, 2018, 2019 and 2020, respectively.

The Company also provides other defined contribution plans for the benefit of overseas employees. Total contribution for such employee benefits for the year ended August 31, 2020 was recorded in consolidated income statement RMB 16,748.

26. STATUTORY RESERVES AND RESTRICTED NET ASSETS

As stipulated by the relevant PRC laws and regulations applicable to the Group's entities in the PRC, the Group is required to make appropriations from net income as determined in accordance with the PRC GAAP to non-distributable reserves, which include a statutory surplus reserve and a statutory welfare reserve. The PRC laws and regulations require that annual appropriations of 10% of after-tax income should be set aside prior to payments of dividends as reserve fund, and in private school sector, the PRC laws and regulations require that annual appropriations of 25% of after-tax income should be set aside prior to payments of dividend as development fund. The appropriations to statutory surplus reserve are required until the balance reaches 50% of the PRC entity registered capital.

26. STATUTORY RESERVES AND RESTRICTED NET ASSETS - continued

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 August 31, 2018, 2019 and 2020, the Group made apportionments of nil, nil and RMB 622 to the statutory surplus reserve fund, respectively, and nil, nil and nil to the development fund, respectively.

As a result of these PRC laws and regulations and the requirement that distributions 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. Restricted net asset include paid-in capital, additional paid-in capital, the statutory reserves and the retained earnings of the Company's PRC subsidiaries and VIEs.

	As of August 31	
	2019	2020
	RMB	RMB
Paid in capital	682,000	645,662
Additional paid in capital	124,151	113,492
Statutory reserves	2,396	3,118
Retained earnings	853,039	1,172,995
Total	1,661,586	1,935,267

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

For the purpose of the consolidated statement of cash flows, cash and cash equivalents, and restricted cash included cash on-hand and in banks and restricted cash. Cash and cash equivalents, and restricted cash at the end of reporting year end as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets as follow:

	As of August 31	
	2019	2020
	RMB	RMB
Cash and cash equivalents	3,246,995	3,377,684
Restricted cash	18,019	1,046,253
Total	3,265,014	4,423,937

28. SUBSEQUENT EVENTS

On November 11, 2020, the Company announced that the Board of Directors has approved a US\$50 million share repurchase program, effective from November 20, 2020 and expiring on November 19, 2021.

The COVID-19 pandemic has resulted in quarantines, travel restrictions in most parts of the world and the temporary closure of certain public services. While the pandemic has been mostly under control in China, the pandemic may continue to affect the Group's overseas related businesses 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 growth outlook or impairment to the Group's long-lived assets, long term investments and others.

SCHEDULE 1-CONDENSED FINANCIAL STATEMENT OF BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED

BALANCE SHEET
(Amounts in thousands)

	As of August 31, 2019	As of August 31, 2020	
	RMB	RMB	USD Note 2(g)
ASSETS			
Current assets			
Cash and cash equivalents	1,496,959	220,523	32,205
Restricted cash	—	1,027,110	150,000
Amounts due from subsidiaries and VIEs	2,172,665	2,514,030	367,151
Amounts due from related parties	7	7	1
Other receivables, deposits and other assets	64,384	69,876	10,206
Short-term investments	221,670	13,695	2,000
Total current assets	3,955,685	3,845,241	561,563
Investment in subsidiaries and VIEs	883,559	1,029,229	150,309
Long-term investments	14,711	—	—
Total non-current assets	898,270	1,029,229	150,309
TOTAL ASSETS	4,853,955	4,874,470	711,872
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses and other current liabilities	23,475	19,970	2,916
Amounts due to subsidiaries and VIEs	11	97,957	14,306
Non-current liabilities			
Other non-current liabilities	3,033	1,244	182
Bond payable	2,106,000	2,017,369	294,618
TOTAL LIABILITIES	2,132,519	2,136,540	312,022
EQUITY			
Share capital (US\$0.00001 par value; 120,585,274 shares issued and outstanding as of August 31, 2019, 119,488,962 shares issued and outstanding as of August 31, 2020)	8	8	1
Additional paid-in capital	2,105,189	1,854,262	270,798
Accumulated other comprehensive income	78,955	185,371	27,072
Retained earnings	537,284	698,289	101,979
TOTAL EQUITY	2,721,436	2,737,930	399,850
TOTAL LIABILITIES AND EQUITY	4,853,955	4,874,470	711,872

SCHEDULE 1-CONDENSED FINANCIAL STATEMENT OF BRIGHT SCHOLAR EDUCATION HOLDINGS
LIMITED
STATEMENTS OF OPERATIONS COMBINED AND COMPREHENSIVE INCOME FOR THE YEARS ENDED
AUGUST 31, 2020
(Amounts in thousands)

	2018	2019	2020	
	RMB	RMB	RMB	USD
				Note 2(g)
Other operating income	1,590	1,670	2,147	314
Selling, general and administrative expenses	(34,753)	(58,025)	2,805	410
Other expenses	(49)	(60,612)	(26)	(4)
Interest income, net	21,249	17,482	8,792	1,284
Investment income	—	7,373	1,617	236
Equity in earnings of subsidiaries and VIEs	258,932	333,211	145,670	21,273
Net income	<u>246,969</u>	<u>241,099</u>	<u>161,005</u>	<u>23,513</u>
Other comprehensive income	112,264	3,185	106,416	15,542
Comprehensive income	<u>359,233</u>	<u>244,284</u>	<u>267,421</u>	<u>39,055</u>

SCHEDULE 1-CONDENSED FINANCIAL STATEMENT OF BRIGHT SCHOLAR EDUCATION HOLDINGS
LIMITED
STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	2018	2019	2020	
	RMB	RMB	RMB	USD Note 2
<i>Cash flows from operating activities</i>				
Net income for the year	246,969	241,099	161,005	23,513
Share-based compensation	29,061	51,664	(10,631)	(1,553)
Investment income	—	(7,373)	(211)	(31)
Finance costs	—	18,908	12,288	1,795
Equity in earnings of subsidiaries and VIEs	(258,932)	(333,211)	(145,670)	(21,273)
Other receivables, deposits and other assets	(2,131)	(60,380)	(3,050)	(445)
Accrued expenses and other current liabilities	903	(3,857)	(3,572)	(522)
Amounts due to subsidiaries and VIE	—	11	100,209	14,635
Other non-current assets and liabilities	4,654	(1,621)	(1,789)	(261)
Amounts due from subsidiaries and VIE	(378,388)	(1,727,903)	(254,001)	(37,095)
Amounts due from related parties	—	(7)	—	—
Net cash used in operating activities	<u>(357,864)</u>	<u>(1,822,670)</u>	<u>(145,422)</u>	<u>(21,237)</u>
<i>Cash flows from investing activities</i>				
Purchase of investments	(190,920)	(13,416)	—	—
Proceed from redemption of investments upon maturity	—	—	213,860	31,232
Net cash used in investing activities	<u>(190,920)</u>	<u>(13,416)</u>	<u>213,860</u>	<u>31,232</u>
<i>Cash flows from financing activities</i>				
Dividend to shareholders	—	—	(184,238)	(26,906)
Proceeds from follow-on offering	1,151,702	—	—	—
Repurchase of ordinary shares	(108,938)	(417,149)	(56,058)	(8,187)
Proceeds from issuance of bonds	—	2,069,160	—	—
Issuance cost of bonds	—	(32,971)	—	—
Proceeds on exercise of stock options	—	858	—	—
Repurchase of bonds	—	—	(10,659)	(1,557)
Net cash provided by/ (used in) financing activities	<u>1,042,764</u>	<u>1,619,898</u>	<u>(250,955)</u>	<u>(36,650)</u>
Net change in cash and cash equivalents	<u>493,980</u>	<u>(216,188)</u>	<u>(182,517)</u>	<u>(26,655)</u>
Cash, cash equivalents and restricted cash at beginning of the year	1,094,979	1,702,804	1,496,959	218,617
Effect of exchange rate changes on cash and cash equivalents	113,845	10,343	(66,809)	(9,757)
Cash, cash equivalents and restricted cash at end of the year	<u>1,702,804</u>	<u>1,496,959</u>	<u>1,247,633</u>	<u>182,205</u>

Note to Schedule 1
(In thousands)

Schedule 1 has been provided pursuant to the requirements of Rule 12-04(a), 5-04(c) and 4-08(e)(3) of Regulation S-X, which require condensed financial statements as to the financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of the consolidated and unconsolidated subsidiaries (including variable interest entities) together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. As of August 31, 2020, RMB 1,935,267 of the restricted capital and reserves are not available for distribution, and as such, the condensed financial statements of the Company have been presented for the years ended August 31, 2018, 2019 and 2020.

1. Basis of preparation

The condensed financial statements of the Company has been prepared using the same accounting policies as set out in its financial statements, except that the Company has used the equity method to account for its subsidiaries and its variable interest entities. Accordingly, the condensed financial information presented herein represents the financial information of the Company.

Detailed footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The footnote discloses certain supplemental information relating to the operations of the Company and, as such, the condensed financial statements of the Company should be read in conjunction with the notes to the accompanying financial statements of the Group.

2. Convenience translation

Translations of balances in condensed financial information of parent company balance sheets, statements of operations statements of comprehensive income and statements of cash flows from RMB into US dollars as of and for the year ended August 31, 2020 are solely for the convenience of the reader and were calculated at the rate of US\$1.00 = RMB6.8474, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on August 31, 2020. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into U.S. dollar at that rate on August 31, 2020, or at any other rate.

**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 one Class A ordinary share of Bright Scholar Education Holdings Limited (“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 ordinary 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 ordinary shares underlying the ADSs are held by The Bank of New York Mellon, as depositary, and holders of ADSs will not be treated as holders of the Class A ordinary shares.

Description of Class A Ordinary Shares

The following is a summary of material provisions of our amended and restated memorandum and articles of association (the “Memorandum and Articles of Association”), as well as the Companies Act (as amended) of the Cayman Islands (the “Companies Act”) 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. 333-217359).

Type and Class of Securities (Item 9.A.5 of Form 20-F)

The par value of Class A ordinary share is US\$0.00001 per share. The number of Class A ordinary shares that had been issued as of August 31, 2020 is provided on the cover of the annual report on Form 20-F for the fiscal year ended August 31, 2020. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and transfer their ordinary shares.

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 ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share shall entitle the holder thereof to one vote on all matters that require a shareholder’s vote, and each Class B ordinary share shall entitle the holder thereof to twenty (20) votes on all matters that require a shareholder’s vote. Due to the weighted voting power of Class B ordinary share holder, the voting power of the Class A ordinary 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 Ordinary Shares (Item 10.B.3 of Form 20-F)

Classes of Ordinary Shares

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form and are issued when registered in our register of shareholders. We may not issue shares to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and transfer their shares.

Conversion

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale of Class B ordinary shares by a holder thereof to any person or entity that is not an affiliate (as defined in our amended and restated articles of association) of such holder, such Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares.

Dividends

Subject to the Companies Act, our directors may declare dividends in any currency to be paid to our shareholders. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. Our board of directors may also declare and pay dividends out of the share premium account or any other fund or account that can be authorized for this purpose in accordance with the Companies Act. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provides, (1) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on that share and (2) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Our directors may also pay interim dividends, whenever our financial position, in the opinion of our directors, justifies such payment.

Our directors may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by such shareholder to us on account of calls or otherwise.

No dividend or other money payable by us on or in respect of any share shall bear interest against us. In respect of any dividend proposed to be paid or declared on our share capital, our directors may resolve and direct that (1) such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that our shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if our directors so determine) in cash in lieu of such allotment or (2) the shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our directors may think fit. Our shareholders may, upon the recommendation of our directors, by ordinary resolution resolve in respect of any particular dividend that, notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent by mail addressed to the holder at his registered address, or addressed to such person and at such addresses as the holder may direct. Every check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to us.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by our board of directors for the benefit of our company until claimed. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and reverted to us.

Whenever our directors have resolved that a dividend be paid or declared, our directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe for our securities or securities of any other company. Where any difficulty arises with regard to such distribution, our directors may settle it as they think expedient. In particular, our directors may issue fractional certificates, ignore fractions altogether or round the same up or down, fix the value for distribution purposes of any such specific assets, determine that cash payments shall be made to any of our shareholders upon the footing of the value so fixed in order to adjust the rights of the parties, vest any such specific assets in trustees as may seem expedient to our directors, and appoint any person to sign any requisite instruments of

transfer and other documents on behalf of the persons entitled to the dividend, which appointment shall be effective and binding on our shareholders.

Voting Rights

On a show of hands each shareholder is entitled to one vote or, on a poll, each shareholder is entitled to one vote for each Class A ordinary share and 20 votes for each Class B ordinary share, voting together as a single class, on all matters that require a shareholder's vote. Voting at any shareholders' meeting is by show of hands of shareholders who are present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorized representative, unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholder present in person or by proxy.

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is duly registered as our shareholder and all calls or installment due by such shareholder to us have been paid.

If a clearing house (or its nominee(s)) or a central depository entity, being a corporation, is our shareholder, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of shareholders provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision is entitled to exercise the same powers on behalf of the clearing house or central depository entity (or its nominee(s)) as if such person was the registered holder of our shares held by that clearing house or central depository entity (or its nominee(s)) including the right to vote individually in a show of hands.

Meetings

Shareholders' meetings may be convened by a majority of our board of directors or chairman. Advance notice of at least ten clear days is required for the convening of our annual general meeting and any other general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least two shareholders present in person or by proxy, representing not less than one-third in nominal value or par value of the total issued voting shares in our company throughout the meeting.

Notwithstanding that a meeting is called by shorter notice than that mentioned above, but, subject to the Companies Act, it will be deemed to have been duly called, if it is so agreed (1) in the case of a meeting called as an annual general meeting by all of our shareholders entitled to attend and vote at the meeting; and (2) in the case of any other meeting, by a majority in number of the shareholders holding not less than 95% in nominal value of the issued shares giving that right.

No business other than the appointment of a chairman may be transacted at any general meeting unless a quorum is present at the commencement of business. However, the absence of a quorum will not preclude the appointment of a chairman. If present, the chairman of our board of directors shall be the chairman presiding at any shareholders' meetings.

A corporation being a shareholder shall be deemed for the purpose of our amended and restated articles of association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation that he represents as that corporation could exercise if it were our individual shareholder.

Transfer of Ordinary Shares

Subject to any applicable restrictions set forth in our amended and restated articles of association, including, for example, the board of directors' discretion to refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under share incentive plans for employees upon which a restriction on transfer imposed thereby still subsists, or a transfer of any share to more than four joint

holders, any of our shareholders may transfer all or any of his or her shares by an instrument of transfer in the usual or common form or in a form prescribed by the NYSE or in another form that our directors may approve.

Our directors may decline to register any transfer of any share which is not paid up or on which we have a lien. Our directors may also decline to register any transfer of any share unless:

- the instrument of transfer is lodged with us and is accompanied by the certificate for the shares to which it relates and such other evidence as our directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of share;
- the instrument of transfer is properly stamped (in circumstances where stamping is required); and
- fee of such maximum sum as the NYSE may determine to be payable or such lesser sum as our 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 three 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, after compliance with any notice requirement of the NYSE, be suspended and the register closed at such times and for such periods as our 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 as our directors may determine.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares

Subject to our Memorandum and Articles of Association and to the terms of allotment our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Ordinary Shares

We are empowered by the Companies Act and our amended and restated articles of association to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Act, our amended and restated memorandum and articles of association and to any applicable requirements imposed from time to time by the NYSE, the Securities and Exchange Commission, or by any other recognized stock exchange on which our securities are listed. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (1) unless it is fully paid up, (2) if such redemption or repurchase would result in there being no shares outstanding, or (3) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Inspection of Books and Records

Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements.

Requirements to Change the Rights of Holders of Class A Ordinary Shares (Item 10.B.4 of Form 20-F)

Variations of Rights

Subject to the Company Act, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of these Articles relating to general meetings of the Company shall, mutatis mutandis, apply, but so that:

- separate general meetings of the holders of a class or series of shares may be called only by (i) the Chairman of the Board, or (ii) a majority of the entire Board (unless otherwise specifically provided by the terms of issue of the shares of such class or series).
- the necessary quorum (whether at a separate general meeting or at its adjourned meeting) shall be a person or persons (or in the case of a Member being a corporation, its duly authorized representative) together holding or representing by proxy not less than one-third in nominal or par value of the issued shares of that class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Members who are present shall form a quorum);
- every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him; and
- any holder of shares of the class present in person or by proxy or authorised representative may demand a poll.

Limitations on the Rights to Own Class A Ordinary Shares (Item 10.B.6 of Form 20-F)

There are no limitations under the laws of the Cayman Islands or under the Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote Class A ordinary shares, other than anti-takeover provisions contained in the Memorandum and Articles of Association to limit the ability of others to acquire control of our company or cause our company to engage in change-of-control transactions.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

Anti-Takeover Provisions

Some provisions of our amended and restated 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 preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our 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 Cayman Islands law applicable to the Company, or under our Memorandum and Articles of Association, governing the ownership threshold above which shareholder ownership must be disclosed.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act 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 Act applicable to us and the laws applicable to companies incorporated in the State of Delaware.

Mergers and Similar Arrangements

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (1) “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 (2) a “consolidation” means the combination of two or more constituent companies into a combined 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 (1) a special resolution of the shareholders of each constituent company, and (2) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders or 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 Grand Court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

When a takeover 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 commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

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

Shareholders’ Suits and Protection of Minority Shareholders

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 authorities, which

would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to apply and follow the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) which permit a minority shareholder to commence a class action against, or derivative actions in the name of, a company to challenge the following:

- an act which is illegal or ultra vires;
- an act which, although not ultra vires, could only be effected duly if authorized by a special or qualified majority vote that has not been obtained; and
- an act which constitutes a fraud on the minority where the wrongdoers are themselves in control of the company.

In the case of a company (not being a bank) having its share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and to report thereon in such manner as the Grand Court of the Cayman Islands shall direct.

Any of our shareholders may petition the Grand Court of the Cayman Islands which may make a winding up order if the Grand Court of the Cayman Islands is of the opinion that it is just and equitable that we should be wound up or, as an alternative to a winding up order, (1) an order regulating the conduct of our affairs in the future, (2) an order requiring us to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained we have omitted to do, (3) an order authorizing civil proceedings to be brought in our name and on our behalf by the shareholder petitioner on such terms as the Grand Court of the Cayman Islands may direct, or (4) an order providing for the purchase of the shares of any of our shareholders by other shareholders or us and, in the case of a purchase by us, a reduction of our capital accordingly.

Generally, claims against us must be based on the general laws of contract or tort applicable in the Cayman Islands or individual rights as shareholders as established by our amended and restated articles of association.

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Memorandum and Articles of Association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud of such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our Memorandum and Articles of Association.

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

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 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, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts 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, 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. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of 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 in good faith in the best interests of the company, a duty not to make a personal profit based on his or her position as director (unless the company permits him or her to do so), a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. 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, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Under Cayman Islands law, a company may eliminate the ability of shareholders to approve corporate matters by way of written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matters at a general meeting without a meeting being held by amending the articles of association. Our memorandum and articles of association do not allow shareholders to act by written resolutions.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

With respect to shareholder proposals, Cayman Islands law is essentially the same as Delaware law. Cayman Islands Companies Act does not provide shareholders with an express right to put forth any proposal before an annual meeting of the shareholders. However, Cayman Islands Companies Act may provide shareholders with limited rights to requisition a general meeting but such rights must be stipulated in the articles of association of the Company. Any one or more shareholders holding not less than two-thirds of the votes attaching to the total issued and paid up share capital of the Company at the date of deposit of the requisition shall at all times have the right, by written requisition to the board of directors or the secretary of the company, to require an extraordinary general meeting to be called by the board of directors for the transaction of any business specified in such requisition.

Cumulative Voting

Under the Delaware General Corporation Law, 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 amended and restated 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 Delaware General Corporation Law, 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 amended and restated articles of association, directors may be removed with or without cause, by an ordinary resolution of our shareholders.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, 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 or owned 15% or more of the target’s outstanding voting share 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 other things, 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 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, for a proper purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up and Liquidation

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or if the company is unable to pay its debts as they fall due. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Subject to any future shares which are issued with specific rights, (1) if we are wound up and the assets available for distribution among our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* among those shareholders in proportion to the amount paid up at the commencement of the winding up on the shares held by them, respectively, and (2) if we are wound up and the assets available for distribution among the shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

If we are wound up (whether the liquidation is voluntary or by the court), the liquidator may with the sanction of our special resolution and any other sanction required by the Companies Act, divide among our shareholders in specie or kind the whole or any part of our assets (whether or not they shall consist of property of the same kind) and may, for such purpose, set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders or different classes of shareholders.

The liquidator may also vest the whole or any part of these assets in trustees upon such trusts for the benefit of the shareholders as the liquidator shall think fit, but so that no shareholder will be compelled to accept any assets, shares or other securities upon which there is a liability.

The consideration received by each holder of a Class A ordinary share and a holder of a Class B ordinary share will be the same in any liquidation event.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Alterations to our Memorandum and Articles of Association may only be made by special resolution, meaning a majority of not less than two-thirds of votes cast at a shareholders' meeting.

If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a majority of two-thirds of the vote of all of the shares in that class. The provisions of our amended and restated articles of association relating to general meetings shall apply similarly to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting or at the adjourned meeting shall be a person or persons together holding (or represented by proxy) on the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and that any holder of shares of that class present in person or by proxy may demand a poll.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under Cayman Islands law, our Memorandum and Articles of Association may only be amended with a special resolution of our shareholders.

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 governing the ownership threshold above which shareholder ownership must be disclosed.

Changes in Capital (Item 10.B.10 of Form 20-F)

We may from time to time by ordinary resolution in accordance with the Companies Act alter the conditions of our amended and restated memorandum of association to:

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
 - consolidate and divide all or any of our share capital into shares of larger amounts than our existing shares;
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- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Companies Act;
- sub-divide our shares or any of them into shares of smaller amount than is fixed by our amended and restated memorandum of association, subject nevertheless to the Companies Act, so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others, as we have power to attach to unissued or new shares; and
- divide shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares, attach to the shares respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions that in the absence of any such determination in a general meeting may be determined by our directors.

We may, by special resolution, subject to any confirmation or consent required by the Companies Act, reduce our share capital or any capital redemption reserve in any manner authorized 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)

The Bank of New York Mellon, as depository, will register and deliver American Depositary Shares, also referred to as ADSs. Each ADS will represent one Class A ordinary share (or a right to receive one Class A ordinary share) deposited with The Hongkong and Shanghai Banking Corporation Limited, as custodian for the depository in Hong Kong. Each ADS will also represent any other securities, cash or other property which may be held by the depository. The depository's office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York Mellon's principal executive office is located at 225 Liberty Street, New York, New York 10286.

You may hold ADSs either (A) directly (1) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (2) by having uncertificated ADSs registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution that is a direct or indirect participant in The Depository Trust Company, also called DTC. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Registered holders of uncertificated ADSs will receive statements from the depository confirming their holdings.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. The laws of the Cayman Islands govern shareholder rights. The depository will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the

depository, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depository. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR. See “Where You Can Find Additional Information” for directions on how to obtain copies of those documents.

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depository has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

- **Cash.** The depository will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depository to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest. Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. See “Taxation.” It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depository cannot convert the foreign currency, you may lose some of the value of the distribution.*
 - **Shares.** The depository may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depository will only distribute whole ADSs. It will sell shares which would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the depository does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depository may sell a portion of the distributed shares (or ADSs representing those shares) sufficient to pay its fees and expenses in connection with that distribution.
 - **Rights to purchase additional shares.** If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depository may (1) exercise those rights on behalf of ADS holders, (2) distribute those rights to ADS holders or (3) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depository does not do any of those things, it will allow the rights to lapse. *In that case, you will receive no value for them.* The depository will exercise or distribute rights only if we ask it to and provide satisfactory assurances to the depository that it is legal to do so. If the depository will exercise rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of shares, new ADSs representing the new shares, to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depository. U.S. securities laws may restrict the ability of the depository to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.
 - **Other Distributions.** The depository will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depository has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depository is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depository may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may
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restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. *This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you .*

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

You may surrender your ADSs for the purpose of withdrawal at the depositary's office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its office, if feasible. The depositary may charge you a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

How do you vote?

ADS holders may instruct the depositary how to vote the number of deposited shares their ADSs represent. If we request the depositary to solicit your voting instructions (and we are not required to do so), the depositary will notify you of a shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. If we do not request the depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the depositary may try to vote as you instruct, but it is not required to do so.

Except by instructing the depositary as described above, you won't be able to exercise voting rights unless you surrender your ADSs and withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares. In any event, the depositary will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed or as described in the following sentence. If we asked the depositary to solicit your instructions at least 30 days before the meeting date but the depositary does not receive voting instructions from you by the specified date, it will consider you to have authorized and directed it to give a discretionary proxy to a person designated by us to vote the number of deposited securities represented by your

ADSs. The depositary will give a discretionary proxy in those circumstances to vote on all questions at to be voted upon unless we notify the depositary that:

- we do not wish to receive a discretionary proxy;
- there is substantial shareholder opposition to the particular question; or
- the particular question would have an adverse impact on our shareholders.

We are required to notify the depositary if one of the conditions specified above exists.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise voting rights and there may be nothing you can do if your shares are not voted as you requested.*

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 agree to 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.

Fees and Expenses

Persons depositing or withdrawing shares or ADS holders must pay:	For:
US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
US\$0.05 (or less) per ADS	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
US\$0.05 (or less) per ADS per calendar year	Depositary services
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution

payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your American Depositary Shares to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities

The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do by an ADS holder surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed or otherwise purchased for cash in a transaction that is mandatory for the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a sub-division, combination or other reclassification, sale of assets substantially as an entirety, or any merger, consolidation, recapitalization or reorganization affecting the issuer of deposited securities in which the depositary receives new securities in exchange for or in lieu of the old deposited securities, the depositary will hold those replacement securities as deposited securities under the deposit agreement. However, if the depositary decides it would not be lawful and to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depositary will continue to hold the replacement securities, the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

If there are no deposited securities underlying ADSs, including if the deposited securities are canceled, or if the deposited securities underlying ADSs have become apparently worthless, the depositary may call for surrender of those ADSs or cancel those ADSs upon notice to the ADS holders.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depository to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depository for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depository notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.*

How may the deposit agreement be terminated?

The depository will initiate termination of the deposit agreement if we instruct it to do so. The depository may initiate termination of the deposit agreement if

- 60 days have passed since the depository told us it wants to resign but a successor depository has not been appointed and accepted its appointment;
- we delist our shares from an exchange on which they were listed and do not list the shares on another exchange;
- we appear to be insolvent or enter insolvency proceedings;
- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities; or
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless.

If the deposit agreement will terminate, the depository will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depository may sell the deposited securities. After that, the depository will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depository will sell as soon as practicable after the termination date.

After the termination date and before the depository sells, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depository may refuse to accept a surrender for the purpose of withdrawing deposited securities if it would interfere with the selling process. The depository may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depository will continue to collect distributions on deposited securities, but, after the termination date, the depository is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADSs holder (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depository; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depository. It also limits our liability and the liability of the depository. We and the depository:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
-

- are not liable if we are or it is prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the deposit agreement, we and the depository agree to indemnify each other under certain circumstances.

Requirements for Depository Actions

Before the depository will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares, the depository may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depository may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depository or our transfer books are closed or at any time if the depository or we think it advisable to do so.

Your Right to Receive the Class A Ordinary Shares Underlying your ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (1) the depository has closed its transfer books or we have closed our transfer books; (2) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on our shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Pre-release of ADSs



The deposit agreement permits the depository to deliver ADSs before deposit of the underlying shares. This is called a pre-release of the ADSs. The depository may also deliver shares upon cancellation of pre-released ADSs (even if the ADSs are canceled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying shares are delivered to the depository. The depository may receive ADSs instead of shares to close out a pre-release. The depository may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depository in writing that it or its customer owns the shares or ADSs to be deposited; (2) the pre-release is fully collateralized with cash or other collateral that the depository considers appropriate; and (3) the depository must be able to close out the pre-release on not more than five business days' notice. In addition, the depository will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although the depository may disregard the limit from time to time if it thinks it is appropriate to do so.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depository to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depository of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depository will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depository's reliance on and compliance with instructions received by the depository through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depository.

Shareholder Communications; Inspection of Register of Holders of ADSs

The depository will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depository will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Exclusive Management Service and Business Cooperation Agreement
(English translation)

This Exclusive Management Service and Business Cooperation Agreement (this “**Agreement**”) is entered into as of November 26, 2019, by and among the following parties in Beijing, the People’s Republic of China (“**PRC**”):

Party A: **Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd.**

Party B: **Beijing Haidian Bright Scholar Training School**

Party C: **Beijing Elib Technology Co., Ltd.**

(Each of Party A, Party B and Party C, a “**Party**”, and collectively the “**Parties**”.)

WHEREAS,

- (1) Party A is a wholly foreign-owned enterprise duly registered and validly existing under the PRC laws, owning resources to provide technical support and consulting services;
- (2) Party B is a limited liability company duly registered and validly existing under the PRC laws and engages in English Training (“**Educational Services**”).
- (3) Party C is the shareholder of Party B and owns 100% of the equity interests of Party B;
- (4) Party A agreed to provide exclusive education management consultant, intellectual property license, technical support and operation support service to Party B with Party A’s advantages in human resource, technology and information. Party B agreed to accept such relevant services from Party A.

NOW THEREFORE, the Parties through amiable negotiations agree as follows:

1. Provision of Services

- 1.1 In accordance with the terms and conditions herein, Party B and Party C appoint Party A as Party B ’ exclusive technical and service provider to provide full-scope education management consultant, intellectual property license, technical support and consultant services as provided in Appendix I. Party B are referred to as “**Service Accepting Party**”.

Party B shall determine the specific contents of services within the scope listed in Appendix II with Party A or any entity designated by Party A based on the actual need in their business. Both parties confirm that the services provided by Party A are confined to the approved operation scope. In the event Party B require Party A to provide services beyond the approved operation scope, Party A is entitled to designate a third party or expand Party A’s operation scope with accordance to PRC laws and obtain relevant approvals, to provide such services.

- 1.2 Party B and Party C further agree that during the effective period of this Agreement, Party B and Party C shall not, and shall cause the affiliates of them not to, directly and indirectly obtain the same or similar exclusive technical and services as provided under this Agreement from any third party, or establish any similar business cooperative relation with any third party with respect to the matters stipulated herein.
 - 1.3 To ensure the normal operation of the ordinary business of Party B, Party A may, but is not obligated to, in its discretion and in accordance with the PRC laws, provide guarantee for the performance of the agreements entered into by Party B or with any third party with respect to the business of Party B. Party B and Party C hereby agree and confirm that if they need to provide any guarantee for the performance under any agreement or loan of Party B and/or during their operation, they will ask Party A to act as their guarantor first.
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2. Service Fee and Payment

- 2.1 By considering the contents of specific services provided and the target of service, Party A may determine, in its discretion, a fair service fee and proper payment arrangement according to the income and student number of Party B in a fixed period. The calculation and payment arrangement of the service fee is provided in **Appendix I** of the Agreement.
- 2.2 If Party A determines the fee calculation mechanism specified herein should no longer apply due to whatever reason and need to be adjusted, Party A shall actively and faithfully propose an adjustment scheme to determine a new fee standard or mechanism. If Service Accepting Party does not respond within seven (7) days after receiving the adjustment scheme as mentioned above, it shall be deemed as having accepted the adjustments proposed by Party A.

3. Intellectual Properties

- 3.1 Party A shall solely and exclusively enjoy any ownership, interest and right of the intellectual properties produced by performance under this Agreement, including but not limited to copyrights, patents, rights of application for patents, technical secrets and business secrets, and without Party A's consent, Party B have no rights other than those provided herein and shall actively take all necessary measures to help Party A obtain such intellectual properties. For avoidance of doubt, any intellectual property that is in the process of filing with governmental authorities or owned by Party B or shall be transferred by the beneficial owner or the applicant of such intellectual property to Party A or its affiliate as appointed by Party A and Party B shall execute transfer agreement for such intellectual property unless Party A have confirmed that such intellectual properties are necessary for Party B or in their ordinary business or such intellectual properties shall be held by Party B or according to relevant PRC laws and regulations.
- 3.2 If a development made by Party A is based on the intellectual properties owned by Party B, Party B shall ensure that such intellectual properties are flawless. Otherwise, Party B shall indemnify Party A for all damages and losses caused to Party A by any flaw of such intellectual properties. If Party A is liable to any third party for such reason, Party A is entitled to recover all of its losses from Party B.
- 3.3 This Article 3 shall survive any modification, dissolution or termination of this Agreement.

4. Exercise of Party A's rights

In view of Article 1 in this Agreement, in order to specify respective rights and obligations of each Party, to ensure Party A's actual performance in providing management services to Party B under this Agreement, and to ensure the implementation of business services between Party A, Party B and the payment of the amounts that shall be paid by Party B to Party A, Party B and Party C agree as below:

- 4.1 Party A is entitled to provide suggestions and requirements with respect to Party B' operation, financial management and employment, and Party B shall strictly carry out or abide by such suggestions or requirements.
 - 4.2 Party C, Party B shall elect directors of Party B as designated by Party A according to laws, regulations and Articles of Association of the companies or schools, cause such elected directors to elect the person recommended by Party A as the chairman of the board of directors, and appoint the persons designated by Party A as senior managers of Party B , including but not limited to the headmaster of schools, manager, the chief financial officer, the responsible officers of each branch of business, financial managers, financial superintendents and accountants.
 - 4.3 Party C, Party B and/or shall dismiss any director and/or senior manager of Party B in accordance with the requirement of Party A, and elect and engage others as designated by Party A.
 - 4.4 For the purpose of Article 4.3, Party C, Party B shall conduct necessary internal and external procedures in accordance with law, Articles of Association and this Agreement to complete such dismissal and engagement procedures.
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- 4.5 Party A is entitled to inspect accounts of Party B periodically and at any time. Party B shall keep accounts timely and accurately, and provide accounts, audit reports, financial statements and any operation records, business contracts, financial materials for Party A upon Party A's requests. During the effective period of this Agreement and in accordance with relevant laws, Party B shall assist Party A and any third party designated by Party A to conduct audit (including but not limited to audit of affiliated transactions and any other audits), provide information and materials with respect to Party B ' operation, business, clients, finance and employees, and permit Party A or Party A's affiliates to disclose such information and materials to satisfy securities supervision requirement.
- 4.6 Party C hereby agrees that as of the date hereof, it shall execute a Power of Attorney the form and substance of which shall be satisfied by Party A, and shall comprehensively, appropriately, and completely perform the obligation under such Power of Attorney, including but not limited to unconditionally and irrevocably authorize Party A or the party designated by Party A (the "Trustee", and Party C shall not be such Trustee) to exercise the rights of shareholder and/or director of Party B as Party C's agent according to the Trustee's own will.
- 4.7 Upon Party A's requests in writing, Party B and Party C shall set all accounts receivable and/or other legal assets which could be disposed as collaterals to guarantee service fee payment under Article 2.1 of this Agreement. During the effective period of this Agreement, Party B shall maintain complete licenses necessary for its business operation and the right and capacity to conduct relevant business in China.
- 4.8 In the event Party B conduct the dissolution or the liquidation for whatever reason, Party C, Party B shall assign personnel recommended by Party A as liquidators permitted by PRC laws and regulations to manage the property of Party B. In the event Party B conduct the dissolution or the liquidation, no matter Article 4.9 can be enforced or not and subject to the restriction under PRC law, Party C, Party B shall respectively deliver all residual property obtained from the liquidation of Party B or under PRC laws and regulations to Party A.
- 4.9 Without Party A's prior written consent, Party B shall not conduct any transaction that may have substantial effect on their assets, obligations, rights or operation, including but not limited to the followings:
- a) conducting any business beyond the scope of normal operation or in the way different from prior usual manners;
 - b) raising a loan from a third party or undertaking any debts;
 - c) changing or removing any director or any senior manager;
 - d) selling, purchasing or disposing any asset or interest in any manner from/to any third party, including but not limited to intellectual properties;
 - e) using corporate assets or intellectual properties as collaterals, providing warranties in any other ways, or placing any other encumbrances on corporate assets other than for the debts owed by Party B;
 - f) modifying the Articles of Association or the scope of operation;
 - g) modifying corporate operation modes, business procedures or any significant internal regulations;
 - h) making significant adjustment on business modes, marketing strategies, operation tactics or client relationship;
 - i) distributing profits and dividend in any manner;
 - j) conducting liquidation and distributing residual properties;
 - k) transferring or assigning rights and obligations hereunder to any third party;
 - l) entering into any agreement or arrangement that conflicts with this Agreement or may damage Party A's rights and interests under this Agreement;
-

- m) engaging in any arrangement of contractual operation, leasing management, merger, division, joint venture, shareholding reform or other method to change the method of operation and equity structure, or disposing any or all asset or equity interest of Party B or by transfer, sale, conversion or any other manners.

Furthermore, Party C shall cause Party B to notify Party A timely of any event that has or may have significant adverse effect on business and operation of Party B, and make their best effort to prevent the occurrence of such event and/or the expansion of damages.

4.10 Party B hereby grants to Party A an irrevocable and exclusive Purchase Right which subject to the PRC laws allows Party A to purchase, at its option, any or all of the asset and business of Party B with the lowest price as permitted under PRC laws. Parties shall separately execute an agreement for such transfer of assets and business and determine the terms and conditions for such transfer of assets and business.

5. Term and Right of Termination

5.1 The Agreement is executed and becomes effective as of the date stated above.

5.2 Unless all Parties reach an agreement to early terminate this Agreement, the term of this Agreement shall be effective during the business operation period of Party A, Party B.

5.3 Party A shall have the option to terminate this Agreement at any time. During the performance of this Agreement, Party A is entitled to terminate this Agreement with written notice at any time.

5.4 Without Party A's written consent, Party B and/or Party C have no right to terminate this Agreement.

6. Representations and Warranties

6.1 Party A represents and warrants to Party B as follows:

- a) Party A is a wholly foreign-owned enterprise duly registered and validly existing under the PRC laws, and has the capability to take civil responsibilities;
- b) Party A has the corporate power to execute and deliver this Agreement and perform the obligations under this Agreement. Once this Agreement is executed, Party A assumes legal, effective and binding obligations and such obligations are enforceable according to this Agreement;
- c) Neither the execution of this Agreement nor the performance of obligations under this Agreement by Party A shall conflict with, breach or violate (i) any operation license of Party A or any article of Party A's Articles of Association, (ii) any law, regulation, rule, authorities or approval of government authorities or departments applicable to Party A, or (iii) any provision of contracts or agreements executed by Party A.

6.2 Party B separately and jointly represent and warrant to Party A as follows:

- a) Party B is a limited liability company duly registered and validly existing under the PRC laws, and have the capability to take civil responsibilities with their registered capital;
 - b) Party B has the corporate power to execute and deliver this Agreement and perform the obligations under this Agreement. Once this Agreement is executed, Party B assume legal, effective and binding obligations and such obligations are enforceable according to this Agreement;
 - c) Neither the execution of this Agreement nor the performance of obligations under this Agreement by Party B shall conflict with, breach or violate (i) any operation license of Party B or any article of Party B' Articles of Association, (ii) any law, regulation, rule, authorities or approval of government authorities or departments applicable to Party B, or (iii) any provision of contracts or agreements executed by Party B ;
 - d) Party B shall provide relevant information and documents to Party A as required by Party A, and arrange special personnel to correspond and coordinate with Party A and assist Party A with on-site research and collection of materials in Party B;
-

- e) If necessary, Party B shall provide requisite working facilities and conditions to the special personnel arranged by Party A, and bear related expenses and costs incurred by such personnel during the period of the provision of the management service;
- f) Develop and operate education service in effective, prudent and legal manners, and maintain and renew in time requisite licenses and authorities of Educational Services provided by Party B under this Agreement to keep the effective and entire legal validity of such licenses and authorities; establish and maintain an independent account for education service;
- g) Provide Party A with any requisite technology or other materials deemed necessary by Party A, and provide Party A with the access to requisite places and facilities for service under this Agreement.;
- h) Party B shall operate in accordance with relevant laws and regulations, complete all relevant procedure necessary for operation, and provide duplicates of such licenses;
- i) Party B possess all permissions, licenses, authorities, approvals and facilities, and guarantee such permissions, licenses, authorities and approvals are continually effective and legitimate during the whole effective period of this Agreement;
- j) Pay the service fee to Party A on time.

7. Confidentiality

7.1 This Agreement and all clauses hereof are confidential information. The Parties shall not be disclosed to any third party except for relevant senior officers, directors, employees, agents or professional consultants of such Parties or their affiliates who are relevant with the transaction contemplated under this Agreement and who are obligated to keep such confidential information confidential. This clause shall not apply in the event the Parties are required by relevant laws or regulations or relevant securities exchange institutions to disclose information or contents relating to this Agreement to any governmental authorities, the public or the shareholders, or file this Agreement with relevant authorities for record.

7.2 This clause shall survive any modification or termination of this Agreement.

8. Liabilities for Breach of Agreement

8.1 In the event any Party fails to perform any of its obligations under this Agreement, or made any untrue or inaccurate representation or warranty, such Party shall be liable for all the losses of other Parties for breach of the Agreement, or pay the penalties to the other Parties as agreed by the relevant Parties.

8.2 In the event that Party B and/or is deemed as breach of the Agreement in accordance with Article 8.1, Party B and/or shall compensate for entire loses, damages or responsibilities of Party A for the performance under this Agreement or provision of services, including but not limited to damages and costs caused by any suits, claims of compensation, or other requests.

8.3 This clause shall survive any modification or termination of this Agreement.

9. Force Majeure

Force Majeure Event shall mean any objective circumstance, the occurrence of which is unforeseeable, unavoidable, uncontrollable and insurmountable at the time of execution of this Agreement (including but not limited to earthquake, typhoon, flood, fire, strike, war, and rebellion).

In the event the performance of the Agreement is influenced by any Force Majeure, the Party suffering Force Majeure shall (i) notify the other parties by telegram, facsimile or other electronic means immediately after the occurrence of such Force Majeure and shall provide written documents evidencing the occurrence of such

Force Majeure within fifteen (15) business days; (ii) take all reasonable and viable manners to mitigate or remove the effect of force majeure, and continue its performance of the Agreement after such effect is mitigated or removed.

10. Assignment of this Agreement and the Change of Parties

10.1 Without prior written consent of Party A, Party C and Party B shall not transfer, assign any right or obligation under this Agreement to any third party.

10.2 Part B hereby agrees that Party A shall have the right to transfer or assign any of its rights and obligations by informing Party B in writing and without Party B's prior consent.

10.3 Rights and obligations under this Agreement shall be legally binding upon assignees, successors of the Parties, no matter such assignment of obligations and rights is caused by takeover, restructuring, success, assignment or any other reason.

10.4 In the event that Party C no longer possesses any shares of Party B, Party C shall be deemed no longer as a party of this Agreement. In the event that any other third party becomes a shareholder of Party B, Party B and Party C shall take effort to cause this third party executing relevant legal documents and becoming one of Party C of this Agreement.

11. Miscellaneous

11.1 This Agreement and any related matters shall be governed by and construed in accordance with the PRC laws. All disputes arising out of or in connection with this Agreement shall be conciliated friendly by and between the Parties. When the disputes could not be solved by conciliation, such disputes may be submitted to China International Economic and Trade Arbitration Commission and be finally settled under the Rules of Arbitration of the China International Economic and Trade Arbitration Commission by arbitrators appointed in accordance with rules then effective of such arbitration commission. The arbitration award shall be final and binding upon all Parties. The language used in arbitration shall be in Chinese. The place of arbitration shall be in Beijing. The Parties hereto shall continue to perform its obligations and exercise its rights hereunder except for those submitted for arbitration. The validity of this Article 11.1 shall not be influenced by the modification, rescission and termination of this Agreement.

11.2 Upon the execution of this Agreement, the Agreement shall substitute any and all covenants, memorandums, agreements or other documents concerning the matters involved in this Agreement.

11.3 This Agreement shall be performed within the scope stipulated by laws. In the event any article or any part of an article is deemed as illegal, invalid or unenforceable by any competent authority or court, such illegality, invalidity or unenforceability shall not affect other articles of this Agreement or other part of this article, and other articles of this Agreement or other part of this article shall remain valid. Parties shall make their best effort to modify such illegal, invalid or unenforceable articles to achieve the purpose of the original articles.

11.4 All appendixes hereto are integral parts of this Agreement and shall be equally binding with other parts of this Agreement.

11.5 The Agreement is in Chinese and executed in four (4) counterparts, each of Party A, Party B and Party C holds one counterpart.

[The remainder of this page has been left intentionally blank]

Party A: Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd.

(Seal) Seal of Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. Affixed

By: _____
Name:
Title:

Party B: Beijing Haidian Bright Scholar Training School.

(Seal) Seal of Beijing Haidian Bright Scholar Training School Affixed

By: _____

Name:

Title:

Party C: Beijing Elib Technology Co., Ltd.

(Seal) Seal of Beijing Elib Technology Co., Ltd. Affixed

By: _____

Name:

Title:



Appendix I: Contents of Service, Calculation and Payment of the Service Fee

1. Contents of Service

- (1) Providing opinions and advice for assets, business operation and negotiation, execution and performance of material contracts;
- (2) Providing services for middle or short term market development and market planning;
- (3) Providing service of market research, study and consulting service;
- (4) Providing opinions and advises for handling creditor's rights and debts;
- (5) Providing the opinions and advices for merger and acquisition;
- (6) Providing services for human resources management, occupation and pre-occupation skills training for employees;
- (7) Licensing of intellectual properties including software, trademark, domain name, technology secrets and etc.,
- (8) Providing services for developing and supporting education software, education courseware, and tutoring;
- (9) Providing consulting and training services for running schools and international courses;
- (10) Providing services of technology development, technology transfer, and technology consulting;
- (11) Providing services for management and maintenance of the human resources information management system, payment management information system, internal informatization management system and other management system;
- (12) Providing services for developing, upgrading of network and the ordinary maintenance, supervision, adjustment and trouble removal of computer network equipment;
- (13) Providing technology consultation and solution for questions about the network facilities, technology products and software of Service Accepting Party;
- (14) Providing services for public relationship;
- (15) Providing services for sale of self-made products;
- (16) Providing ordinary maintenance for office equipment;
- (17) Providing services for seeking and electing appropriate third-party service providers for Service Accepting Party;
- (18) Providing ordinary management service of third-party service providers for the Service Accepting Party;
- (19) Other services determined from time to time by Party A and the Service Accepting Party according to the need of business and capacity of provision of services.

2. Calculation and Payment of the Service Fee

- (1) The Fee for the services provided under this Agreement is calculated as the balance of general income deducting costs, taxes and other reserved fees stipulated by laws and regulations, the sum of Fee shall be determined by Party A in its discretion taking account of the following factors:
 - (a) The technical difficulty and complexity of the services;
 - (b) The resources expenditures of Party A and the time costs of employees of Party A concerning the services;
 - (c) The contents and commercial value of the services;
 - (d) The market price of similar services;
-

- (e) The operation performance of Service Accepting Party.
- (2) Party A will calculate the fee payable on a fixed term, which is to be determined by Party A and Service Accepting Party shall agree to such decision, and send Service Accepting Party the bill of service fee for the previous term. Service Accepting Party shall pay the fee to the bank account designated by Party A within ten business days after receipt of the bill, and send copy of the remittance certificate by facsimile or mail to Party A within ten business days after payment.
 - (3) In addition to the service fee, Service Accepting Party shall bear any and all reasonable cost, advance payment and out-of-pocket expense in any kind (“**Expense**”) for Party A resulting from or relevant to the performing or providing the services and shall reimburse Party A for all such Expenses.
 - (4) Service Accepting Party shall pay to the Party A the service fees and shall reimburse all Expenses according to this Agreement and its supplemental agreements executed from time to time. Party A shall provide to the Service Accepting Party all the official receipts of the service fees and Expense in time. All payment made by Service Accepting Party to Party A shall pay by remittance or in other methods as agreed by both Parties to the bank account designated by Party A. Both Parties agreed that Party A may change the payment instruction from time to time by delivering notice to Service Accepting Party.
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Rights and Obligations Assumption Letter

This entity, Heze Economic Development Zone Qiqiaoban OTC Kindergarten, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Heze City at Economic Development Zone district branch office of the Municipal Bureau of Administrative Services on July 22, 2020. Heze Qiqiaoban Education Technology Limited, which is the subsidiary of the Investor, holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Heze Economic Development Zone Qiqiaoban OTC Kindergarten

(Seal) Heze Economic Development Zone Qiqiaoban OTC Kindergarten Affixed

By: /s/ Yuling Shen
Name: Yuling Shen
Title: Legal Representative
Date: September 30, 2020

Rights and Obligations Assumption Letter

This entity, Caoxian Qiqiaoban Kindergarten, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Heze City at Cao County branch office of the Municipal Bureau of Administrative Services on October 15, 2020. Heze Qiqiaoban Education Technology Limited, which is the subsidiary of the Investor, holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Caoxian Qiqiaoban Kindergarten

(Seal) Caoxian Qiqiaoban Kindergarten Affixed

By: /s/ Jing Li

Name: Jing Li

Title: Legal Representative

Date: December 15, 2020

Rights and Obligations Assumption Letter

This entity, Guangyuan Lizhou Kasijia Kindergarten, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Guangyuan City at Lizhou district branch office of the Ministry of Civil Affairs on November 30, 2018. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Guangyuan Lizhou Kasijia Kindergarten

(Seal) Guangyuan Lizhou Kasijia Kindergarten Affixed

By: /s/ Zhou Wang _____

Name: Zhou Wang

Title: Legal Representative

Date: August 31, 2019

Rights and Obligations Assumption Letter

This entity, Beijing Huanxue Tianxia International Travel Limited, is the subsidiary of BGY Education Investment Management Co., Ltd. (“**Investor**”) registered in Beijing city at the Haidian District branch office of the Administration for Market Regulation on December 27, 2011. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Beijing Huanxue Tianxia International Travel Limited

(Seal) Beijing Huanxue Tianxia International Travel Limited Affixed

By: /s/ Huanyu Li _____

Name: Huanyu Li

Title: Legal Representative

Date: January 31, 2020

Rights and Obligations Assumption Letter

This entity, Chengdu Zhiyimeng Software Technology Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Chengdu City at Gaoxin district branch office of the Administration for Market Regulation on July 5, 2019. Chengdu Yinzhe Education and Technology Co., Ltd., which is the subsidiary of the Investor, holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Chengdu Zhiyimeng Software Technology Co., Ltd.

(Seal) Chengdu Zhiyimeng Software Technology Co., Ltd. Affixed

By: /s/ Yong Lv

Name: Yong Lv

Title: Legal Representative

Date: July 25, 2019

Rights and Obligations Assumption Letter

This entity, Guangzhou Xingzhu Information Technology Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Guangzhou City at Tianhe district branch office of the Administration for Market Regulation on August 27, 2019. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Guangzhou Xingzhu Information Technology Co., Ltd.
(Seal) *Guangzhou Xingzhu Information Technology Co., Ltd. Affixed*

Date: August 31, 2019

Rights and Obligations Assumption Letter

This entity, Dongguan Humen Bright Scholar Country Garden Kindergarten, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Dongguan City at Dongguan City’s branch office of the Ministry of Civil Affairs on October 15, 2019. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Dongguan Humen Bright Scholar Country Garden Kindergarten

(Seal) Dongguan Humen Bright Scholar Country Garden Kindergarten Affixed

By: /s/ Lizhu Wu

Name: Lizhu Wu

Title: Legal Representative

Date: December 2, 2020

Rights and Obligations Assumption Letter

This entity, Foshan Shunde Ronggui Street Country Garden Kindergarten, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Foshan City at the Shunde District branch office of the Ministry of Civil Affairs, Human Resources and Social Security on June 9, 2020. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Foshan Shunde Ronggui Street Country Garden Kindergarten

(Seal) Foshan Shunde Ronggui Street Country Garden Kindergarten Affixed

By: /s/ Xiaoyong He
Name: Xiaoyong He
Title: Legal Representative
Date: June 16, 2020

Rights and Obligations Assumption Letter

This entity, Dongguan Dongcheng Bright Scholar Kindergarten Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Dongguan City at the Dongguan City’s branch office of the Administration for Market Regulation on March 27, 2020. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Dongguan Dongcheng Bright Scholar Kindergarten Co., Ltd.

(Seal) Dongguan Dongcheng Bright Scholar Kindergarten Co., Ltd. Affixed

By: /s/ Juan Chen

Name: Juan Chen

Title: Legal Representative

Date: March 31, 2020

Rights and Obligations Assumption Letter

This entity, Huizhou Huiyang Lelebao Shenhui City Kindergarten Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Huizhou City at the Huiyang District branch office of the Administration for Market Regulation on September 21, 2020. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Huizhou Huiyang Lelebao Shenhui City Kindergarten Co., Ltd.

(Seal) Huizhou Huiyang Lelebao Shenhui City Kindergarten Co., Ltd. Affixed

By: /s/ Simin Liang

Name: Simin Liang

Title: Legal Representative

Date: December 10, 2020

Rights and Obligations Assumption Letter

This entity, Chengdu Pidu Bright Scholar Kindergarten Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Chengdu City at the Pidu District branch office of the Municipal Bureau of Administrative Services on September 11, 2020. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Chengdu Pidu Bright Scholar Kindergarten Co., Ltd.

(Seal) Chengdu Pidu Bright Scholar Kindergarten Co., Ltd. Affixed

By: /s/ Ning Yang

Name: Ning Yang

Title: Legal Representative

Date: December 3, 2020

Rights and Obligations Assumption Letter

This entity, Tianjin Beichen Lelebao Kindergarten, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Tianjin City at the Beichen District branch office of the Municipal Bureau of Administrative Services on August 25, 2020. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Tianjin Beichen Lelebao Kindergarten

(Seal) Tianjin Beichen Lelebao Kindergarten Affixed

By: /s/ Xiaogang Li

Name: Xiaogang Li

Title: Legal Representative

Date: August 30, 2020

Rights and Obligations Assumption Letter

This entity, Guangzhou Zengcheng Fettes College Kindergarten Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Guangzhou City at the Zengcheng District branch office of the Administration for Market Regulation on September 15, 2020. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Guangzhou Zengcheng Fettes College Kindergarten Co., Ltd.

(Seal) Guangzhou Zengcheng Fettes College Kindergarten Co., Ltd. Affixed

By: /s/ Li Cheng

Name: Li Cheng

Title: Legal Representative

Date: June 15, 2020

Rights and Obligations Assumption Letter

This entity, Guigang Gangbei Country Garden Lelebao Kindergarten, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Guigang City at the Gangbei District branch office of the Ministry of Civil Affairs on October 13, 2020. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Guigang Gangbei Country Garden Lelebao Kindergarten

(Seal) Guigang Gangbei Country Garden Lelebao Kindergarten Affixed

By: /s/ Xiaogang Li

Name: Xiaogang Li

Title: Legal Representative

Date: October 21, 2020

Rights and Obligations Assumption Letter

This entity, Jinan Zhangqiu Phoenix City Lelebao Kindergarten, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Jinan City at the Zhangqiu District branch office of the Municipal Bureau of Administrative Services on September 24, 2020. The Investor holds 75% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Jinan Zhangqiu Phoenix City Lelebao Kindergarten

(Seal) Jinan Zhangqiu Phoenix City Lelebao Kindergarten Affixed

By: /s/ Wanpeng Mi

Name: Wanpeng Mi

Title: Legal Representative

Date: December 14, 2020

Rights and Obligations Assumption Letter

This entity, Heze Mudan District Cultural City Kindergarten, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Heze City at the Mudan District branch office of the Municipal Bureau of Administrative Services on August 20, 2020. The Investor holds 85% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Heze Mudan District Cultural City Kindergarten

(Seal) Heze Mudan District Cultural City Kindergarten Affixed

By: /s/ Xianmin Wang

Name: Xianmin Wang

Title: Legal Representative

Date: December 17, 2020

Rights and Obligations Assumption Letter

This entity, Fettes College Experimental School of Zengcheng, Guangzhou, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Guangzhou City at the Zengcheng District branch office of the Ministry of Civil Affairs on June 5, 2020. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Fettes College Experimental School of Zengcheng, Guangzhou

(Seal) Fettes College Experimental School of Zengcheng, Guangzhou Affixed

By: /s/ Jinsheng Cheng

Name: Jinsheng Cheng

Title: Legal Representative

Date: June 15, 2020

Rights and Obligations Assumption Letter

This entity, Shanghai Huodai Commercial Information Consulting Co., Ltd., is the subsidiary of BGY Education Investment Management Co., Ltd. (“**Investor**”) registered in Shanghai city at the Jingan District branch office of the Administration for Market Regulation on December 14, 2017. The Investor holds 51% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Shanghai Huodai Commercial Information Consulting Co., Ltd.

(Seal) Shanghai Huodai Commercial Information Consulting Co., Ltd. Affixed

By: /s/ Xi Yu

Name: Xi Yu

Title: Legal Representative

Date: July 20, 2020

Rights and Obligations Assumption Letter

This entity, Shanghai Youxun Education Technology Co., Ltd., is the subsidiary of BGY Education Investment Management Co., Ltd. (“**Investor**”) registered in Shanghai city at the Pudong New District branch office of the Administration for Market Regulation on May 28, 2019. Shanghai Huodai Commercial Information Consulting Co., Ltd., which is the subsidiary of the Investor, holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Shanghai Youxun Education Technology Co., Ltd.

(Seal) Shanghai Youxun Education Technology Co., Ltd. Affixed

By: /s/ Xi Yu _____

Name: Xi Yu

Title: Legal Representative

Date: May 26, 2020

Rights and Obligations Assumption Letter

This entity, Shanghai Hanlin Education Technology Co., Ltd., is the subsidiary of BGY Education Investment Management Co., Ltd. (“**Investor**”) registered in Shanghai city at the Fengxian District branch office of the Administration for Market Regulation on March 3, 2017. Shanghai Huodai Commercial Information Consulting Co., Ltd., which is the subsidiary of the Investor, holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Shanghai Hanlin Education Technology Co., Ltd.

(Seal) Shanghai Hanlin Education Technology Co., Ltd. Affixed

By: /s/ Xi Yu

Name: Xi Yu

Title: Legal Representative

Date: July 20, 2020

Rights and Obligations Assumption Letter

This entity, Guangdong Lebeimeng Education Consulting Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Foshan City at the Shunde District branch office of the Administration for Market Regulation on November 22, 2019. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Guangdong Lebeimeng Education Consulting Co., Ltd.

(Seal) Guangdong Lebeimeng Education Consulting Co., Ltd. Affixed

By: /s/ Xiaogang Li

Name: Xiaogang Li

Title: Legal Representative

Date: November 29, 2019

Rights and Obligations Assumption Letter

This entity, Guangdong Lelebao Education Technology Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Foshan City at the Shunde District branch office of the Administration for Market Regulation on November 21, 2019. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Guangdong Lelebao Education Technology Co., Ltd.

(Seal) Guangdong Lelebao Education Technology Co., Ltd. Affixed

By: /s/ Xiaogang Li

Name: Xiaogang Li

Title: Legal Representative

Date: November 30, 2019

Rights and Obligations Assumption Letter

This entity, Jinan Boshixing Education Consulting Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Jinan City at the Lixia District branch office of the Municipal Bureau of Administrative Services on January 14, 2020. Shandong Boshiyou Education Consulting Limited, which is the subsidiary of the Investor, holds 75% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Jinan Boshixing Education Consulting Co., Ltd.

(Seal) Jinan Boshixing Education Consulting Co., Ltd. Affixed

By: /s/ Wanpeng Mi
Name: Wanpeng Mi
Title: Legal Representative
Date: January 27, 2020

Rights and Obligations Assumption Letter

This entity, Jining Boshiwei Education Consulting Limited, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Jining City at the Rencheng District branch office of the Municipal Bureau of Administrative Services on October 16, 2019. Shandong Boshiyou Education Consulting Limited, which is the subsidiary of the Investor, holds 57% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Jining Boshiwei Education Consulting Limited

(Seal) Jining Boshiwei Education Consulting Limited Affixed

By: /s/ Hongling Huo

Name: Hongling Huo

Title: Legal Representative

Date: October 29, 2019

Rights and Obligations Assumption Letter

This entity, Taishan Lebeimeng Education Consulting Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Taishan City at the Taishan City’s branch office of the Administration for Market Regulation on December 6, 2019. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Taishan Lebeimeng Education Consulting Co., Ltd.

(Seal) Taishan Lebeimeng Education Consulting Co., Ltd. Affixed

By: /s/ Xiaozhen Li

Name: Xiaozhen Li

Title: Legal Representative

Date: December 26, 2019

Rights and Obligations Assumption Letter

This entity, Weifang Boshixin Education Consulting Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Weifang City at the Comprehensive Free Trade Zone branch office of the Administration for Market Regulation on March 18, 2020. Shandong Boshiyou Education Consulting Limited, which is the subsidiary of the Investor, holds 75% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Weifang Boshixin Education Consulting Co., Ltd.

(Seal) Weifang Boshixin Education Consulting Co., Ltd. Affixed

By: /s/ Wanpeng Mi _____

Name: Wanpeng Mi

Title: Legal Representative

Date: March 29, 2020

Rights and Obligations Assumption Letter

This entity, Foshan Shunde Beijiao Town Country Garden Ivy League Education Training Centre Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Foshan City at the Shunde District branch office of the Administration for Market Regulation on August 26, 2020. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Foshan Shunde Beijiao Town Country Garden Ivy League Education Training Centre Co., Ltd.,
(Seal) *Foshan Shunde Beijiao Town Country Garden Ivy League Education Training Centre Co., Ltd., Affixed*

By: /s/ Li Li

Name: Li Li

Title: Legal Representative

Date: December 7, 2020

Rights and Obligations Assumption Letter

This entity, Guangdong Bright Scholar Ivy League Education Science Research Institute Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Foshan City at the Shunde District branch office of the Administration for Market Regulation on October 16, 2020. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Guangdong Bright Scholar Ivy League Education Science Research Institute Co., Ltd.

(Seal) Guangdong Bright Scholar Ivy League Education Science Research Institute Co., Ltd. Affixed

By: /s/ Li Li _____

Name: Li Li

Title: Legal Representative

Date: December 7, 2020

Rights and Obligations Assumption Letter

This entity, Shanghai Bolai Training Center Co., Ltd., is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Shanghai City at the Hongkou District branch office of the Administration for Market Regulation on October 14, 2019. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Shanghai Bolai Training Center Co., Ltd.

(Seal) Shanghai Bolai Training Center Co., Ltd. Affixed

By: /s/ Yan Yuan
Name: Yan Yuan
Title: Legal Representative
Date: December 7, 2020

Rights and Obligations Assumption Letter

This entity, Wuhan Qiaokou Mierdun Training School Limited, is the subsidiary established by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Wuhan City at the Qiaokou District branch office of the Municipal Bureau of Administrative Services on November 11, 2019. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

Wuhan Qiaokou Mierdun Training School Limited

(Seal) Wuhan Qiaokou Mierdun Training School Limited Affixed

Date: November 20, 2019

Subsidiaries	Place of Incorporation
Impetus Investment Limited	Cayman
Bright Scholar (Enlightenment) Investment Holdings Limited	Cayman
New Bridge Management Co., Ltd	Cayman
CEG Holdings Canada Inc.	Canada
976821 Ontario Inc.	Canada
744648 Alberta Inc.	Canada
Bright Scholar (Canada) Holdings Limited	Canada
Can-Achieve Academy Limited	Canada
Can-Achieve International Education Limited (Vancouver)	Canada
Time Education China Holdings Limited	Hong Kong
Xin Rui Management Co., Ltd.	Hong Kong
Foundation Education China Limited	Hong Kong
Foundation Academy Limited	Hong Kong
Foundation Education Services Limited	Hong Kong
Foundation Global Education Limited	Hong Kong
Can-Achieve International Education Limited	Hong Kong
CEG Hong Kong JV Limited	Hong Kong
Bright Can-Achieve Limited	Hong Kong
FGE Holdings Limited	The British Virgin Islands
Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd.	The PRC
Time Elan Education Technology Co., Ltd.	The PRC
Guangdong Zhixing Weilai Logistics Management Co., Ltd.	The PRC
Shenzhen Qianhai Xingkeyucai Trading Co., Ltd.	The PRC
Beijing Bright Scholar Education Consulting Limited Co., Ltd.	The PRC

Foshan Shunde Elan Education Training Co., Ltd.	The PRC
Beijing Bolai Reading Culture Co., Ltd.	The PRC
Shenzhen Elan Education Training Co., Ltd.	The PRC
Guangdong Bright Scholar Education Technology Co., Ltd.	The PRC
Guangzhou Elan Education Consulting Co., Ltd.	The PRC
Beijing Jingshiboda Education Technology Co., Ltd.	The PRC
Zhuhai Hengqin Kaidi Education Consulting Co., Ltd.	The PRC
Zhuhai Xin Xu Education Management Co., Ltd.	The PRC
Foundation Information Consulting (Shenzhen) Co., Ltd.	The PRC
Can-achieve (Beijing) Education Consulting Co., Ltd.	The PRC
Guangzhou Can-achieve Global Consulting Co., Ltd.	The PRC
Zhengzhou Dahua Education Consulting Co., Ltd.	The PRC
Bright Scholar Wanjia (Beijing) Education Consulting Co., Ltd.	The PRC
Bright Scholar Education Consulting (Huizhou) Co., Ltd.	The PRC
Hangzhou Impression Arts Training Co., Ltd.	The PRC
Cambridge Education Technology (Shanghai) Co., Limited (China)	The PRC
Beijing Yinxiang Bright Scholar Education Consulting Co., Ltd.	The PRC
Shanghai Yinle Arts Training Co., Ltd.	The PRC
Beijing Can-achieve Lingying Information Consulting Co., Ltd.	The PRC
Zhuhai Hengqin Dingjia Education Consulting Limited	The PRC
Bright Scholar (UK) Holdings Limited	United Kingdom
Bright Scholar (BCS) Property Limited	United Kingdom
Bright Scholar (BCS) Management Limited	United Kingdom
CATS Colleges Holdings Limited	United Kingdom

CEG Colleges Limited	United Kingdom
Cambridge Arts and Science Limited	United Kingdom
CATS Canterbury Limited	United Kingdom
CATS College London Limited	United Kingdom
Cambridge School of Visual and Performing Arts Limited	United Kingdom
CATS Retail Limited	United Kingdom
Cambridge School of Art and Design Limited	United Kingdom
Stafford House Companies Limited	United Kingdom
Stafford House School of English Limited	United Kingdom
Stafford House Study Holidays Limited	United Kingdom
Study Holidays Limited	United Kingdom
CEG Properties Limited	United Kingdom
Bright Scholar (BCS) Limited	United Kingdom
CGS Administrative Services Limited	United Kingdom
Bright Scholar (BIC) Limited	United Kingdom
Bright Scholar (BIC) Management Limited	United Kingdom
Bright Scholar (SM) Hold Co. Limited	United Kingdom
Bright Scholar (SM) Limited	United Kingdom
Bright Scholar (SM) Management Limited	United Kingdom
Cambridge Education Group Holdings Inc.	United States
Can-achieve Global Education, Inc. (Los Angeles)	United States
CATS Academy Boston Inc.	United States
Boston Academy of English Inc.	United States
Intrax English Academies LLC	United States

Affiliated Entity	Place of Incorporation
BGY Education Investment Management Co., Ltd.	The PRC
Schools/subsidiaries held by Affiliated Entity	Place of Incorporation
Baoding Baigou New City Bright Scholar Shenghua Education Consulting Co., Ltd.	The PRC
Baoding Baigou New City Shenghua Country Garden Kindergarten Co., Ltd.	The PRC
Beijing Huanxue International Travel Limited	The PRC
Chengdu Boxuele Education Management Consulting Co., Ltd.	The PRC
Chengdu Zhiyimeng Software Technology Co., Ltd.	The PRC
Chuzhou Country Garden Foreign Language School	The PRC
Chuzhou Country Garden Kindergarten	The PRC
Country Garden Experimental School	The PRC
Country Garden Huacheng Kindergarten	The PRC
Country Garden Huacheng School	The PRC
Country Garden Silver Beach Kindergarten	The PRC
Country Garden Silver Beach School	The PRC
Country Garden Venice Bilingual School	The PRC
Country Garden Venice Kindergarten	The PRC
Dalang Country Garden Kindergarten	The PRC
Danyang Country Garden Kindergarten	The PRC
Chengdu Yinzhe Education and Technology Co., Ltd.	The PRC
Dongguan Humen Bright Scholar Country Garden Kindergarten	The PRC
Dongguan Qingxi Country Garden Kindergarten	The PRC

Dongguan Qishi Country Garden Kindergarten	The PRC
Chengdu Laizhe Education and Technology Co., Ltd.	The PRC
Dreambig Career Limited	Hong Kong
Enping Country Garden Kindergarten	The PRC
Fengxin Country Garden Kindergarten	The PRC
Foshan Shunde Beijiao Country Garden Guilanshan Kindergarten Co., Ltd.	The PRC
Foshan Shunde Shengbo Culture and Arts Training Co., Ltd.	The PRC
Gaoming Country Garden Kindergarten	The PRC
Guangdong Country Garden School	The PRC
Guangdong Lebeimeng Education Consulting Co., Ltd.	The PRC
Guangdong Lelebao Education Technology Co., Ltd.	The PRC
Guangdong Xingjian Education Co., Ltd.	The PRC
Guangyuan Lizhou Kasijia Kindergarten	The PRC
Guangzhou Huihua Education Consulting Co., Ltd.	The PRC
Guangzhou Xingzhu Information Technology Co., Ltd.	The PRC
Haiyang Country Garden Kindergarten	The PRC
Haoting Country Garden Kindergarten	The PRC
Heshan Country Garden Kindergarten	The PRC
Heshan Country Garden School	The PRC
Heze Qiqiaoban Education Technology Limited	The PRC
Huadu Holiday Peninsula Kindergarten	The PRC
Huanan Country Garden Bilingual Kindergarten	The PRC
Huanan Country Garden Cuiyun Mountain Kindergarten	The PRC
Huanan Country Garden School	The PRC
Huaxi Country Garden International Kindergarten	The PRC

Huaxi Country Garden International School	The PRC
Hubei Sannew Education Development Limited	The PRC
Huidong Silver Beach Education Consulting Co., Ltd.	The PRC
Huiyang Country Garden Kindergarten	The PRC
Jining Boshiwei Education Consulting Limited	The PRC
Jurong Country Garden School	The PRC
Kaiping Country Garden Jade Bay Kindergarten	The PRC
Kaiping Country Garden School	The PRC
Laian Country Garden Foreign Language School	The PRC
Laian Country Garden Kindergarten	The PRC
Lanzhou Country Garden School	The PRC
Licheng Country Garden Bilingual Kindergarten	The PRC
Maoming Country Garden Kindergarten	The PRC
Nansha Country Garden Bilingual Kindergarten	The PRC
Ningxiang Country Garden Foreign Language Training School	The PRC
Ningxiang Country Garden Kindergarten	The PRC
Ningxiang Country Garden School	The PRC
Phoenix City Bilingual Kindergarten	The PRC
Phoenix City Bilingual School	The PRC
Phoenix City Country Garden Kindergarten	The PRC
Phoenix City Fengyan Kindergarten	The PRC
Qingyuan Country Garden Bilingual Kindergarten	The PRC
Heze Economic Development Zone Electric Kindergarten	The PRC
Heze Economic Development Zone Qiqiaoban-OCT Kindergarten	The PRC
Caoxian Qiqiaoban Kindergarten	The PRC

HeZe Qiqiaoban Juancheng Kindergarten	The PRC
Juye Phoenix Qiqiaoban Dongfang Xintiandi Kindergarten	The PRC
Qiqiaoban Oscar Kindergarten	The PRC
Juancheng Shuncheng International Kindergarten	The PRC
Heze Mudan District Yihai Kindergarten	The PRC
Sanne American Middle School	The PRC
Shangdong Boshiyou Education Consulting Limited	The PRC
Shanghai Elan Education and Training Co., Ltd.	The PRC
Shanghai Bolai Training Center Co., Ltd.	The PRC
Shaoguan Country Garden Foreign Language School	The PRC
Shaoguan Zhenjiang Country Garden Foreign Language Kindergarten	The PRC
Shawan Country Garden Kindergarten	The PRC
Guangzhou Elan Education and Training Co., Ltd.	The PRC
Shenghua Country Garden Bilingual School	The PRC
Taishan Country Garden School	The PRC
Shenzhen Time Elan Technology Co., Ltd.	The PRC
Time Elan Education Technology (Beijing) Co., Ltd.	The PRC
Wuhan Country Garden Kindergarten	The PRC
Wuhan Country Garden School	The PRC
Wuhan Donghu Tech Development Zone Xinqiao Kindergarten	The PRC
Wuhan Donghu Tech Development Zone Xinqiao-Jinxu Longcheng Kindergarten	The PRC
Wuhan Dongxihu District Dongqiao Kindergarten	The PRC
Wuhan Hongshan District Xinqiao Aijia Kindergarten	The PRC
Wuhan Mierdun Education Technology Limited	The PRC
Wuhan Qiaokou Mierdun Training School Limited	The PRC

Wuhan Qiaosheng Education Investment Co., Ltd.	The PRC
Wuhan Qingshan District Bilingual Kindergarten	The PRC
Wuhan Ruijiang Bright Scholar Education Industry Investment Fund Limited Partnership	The PRC
Wuyi Country Garden Bilingual School	The PRC
Xiangtan Yisuhe Country Garden Kindergarten	The PRC
Xiju Country Garden Kindergarten	The PRC
Zengcheng Country Garden Kindergarten	The PRC
Zengcheng Country Garden School	The PRC
Beijing Huanxue Tianxia International Travel Limited	The PRC
Dongguan Dongcheng Bright Scholar Kindergarten Co., Ltd	The PRC
Chengdu Pidun Bright Scholar Kindergarten Co., Ltd.	The PRC
Tianjin Beichen Lelebao Kindergarten	The PRC
Huizhou Huiyang Lelebao Shenhui City Kindergarten Co., Ltd.	The PRC
Guangzhou Zengcheng Fettes College Kindergarten Co., Ltd.	The PRC
Fettes College Experimental School of Zengcheng, Guangzhou	The PRC
Guigang Gangbei Country Garden Lelebao Kindergarten	The PRC
Zhaoqing Lelebao Xingfuli Kindergarten	The PRC
Lanzhou Lelebao Hyde Country Kindergarten	The PRC
Lanzhou Lelebao Yorkshire Kindergarten	The PRC
Lanzhou Lelebao Edinburgh Kindergarten	The PRC
Jinan Zhangqiu Phoenix City Lelebao Kindergarten	The PRC
Jining Jizhou Yinxiang Lelebao Kindergarten	The PRC
Jining Feicuiwan Lelebao Kindergarten	The PRC
Heze Mudan District Culture City Kindergarten	The PRC
Shanghai Huodai Commercial Information Consulting Co., Ltd.	The PRC

Shanghai Youxun Education Technology Co., Ltd.	The PRC
Shanghai Hanlin Education Technology Co., Ltd.	The PRC
Weifang Boshixin Education Consulting Co., Ltd.	The PRC
Jinan Boshixing Education Consulting Co., Ltd.	The PRC
Foshan Shunde Beijiao Town Country Garden Ivy League Education Training Centre Co., Ltd.	The PRC
Guangdong Bright Scholar Ivy League Education Science Research Institute Co., Ltd.	The PRC
Foshan Shunde Ronggui Street Country Garden Kindergarten	The PRC
Taishan Lebeimeng Education Consulting Co., Ltd.	The PRC

Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Wanmei Li, certify that:

1. I have reviewed this annual report on Form 20-F of Bright Scholar Education Holdings Limited;
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 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 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: December 23, 2020

By: /s/ Wanmei Li

Name: Wanmei Li

Title: Co-Chief Executive Officer

Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Zi Chen, certify that:

1. I have reviewed this annual report on Form 20-F of Bright Scholar Education Holdings Limited;
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 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 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: December 23, 2020

By: /s/ Zi Chen

Name: Zi Chen

Title: Co-Chief Executive Officer

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Dongmei Li, certify that:

1. I have reviewed this annual report on Form 20-F of Bright Scholar Education Holdings Limited;
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 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 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: December 23, 2020

By: /s/ Dongmei Li

Name: Dongmei Li

Title: Chief Financial Officer

Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Bright Scholar Education Holdings Limited (the "Company") on Form 20-F for the year ended August 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wanmei Li, Co-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: December 23, 2020

By: /s/ Wanmei Li

Name: Wanmei Li

Title: Co-Chief Executive Officer

Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Bright Scholar Education Holdings Limited (the "Company") on Form 20-F for the year ended August 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Zi Chen, Co-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: December 23, 2020

By: /s/ Zi Chen

Name: Zi Chen

Title: Co-Chief Executive Officer

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Bright Scholar Education Holdings Limited (the "Company") on Form 20-F for the year ended August 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dongmei Li, 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: December 23, 2020

By: /s/ Dongmei Li

Name: Dongmei Li

Title: Chief Financial Officer

[Letterhead of Frost & Sullivan]

December 23, 2020

Bright Scholar Education Holdings Limited
No.1, Country Garden Road
Beijiao Town, Shunde District Foshan, Guangdong 528300
People's Republic of China.

Re: Consent of Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

Ladies and Gentlemen,

We understand that Bright Scholar Education Holdings Limited (the "Company") plans to file an annual report on Form 20-F for the fiscal year ended August 31, 2020 ("Form 20-F") with the United States Securities and Exchange Commission (the "SEC").

We hereby consent to the references to our name and the inclusion of information, data and statements from our research reports and amendments thereto (collectively, the "Reports"), and any subsequent amendments to the Reports, as well as the citation of the Reports and amendments thereto, (i) in the Company's Form 20-F or any other future filings with the SEC (including with limitation, Form F-1, Form F-3, Form 6-K and other SEC filings) by the Company (collectively, the "SEC Filings"), (ii) in any written correspondence with the SEC, (iii) on the websites or in the publicity materials of the Company and its subsidiaries and affiliates, (iv) in institutional and retail roadshows and other activities in connection with the Company's future equity or debt offerings. We further hereby consent to the filing of this letter as an exhibit to the Form 20-F and any amendments thereto and as an exhibit to any other SEC Filings.

Yours faithfully,

For and on behalf of

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

/s/ Yves Wang

Name: Yves Wang

Title: Managing Director, China



Suite 1301, 13/F, E Building, G.T.Land Plaza
 13 Zhujiang East Road, Zhujiang New Town
 Tianhe District, Guangzhou 510623, P. R. China
 T: (86-20) 2805-9088
 F: (86-20) 2805-9099

December 23, 2020

Bright Scholar Education Holdings Limited
 No.1, Country Garden Road
 Beijiao Town, Shunde District
 Foshan, Guangdong, PRC
 528300

Dear Sirs,

We consent to the references to our firm under “Item 3 Key Information—D. Risk Factors,” “Item 4 Information on the Company—A. History and development of the company,” “Item 4 Information on the Company—B Business Overview—Regulations,” “Item 4 Information on the Company—C Organizational Structure” and “Item 5 Operating and Financial Review and Prospects—A Operating Results—Critical Accounting Policies and Estimates” included in Bright Scholar Education Holdings Limited’s annual report on Form 20-F for the year ended August 31, 2020 (the “Annual Report”), which is filed with the Securities and Exchange Commission (the “SEC”) on December 23, 2020. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

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/ JunHe LLP

JunHe LLP

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 Tel: (86-10) 8519-1300
 Fax: (86-10) 8519-1350

Shanghai Office
 Tel: (86-21) 5298-5488
 Fax: (86-21) 5298-5492

Guangzhou Office
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 Fax: (86-20) 2805-9099

Shenzhen Office
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 Fax: (86-755) 2939-5289

Hangzhou Office
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Chengdu Office
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 Fax: (86-28) 6739-8001

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 Fax: (86-532) 6869-5010

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 Tel: (86-22) 5990-1301
 Fax: (86-22) 5990-1302

Hong Kong Office
 Tel: (852) 2167-0000
 Fax: (852) 2167-0050

New York Office
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 Fax: (1-212) 703-8720

Silicon Valley Office
 Tel: (1-888) 886-8168
 Fax: (1-888) 808-2168

www.junhe.com

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-222072 on Form S-8 of our report dated December 23, 2020, relating to the financial statements and the financial statement schedule of Bright Scholar Education Holdings Ltd. appearing in the Annual Report on Form 20-F for the year ended August 31, 2020.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Guangzhou, China

December 23, 2020
